



Small Businesses and Workers Still Need Help

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PA Budget: Small businesses, workers, and the rest of us, are left holding the bag.

The state budget enacted in late June has two glaring and interrelated missing pieces: it provides little support for the small businesses and for the working people of Pennsylvania who are still suffering from the impact of the pandemic.

Those missing parts are surprising for a few reasons:

After complaining about the harm to small businesses, Republicans rejected helping them.

First, for more than a year, the Republican leadership of the General Assembly attacked Governor Wolf's emergency orders because they supposedly hurt small businesses. This [criticism was false](#) because the COVID-19 virus would have shut down our economy no matter what Governor Wolf did. But it is shocking that the same Republicans that raised a cry on behalf of small businesses during the peak of the pandemic then ignored those businesses' needs when they had a chance to meet them.

Small businesses are still hurting.

Second, it is especially hypocritical because small businesses are still hurting, which shows that it was not the business shut-down orders that undermined them but the devastating impact of the pandemic on the willingness of people to shop in person.

Fifteen months after the beginning of the pandemic, small business revenue in Pennsylvania is still down a striking 28% relative to pre-COVID levels (Figure 1). And, despite an improving economy as a whole, small business revenue on June 21 was lower by eight to ten percentage points than it was two months earlier. Additionally, all but seven counties in Pennsylvania (out of those reported in the data) have been below the level of small business revenues compared to January 2020. Some counties in the Commonwealth indicated huge decreases in small business revenues from January 2020 to January 2021 (Figure 2).

Figure 1. Small Business Revenue in Pennsylvania

Percent Change in Small Business Revenue*

In **Pennsylvania**, as of **June 21, 2021**, total small business revenue **decreased** by **27.8%** compared to January 2020.

