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Briefing Paper

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Many Pennsylvania Industrial Development Authority Loans Create Low-Quality Jobs

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Summary

A central goal of Pennsylvania economic development programs is to create more good jobs in the Commonwealth. As one gauge of success towards this goal, this report examines the quality of jobs created by low-interest loans distributed through the Pennsylvania Industrial Development Authority (PIDA) program, one of the state's major business subsidy programs.

Our analysis covers 312 PIDA job creation and job retention projects that received a total of $238.5 million in loans from July 1998 to March 2002. These projects promised to create or retain 19,360 jobs.
- Of the 312 projects, 122, or 39 percent, produced low-quality jobs (defined as having a projected payroll per job less than 80 percent of the industry average).
- In durable manufacturing, which accounts for half of all PIDA projects, 45 percent of PIDA loans produced low-quality jobs.
- In the Western part of the state and in the Southeast/Southcentral region, nearly half of all PIDA loans went to companies projected to create or retain low-quality jobs.
- In Allegheny County, Philadelphia County, and Bucks County, which together accounted for nearly 100 projects, nearly half of all PIDA loans projected to create low-quality jobs.

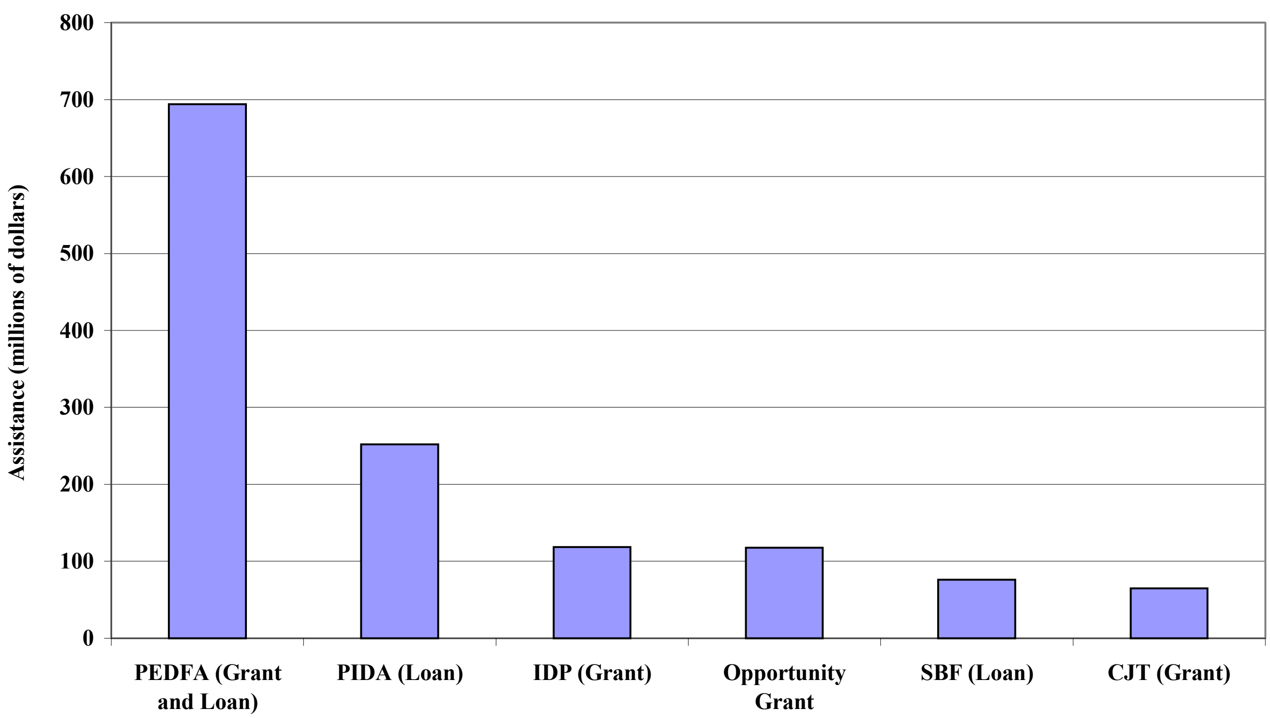
This new evidence highlights the need for two common-sense reforms.
- *Improved disclosure*: all companies receiving economic development subsidies (from PIDA or any other program providing grants and loans to individual companies) should disclose basic information on jobs actually created and retained, and their wages and benefits. Improved disclosure would generate more complete and reliable data, permitting analysis of whether other programs in addition to PIDA subsidize creation of large numbers of low-quality jobs.

- *Basic wage standards*: since most of Pennsylvania's more than 200,000 businesses operate without direct subsidies, it makes little sense for government to give grants, low-interest loans, or special tax breaks to companies that pay poorly, including by the standards of other companies in their industry. All Pennsylvania business subsidy programs should require companies to pay at least 150 percent of the minimum wage and 85 percent of the industry average wage.

Other needed reforms include limits on how much subsidy companies can receive for each job created and "clawback" provisions that require companies to repay subsidies to the extent that they fail to meet original job targets (for discussion of these issues see, *Create Good Jobs and Higher Performance with Economic Development Dollars*, on line at www.keystoneresearch.org).

This report should be valuable to economic development practitioners across the Commonwealth, as well as to state and local lawmakers, other policymakers, and the media. Using information in Appendix A, practitioners in 10 small regions and 12 individual counties can compare the quality of jobs produced with their PIDA loans against the performance of other areas and the state as a whole. Closer scrutiny of the quality of jobs currently created through business subsidies is an important first step towards economic development approaches that more strategically seek to create good jobs.

Figure 1. DCED Loan and Grant Amounts for Select Programs, 1998-2002



Definitions: PEDFA is the Pennsylvania Economic Development Financing Authority; IDP is the Infrastructure Development Program; SBF is the Small Business First Program; CJT is the Customized Job Training Program.
Source: KRC analysis of DCED data online at http://www.inventpa.com

Economic Development in Pennsylvania

Pennsylvania currently spends a lot of money on economic development programs, including subsidies to individual businesses. According to a 2000 Legislative Budget and Finance Committee (LBFC) performance audit, Pennsylvania ranks fifth in per capita economic development funding, spending $22.59 per capita compared to the national average of $7.76.[1] Even with a reduction in funding for FY 2002-03, state spending on Department of Community and Economic Development programs is about $200 million higher than in FY 1995-96, an increase of roughly 75 percent after adjusting for inflation.

