POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

December 6, 2005 **Volume 5, Number 48**

Overhyped Pennsylvania Jobs Numbers

For the second month in a row, press releases from the Governor's Office have made a great to-do over the fact that Pennsylvania's job count has reached the highest level in history. However, the desire to focus on the dubiously important fact that the job count has climbed to a new high watermark obscures several less than comforting statistics about Pennsylvania's actual jobs picture.

In the first place, while it is true that total nonfarm jobs are a slim 0.1 percent (about 5,000 jobs) above the previous all-time high reading set in February 2001, the small difference reflects a gain of 32,000 government employees since that peak and 27,000 fewer private sector jobs. In short, private sector employment has not returned to its five year ago level.

The inability of the private sector to return jobs to its pre-recession count reflects profound weakness in goods producing employment, especially manufacturing, which has shed 175,000 more jobs since February of 2001. Thus, even though private service sector employment has posted solid gains, rising by 145,000, the relative strength has not been enough to lead to a full recovery of the private sector.

Furthermore, the distribution of the gains in service employment is not encouraging. Well over 60 percent of the service jobs added over the last five years are in education and health, both of which depend heavily on federal and state tax dollars in one form or another—Medicare, Medicaid, Pell Grants, student loans, etc. The remaining 40 percent of service job growth reflects strong gains at eating and drinking places, a smattering of decent increases at a few professional and personal services along with significant growth at religious, civic, and grantmaking organizations.

Unfortunately, much of the gain enjoyed by those sectors has been offset by losses in many key, high-paying service industries. For example, air transportation has seen a third of its jobs disappear while the information sector, much of which is high tech, has experienced a loss of over 20 percent of its employees. Similarly, employment at the Commonwealth's utilities has dipped by 15 percent. And, it is noteworthy that employment in the large retail trade sector has failed to return to the level achieved five years ago despite the massive government subsidies that have been lavished on that industry.

Several important service industries have been treading water. Notably, trucking, rail and the large financial sector have shown no net pickup in jobs over the last five years.

To put it bluntly, the minimal overall job increase that has occurred since the end of the recession doesn't say much for the efficacy of the $925 million in tax dollars the Governor claims to be "investing" in Pennsylvania. And, he goes on to say that "none of this happened by accident", attributing all job growth to the state's massive subsidy programs.

But, as we have noted on previous occasions, the strong fiscal and monetary stimulus emanating from Washington, D.C. in the form of tax rate cuts and low interest rates have undoubtedly contributed more to job growth in Pennsylvania than the Governor's efforts. Sectors that have been able to post increases such as eating and drinking establishments along with a few professional services that did not receive large amounts of state aid are a clear refutation of the notion that subsidy programs are responsible for Pennsylvania's meager upturn. Without doubt, the tax dollars ladled out would have done more for the economy if they had been left in the hands of the taxpayers.

A look around the country at some other states offers a measure of just how languid Pennsylvania's jobs production has been. In the east, Florida has added almost 700,000 jobs, a near 10 percent jump, over the last 5 years. Virginia has outpaced the national growth rate by adding 120,000 jobs. Meanwhile, out west, Idaho has expanded its job total by 9 percent and Nevada has continued its rampant growth posting a phenomenal 20 percent gain.

Granted, each of these states has unique features contributing to its strong performance. But there is also a common factor at work. Namely, each state is a right-to-work state. When one considers the minimal payoff in new jobs from all the taxpayer dollars that have been expended to spur employment in Pennsylvania, it is obvious that the Commonwealth simply must rethink the tired old "subsidize, subsidize and subsidize some more" economic development strategy and deal with the truly stifling roadblocks to private sector growth.

It is time to cut business taxes, including property taxes, enact right-to-work, repeal prevailing wage laws, place limits on government spending increases, and give voters the right of referendum for all tax hikes at all levels of government. One thing is certain, as long as the state tries to go around obstacles to growth rather than dealing with them head on, Pennsylvania will never achieve its economic potential.

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