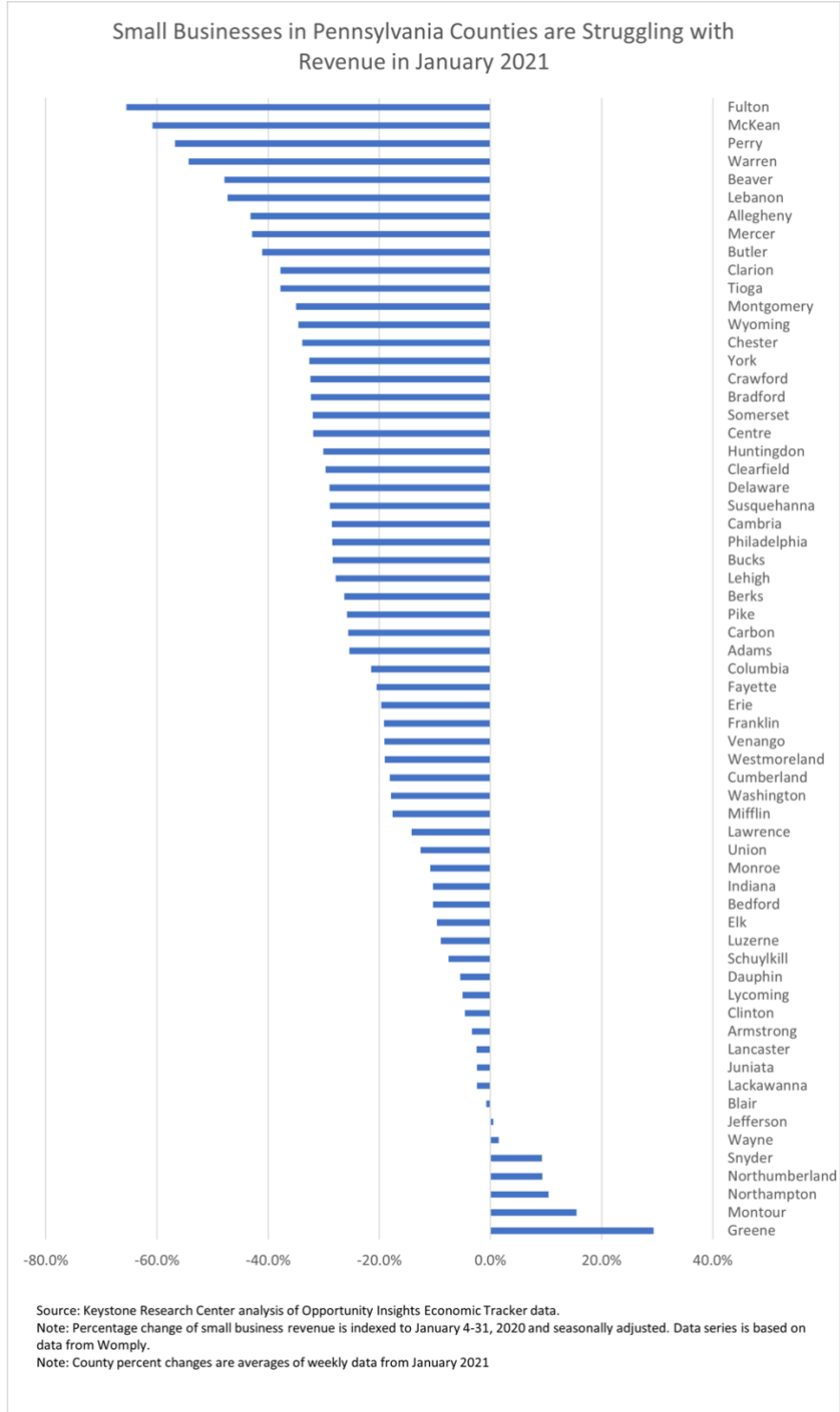


data source: Womply

*Change in net business revenue for small businesses, indexed to January 4-31 2020 and seasonally adjusted. This series is based on data from Womply.

last updated: June 30, 2021 next update expected: July 09, 2021

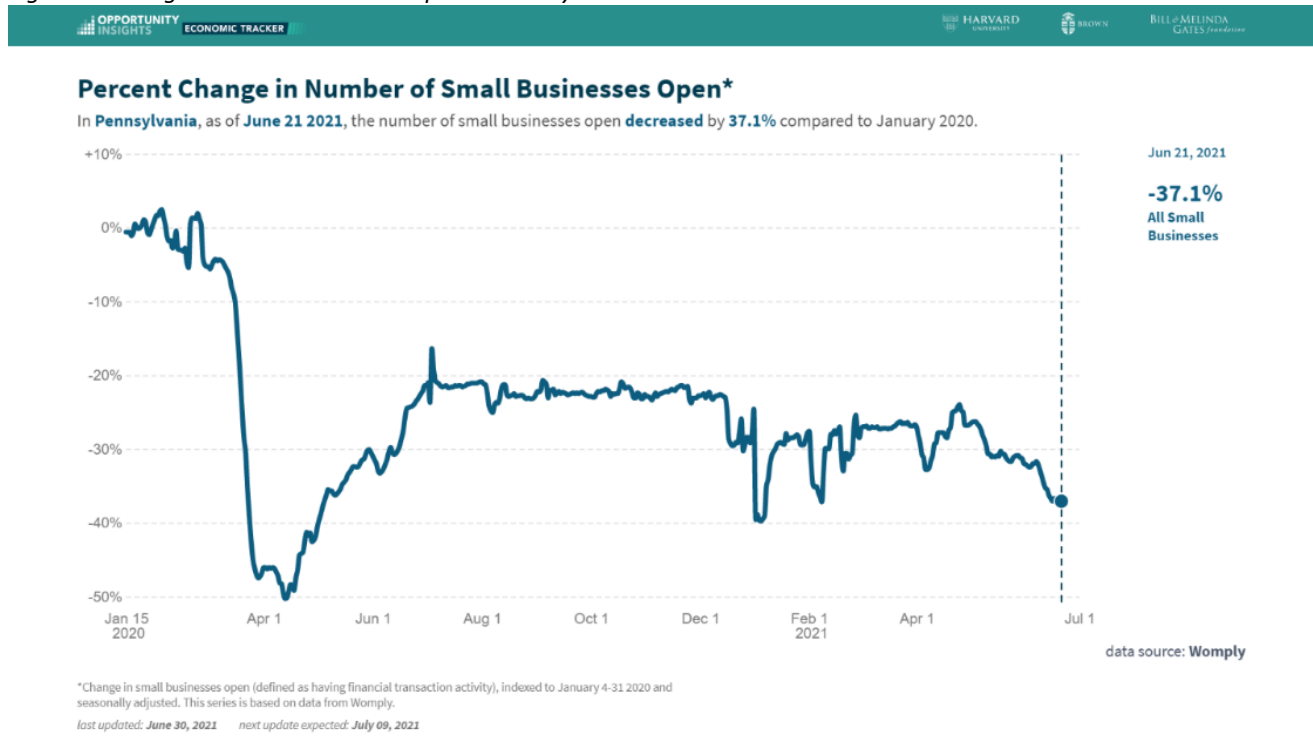
Figure 2: Small Business Revenue in Pennsylvania Counties