Much of the DCED budget consists of programs that give subsidies to individual companies. Figure 1 shows the money given out by six of these programs in the July 1998 to March 2002 period.

Quality of Jobs Produced By PIDA Loans

For most Pennsylvania economic development programs, no data exist on the wages and benefits of jobs created or retained as a result of subsidies. As a consequence, it is difficult to evaluate the quality of the jobs resulting from subsidies. One exception is the Pennsylvania Industrial Development Authority low-interest loan program (see Box 1). As Figure 1 shows, the PIDA program is one of the largest business subsidy programs in Pennsylvania.

Box 1. The Pennsylvania Industrial Development Authority Program

The Pennsylvania Industrial Development Authority (PIDA) was created in 1956 and distributes low-interest loans via local non-profit industrial development corporations (IDCs) to eligible businesses. There are three categories of PIDA loans:

- Job creation and retention loans
- Multi-occupancy loans (to finance facilities that will house two or more unrelated PIDA-eligible tenants)
- Industrial Park Loans

Job creation and retention loans are capped at $1,250,000 for a single project. They are limited to between 30 and 50 percent of the land and building costs, depending on the local unemployment rate. Interest rates currently equal 3 percent, 4.25 percent, or 5.75 percent, depending on the local unemployment rate.[2]

PIDA requirements include:

- At least one full-time job retained or created at project site within 3 years of loan closing date for every $25,000 loaned. Multi-occupant and industrial park projects are not subject to this requirement.

Since its creation in 1956, PIDA has:

- Given out 4,078 loans.
- Distributed a total loan amount of $2.074 billion.
- Provided loans to companies (via IDCs) that promised to create 329,177 jobs.[3]

For each PIDA loan, DCED reports the projected number of jobs created and retained, and the projected payroll (payroll includes both wages and benefits).[4] We compared projections of payroll per job (for each of the 312 PIDA-financed projects from July 1, 1998 through March 31, 2002) with average payroll per job in the same industry and county of each project.[5] (Appendix B provides details on the methodology.)

Table 1 and Figure 2 show the geographical and industrial distribution of PIDA projects in Pennsylvania over the past four years.[6]

Manufacturing accounted for nearly seven out of every 10 projected jobs resulting from PIDA loans. In the West, 63 percent of PIDA projected jobs were in durable manufacturing, compared to just below 40 percent in the Southeast/South Central region. The West had a smaller share of jobs in nondurable manufacturing than any of the other regions – 10 percent compared to the statewide average of 20 percent. The Southeast/South Central had nearly one-quarter of PIDA-financed jobs in distribution, roughly one and half times as much as any other region.

Table 2 shows how many PIDA projects in Pennsylvania from 1998-2002 produced low-quality, moderate-quality, and high-quality jobs. Following LeRoy and Slocum, we define low quality as jobs with a payroll per job less than 80 percent of the industry average. Moderate-quality projects produce jobs between 80 and 100 percent of the industry average. High-quality jobs are those paying more than the industry average.[7]

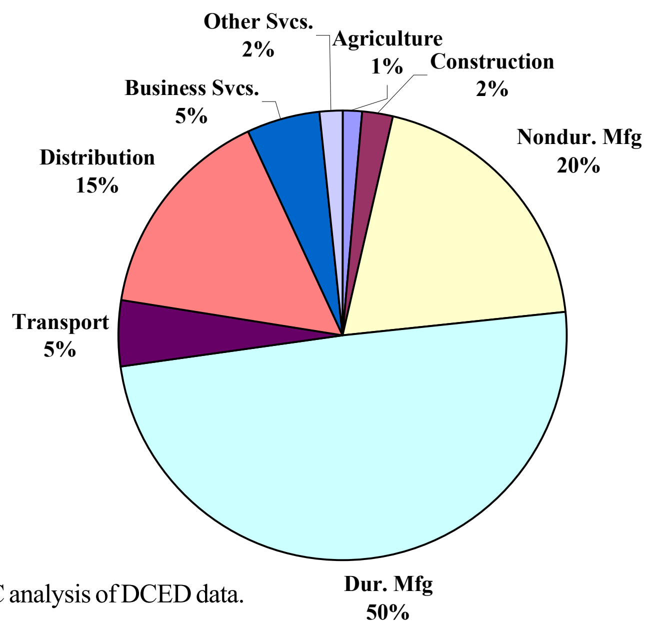
Table 1. Geographical and Industry Distribution of PIDA Projects, July 1998 to March 2002

			Share of PIDA Loans in Each Industry (percent)							
Region	**Number of Jobs Promised**	**Number of Projects**	Agriculture	Construction	Non-durable Manufacturing	Durable Manufacturing.	Transportation	Distribution	Business Services	Other Services
Northeast	5,071	67	2%	0%	28%	46%	3%	15%	6%	0%
SE/South Central	5,113	98	0	2	21	40	5	22	7	2
West	6,187	101	2	5	11	63	5	9	3	2
Central	2,989	46	2	0	24	44	7	15	7	2
TOTAL	**19,360**	**312**	**1**	**2**	**20**	**49**	**5**	**15**	**5**	**2**

Northeast=Lehigh, Northampton, Tioga, Bradford, Susquehanna, Sullivan, Wyoming, Carbon, Lackawanna, Luzerne, Monroe, Pike, Schuylkill, Wayne, and Berks County.
SE/South Central=Bucks, Chester, Delaware, Lancaster, Montgomery, Philadelphia, Adams, Cumberland, Dauphin, Franklin, Lebanon, Perry, York.
Western=Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Washington, Westmoreland, Erie, Crawford, Warren, Forest, Venango, Mercer, Lawrence, Clarion, McKean, Potter, Elk, Cameron, Jefferson, and Clearfield.
Central=Centre, Clinton, Columbia, Juniata, Lycoming, Mifflin, Montour, Northumberland, Snyder, Union, Bedford, Blair, Cambria, Fulton, Huntingdon, and Somerset.

Source: Author’s calculations using data from the PA Department of Community and Economic Development.

Figure 2. Industrial Composition of PIDA Projects in Pennsylvania, 1998-2002



Source: KRC analysis of DCED data.

