

## Pennsylvania Jobs Growth in Perspective

**Summary:** By almost every measure, 2017 was a good year for the national economy as evidenced by a big rise in the stock market and a sizable gain in employment, especially in manufacturing. In fact, across the country, private jobs increased by nearly 2 percent over the 2016 level. But how did Pennsylvania's economy fare, especially in comparison to other states?

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This *Brief* compares Pennsylvania's jobs performance in key sectors of the economy to national gains as well as to the performance of neighboring states Ohio and Maryland and two right-to-work states—North Carolina and Texas. All data are from the Bureau of Labor Statistics' current employment statistics survey.

Nationally private jobs total rose 1.8 percent from 2016 to 2017. Pennsylvania's 1.2 percent increase was well below the national gain and slower than Texas and North Carolina (1.9 percent each). It did however, best neighboring Ohio (0.8 percent) and Maryland (1.05 percent).

Moreover, during the five years from 2012 to 2017, the commonwealth's private jobs growth has been quite weak compared to the nation and the other states. Over the period, annual average private jobs in the country climbed by 10.7 percent. North Carolina posted a 12.5 percent gain while Texas' private jobs jumped by 13.2 percent. Maryland's increase was 6.8 percent and Ohio's job count was up 7.1 percent. Pennsylvania's rise of 5 percent trails the nation badly and is far less robust than the stronger performing states.

As has been noted in earlier *Briefs*, manufacturing jobs in Pennsylvania were on a downward trend for quite some time. However, in a bit of a turnaround, 2017's monthly average manufacturing job count registered a near one-half of a percent increase over the 2016 level. This was smaller than the national increase of 0.73 percent, but not by much. All of the other states in this comparison group also had gains of less than one percent with Maryland leading the pack at 0.85 percent and Ohio at 0.25 percent was the slowest and the only state in this group with growth slower than Pennsylvania's.

Over the last five years, national manufacturing jobs were up 4.3 percent thanks largely to a muted recovery from the plunge that occurred during the severe 2008-2010 recession. Most of the growth occurred in the 2011 to 2015 rebound period. After stumbling in the second

half of 2016 manufacturing employment regained significant momentum and moved up briskly in the last three quarters of 2017. Nonetheless, despite recent strong gains employment remains below its 2007 level.

Two of the states reviewed beat the five-year national gain (North Carolina, 6.2 percent and Ohio, 4.6 percent) while the others posted losses (Pennsylvania, -1.0 percent, Maryland, -4.3 percent and Texas, -2.2 percent). Manufacturing, a goods-producing sector, is prized for its higher wages and multiplier effect it has on the economy. Pennsylvania has been struggling with manufacturing job losses going back to the collapse of the steel industry.

Meanwhile, several service sectors in Pennsylvania have fared better than manufacturing in terms of jobs. This *Brief* reviews the sectors of trade, transportation and utilities; education and health; professional and business services; and leisure and hospitality.

Trade, transportation and utilities employment includes wholesale trade, retail trade, transportation and warehousing along with utilities. From 2016 to 2017 the annual average jobs count in this sector nationally rose 0.9 percent. Both Pennsylvania and Maryland registered small declines in this sector (-0.07 percent and -0.17 percent respectively). The other states in the sample posted gains with North Carolina highest at 1.5 percent and Ohio lowest with jobs up by only 0.2 percent.

Over the five years 2012 to 2017, jobs in this sector rose 7.9 percent nationally. Pennsylvania's modest uptick of 2.6 percent was the lowest of the states in the five-state group. The fastest growth was recorded in Texas at 13.2 percent. North Carolina was close behind (11.2 percent) followed by Ohio (5.3 percent) and Maryland (3.6 percent).

Pennsylvania has done fairly well over the last five years in the education and health sector. From 2012 through 2017, this sector posted a 7.8 percent rise in average annual jobs. Even with this gain however, the commonwealth failed to keep pace with the national growth of 11.6 percent. It did slightly outpace Ohio (7.5 percent) but trailed North Carolina (9.1 percent), Texas (15.2 percent) and Maryland (10.2 percent). Interestingly, health and education job growth from 2016 to 2017 was in a tight range of 2.2 percent to 2.7 percent for all states in the group except Ohio where the gain was a much slower 1.2 percent. The national pickup was 2.4 percent.

Much is made of the state's strength in "eds and meds" but the reality is that over the long term it has lagged the national rate and other states that are also strong in growing this sector.

The professional and business services sector is another area in which Pennsylvania typically does well. Over the last five years jobs in this sector climbed 9.2 percent in the state. This was faster than neighboring Ohio (6.9 percent) and Maryland (8.1 percent) but lags well behind North Carolina (16.4 percent) and Texas (17.8 percent). National growth over the last five years was 14.1 percent. Thus while Pennsylvania posted respectable growth, it still lagged well behind the national increase and even further behind the faster growing states in the comparison group.

Looking at the 2017-over-2016 results, Pennsylvania grew 0.9 percent besting Maryland (0.7 percent) and Ohio (-0.4 percent). The national gain was 2.1 percent (same for North Carolina) with Texas leading at 2.2 percent.

Leisure and hospitality concludes the sector employment comparisons. Overall, this sector has grown the fastest of all the major sectors. During the 2012 to 2017 period, national growth was 16.6 percent (an average compound growth of 3.1 percent per year). Five-year growth for the comparison group ranges from a high of 21.9 percent in Texas to a low of 8.1 percent in Pennsylvania. North Carolina's 18.4 percent also exceeded the national gain while Ohio (11.8 percent) and Maryland (13.7 percent) trailed.

On a year-over-year basis, Ohio had the smallest rise (1.5 percent) with Pennsylvania slightly ahead of that pace (1.7 percent). National growth in this sector was 2.5 percent with both North Carolina and Texas (2.7 percent apiece) exceeding that gain. To be sure, this sector represents something of a mixed bag. While the increase in jobs is welcome, most are not high-paying jobs and are unlikely to have a spin-off effect on other sectors of the economy.

Pennsylvania's comparative jobs record over the last five years leaves a lot to be desired. The state was neither able to keep up with growth in total private jobs nationally nor in the economic sectors examined. In the group of states reviewed, Maryland and Ohio along with typically higher growth states North Carolina and Texas, it had the lowest growth in total private jobs. It also finished last in this group of states in job expansion for the trade, transportation and utilities and the leisure and hospitality sectors and next to last in the education and health sector.

The reasons for this relatively poor performance are not difficult to find. As we have written in previous *Policy Briefs*, Pennsylvania has an overall poor business climate, high business taxes and a business stifling regulatory climate. Its fealty to unions is evident in the absence of a right-to-work law, high rates of unionization of public sector employees and allowing teachers and transit workers to strike. If Pennsylvania wants stronger economic growth, it needs to remove the glaring constraints it places on free market economics and it needs to address its shortsighted governance practices.

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