Lower revenues for small businesses have also dramatically reduced the number of small businesses in Pennsylvania (Figure 3). As of June 21st, the number of open small businesses in Pennsylvania was down compared to the start of 2020 by more than a third—about 37% While the rest of the economy has been

improving, small business revenues have continued to decline, by 10 percentage points, in the last few months.

Figure 3. Change in Small Businesses Open in Pennsylvania



Third, there is no excuse for not acting to protect small businesses in the budget adopted in June. Thanks to \$7.3 billion in federal American Recovery Plan funds and an almost \$3 billion surplus, the state has \$10 billion and some of this could be used to provide aid to small businesses. More than 86% of Pennsylvanians [believe](#) the funds should be spent to help small businesses. It is beyond shocking that more than \$7 billion of these funds aren't going to be spent, leaving nothing for small businesses.

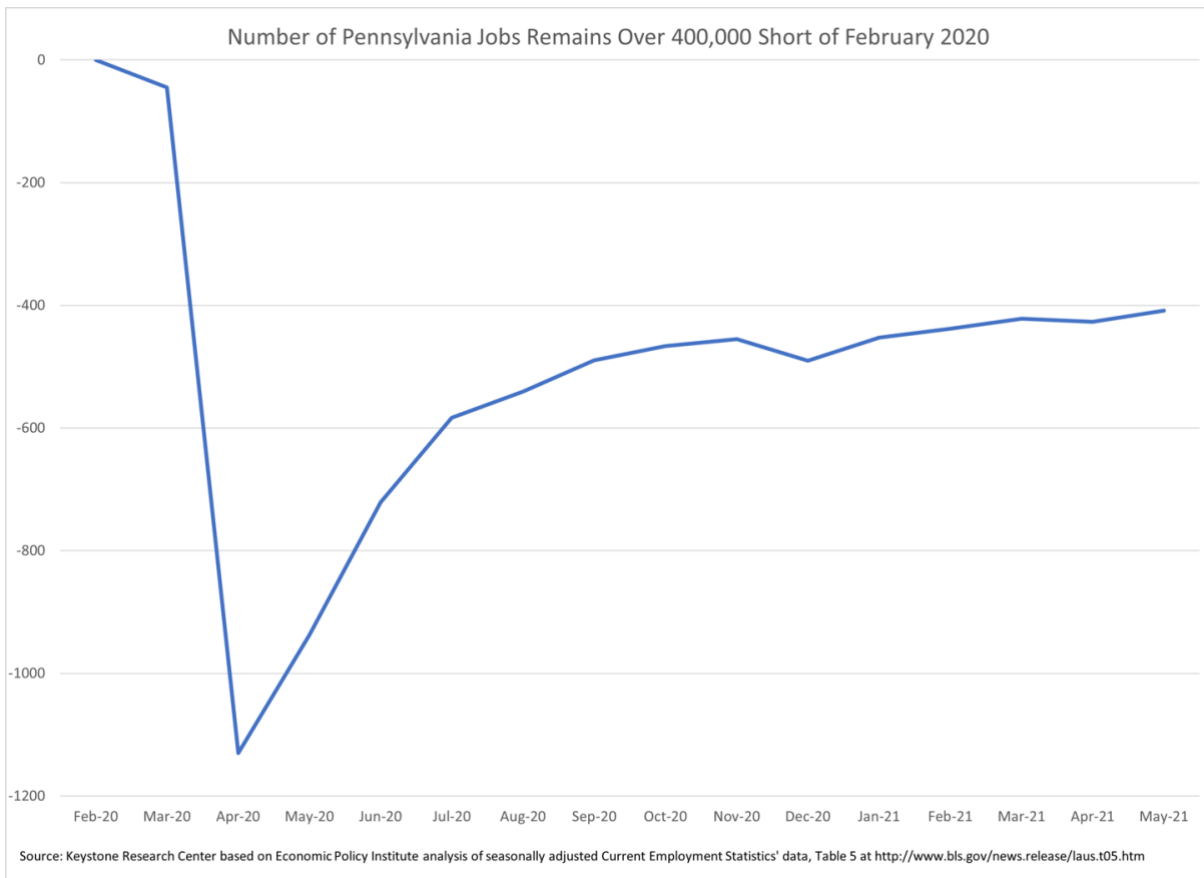
Workers were left out of the state budget too.