Table 2. Job Quality of PIDA Projects in Pennsylvania, July 1998 to March 2002

	Projects		Funds Loaned		
	Number	**Percent**	**Amount (millions)**	**Percent**	**Jobs Promised***
Total	312	100%	$238.5	100%	19,360
Low Job Quality**	122	39	$81.4	34	5,901
Moderate Job Quality***	81	26	$62.3	26	5,302
High Job Quality****	109	35	$94.7	40	8,157

*Includes new and retained jobs.
**Payroll per job projected to equal 80 percent of the countywide industry average or less.
***Payroll per job projected to equal more than 80 percent but less than 100 percent of the countywide industry average.
****Payroll per job projected to equal 100 percent of the countywide industry average or more.
Note: Totals represent PIDA loans approved from July 1, 1998 through March 31, 2002.

Source: Author's calculations using data from the PA Department of Community and Economic Development and U.S. Census Bureau County Business Patterns, 1997. See Appendix for B explanation of inflation adjustments and methodology.

Of 312 projects in this period, 122, or 39 percent, were projected to produce low-quality jobs. These 122 loans added up to $81.4 million, or 34 percent of total PIDA job-retention and job-creation loans in this time. Thirty-five percent of the PIDA projects (109) were projected to produce or retain high-quality jobs. Loan projects in this group had a total value of $94.7 million, or 40 percent of the total. The remaining 81 projects were projected to produce moderate-quality jobs, accounting for 26 percent of both the number of projects and the total loaned.

From July 1998 to March 2002, a total of 19,360 jobs were promised by recipients of PIDA loans, with an average of $12,319 loaned per promised job. The creation or retention of low-quality jobs cost an average of $13,797, more than $2,000 above the $11,615 in loaned funds per high-quality job.

Table 3 and Figure 3 show the share of jobs by quality in four regions. We summarize the data in these regions because county-level data show the existence of consistent job-quality patterns throughout the four large regions. Thus, looking at the four large regions turns out to be an effective way to summarize the patterns in our data. (See Appendix A for more detailed regional and county data.)

The Northeast and Central regions had the highest share of PIDA projects in the high job quality category. Over 40 percent of loans in each region projected they would create or retain high-quality jobs. In the SE/South Central and West regions, over two fifths of PIDA projects produced low-quality jobs. In SE/South Central, assistance per job was also more than $3,000 higher than assistance per job in any of the other regions. In this region, therefore, more money was spent to create or retain each job and the jobs were of lower quality.

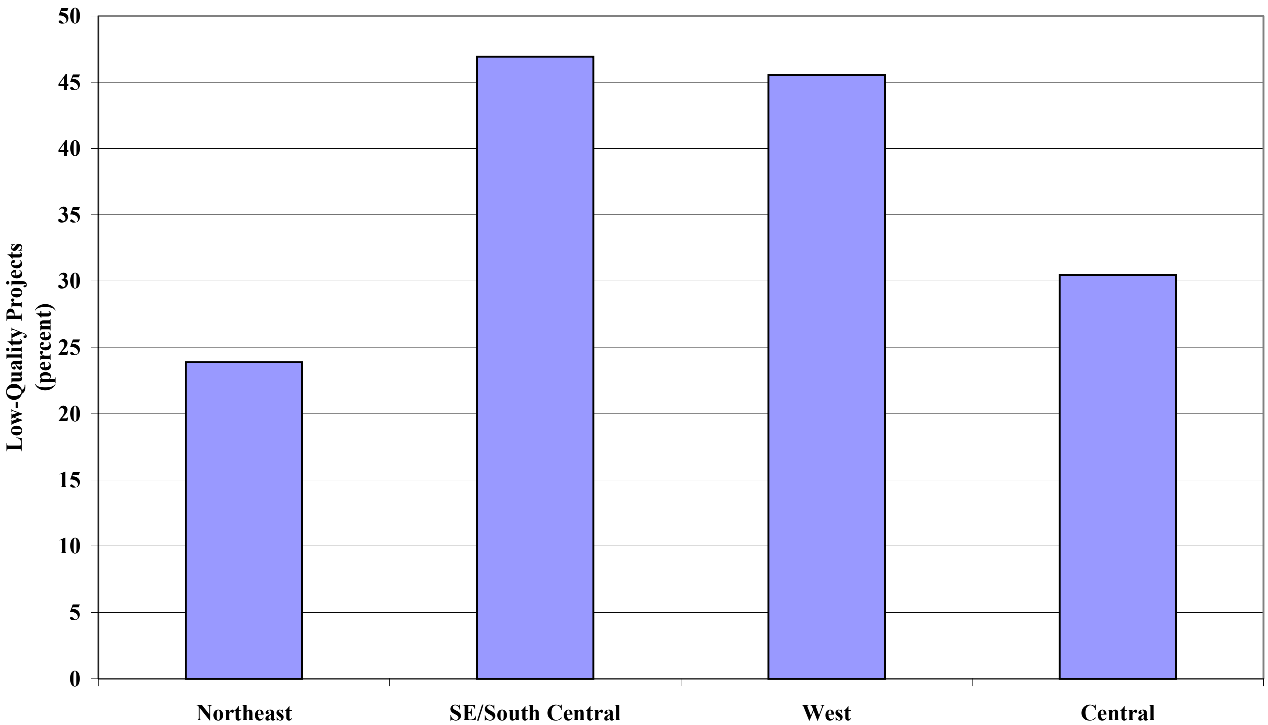
Table 3. Job Quality of PIDA Projects in Four Regions, July 1998 to March 2002

Region	**Loans**	**Amount Loaned** (millions)	**Share of Projects in Each Job Quality Category** (percent)			**Share of Amount Loaned to Projects in Each Job Category** (percent)			
			Low*	Moderate**	High***	Low*	Moderate**	High***	Assistance per Job
Northeast	67	$58.8	24%	33%	43%	21%	27%	53%	$11,604
SE/South Central	98	$75.7	47	21	32	44	22	35	$14,816
West	101	$69.1	46	25	30	43	29	28	$11,163
Central	46	$34.8	30	28	41	19	30	52	$11,655
TOTAL	**312**	**$238.5**	**39**	**26**	**35**	**34**	**26**	**40**	**$12,319**

*Payroll per job projected to equal 80 percent of the countywide industry average or less.
**Payroll per job projected to equal more than 80 percent but less than 100 percent of the countywide industry average.
***Payroll per job projected to equal 100 percent of the countywide industry average or more.
Note: for regional definitions, see Table 1.

Source: Author's calculations using data from the PA Department of Community and Economic Development.

Figure 3. Share of PIDA Projects Generating Low-Quality Jobs, by Region, July 1998 to March 2002



Source: KRC analysis of DCED data.

