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Pennsylvania private jobs not fully recovered from pandemic

Overview: The May establishment survey report on payrolls showed private employment in Pennsylvania has not recovered to pre-pandemic levels. Jobs remained 109,200 (2 percent) below the May 2019 reading of 5,380,600. For perspective, bear in mind that jobs were 868,000 lower in May 2020 than in May 2019 but over the last 24 months the state has added 759,000 jobs and lowered the unemployment rate from 13.3 percent to 4.0 percent in May of this year. Of course, the worst monthly loss was in April 2020 when employment plummeted 1,075,000 compared to the previous April and the unemployment rate rocketed to 15.5 percent.

Another way to look at the impact of the pandemic employment losses is to consider the earnings and output lost due to the job reductions. Assuming wage earnings and worker output loss was roughly proportional to job cuts, the earnings losses compared to 2019 would have been 8.2 percent in 2020, 5.3 percent and 3 percent thus far in 2022 for a total of nearly 16 percent. To be sure, the job losses were probably heavily weighted toward lower income jobs and these estimates of economic loss are likely somewhat high. But they are indicative of the devastation caused by the pandemic's economic effects.

National comparison

The pertinent question is, "How is Pennsylvania's employment recovery faring compared to the nation and other states?" Nationally, private-sector jobs edged 0.8 percent above the May 2019 level, marking the fourth month (February through May) that jobs had recovered or exceeded their 2019 pre-pandemic level. However, the job gains compared to 2019 have been fairly steady at around one million or 0.8 percent, rather than accelerating to stronger gains.

Note too, as previous *Policy Briefs* have mentioned, the recovered employment to date does not take into account the millions of jobs that would have been produced in 2020 and 2021 if just half of the strong 2 million jobs per year gains generated in the three-year period of 2017, 2018, and 2019 had been sustained.

In sum, Pennsylvania's 2 percent shortfall in private employment in May compared to the 2019 level trails the national improvement of 0.8 percent by almost 3 percent in total. Obviously, some states have rebounded faster than the nation and Pennsylvania.

Comparison to other states

Previous *Policy Briefs* have pointed out a wide range of recovery among the states with some moving ahead rapidly as others lagged and have failed to return to pre-pandemic job readings. For purposes of comparison with Pennsylvania, this *Brief* examines two states, one very healthy (Texas) and one that is struggling (Connecticut).

Texas had fully recovered to pre-pandemic 2019 job counts in October 2021 when it surpassed the October 2019 level. Moreover, job gains have sustained momentum each month since and, in May 2022, private employment stood 560,900, or 5.2 percent above the May 2019 posting in stark contrast to Pennsylvania's 2 percent shortfall in jobs over the same period. Bear in mind that Texas employment growth between 2012 (end of recession) and 2019 was 19.2 percent compared to Pennsylvania's 7.3 percent over the same period.

It is also noteworthy that from 2000 to 2012 Pennsylvania had almost no private sector job growth, rising only 0.6 percent for the period, owing in large part to the severe recession beginning in 2008. Over the long term, significant employment gains have been a problem for the state, notwithstanding a pickup in the pace that appears to be coincidental with the Marcellus Shale boom and faster national gains (14.2 percent) between 2012 and 2019.

Texas employment, meanwhile, has continued to barrel ahead and now stands 2.3 million jobs above the May 2012 level, a growth of 25 percent in 10 years.

Obviously, not all states are keeping up with the torrid pace Texas has experienced. For example, consider Connecticut. Private employment in Connecticut in May 2022 stood 35,000 or 2.4 percent below the pre-pandemic reading of May 2019. But worse still, the May 2022 job count was lower than any May since 2013. Longer term, from 2012 to 2019, annual job growth was just 4 percent, significantly slower than Pennsylvania's 7.3 percent and less than a fourth of the growth in Texas.

Connecticut has been struggling even more than Pennsylvania to recover largely because it has had a weak employment environment for many years.

In sum, Pennsylvania private employment recovery trails the national performance, badly lags the Texas rebound and outperforms Connecticut by a slender margin.

As previous *Policy Briefs* have noted, there are two major differences between the faster growing states and the weaker performing states. One is whether the state is a Right-to-Work state and the second is the fraction of public-sector employees that are unionized—

often even more important than Right-to-Work in states that have only recently adopted Right-to-Work.

Pennsylvania and Connecticut are non-Right-to-Work states with public sector unionization of 53.3 percent and 68.3 percent, respectively, in 2021. In sharp contrast, Texas is a Right-to-Work state with 13.4 percent of public employees in unions. Note, too, that the national rate of public-sector unionization was 33.9 percent and states are split almost evenly between Right-to-Work and non-Right-to-Work.

In short, job growth since the pandemic in the states studied here tracks perfectly with the percent of public union membership criteria. In order by job growth; Texas, the nation, Pennsylvania and Connecticut.

Pennsylvania labor force

Part of the problem with the commonwealth's slow growing jobs situation is the declining trend of labor force participation combined with slow growth in the civilian non-institutional population. Note that from the ending of the recession in 2012 through 2019, the May-to-May labor force count rose a scant 1.25 percent. After falling during the pandemic, the labor force started to show some improvement in the March, April and May 2022 readings.

Indeed, the latest May labor force count stood only one percent (63,489) below the May 2019 reading and well below the average monthly decline in 2021 of 154,588.

Unfortunately, the labor force participation rate has been steadily declining since 2000. During the decade 2000 through 2009, labor force participation averaged 64.6 percent. In the decade 2010 to 2019, the rate slid to an average 63.0. In the 2020s, the rate fell still further to 61.6 percent.

On a mildly encouraging note, it has picked pick up slightly in the first five months of 2022. Nonetheless, a falling participation rate, combined with a very slow pace of population growth, has produced the very slow labor force gains. Note that over the 10 years from May 2012 to May 2022 the civilian non-institutional population climbed a very skimpy 2.8 percent. Not much potential work force gain in that growth absent a shift to a higher participation rate.

Looking ahead, if the miniscule growth rate in labor force continues, additions to payrolls will be small as well. As noted earlier, however, thanks to a sharp drop in the unemployment rate between 2020 and 2022, members of the labor force who were unemployed filled job openings and propelled employment to rise much faster than labor force. Moreover, with the unemployment rate at 4.0 percent, there is little room for further job growth unless the labor force participation rate begins a sustained rise and soon.

Conclusion

Pennsylvania's employment and labor force are trailing national gains and lagging far behind the fast-growth states. Notwithstanding recent pickup in job gains, Pennsylvania must make major strides if it hopes to catch up to the national performance, which itself faces headwinds.

It must adopt a friendlier business climate in terms of taxes and regulations—such as not enacting the onerous, economy killing Regional Greenhouse Gas Initiative. It must deal with the mess that is the property tax environment such as mandating regular county-by-county reassessments. And it must do a far better job of insuring quality education for all. Until it does—with the money it spends on the schools and colleges, and with large dollops of money given to entities, public and private, that return little or nothing on the investment—it will never enjoy the growth being seen in other business-friendly states.

Continually failing to deal with growth-inhibiting policies and laws is not a good strategy for the people of Pennsylvania.

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