It's not just small businesses that were left out, but workers as well. Not one dime of the \$10 billion available for this year's budget went to help struggling working people. There was no money for hazard pay for frontline workers. There was no money to do what New Jersey did and provide tax relief grants to low- and middle-income working people who are taxed at twice the rate of the top 1% in Pennsylvania and who pay a great deal in state taxes, while most giant multi-national corporations pay zero. The minimum wage—which was created in 1938 and helped lift us out of the Great Depression—was not raised. The state budget also reversed a new regulation that would have contributed to higher pay for 190,000 lower-paid, exploited salaried workers.

Workers are still hurting.

Working people continue to struggle in Pennsylvania. The number of Pennsylvania jobs plummeted by more than a million from February to April 2020. The number then recovered steadily through November of 2020, but job growth has stalled since. The last release of state jobs numbers, for May 2021, indicates that Pennsylvania is still more than 400,000 jobs short of the level in February 2020 (Figure 4).

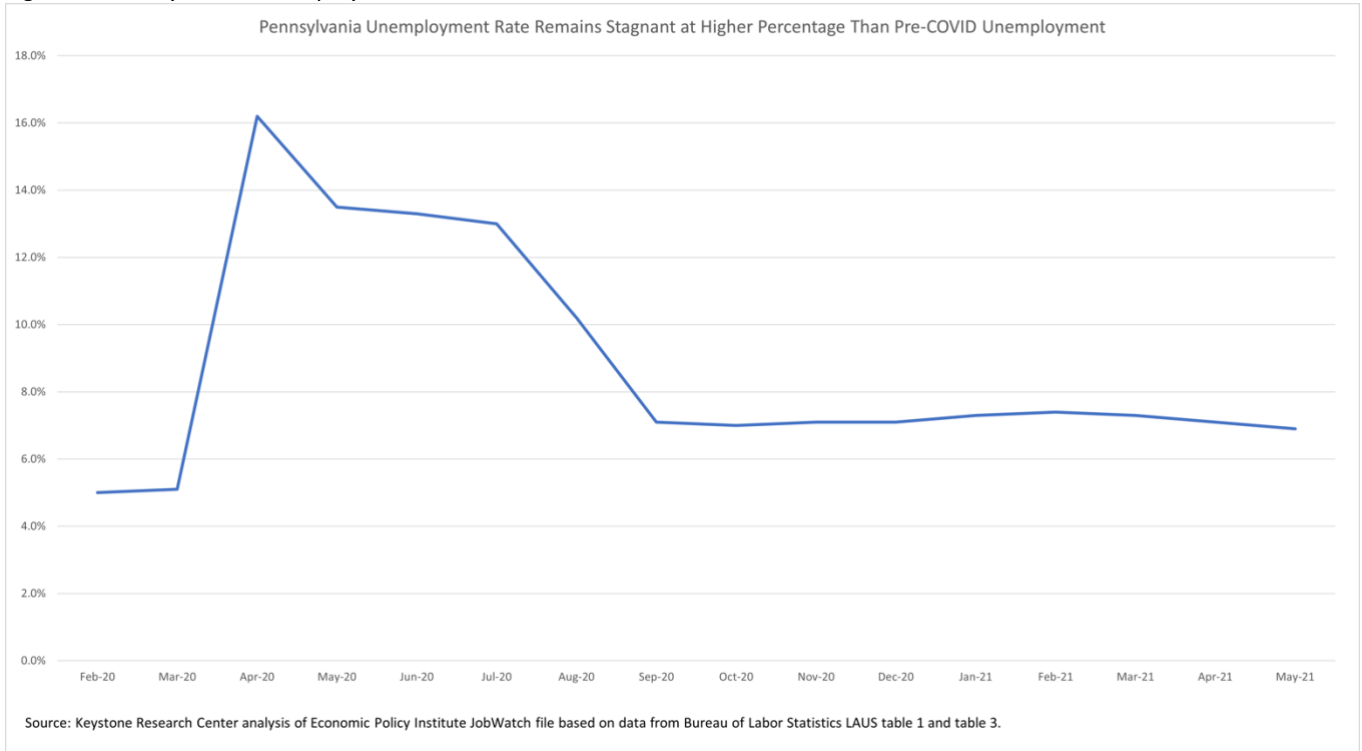
Figure 4. PA Unemployment



Unemployment has stopped falling.

The unemployment rate spiked at over 16% in April 2021, then fell quickly to 7% in September 2021. The unemployment rate has remained around 7% for the past nine months, a rate roughly two to three percentage points higher than before COVID (Figure 5).

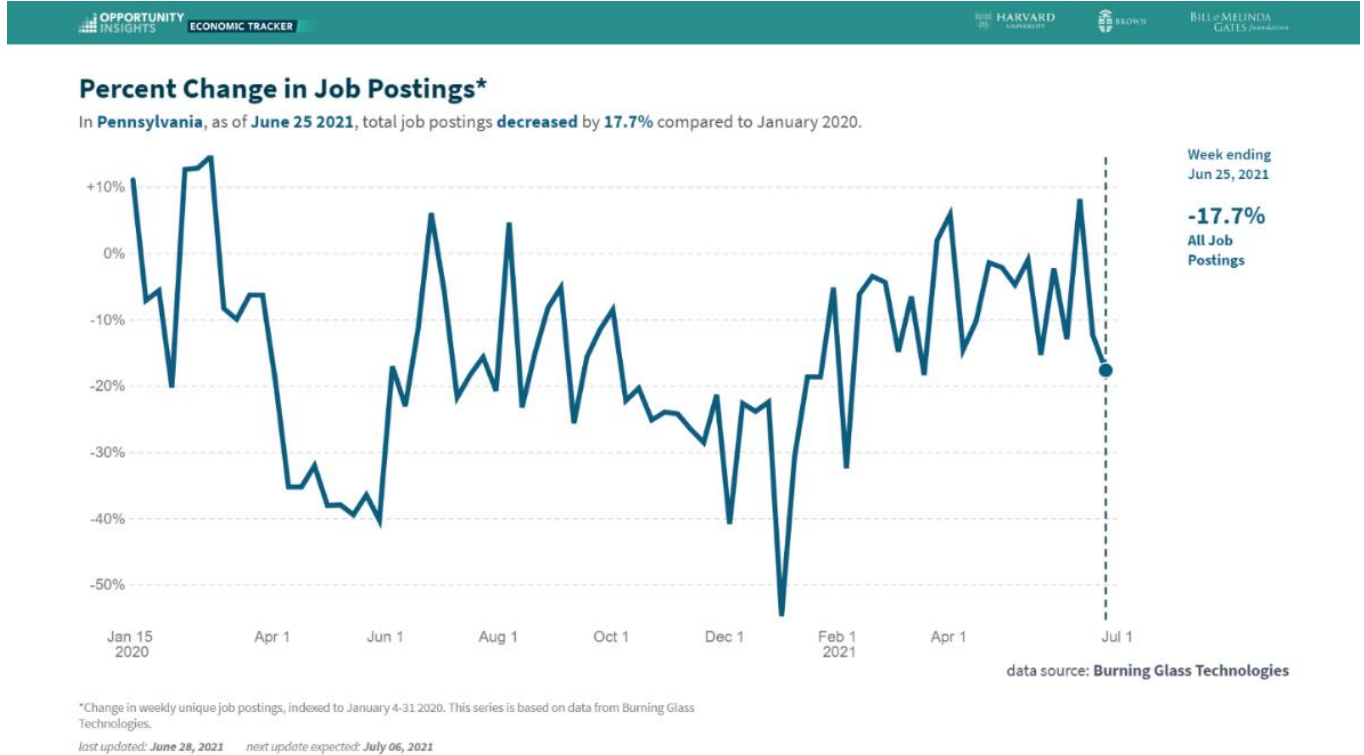
Figure 5: Pennsylvania Unemployment Rate



