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**Gubernatorial Jobs Hype Rings Hollow**

One thing in state politics is certain. The poorer the state's jobs performance, the more extravagant will be the claims made about how good the numbers are. Case in point. Pennsylvania added 800 non-farm payroll jobs (based on the business establishment survey) in May bringing the total increase since January to 3,700. That's an almost imperceptible 0.06 percent gain for the four-month period. Or looked at another way, this year's pace of job growth represents a sharp drop from the state's mediocre growth rate recorded in 2004 and 2005.

Yet the Governor says in his June 19 press release in reference to the May figures, "That is great news for workers and businesses because it means our economic investments are attracting new businesses and encouraging others to expand."

**Non-Farm Payroll Job Growth, 2003-2006**

State	January 2003-May 2006 (% Change)	May 2005-May 2006 (% Change)
Pennsylvania	2.1	0.8
North Carolina	4.5	2.1
South Carolina	5.2	2.7
Virginia	6.3	1.6
Texas	5.9	2.6
Georgia	6.0	2.1
U.S.	3.7	1.4

The reality is that since the Governor took office in January 2003, Pennsylvania jobs are up at half the national rate and a third or so of the rate posted in Southern Right-to-Work states such as Georgia, Virginia, North Carolina, South Carolina and Texas. Moreover, those states have continued to show job gains throughout 2006, as has the nation as a whole.

Most telling of all is the fact that Pennsylvania's private sector jobs in May 2006 stood a scant 2,600 above the pre-recession peak set in February 2001. This represents an embarrassingly small, miniscule rise of less than half of one percent in more than five years. This has happened despite the fact that the state has poured over \$1.7 billion into "economic investments" to promote job gains since 2003.

As we have noted previously, Pennsylvania's employment growth over the last couple of years has been driven in large measure by three sectors: health care and education, leisure

and hospitality, and professional services. All told, the three expanding sectors together account for virtually all the total pickup in payroll employment over the last couple of years.

Ironically, these sectors have not been particularly favored by the state's "economic investment handout" programs. Obviously, employment in health and education is heavily influenced by federal and state programs other than "economic investments." Nor have the other two faster growing sectors been major recipients of the recent spate of state handouts. Their growth reflects market demand driven in large part by a strengthening national economy.

Further undermining the Governor's claims about the strength of the state's jobs picture, the data from the household employment survey (the Labor Department's other gauge of the labor situation) depict a very weak labor market. The Pennsylvania household survey statistics place the pre-recession labor force and jobholder peak in April 2002, just over four years ago. Since that time, Pennsylvania's labor force has edged higher by 53,231 workers, an increase of 0.8 percent or a tiny 0.2 percent per year. Meanwhile, over the same period, the number of jobholders rose 1.7 percent or a very anemic 0.4 percent per year.

Unfortunately, the story gets worse. From May 2005 to May 2006, Pennsylvania's labor force total was essentially unchanged while the jobholder count increased a paltry 0.2 percent. These figures should be a source of real concern for Pennsylvania's elected officials, not something to brag about.

A look at Georgia's labor force and jobholder gains over the same time intervals should once and for all convince elected officials to abandon their "everything is great" posturing. In Georgia, the labor force has climbed a very robust 8.5 percent since April 2002 while jobholders rose an even stronger 8.9 percent. Unlike Pennsylvania, there is no evidence of a slowing in the growth rate over the last 12 months with the labor force up 2.1 percent and jobholders up 3.0 percent from May 2005 to May 2006. What's worse from Pennsylvania's viewpoint, Georgia is not the fastest growing Right-to-Work state.

All these comparative state job statistics tell us one more time, as if we really need reminding, that Pennsylvania's top down, government driven, directed and financed economic development strategy is a hopeless failure.

Thus, the Governor's veto of a small business tax cut earlier this year is doubly ironic. The veto was exercised purportedly because the state couldn't afford the lost revenue. Amazing. The state has hundreds of millions to handout to its favorite projects but can't spare \$50 million for a tax cut. The question is: Will the state government ever tire of trying to manage growth notwithstanding the decades of proving over and over that it cannot make growth happen by subsidizing some businesses while taking tax dollars from others to do it?

It seems likely that Pennsylvania will continue to watch other fast growing states prosper with solid employment and income gains while it attempts to play catch up with government “investments”. Or, if a miracle occurs in state government, the state might actually enact lower business taxes and a Right-to-Work law as a start down the path of curing itself of European style economic malaise.

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**Jake Haulk, Ph.D. President**

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<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd. * Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: <a href="mailto:aipp@alleghenyinstitute.org">aipp@alleghenyinstitute.org</a></p>
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