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Governor Brags About Lamentable Job Growth

Now comes the latest monthly spin about Pennsylvania's employment picture. Governor Rendell, commenting on July's jobs report for the Commonwealth, said "Pennsylvania's economy continues to grow, adding jobs each month." Continuing the quote, he said, "That is great news, because it means business decision makers recognize Pennsylvania is one of the best places to expand, invest or set up shop." Additionally, the Governor waxed exuberant because an 800 increase in construction jobs boosted the total since January of 2003 to 10,300 saying, "Steady growth in construction jobs is a good indicator of future economic expansion...."

Once again, the Governor's interpretation of the information in the July jobs report can only be described as self-serving spin, in large part because of what he continues to ignore. He says that business decision makers are opting for Pennsylvania. The problem is that of the 44,800 or 0.8 percent net increase in private sector jobs over the past twelve months, 29,400 were in education and health and 13,300 were in professional and business services. The only other sector with greater than one percent growth over the last twelve months is leisure and hospitality, posting a gain of 6,700 jobs. Of that increase 4,000 were in eating and drinking places.

Thus, except for eating and drinking places, there is not much evidence of businesses deciding to locate in Pennsylvania. The job gains in the health and education sector growth reflects in large part the growth in demand for existing entities. Meanwhile, the loss of another 14,700 manufacturing jobs is clearly not an indicator of businesses locating operations in Pennsylvania.

What of the Governor's excitement over the 10,300 uptick in construction jobs since he took office? The increase in construction jobs over the Governor's tenure amounts to a 4.2 percent rise. That does not sound like much for three and three-quarter years. In fact, it isn't. Over the same period, construction employment nationally has climbed 12 percent, three times faster than in Pennsylvania.

Furthermore, of the 3,400 added construction jobs over the last twelve months, 2,700 were in the heavy and civil engineering group. That likely means government projects for the most part. The number of workers actually constructing buildings was flat from July 2005 to July 2006. And, since 2003 these jobs are up a mere 2.7 percent in Pennsylvania compared to a whopping 12 percent nationally.

Thus, the Governor's press release statement that, "Steady growth in construction jobs is a good indicator of future economic expansion...." is extremely ironic. First, growth in construction jobs does not necessarily presage future economic expansion, as anyone familiar with cyclical sectors of the economy would know. Second, if it is true that rising construction employment is a harbinger of future economic expansion, then the U.S. economy will continue to outpace Pennsylvania by a factor of three or four.

That being the case, it is hard to credit the Governor's boast that business decision makers recognize Pennsylvania as one of the best places to locate or expand. Clearly, spin from elected officials is understandable, especially in an election year. And, in light of the enormous amounts of taxpayer money the Governor has handed out to selected companies in an effort to boost growth in the Commonwealth, the heavy spinning is to be expected. Still, it must cause some disquiet among the insiders to recognize that most of the job gains that have occurred in the state have little to do with the profligate handing out of "economic development" checks.

Disingenuously, the Governor wants to take credit for the growth that has happened in the state, as mediocre as it is, while his party derides the national economy, which has performed in a far superior manner during his term of office. Indeed, Pennsylvania's economic expansion undoubtedly owes much of its strength to the monetary stimulus and the Federal tax cuts that have revved up the national economy. A growing national economy has to be a good thing for Pennsylvania's industries and service producers.

Apparently, all that matters is that things are not getting worse. The spin machine can take it from there. Unfortunately, the inability to keep up with the country has real long-term consequences. But, addressing the underlying causes of the state's inability to keep up is too politically difficult, so officials have to paint a rosy picture and hope the public buys it. So far that strategy seems to be working.

Jake Haulk, Ph.D. President

Please join us for a conference on *Improving The Western Pennsylvania Economy* on Thursday September 28th. Panel discussions will address the problems of the state's pro-union laws, tax problems faced by Pennsylvania's business, and how business leaders can help advance important initiatives. Speakers will include Pat Toomey from the Club for Growth, national public sector union expert David Denholm, and Jim Roddey, the first elected Chief Executive of Allegheny County. The conference will be held at the Pittsburgh Athletic Association in Oakland from 8:30AM to 12:30PM. For more information please contact us at 412.440.0079.

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