The problem for workers is the lack of jobs.

Job postings provide a real-time window into employer demand for workers. The latest job posting data for the week ending June 25, 2021, show that employer demand was 18% short of pre-pandemic levels (Figure 6). In other words, the widespread claim that job growth has slowed because of employees’ reluctance to return to work doesn’t fit with the facts. Over the last nine weeks, including the week ending June 25th, job posting numbers have been an average of 6.7% lower than pre-COVID levels.

Figure 6: Job Postings in Pennsylvania



Small Businesses and Working People Need Each Other

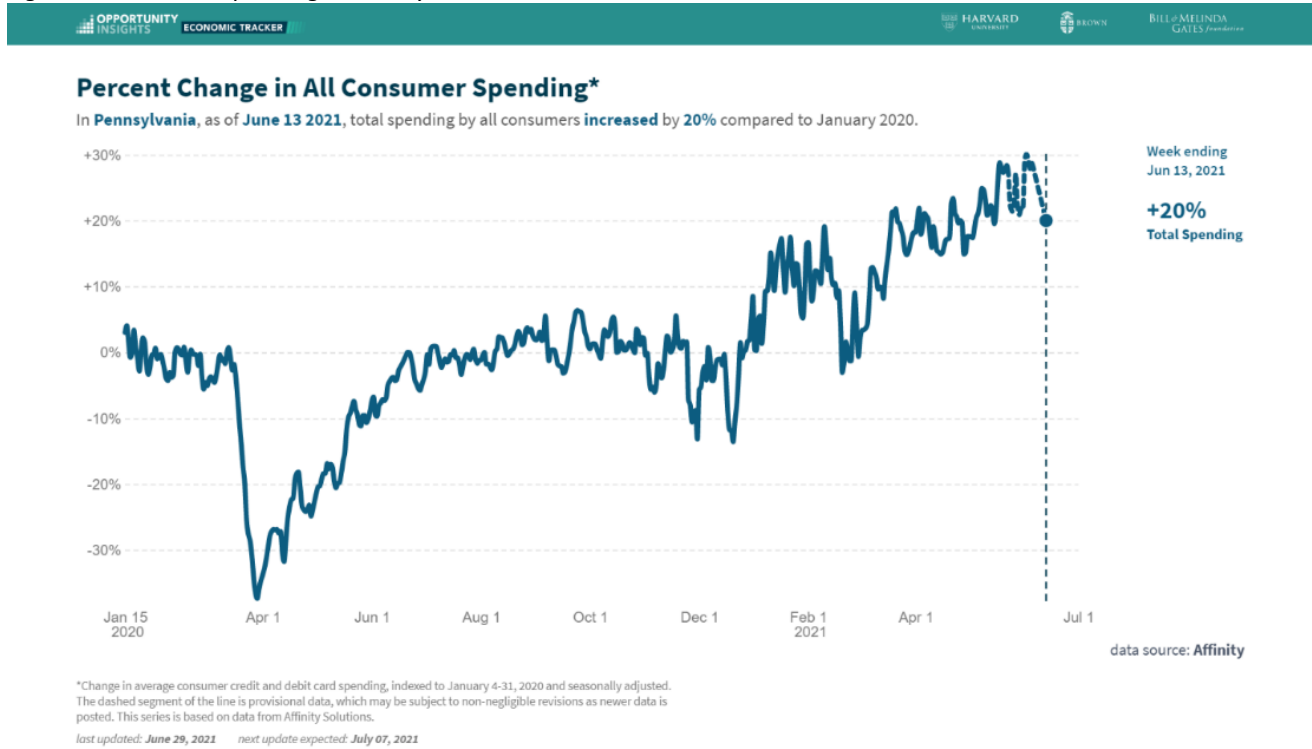
Helping working people and helping businesses go together is contrary to the views of the right-wingers who seem to think that the best way to help small businesses is to hold wages down.