To probe regional differences more deeply, Table 4 examines the share of each region's PIDA projects within each major industry category projected to produce low-quality and high-quality jobs. A large share of jobs produced by PIDA loans in both the SE/South Central and West are low quality.

In the SE/South Central region, PIDA projects produce low-quality jobs in all three of the major industries on which PIDA concentrates (non-durable manufacturing, durable manufacturing, and distribution). In the West, only durable manufacturing of these three categories has an especially high proportion of low-quality PIDA projects. The West ends up with a low overall job quality rating in part because over three out of every five of its projects are in durable manufacturing (see Table 1). To be fair to the West region (especially in durable manufacturing) and to the SE/South Central regions, higher overall wage levels than in the rest of the state mean that projects have to pay more to achieve moderate-job-quality or high-job-quality status.

Figure 4 and Figure 5 take the analysis down to the county level, showing the share of projects generating low-quality jobs in the 12 counties that distributed at least eight PIDA loans in the 45-month period examined. In the three counties giving out the largest number of PIDA loans, Allegheny (with 25 projects),

Table 4. Job Quality by Industry of PIDA Projects in Four Regions, July 1998-March 2002								
Region	**Share of Low Quality Projects*** (Percent of projects in each industry with low-quality jobs)				**Share of High Quality Projects**** (Percent of projects in each industry with high-quality jobs)			
	Non-Durable Manu-facturing	**Durable Manu-facturing**	**Distri-bution and Wholesale Trade**	**Other***	**Non-Durable Manu-facturing**	**Durable Manu-facturing**	**Distri-bution and Wholesale Trade**	**Other*****
Northeast	32%	26%	10%	14%	32%	42%	50%	71%
SE/South Central	48	51	55	25	14	31	27	63
West	27	52	44	35	55	22	22	47
Central	27	35	43	13	36	40	29	63

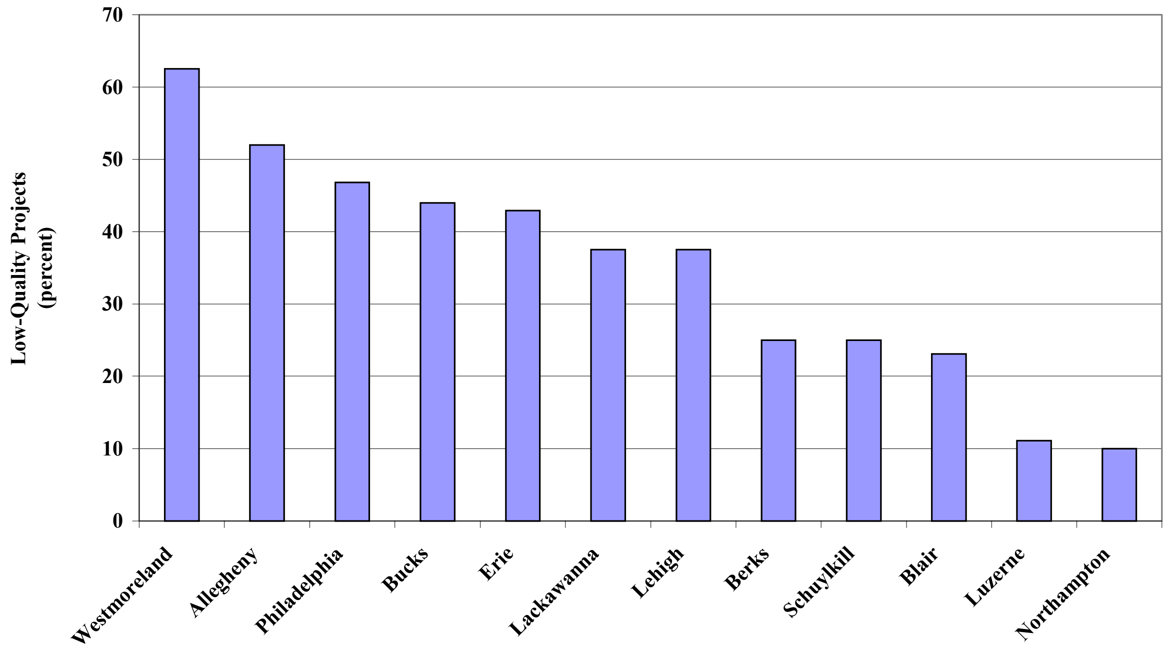
*Payroll per job projected to equal 80 percent of the countywide industry average or less.
**Payroll per job projected to equal 100 percent of the countywide industry average or more.
***Industry classifications are based on the Standard Industrial Classification; details online at http://www.osha.gov.
Other=Agriculture, construction, transportation, business services
Note: for regional definitions, see Table 1.

Sources: Author's calculations using data from the PA Department of Community and Economic Development and U.S. Census Bureau County Business Patterns, 1997.

Philadelphia (with 47), and Bucks County (with 25), between 44 and 52 percent of loans projected to produce low-quality jobs (Figure 4).

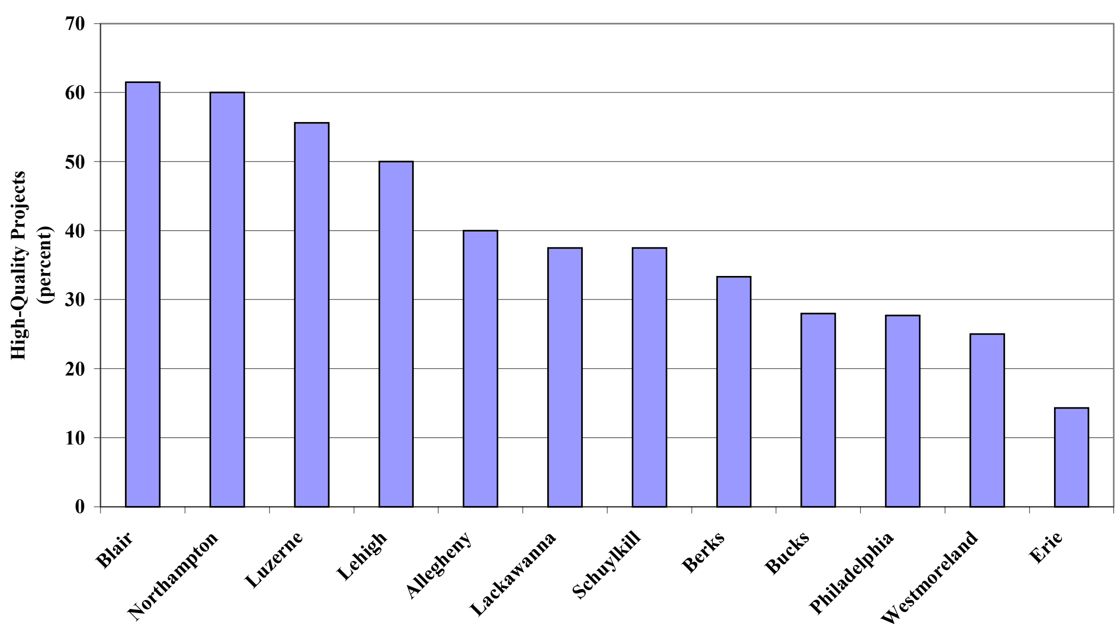
For our 12 counties, Figure 5 shows the share of PIDA loans projected to create or retain jobs paying above the industry average. This share ranges from a low of 14 percent in Erie County to a high of 60 percent in Northampton County and 62 percent in Blair County. Some of this wide variation may reflect the relatively small sample of projects in each county and may not indicate systematic differences in economic development practice. Additional interview-based and quantitative research (e.g., including on other programs besides PIDA) could explore more deeply whether some economic development practitioners in Pennsylvania do pay more strategic attention to the quality of jobs they help create. If so, such best-practice counties could be a valuable source in seeking a statewide shift to creating jobs.

