POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

May 4, 2010 **Volume 10, Number 23**

Candidates Spar Over Allegheny County Jobs: Who is Right?

Two candidates vying for the Democratic gubernatorial nomination have questioned the accuracy of County Executive Onorato's campaign ads regarding claims of job creation and are suggesting they are misleading. Onorato's spokesperson fired back at the competitors in a Tribune Review news report saying, "At a time when the entire country is struggling, Allegheny County is performing better (in employment) than the state and the nation." And he went on to say, "it's performing better for a reason," giving credit to the Executive's efforts to attract economic development funding, balance the budget and hold the line on property taxes.

There are two big questions arising out of this confrontation and the spokesperson's explanation of the County's alleged superior performance. First, who has the better case regarding the County's jobs performance and second, are the spokesperson's reasons for claiming the County is performing better empty rhetoric?

Let's review the facts. If we look only at the period from September 2008 to February 2010, the time frame for the worst part of the employment downturn, it is true that Allegheny County's unemployment rate has not risen as sharply as in the state and nation. In the County, the rate climbed from 5.0 percent in September 2008 to 8.2 percent in February 2010. Meanwhile, over the same period, Pennsylvania's rate rose from 5.6 to 8.9 percent and the nation's rate climbed from 6.2 to 9.7 percent, touching 10.1 percent in October 2009.

On the basis of these statistics, one could argue that the County has performed a little better than the state and nation in terms of the percentage point increase in unemployment rate during the worst of the recession. Similarly, the number of employed Allegheny County residents fell 3.2 percent over the period , while the number of U.S. jobholders slumped by 4.2 percent. Meantime, Pennsylvania's jobholder count dropped by 3.7 percent.

And although it is correct to say Allegheny County is doing marginally better during the recession, it is important to bear in mind that the County had much weaker employment gains during the four and a half years leading up to the recession—beginning in first quarter 2004 when the current Chief Executive took office and ending in mid 2008 just as the full brunt of the recession was about to hit. Over that period, jobholders in the nation rose 5.4 percent while employed County residents climbed only 2.3 percent.

Furthermore, the pre-recession growth in private non-farm payroll jobs as measured by the separate establishment survey showed vastly different percentage gains for the County and nation. For the four years from third quarter 2004 to the third quarter 2008, the nation's payrolls rose by 4.2 percent compared to a very slender 0.4 percent pickup in Allegheny County. In short, the County's private sector jobs growth was anemic at best; certainly not something any politician would want to brag about.

The County's marginally better performance during the recession is traced to two principal factors. One, there was no housing boom and subsequent collapse resulting in huge losses of construction employment, although construction jobs have fallen considerably. Second, the County's industry mix that has been decades in the making is a major explanation of the County's "better" performance during the latest recession. For example, in 2004 manufacturing jobs in Allegheny County represented only 7.2 percent of payroll employment. By contrast, in the nation, manufacturing accounted for 13 percent of private payroll jobs. Thus a 10 percent decline in manufacturing jobs in both the County and nation will produce a far greater percentage decline in the overall job count in the nation than it will in the County.

By the same token, in 2004 non-government education and health care accounted for 22.5 percent of establishment payroll jobs in Allegheny County and only 15.4 percent nationally. These two sectors are not only recession resistant but have shown an ability to grow even during the slowdown in the economy. It is reasonable to conclude that, given its much lower susceptibility to overall job losses during a recession, the County should be expected to perform better than the nation in terms of unemployment rates. This is especially true in light of the absence of a housing boom and mortgage crisis in the County to trigger a massive decline in construction and a sharp jump in foreclosures.

All told, there is not much credit to be assigned to County policies for the marginally better employment situation during the latest recession. However, County and state policies have a lot to do with the County's slow growth prior to the recession. Very high property taxes for combined school, county and municipal levies, high corporate tax rates, burdensome labor regulations including prevailing wage requirements, a very low ranking for litigiousness, and over dependence on subsidies and top down management of development all act in concert to make Pennsylvania and Allegheny County unattractive to businesses who aren't receiving huge handouts—handouts necessitated by the litany of obstacles to earning a healthy return on investment.

Finally, in regards to the spokesperson's claim that the credit for the good jobs performance goes to the Executive for his policies and actions, it should be noted (1), that balancing the budget is a requirement of the County Charter and (2), that while the County's property taxes have not risen, many school districts and municipalities have continued to raise taxes and those amount to 80 percent or more of the average property tax bill and (3), the County has imposed an alcoholic drink and car rental tax. It is also important to note that property owners who have been getting very favorable treatment by way of assessments that are substantially below market value will be in for a rude awakening as a result of the long delayed and court ordered reassessments the Executive fought so hard. That list could include many commercial properties.

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