As Henry Ford understood, high wages are necessary to sustain the consumption that drives our economy forward, accounting for roughly 70% of total demand. In the 40 years since 1980, wage stagnation in the U.S. has reduced middle-class consumer spending, resulting in slow economic growth.

Consumer Spending Has Begun to Rebound Thanks to Federal Relief

However, it happens that the best recent news about the U.S. and Pennsylvania economies is about the recovery of consumer spending. Pennsylvania's consumer spending was up by 20% over pre-pandemic levels by mid-June 2021 (Figure 7), about 10 percentage points higher than the national increase. And let's be clear about why the economy is recovering far more quickly than anyone expected six months ago: designed to give families the resources they need to sustain their spending, federal relief efforts, such as the American Rescue Plan, are doing their job.

Figure 7. Consumer Spending in Pennsylvania



With vaccinations increasing and new COVID-19 case numbers declining in Pennsylvania and many other areas, the U.S. economy has more fully reopened. Pennsylvania, like most other states, has regained much of the economic ground lost in the second quarter of 2020—but we still have a long way to go to fully recover and need the right policies to do so.

Small business revenue and unemployment data on the recovery of Pennsylvania consumer spending show it hasn't brought the economy back to where it was pre-COVID, let alone create the more equitable and inclusive economy we hope to create in the future. Some of the uptick in Pennsylvania consumption can be attributed to online shopping and purchases of consumer durables produced in other states or countries. And the continued small business crisis is holding job growth down as well, especially since employers are cautious about adding jobs before they have confidence that a sustained recovery is on the way and likely to continue.

Conclusion

Since late 2020, we've had mostly the right federal policies—but mostly the wrong policies at the state level. Federal support for small businesses and working people has been critical to bringing the economic recovery to this point. We need state government to step up and do its share to ensure that the economic recovery continues and that it leaves no one out. The state should:

- provide at least \$500 million to help small businesses stay afloat and more rapidly hire back workers;
- give low- and moderate-wage workers a rebate on the taxes they pay to the state;

- provide hazard pay to frontline workers; and
- raise the minimum wage.

These policies will not only give small businesses direct help but indirectly help them by raising the wages of people who will put the money they receive back into their local economy by paying for basics such as rent, groceries, and other daily needs.

At this moment, Pennsylvania's state lawmakers are sitting on billions of dollars in federal ARP assistance—money that comes from our taxes—that could be a lifeline to small businesses and working families, as well as making our economy more equitable. The failure of the Republican leadership in the General Assembly to act in support of our economy will increase the number of small businesses that never come back, the number of workers who remain without a job, the number of families that get evicted, and the amount of human suffering caused by a sluggish economy. Historians will judge harshly the failure of Pennsylvania's state lawmakers to use the funds provided by President Biden and the U.S. Congress.