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Pennsylvania's job losses in 2020

Summary: The coronavirus pandemic hammered Pennsylvania's economy in 2020. With recently released state employer payroll data for December, the extent of the damage can clearly be seen. Thousands of Pennsylvanians lost jobs in nearly every sector, pushing employment to decade-ago levels.

Total non-farm jobs

For quite some time Institute *Policy Briefs* have documented the sub-par growth in Pennsylvania's non-farm jobs. For example, during the previous couple of years (2018 and 2019) the strongest monthly gain from the year-earlier reading occurred in January 2019, when non-farm jobs were 1.30 percent above January 2018. March 2018 posted a similar gain (1.29 percent) over March 2017. The changes in jobs as measured from the same month a year earlier during the two years ranged from a high of 1.30 percent to a low of 0.58 percent (December 2019).

By comparison, the national monthly year-over-year increases during these two years ranged from a high of 1.70 percent (January 2019) to a low of 1.21 percent (June 2019). Pennsylvania's job gains from 12 months earlier lagged national performance every month from January 2018 to December 2019. National growth ran ahead of Pennsylvania because of much stronger gains in several states such as Texas with an average monthly growth rate of over 2.25 percent during those two years. Other states exceeding the national growth rate include Florida, Georgia and North Carolina.

In 2020, the relatively sluggish monthly year-over-year gains in Pennsylvania continued in the two months prior to the massive coronavirus impact with January posting a rise of 0.71 percent and February at 1.02 percent. Note that national gains were far stronger at 1.54 percent in January and 1.61 percent in February. After massive job losses in April and May, there was some recovery as the lockdown eased somewhat. Nonetheless, for 2020 as a whole, the average monthly non-farm jobs count in the state was 5.617 million, a huge decline of 7.36 percent from 2019's average of 6.064 million and the lowest count since 2009 when the monthly average was 5.616 million.

Nationally, the slide, while quite large, was not as dramatic. The average monthly number of jobs nationwide in 2020 was 142.22 million, down 5.75 percent from 2019 (150.94 million) and the lowest annual number since 2015 (141.83 million).

Total private jobs, which exclude public-sector jobs, recorded a bigger drop than non-farm jobs. The monthly average number of private jobs in Pennsylvania in 2020 came in at 4.93 million—8.0 percent lower than 2019's average monthly count of 5.36 million. The 2020 count was the lowest since the 4.85 million jobs in the Great Recession year of 2010.

Goods-producing

Goods-producing sectors include mining and logging, construction and manufacturing. Typical of most sectors, the goods-producing sectors posted slight employment gains in January (0.30 percent) and February (0.73 percent) before the steep decline began in March (-0.72 percent). April had the largest year-over-year decline (-21.47 percent), which lessened as the year progressed. The average monthly goods-producing jobs in 2020 was 810,600, 6.30 percent lower than in 2019 (865,100).

The mining and logging sector took the hardest hit in percentage terms with double-digit year-over-year losses each month from April through December ranging from -18.92 percent (June) to -13.07 percent (September). However, this sector had been shedding jobs on a monthly, year-over-year basis going back to August 2019.

The job losses in this sector could continue or possibly worsen if the governor follows through on the threat to impose an additional extraction tax on the natural gas industry or forces Pennsylvania into the Regional Greenhouse Gas Initiative.

Average number of monthly Jobs ('000s)			
	2019	2020	% Change
Goods Producing	865.1	810.6	-6.30
Mining and Logging	29.1	24.9	-14.43
Construction	260.6	243	-6.75
Manufacturing	575.4	542.7	-5.68

Service-providing industries

Service-providing industries suffered even greater losses than the goods sector during the lockdown. However, the public-service sector (government) employment declines were far smaller than private-service sector losses.

Government

Note that the government sector, including federal, state and local levels, added jobs on a year-over-year basis, in the first quarter of 2020—January (0.66 percent), February (0.68 percent) and March (0.36 percent). The job losses began in April but were not very severe compared to the private sector. The annual monthly average of government employment in 2020 was just 2.25 percent lower than in 2019, reflecting an increase in federal jobs of 3.3 percent.

