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PA Jobs: Up Some, But Lag Well Behind National Pace

Pennsylvania jobs numbers for September were recently released by the state. The report showed total non-farm employment reaching nearly 5.8 million, up 2.8 percent from the September 2003 reading but up less than one percent from the September 2000 level—an indication of how truly modest the state’s performance has been.

For the three-year period, September 2003 to September 2006, national job growth was 4.4 percent with many states growing much quicker than the national rate. Both Pennsylvania and the national growth rate for non-farm jobs pale in comparison to faster growing states like Arizona (15 percent), Virginia (6.8 percent), Georgia (6.2 percent), and North Carolina (5.7 percent).

Meager job growth in north central and northeastern states like Ohio (1.2 percent) and New York (2.6 percent) along with Pennsylvania (2.8 percent) hold down the national growth rate. And even though Pennsylvania has fared better than Ohio and New York and some other hard hit industrial states, there is no getting around the fact that the Commonwealth still lags well behind the national pace. Yet to hear some of Pennsylvania’s political leaders, national economic policies are a disaster while Pennsylvania policies are working like a charm.

From September 2003 to September 2006, the Commonwealth recorded a net payroll gain of 159,500 employees led by the rapidly growing professional and business services sector, which added 59,000 jobs or 9.5 percent—faster than the national growth rate of 8.3 percent. Within this sector, management of companies and enterprises led the sector’s relatively strong rise by boosting its job count by 17,000—a 23 percent jump. Interestingly, the robust gains in this industry—professional and business services—have occurred without the benefit of the enormous state largesse bestowed on other sectors during the last three years.

Education and health services registered the largest rise of any sector in Pennsylvania with employment climbing by 85,000 or 8.7 percent—outpacing the national rate of 7.3 percent. Combined, professional and business services, along with education and health jobs, account for some 90 percent of net new jobs. And while the education and health jobs are nominally private sector jobs, there is massive government support for both sectors. Indeed, absent huge government programs such as Medicaid, Medicare, student

loans, etc., the ongoing rapid increase in employment in education and health enterprises would undoubtedly be scaled back substantially.

Then too, a fast growing component of the health sector—social assistance—also relies heavily on government-sponsored programs. This category rose by more than 20 percent in the state over the last three years ending in September, increasing employment by nearly 21,000. Meanwhile, jobs in ambulatory health care, which includes home health care services, rose a speedy 9.3 percent over the last three years adding more than 21,000 to payrolls.

Nationally, construction is the fastest job growth sector recording a sharp 10 percent rise from September 2003 to September 2006. Comparing the Commonwealth's job performance with the national figures finds that Pennsylvania's 5 percent job growth, while sounding pretty good, has been about half the national pace. Bear in mind that construction employment provides a good gauge of overall vitality in an economy. For instance, construction job growth in the economically vibrant states like Arizona (38 percent), Virginia (19 percent), North Carolina (15.5 percent), and Georgia (10.5 percent) mirrors closely the states' overall economic performance.

Looking at gains by individual sector, Pennsylvania lagged the nation in nearly every category with the two notable exceptions of professional and business services and education and health services. Besides construction, the biggest disparities in job growth occurred in manufacturing, which declined by 5 percent in Pennsylvania but only one percent nationally, and leisure and hospitality, which trailed the national rate by nearly 3 percentage points. On the other hand, in the two categories where Pennsylvania outpaced the nation, the advantage was slim—a little more than one percentage point.

Pennsylvania's relatively weak jobs performance combined with the fact that almost all net new jobs are accounted for by just two sectors underscore the policy changes that need to take place in Pennsylvania. The economic environment continues to shackle the private sector with its high business tax rates, regulations, and pro-union labor climate—especially the kowtowing to public sector unions that drive spending and taxes far above where they ought to be. Until these issues are addressed and remedied, the broadly based, private sector economic dynamism we need will continue to elude the Commonwealth.

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