

Pennsylvania's employment picture not so rosy

Summary: Recently released Pennsylvania employment data for October reported a less-than-rosy picture for statewide numbers. Non-seasonally adjusted household data put the number of people employed at 5.96 million, the lowest October count—other than the Covid depressed reading in 2020—since 2013 (5.95 million). Other measures were just as disappointing. The October labor force stood at 6.27 million, the lowest reading in 15 years while the labor force participation rate of 62.1 percent was the lowest since at least 1990 (the oldest data available). These are not encouraging signs for an economy trying to recover from a pandemic.

Household employment

The U.S. Bureau of Labor Statistics (BLS) conducts a monthly household survey to gauge labor market activity. Because this analysis compares months to the same months from previous years, non-seasonally adjusted data is used. While the October 2021 level was disappointing, it was better than the October 2020 level of 5.91 million, albeit by less than 1 percent.

But absent the Covid pandemic, it would have been reasonable to expect that the 2020 reading would have grown by at least 1 percent over the 2019 figure of 6.26 million, which was 1 percent higher than 2018 and the highest October level since at least 1990. At 1 percent annual growth, the 2020 level should have reached 6.33 million and 2021 would have climbed to 6.39 million. Therefore, the October 2021 reading of 5.96 million is about 6.8 percent lower than it would have been without the pandemic and the state had sustained its pre-pandemic growth level. Thus, the state's effective shortfall is about 430,000 employed people rather than the reported 50,880.

Even more concerning, the October 2021 reading for the nation was 3.01 percent greater than the October 2020 level while Pennsylvania's growth (0.86 percent) is woefully short of the nation.

Pennsylvania's annual monthly average thus far in 2021 is 5.88 million and is the lowest monthly average since the recession year of 2010 (5.84 million). Nationally, the average

monthly number employed (152.3 million) only slipped back to 2016's level (151.4 million). As documented in an earlier *Policy Brief* (Vol. 21, No. 30), Pennsylvania has been unable to keep up with the employment growth of other states, particularly the Right-to-Work states.

Labor force growth

According to the BLS, in October 2021 there were 6.27 million people in Pennsylvania's civilian labor force, the lowest October count since 2005. The BLS defines the civilian labor force as all persons, 16 years of age and over, not in the military, who are either employed or unemployed but actively seeking work. The unemployed who are not actively seeking work, such as those retired or in school, are not counted as part of the labor force. The labor force tends to rise when the economy is picking up because people become encouraged about their chances of finding a job and thus start looking and are counted in the statistic. It tends to fall when the economy struggles as people who were looking for work but were unsuccessful, stop looking, and are thus no longer counted as being in the labor force.

The October high-water mark for the state's labor force came in 2019 when it reached 6.55 million. It fell 3.5 percent to 6.32 million in October 2020. It dropped by another 0.76 percent by October 2021.

The year with the highest average monthly labor force count was 2019 (6.50 million). The monthly average of 6.39 million labor force participants in 2020 is the lowest amount since 2011 (6.38 million). The growth to Pennsylvania's labor force over the last 30 years has been mostly positive (21 of 30 years) but rarely greater than 1 percent. Since 1990 the state's labor force has only grown by 8.13 percent.

Nationally, October 2019 at 164.6 million was also the highest since 1990. The labor force dropped 2.1 percent in October 2020 before ticking up 0.5 percent in October 2021. 2019 was also the best year for the monthly average (163.5 million), easily topping the previous high mark set the previous year. Since 1990 the nation's civilian labor force has grown by 28.07 percent.

Once again, Pennsylvania lags the nation in this key statistic.

Labor force participation rate

The labor force participation rate is defined as the number in the labor force as a percentage of the civilian non-institutionalized population 16 years and over. Thus far in 2021 Pennsylvania's monthly average labor force participation rate stands at 61.2 percent. If this holds up, and this late in the year that seems very likely, it will be the lowest rate over the last 30 years. The previous non-Covid low was 62.6 percent (2014, 2018). The previous 30 year-high was 65.1 (2008). The 2019 mark was 63.2 percent. The rate has fallen two percentage points since the pandemic began in 2020.

Nationwide the 2021 monthly average labor force participation rate is 61.7 percent—a few ticks above the commonwealth’s rate. Typically speaking, the national labor force participation rate has been higher than Pennsylvania’s rate over the last 30 years although the gap has shrunk recently. There were four exceptions (2015, 2016, 2019, 2020) and they were all less than 0.5 points.

A falling labor force participation rate implies that employers will have a more difficult time filling open positions. This may cause them to either not reopen or if they do reopen reduce hours or even days of operation.

The Fall 2021 Keystone Business Climate Survey offers a look into what Pennsylvania businesses are doing, or are planning to do, regarding hiring.

Business climate survey

The survey was administered to business decision makers from across Pennsylvania—50.3 percent were business owners with another 13.6 percent identifying as top officers. There were 164 respondents to the survey’s 29 questions.

The first question to address hiring asked the respondents if their business has open positions to fill. 57.23 percent answered in the affirmative, a good sign that jobs in Pennsylvania are available.

However, when asked if the business was having difficulty finding enough qualified employees to fill open positions, a majority—61.25 percent—indicated they were having either significant or some difficulty finding qualified employees. Only 29.38 percent indicated no such difficulty and the remainder offered no opinion or refused to respond.

More than half of the decision-makers also indicated a willingness to offer incentives to bring in qualified employees. Of the respondents to this question, 35.44 percent indicated they increased wages, 4.43 percent increased benefits and 12.66 percent claimed to have increased both for a total of 52.53 percent.

When asked the question about reducing business or hours, over 60 percent claimed that they have not had to resort to such measures. Only 19 percent claimed to reduce hours, 9.5 percent have periodically closed and 10.76 percent have done both.

While the survey contains questions that cover a variety of topics regarding Pennsylvania’s business climate, the final two discussed here will be about the overall business conditions. When asked if business conditions in the Fall 2021 survey were better, the same or worse than six months ago, only 21.94 percent indicated they thought they were better, 27.10 percent the same and 48.39 percent worse. It’s clearly not a strong endorsement of the current business climate.

However, when asked about their expectations for six months into the future, only 30.97 percent believe it will be worse, 32.90 percent better and 32.26 percent the same. There seems to be some optimism regarding the near future.

Conclusion

The October household survey shows that Pennsylvania's job growth is struggling to recover from the pandemic. With year-over-year growth at less than 1 percent, the number of people claiming to be employed is at its lowest point since the recession of 2010. Pennsylvania's employment growth consistently lags national growth and does so again in the October report.

The labor force totals mirror that of the employment levels. Perhaps the most striking data is that of the labor force participation rate which has sunk to 61.2 percent—the lowest in 30 years. It has continued to trail the national rate. The business climate survey's results indicate that jobs are available but qualified candidates are in short supply. This is consistent with the household data.

Pennsylvania may have a long way to go but there are steps that can be taken to encourage job growth. First and foremost is the adoption of Right-to-Work legislation. Becoming a more business-friendly state should be the goal of the governor and Legislature.

Frank Gamrat, Ph.D., Executive Director

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Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: [AlleghenyInst1](https://twitter.com/AlleghenyInst1)