Figure 4. Share of PIDA Projects Generating Low-Quality Jobs in Counties with 8 or more PIDA Loans, 1998-2002



Source: Table A2.

Figure 5. Share of PIDA Projects Generating High-Quality Jobs in Counties with 8 or more PIDA Loans, 1998-2002



Source: Table A2.

Conclusions and Recommendations

Our findings regarding the quality of jobs produced by PIDA loans are similar to findings from a Minnesota study based on higher quality, more comprehensive data generated as a result of state disclosure requirements. In Minnesota, based on a review of actual rather than projected wages, LeRoy and Slocum found that nearly half of all subsidized companies created low-quality jobs.[8] In Pennsylvania, about two in five PIDA-financed projects were projected to generate low-quality jobs.

It would, of course, be desirable to have comprehensive, web-accessible data with which to analyze Pennsylvania economic development programs. The desired data would include figures on actual jobs created and actual wages and benefits paid, not projections. Data is also needed for all programs, not just for PIDA. Improved data should be made available in a way that makes it easy to analyze all state and local subsidies received by a company.

To improve the data available to policymakers and the public, Pennsylvania should adopt stronger disclosure requirements in its economic development programs. The preliminary data on the wages and benefits of companies receiving PIDA subsidies make clear that the state should also strengthen wage and benefit standards. Since the vast majority of businesses operate without any company-specific subsidy, it is simple common sense to require basic transparency when companies do get subsidies and also to require that companies pay decently. (There are well over 200,000 corporations in Pennsylvania, meaning that no more than one in 700 received a PIDA loan from 1998 to 2002.[9])

Strengthen disclosure and reporting requirements. All Pennsylvania subsidy programs, including targeted tax breaks, should incorporate disclosure requirements such as those pioneered in Minnesota, Maine, and now an increasing number of other states and localities.[10] These need not be burdensome reporting requirement but could be done with a simple and one- or two-page form. The form should include essential information such as employment levels at the time of the subsidy assistance and currently, wage levels of jobs created, employer contributions to health care for employees and their families, and a list of all subsides the company received. Such a form should be completed on an annual basis until job creation and wage and benefit promises have been achieved (or subsidies returned due to failure to meet those promises).

Improved disclosure requirements would enable Pennsylvania to better evaluate job quality on subsidized projects, average assistance per job, whether companies deliver on promises made in applying for grants and loans, and whether subsidies promote sprawl or production relocation within the state. Our recommendation for improved disclosure and reporting is consistent with the recommendation of the Legislative Budget and Finance Committee (LBFC) that DCED strengthen its performance measurement systems, including with better measures of job quality.[11]

Strengthen wage standards. At least 37 U.S. states and 29 U.S. localities apply job quality standards to at least some economic development subsidies. Some wage standards (including several in Pennsylvania) reference the minimum wage or federal poverty line. Other standards, 34 in total, are pegged to local market rates. For example, the Texas Smart Jobs Fund requires wages above the average county wage. Rhode Island requires a wage as high as 125 percent of the average industry wage. Pennsylvania should require that all programs pay at least 150 percent of the minimum wage. The Legislative Budget and Finance Committee also makes this recommendation.[12] In addition, recipients of subsidies should pay at least 85 percent of the industry average wage in their county or metropolitan area. An additional wage increment should be added for companies that do not provide health insurance.

Comprehensive reforms of Pennsylvania economic development subsidies should also include other measures not directly addressed by the data in this report.[13]

- Limits on total assistance per job created or retained. At present, restrictions on assistance per job in individual programs, including PIDA, can be rendered moot because companies obtain assistance from multiple programs.
- Clawbacks that require companies to repay subsidies to the extent that they fail to meet job and wage standards set out in initial subsidy agreements.
- Bans on use of subsidies to relocate operations within Pennsylvania.
- Assessments of the impact of projects on land use and sprawl.

Even with comprehensive reforms, questions exist about whether the state should be in the business of subsidizing individual companies. Unavoidably, such subsidies distort the market and appear politically motivated. A better use of public dollars would be support education, workforce development, and modernization initiatives that help make whole industries more productive.

For example, by reprogramming $100 million in DCED funds that now go to invidual businesses, Pennsylvania would be able to

- increase spending for community colleges by 25 percent; and
- generously fund a new industry training partnership fund keyed to strengthening consortia that meet the skill needs of groups of high-performing companies and the career needs of their workers (for more on such consortia, see *Steal this Agenda, A Blueprint of a Better Pennsylvania*, online at www.keystoneresearch.org).

These initiatives would build on incremental shfits in state funding in the past two years and on Governor Schweiker's widely praised critical job training grant program (for more on that program, go to www.inventpa.org). Now is the time for a decisive shift from subsidizing low-quality jobs to building the infrastructure of a dynamic learning economy.

APPENDIX A. COUNTY AND REGIONAL DATA

Appendix A contains more detailed geographic breakdowns of the data in the main body of this paper. Table A1 classifies PIDA loans based on job quality in 10 geographic regions. Of the 10 regions, the Lehigh Valley, Southern Alleghenies, and Northern Tier generated the largest share of high-quality jobs from PIDA-financed projects (although the Northern Tier had only four projects total).