For the commonwealth, state level losses were minimal in 2020. After adding jobs over the first four months, the losses followed each month for the remainder of the year. Overall, the average monthly number of state jobs dropped only 2.28 percent from the monthly average in 2019.

Losses at the local level were more severe. After adding jobs during the first two months, the losses set in. They began in March (-0.17 percent) and lasted for each remaining month of 2020. Local government jobs in 2020 were 6.11 percent lower than in 2019. Much of the decline occurred in public k-12 education which accounted for over 70 percent of the total loss of local government jobs by year's end. While public schools did not lay off any teachers as they moved to remote learning, it is more likely that support staff were laid off as buildings were closed.

Average number of monthly Jobs ('000s)			
	2019	2020	% Change
Service Providing	4,492.00	4,116.20	-8.37
Trade, Tranportation & Utilities	1,125.10	1,051.40	-6.55
Professional & Business Services	815	771.7	-5.31
Education & Health Services	1,296.10	1,231.80	-4.96
Leisure & Hospitality	577.4	427.5	-25.96
Government	706.5	690.6	-2.25

Without a doubt leisure and hospitality employment suffered the biggest losses in 2020. After being one of the most reliable job growing sectors, the lockdown specifically targeted this sector and the resulting job losses were horrendous. In April 2020, the employment level in this sector dropped by 59 percent. May's year-over-year loss was 50.50 percent. While the losses improved slightly as the lockdown was lifted, they remained the largest of any sector. In the second lockdown, which was aimed predominantly at bars and restaurants during the normally busy holiday season, losses reached nearly 30 percent in December compared to December 2019.

Every major component of the leisure and hospitality industry (eating places, hotels, recreational facilities, etc.) recorded lower job counts in December 2020 than in December 2019.

Education and health services has historically also been a strong job growth sector and added jobs from January 2018 through December 2019. Relatively strong gains continued into January and February 2020. However, losses began in March as the gubernatorial lockdown was put in place. Still, the loss of jobs from 2019 to 2020 was less than 5 percent.

It is interesting to note that the health care sector was not immune to job losses as the Covid-19 crisis took hold. Hospital employment was a relatively weak performer posting monthly year-over-year growth under 1 percent from March 2018 until the pandemic began in March 2020. It started shedding jobs in April and through the end of the year recorded an annual loss of 2.63 percent from 2019.

Educational services, which are comprised of colleges, universities, private k-12 and training centers, also suffered a large drop in the monthly year-over-year employment count once the pandemic began. For the year, which includes the growth months of January and February, the 2020 average monthly number of jobs fell 9.75 percent below the average monthly reading in 2019.

Another sector sharing the same fate is the trade, transportation and utilities sector which had a fall in the average monthly level of employment of 6.55 percent from 2019 to 2020. In this sector, retail was hit particularly hard. For the year, the average monthly jobs in the retail sector came in 8.5 percent lower in 2020 than in 2019. This large decline occurred even though grocery stores and general-purpose stores were permitted to operate during the lockdowns.

What to do?

What does Pennsylvania need to do going forward to begin repairing the damage? The one thing that should *not* be done is to raise the minimum wage at a time when many businesses are foundering and in danger of closing. But that's exactly what the governor has proposed in his budget for fiscal 2022. The proposed personal income tax hike is also a very bad idea.

The leisure and hospitality industry, along with retail, provides many new labor force entrants their first job and would be hardest hit by a higher minimum wage. A higher wage floor would increase the cost of doing business at a time when revenues are still well below normal as restaurants in the commonwealth are still restricted to 50 percent capacity and many arts and recreational facilities are still closed or are limiting patrons to comply with social distancing requirements.

Raising the minimum wage is a tone-deaf measure that will only exacerbate the job losses for this and other sectors that offer low-skilled labor the all-important entry into the workplace.

The best way to reverse these job losses would be to help these industries, not place more impediments in their way. As more vaccinations are carried out customer occupancy levels should be increased. As we have been advocating for many years, the state must facilitate a business climate that is conducive to growth, such as by reducing regulations and lowering tax levels on these companies, which will encourage them to grow and prosper.

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