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Governor's Spin Machine at Full Throttle on Economic Situation

Spin doctors charged with reporting on jobs and business climate in Pennsylvania continue their tireless effort to put a happy face on unpleasant facts. In the latest labor market situation press release, the Governor notes the state's unemployment rate is slightly below the national level and claims "a low unemployment rate is a positive indicator of a healthy economy." Yet the Department of Labor and Industry data shows a civilian labor force drop of 1.2 percent since the beginning of the year and a decline in the number of Pennsylvanians holding jobs. In attempt to paint a rosy picture, the press release cites a survey of businesses carried out by the Department of Community and Economic Development (DCED) which show a high proportion of companies planning to expand and hire more workers over the coming year.

However, there is a big problem with the DCED survey. It is not based on an appropriately selected random sample of companies. Instead, the interviewed companies consisted of firms seeking money or other state assistance through the Business Retention and Expansion Program. What would they be expected to say? That they were not growing, were not planning to hire more employees and the business climate under the Administration's plans was terrible? Of course not. These firms are going to tell DCED reps that the assistance (loans and grants) will go toward expansion and the "planned" hiring of new employees. Such a survey is hardly useful in capturing the truth about Pennsylvania's business climate.

But it gets worse. In the DCED's press release about their so-called survey, they note the optimism of DCED clients mirrored the optimism of firms surveyed by the Pennsylvania Chamber of Business and Industry (PCBI): "Responses from the state (*DCED*) survey support the positive outlook outlined in the Pennsylvania Chamber of Business and Industry's recent survey of Pennsylvania's businesses.....60 percent of those businesses indicate they will increase investments (while) only 12 percent...said the business climate was poor."

Clearly, the folks at DCED must not have read the full PCBI survey or chose to ignore most of its findings. The PCBI report executive summary says the business community is expressing "decreased optimism" about the business climate in Pennsylvania. This is exactly the opposite of what the Governor and DCED want us to believe.

The PCBI survey of 400 companies from around the Commonwealth asks about the state's business climate, legislative and regulatory issues, and Rendell administration proposals among other items. While it is true that only 12 percent of the respondents rated the current business climate as poor, only 1 percent rated it excellent, 36 percent rated it good while 48 percent fair. Thus, 60 percent of the business community rate Pennsylvania's business climate as fair or poor—not exactly a positive outlook. Furthermore, a combined 86 percent of the respondents noted the climate got worse or stayed the same from a year ago with a hefty 34 percent saying it was worse.

An even greater indictment of the business climate revealed by the PCBI survey was the answer to a question about leaving Pennsylvania. Thirty two percent of the firms responding said they would consider leaving the state—up from 25 percent in 2002. This is hardly a ringing endorsement of the Administration's efforts to grow business through state subsidies and guidance.

When asked about which legislative issues have the most detrimental effect on the ability to do business, taxes received the highest response rate (17 percent). More than half of the respondents (56 percent) said the current tax structure is a major deterrent to the business climate. Amazingly, the DCED survey from last year reported that only 3.3 percent of the companies interviewed indicated taxes were a challenge for them. That should have been a red flag for the DCED staff. There have been a number of surveys in recent years that have found taxes rank at the top or near the top of business' challenges in Pennsylvania.

None of the DCED survey findings meet a credibility test when compared to data derived through standard statistically accepted procedures for sample selection and objectivity of the process. These pitiful attempts to put a positive shine on the state's business climate will not persuade the business community or the thousands of folks leaving the state every year to seek better opportunities that all is well in the Commonwealth.

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