The Northwest, Northcentral, Southeast and Southwest regions all had relatively low shares of high-quality PIDA projects. The Southeast and Southwest, accounting for 98 and 61 PIDA projects respectively, produced high-quality jobs in only about one-third of PIDA projects. The 12 Southcentral PIDA projects tended to generate either low-quality or high-quality jobs, with only two projects in the moderate range.

Table A1. Job Quality of PIDA Loans in 10 Pennsylvania Regions, July 1998 to March 2002

Region	PIDA Loans	Amount Loaned	Share of Loans (percent)		
			Low Quality*	Moderate Quality**	High Quality***
Northeast	33	$30,559,392	27%	30%	42%
Southern Alleghenies	25	$20,216,891	24	24	52
Lehigh Valley	18	$14,626,512	22	22	56
Central	21	$14,619,430	38	33	29
Northwest	31	$20,661,262	42	36	23
South Central	12	$6,878,433	42	17	42
Southeast	98	$80,335,739	45	25	31
Southwest	61	$45,623,382	44	21	34
Northern Tier	4	$2,196,710	0	75	25
North Central	9	$2,780,600	67	11	22
TOTAL	**312**	**$238,498,351**	**39**	**26**	**35**

*Payroll per job projected to equal 80 percent of the countywide industry average or less.
**Payroll per job projected to equal more than 80 percent but less than 100 percent of the countywide industry average.
***Payroll per job projected to equal 100 percent of the countywide industry average or more.
Northeast=Carbon, Lackawanna, Luzerne, Monroe, Pike, Schuylkill, Wayne.
Southern Alleghenies=Bedford, Blair, Cambria, Fulton, Huntingdon, Somerset.
Lehigh Valley=Lehigh, Northampton.
Central=Centre, Clinton, Columbia, Juniata, Lycoming, Mifflin, Montour, Northumberland, Snyder, Union.
Northwest=Clarion, Crawford, Erie, Forest, Lawrence, Mercer, Venango, Warren.
Southcentral=Adams, Cumberland, Dauphin, Franklin, Lebanon, Perry, York.
Southeast=Berks, Bucks, Chester, Delaware, Lancaster, Montgomery, Philadelphia.
Southwest=Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Washington, Westmoreland.
Northern Tier=Bradford, Sullivan, Susquehanna, Tioga, Wyoming.
Northcentral=Cameron, Clearfield, Elk, Jefferson, McKean, Potter.

Source: Author's calculations using data from the PA Department of Community and Economic Development.

Of counties with at least eight PIDA-financed projects (Table A2 and Figures 4 and 5 in the main body of this report):

- Westmoreland County had the highest share of low-quality projects;
- PIDA projects in Allegheny County tended to be either low- or high-quality, with only a small percentage of moderate quality projects;
- Philadelphia County, accounting for a quarter of PIDA loans, had an above average share of low-quality projects; and
- at least 50 percent of PIDA-financed projects in Blair, Lehigh, Luzerne, and Northampton counties projected the creation or retention of high-quality jobs. Luzerne County had only one PIDA project that produced low-quality jobs.

The last two Tables, Table A3 and A4 provide additional geographic detail on PIDA for regional and local media, policymakers, and practitioners. From 1956 through the first quarter of 2002, Table A3 shows the number and share of PIDA projects, loan money, and jobs promised in each of 10 regions.

Table A2. Job Quality of PIDA Loans in 12 PA Counties with Eight or More PIDA Projects, July 1998 to March 2002

County	PIDA Loans	Amount Loaned	Share of Loans		
			Low Quality*	Moderate Quality**	High Quality***
Allegheny	25	$21,938,885	52%	8%	40%
Berks	12	$11,460,340	25	42	33
Blair	13	$9,161,000	23	15	62
Bucks	25	$16,597,200	44	28	28
Erie	14	$12,266,925	43	43	14
Lackawanna	8	$8,859,200	38	25	38
Lehigh	8	$5,291,080	38	13	50
Luzerne	9	$9,288,815	11	33	56
Northampton	10	$9,335,432	10	30	60
Philadelphia	47	$42,227,979	47	26	28
Schuylkill	8	$8,003,224	25	38	38
Westmoreland	8	$5,724,062	63	13	25
TOTAL	**187**	**$160,154,142**	**39**	**25**	**36**

*Payroll per job projected to equal 80 percent of the countywide industry average or less.
**Payroll per job projected to equal more than 80 percent but less than 100 percent of the countywide industry average.
**Payroll per job projected to equal 100 percent of the countywide industry average or more.

Source: Author's calculations using data from the PA Department of Community and Economic Development.

Of the 4,078 PIDA loans given out during this nearly half century, the Southeast, Southwest, and Northeast regions each received nearly 20 percent, followed by the Northwest and Central regions, with about 10 percent of the projects each. Nearly half of the total amount loaned has gone to the Southeast and Southwest regions, yet these two regions account for only 36 percent of the total jobs promised.

For the last four years, Table A4 profiles PIDA projects received by each of Pennsylvania's 67 counties. Of the 312 PIDA loans given our during this recent period, Philadelphia County received 15 percent of all PIDA loans, followed by Allegheny and Bucks, with 8 percent of the projects each. Sixteen counties received no PIDA loans in this period. Nearly 60 percent of the total amount loaned went to nine counties – Allegheny, Blair, Berks, Bucks, Erie, Lackawanna, Luzerne, Northampton, and Philadelphia.

Table A3. PIDA Loans in 10 Pennsylvania Regions, 1956-2002*

Region	Total Number of Loans	Share of Total Number of Loans	Loan Amounts	Share of Total Loan Amounts	Jobs Promised	Share of Total Projected Jobs
Northeast	776	19%	$383,148,968	19%	72,524	22%
Southern Alleghenies	318	8	$134,687,182	7	25,683	8
Lehigh Valley	226	6	$128,590,510	6	20,834	6
Central	419	10	$143,881,619	7	31,721	10
Northwest	450	11	$149,599,535	7	24,791	8
Southcentral	176	4	$99,048,928	5	19,628	6
Southeast	731	18	$484,914,763	23	60,915	19
Southwest	774	19	$480,234,008	23	56,668	17
Northern Tier	75	2	$26,027,171	1	7,130	2
Northcentral	133	3	$44,338,514	2	9,283	3
TOTAL	**4,078**		**$2,074,471,198**		**329,177**	

*Totals represent PIDA loans approved from May 1, 1956 through April 3, 2002.
Northeast=Carbon, Lackawanna, Luzerne, Monroe, Pike, Schuylkill, Wayne.
Southern Alleghenies=Bedford, Blair, Cambria, Fulton, Huntingdon, Somerset.
Lehigh Valley=Lehigh, Northampton.
Central=Centre, Clinton, Columbia, Juniata, Lycoming, Mifflin, Montour, Northumberland, Snyder, Union.
Northwest=Clarion, Crawford, Erie, Forest, Lawrence, Mercer, Venango, Warren.
Southcentral=Adams, Cumberland, Dauphin, Franklin, Lebanon, Perry, York.
Southeast=Berks, Bucks, Chester, Delaware, Lancaster, Montgomery, Philadelphia.
Southwest=Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Washington, Westmoreland.
Northern Tier=Bradford, Sullivan, Susquehanna, Tioga, Wyoming.
Northcentral=Cameron, Clearfield, Elk, Jefferson, McKean, Potter.

Source: Author's calculations using data from the PA Department of Community and Economic Development.

Table A4. PIDA Job-Creation and Job-Retention Loans by County, July 1998 to March 2002						
County	Total Number of Loans	Share of All Loans (percent)	Loan Amounts (dollars)	Share of Total Loan Amount (percent)	Jobs Promised	Share of Total Jobs (percent)
Adams	0	0.0	0	0.0	0	0.0
Allegheny	25	8.0	$21,938,885	9.2	2,186	11.3
Armstrong	6	1.9	3,741,500	1.6	167	0.9
Beaver	6	1.9	3,344,872	1.4	409	2.1
Bedford	2	0.6	1,600,000	0.7	243	1.3
Berks	12	3.8	11,460,340	4.8	883	4.6
Blair	13	4.2	9,161,000	3.8	739	3.8
Bradford	3	1.0	1,977,027	0.8	132	0.7
Bucks	25	8.0	16,597,200	7.0	1,046	5.4
Butler	4	1.3	3,564,374	1.5	277	1.4
Cambria	4	1.3	3,285,215	1.4	297	1.5
Cameron	1	0.3	500,000	0.2	21	0.1
Carbon	1	0.3	215,000	0.1	10	0.1
Centre	2	0.6	1,506,500	0.6	61	0.3
Chester	1	0.3	300,000	0.1	30	0.2
Clarion	0	0.0	0	0.0	0	0.0
Clearfield	3	1.0	752,797	0.3	122	0.6
Clinton	3	1.0	2,088,966	0.9	85	0.4
Columbia	0	0.0	0	0.0	0	0.0
Crawford	5	1.6	2,567,900	1.1	178	0.9
Cumberland	3	1.0	2.037,500	0.9	215	1.1
Dauphin	2	0.6	2,360,000	1.0	164	0.8
Delaware	7	2.2	5,615,580	2.4	293	1.5
Elk	3	1.0	686,651	0.3	74	0.4
Erie	14	4.5	12,266,925	5.1	1,174	6.1
Fayette	0	0.0	0	0.0	0	0.0
Forest	0	0.0	0	0.0	0	0.0
Franklin	3	1.0	1,031,115	0.4	43	0.2
Fulton	2	0.6	2,273,094	1.0	96	0.5
Greene	4	1.3	1,768,751	0.7	96	0.5
Huntingdon	2	0.6	1,397,582	0.6	154	0.8
Indiana	3	1.0	1,550,712	0.7	190	1.0

Jefferson	1	0.3	441,152	0.2	43	0.2
Juniata	0	0.0	0	0.0	0	0.0
Lackawanna	8	2.6	8,859,200	3.7	1,341	6.9
Lancaster	0	0.0	0	0.0	0	0.0
Lawrence	3	1.0	1,514,272	0.6	64	0.3
Lebanon	2	0.6	400,000	0.2	29	0.1
Lehigh	8	2.6	5,291,080	2.2	531	2.7
Luzerne	9	2.9	9,288,815	3.9	441	2.3
Lycoming	7	2.2	7,059,991	3.0	564	2.9
McKean	1	0.3	400,000	0.2	207	1.1
Mercer	7	2.2	2,354,701	1.0	133	0.7
Mifflin	4	1.3	1,739,900	0.7	482	2.5
Monroe	4	1.3	2,984,856	1.3	288	1.5
Montgomery	6	1.9	4,134,640	1.7	211	1.1
Montour	0	0.0	0	0.0	0	0.0
Northampton	10	3.2	9,335,432	3.9	527	2.7
Northumberland	5	1.6	2,224,073	0.9	157	0.8
Perry	0	0.0	0	0.0	0	0.0
Philadelphia	47	15.1	42,227,979	17.7	3,021	15.6
Pike	1	0.3	140,696	0.1	22	0.1
Potter	0	0.0	0	0.0	0	0.0
Schuylkill	8	2.6	8,003,224	3.4	771	4.0
Snyder	0	0.0	0	0.0	0	0.0
Somerset	2	0.6	2,500,000	1.0	111	0.6
Sullivan	1	0.3	219,683	0.1	30	0.2
Susquehanna	0	0.0	0	0.0	0	0.0
Tioga	0	0.0	0	0.0	0	0.0
Union	0	0.0	0	0.0	0	0.0
Venango	2	0.6	1,957,464	0.8	108	0.6
Warren	0	0.0	0	0.0	0	0.0
Washington	5	1.6	3,990,226	1.7	329	1.7
Wayne	2	0.6	1,067,601	0.4	95	0.5
Westmoreland	8	2.6	5,724,062	2.4	409	2.1
Wyoming	0	0.0	0	0.0	0	0.0
York	2	0.6	1,049,818	0.4	61	0.3
TOTAL	**312**		**$238,498,351**		**19,360**	

Note: Counties with “0” either did not receive any PIDA-financed loans during this time period or received multi-occupancy loans, which do not include job creation/retention figures.

Source: Author’s calculations using data from the PA Department of Community and Economic Development.

APPENDIX B. MEASURING JOB QUALITY IN THE PIDA PROGRAM

For most economic development programs in Pennsylvania, there is no readily available information about the wages and benefits paid by employers receiving assistance. However, the Pennsylvania Industrial Development Authority ("PIDA") requires applicants for assistance to state the number of jobs that they plan to create or retain and the total payroll anticipated for those jobs. The job and payroll information on firms' loan applications is available in summary form from the Pennsylvania Department of Community and Economic Development.

As a measure of job quality, we examine the projected payroll per job promised by firms receiving PIDA loans in Pennsylvania between July 1998 and March 2002. Payroll includes employer expenditures on wages and benefits combined. PIDA requires employers to state the number of full-time equivalent jobs (defined as 1950 hours of work per year) that they plan to create or retain.

The job and payroll information from PIDA pertains to jobs promised by loan recipients, not to actual jobs created or retained. Use of data on promised rather than actual jobs is not likely to result in a substantial over or underestimate of actual payroll per job. Because PIDA has de minimus wage and payroll requirements and does not hold loan recipients to their payroll estimates, loan recipients have little incentive to over- or understate their projected payrolls. PIDA does require recipients to create or retain the number of jobs they promise, so recipients may promise fewer jobs than they actually expect to create, in order to increase their chances of meeting their job targets. Because companies receiving assistance are likely to underestimate their payrolls when they underestimate their jobs, however, there is no reason to think that payroll per job is understated. In addition, firms' incentive to under-promise jobs is mitigated by the fact that no penalty is imposed on a firm that meets at least 75 percent of its job target. Even below 75 percent, a sliding-scale interest-rate penalty is imposed and in setting any penalty, the PIDA Board takes into account a wide range of reasons for failing to achieve job targets. Therefore, the number of jobs promised is likely to be, if anything, only a slight underestimate of the actual number of jobs created. This further limits the potential for error in calculating payroll per job using the loan recipients' estimates.

To determine the relative pay levels in PIDA-financed projects, we compared each PIDA-financed project's payroll per job with the countywide annual payroll per job in the loan recipient's industry. We obtained these county-specific, industry-specific payroll data from the U.S. Census Bureau's *County Business Patterns* (CBP).[14] The industry of each PIDA loan recipient was determined by a two-step process. First, DCED provided 2-digit SIC codes for most of the PIDA projects in our review. Second, for missing cases and for cases in which the SIC code did not seem to match the product of the loan recipient, we assigned a detailed industry code by reviewing press releases on PIDA loans (which provided a more detailed description of the loan recipients) and conducting electronic searches for information on companies receiving PIDA loans.

Because comparable data for years beyond 1997 are not available, we compare 1998-2002 data on payroll per job on PIDA projects with 1997 industry-specific payroll per job, adjusting the 1997 figures for estimated increases in payroll per job.[15] To make this adjustment through the year 2000, we use county-specific wage inflators derived from U.S. Bureau of Labor Statistics data (the Covered Employment and Wage (ES-202) series).[16] Because the ES-202 data were only available through 2000 at the time of this writing, we use the same inflator for 2001 and 2002 data as for 2000 data. This creates a conservative bias to our data because it leads to an underestimate of average payroll for 2001 and 2002 projects and thus to an overestimate of how many PIDA projects in those years meet the moderate- and high-quality job standards.

ENDNOTES

[1] Legislative Budget and Finance Committee (LBFC), *Department of Community and Economic Development Economic Development Programs: A Performance Audit Report in Response to Act 1996-58* (Harrisburg: LBFC, 2000), p. 192.

[2] For exceptions on loan ceilings and interest rates, see "PIDA Program Guidelines" available online at http://www.inventpa.com

[3] Includes Multi-Occupancy and Industrial Parks. This job total is promised jobs, not actual.

[4] Other programs, such as IDP, Opportunity Grant, and CJT, provide estimates of job creation but not payroll. To our knowledge, PIDA is the only program that provides both an estimate of job creation and payroll.

[5] We did not include PIDA loans for "multi-occupancy" and "industrial park" projects, as these do not require job and payroll projections.

[6] Industry codes refer to the Standard Industrial Classification (SIC) system. See "Technical Appendix" for details of our classification of PIDA projects.

[7] LeRoy and Slocum define high-quality jobs as those paying above-average wages for the industry in a county, low-quality jobs as those with wages below 80 percent of the average for the industry in a county, and moderate-quality jobs as those with wages from 80 to 100 percent of the industry average in a county. See Greg LeRoy and Tyson Slocum, *Economic Development in Minnesota: High Subsidies, Low Wages, Absent Standards* (Washington D.C.: Institute on Taxation and Economic Policy, February 1999).

[8] LeRoy and Slocum, *Economic Development in Minnesota*, p.15. Data from the Minnesota study included subsidies from grants, loans, and tax increment financing (TIF), while our study is based on data from only one loan program – PIDA.

[9] We know that there were at least 222,491 corporations in Pennsylvania in 1997 because this was the number liable for the Capital Stock and Franchise Tax in that year, the last for which these figures are available. Pennsylvania Department of Revenue, *The Statistical Supplement for Pennsylvania Tax Compendium: Fiscal Year 2000-01* (Harrisburg: PDR Bureau of Research, 200), p. 10.

[10] For additional information on disclosure, see http://www.goodjobsfirst.org/disclosurelaws.htm; and LeRoy and Slocum, *Economic Development in Minnesota*, pp. 50-51.

[11] LBFC, p. S-11.

[12] LBFC, p. S-15.

[13] Stephen A. Herzenberg, *Create Good Jobs and Promote Higher Performance With Economic Development Dollars* (Harrisburg: Keystone Research Center, October 2000), pp. 5-6.

[14] According to the Census Bureau, "total payroll includes all forms of compensation, such as salaries, wages, reported tips, commissions, bonuses, vacation allowances, sick-leave pay, employee contributions to qualified pension plans, and the value of taxable fringe benefits. Payroll is reported before deductions for Social Security, income tax, insurance, union dues, etc." *CBP Definitions and Information*, available online at http://www.census.gov/epcd/cbp/view.genexpl.html

[15] *County Business Patterns* (CBP) data are available through 1999. However, prior to 1998, the CBP data were classified on the U.S. Standard Industrial Classification (SIC) system. Starting in 1998, the CBP data are classified on the basis of the North American Industry Classification System (NAICS). The PIDA program uses the SIC system. Because most of our industry classifications for PIDA-financed projects were from PIDA (using the SIC system), we chose to use the 1997 CBP data and inflate to later years, rather than convert SIC codes to NAICS codes.

[16] Of the 312 projects we analyzed, in 283 cases we were able to make an inflation adjustment based on the same the 2-digit sector from the ES-202 data. However, in 28 of the 312 cases, we used the 1-digit sector data because of missing data for the 2-digit level. In only one case did we have to use Pennsylvania level (rather than county level) data to compute wage inflation.