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Established in 1996, Keystone operates through the collaborative efforts of Pennsylvania citizens drawn from academic, labor, religious and business organizations. Rather than simply diagnosing Pennsylvania's problems, the KRC is dedicated to using research and collaboration to finding solutions to broaden equitable opportunity.

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THE STATE OF

WORKING

PENNSYLVANIA

2001

David H. Bradley
Stephen A. Herzenberg

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The State of Working Pennsylvania 2001

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This report was published and printed in-house.



KEYSTONE RESEARCH CENTER

The Keystone Research Center (KRC), a non-partisan think tank, conducts research on the Pennsylvania economy and civic institutions. This research documents current conditions and seeks to develop innovative policy proposals to expand economic opportunity and ensure that all State residents share in economic growth.

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ACKNOWLEDGMENTS

We thank the Economic Policy Institute for the data they provided in this report. Howard Wial edited the document. Carol Ramsey designed and did the layout of the document.



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EXECUTIVE SUMMARY

The State of Working Pennsylvania 2001 contains the results of Keystone Research Center's annual checkup on the Pennsylvania economy. From our review of the economy's vital signs, a two-fold message emerges. Through the year 2000, economic expansion continued yet its benefits remained meager for most workers and their families. In the first half of 2001, the Pennsylvania economy slowed and the labor market softened. If these new conditions persist, they will bring greater difficulty to workers and families already struggling.

Many different economic indicators point toward the pressures that remain in the lives of working Pennsylvanians, despite our nation's longest recorded period of sustained growth.

Inflation-adjusted wages, by far the most important determinant of living standards for middle-class and low-income Pennsylvanians, continue to stagnate. (Throughout this report, the wage figures we use are adjusted for inflation and expressed in 2000 dollars.)

- The median wage in Pennsylvania declined in the past year from \$12.36 per hour to \$12.27 per hour, reversing a modest four-year positive trend. While 60 cents per hour above the 1995 level – the low point for Pennsylvania wages in the last two decades — the median wage still trails its 1979 peak by 51 cents per hour. U.S. wages, by contrast, have caught up to 1979 levels. Four of Pennsylvania's neighboring states have wages 24 cents to \$1.31 per hour *above* their 1979 levels.
- Low-wage Pennsylvania earners (defined as those earning less than 90 percent of all workers) enjoyed a seven cent per hour wage increase from 1999 to 2000. They now earn 47 cents per hour more than they did in 1995, but 69 cents less than in 1979.
- Men in Pennsylvania enjoyed a nine cent rise in hourly earnings from 1999 to 2000, but their median wage is still \$1.40 below 1979 levels. Pennsylvania women saw a nickel an hour fall in wages from 1999 to 2000, but make 81 cents more than in 1979 and 46 cents more than in 1995.
- Black men in Pennsylvania earned 66 cents more per hour in 2000 than 1999, but their wages remain less than in 1995 and nearly \$3.00 per hour less than in 1979.
- The inflation-adjusted wages of Pennsylvania workers without a four-year college degree remain stuck. Both men and women without a high-school degree and men with some college education (but no four-year degree) earn less than they did in 1995. Since 1979, men without a four-year college degree have seen their wages plunge by \$2.79 per hour or more.

Pennsylvania once had one of the most comprehensive employer-based health and pension benefit systems in the nation. But that system now covers a smaller share of workers than in the late 1970s.

- The share of Pennsylvanians who get health insurance through an employer – their own or a family member's — has dipped from 77 percent in 1979-81 to 72 percent in the late 1980s to 66 percent in the late 1990s. The number of Pennsylvanians without health insurance equaled 1.1 million in 1999, up from 844,000 in 1987 (although down from 1.25 million in 1998).
- Since the late 1970s, the share of workers with employer-provided pensions has slipped from 61 percent to 57 percent, dropping Pennsylvania from first in the nation to sixth. This decline took place mostly because of an 11 percentage point decline in the share of men with employer-provided pensions.

With their wages and family income little improved, an estimated 24 percent – nearly one in four – of Pennsylvania families with young children cannot afford what it actually costs in their community to pay for basic needs (such as food, housing, clothing, health care).

- These families in economic hardship include 535,000 people. Roughly one third of such families face critical hardships such as going without food, having to “double up” in housing with another family, or not having access to medical care during an acute illness. The majority of families with income below a basic-needs budget are two-parent families, often with one or more workers.

Pennsylvania families with children work increasingly long hours, exacerbating the tension between work and family responsibilities.

- Partly in response to stagnant wages, middle-income Pennsylvania married-couple families with children worked 550 additional hours at the end of the 1990s than they worked at the end of the 1980s.

Pennsylvania workers face much higher rates of large-scale layoff than U.S. workers.

- In the several years that layoff statistics have been collected, the fraction of Pennsylvania workers affected by “mass” layoffs has been one-and-a-half times the national average.

The educational attainment of Pennsylvania workers has improved but still ranks only in the middle of the pack.

- The share of Pennsylvania workers with high school diplomas and graduate degrees has caught up with and slightly surpassed the national average since 1979. Yet Pennsylvania still trails when it comes to the critical middle

of the educational attainment curve — a substantially larger share of Pennsylvania high school degree holders than U.S. have no education beyond high school.

Metropolitan Philadelphia and York workers have done better, but those in metropolitan Pittsburgh, Erie, Reading, and rural Pennsylvania have not.

- Workers in the five-county Metropolitan Philadelphia area earn nearly a dollar more per hour than in 1979 and 1989 and now have a median wage of \$14.00 per hour, roughly \$2 per hour more per hour than in the rest of the state.
- Workers in metropolitan Pittsburgh still earn \$2.29 less per hour in 2000 than they did in 1979, having lost ground in the second half of the 1990s despite a strong economy.
- Workers in Erie, Reading, and rural Pennsylvania earned between 9 and 12 percent less in the year 2000 than in 1989. Of the state’s smaller metropolitan areas, York enjoyed the biggest hike in wages in the 1990s.

Pennsylvania job growth has been sluggish.

- While slightly higher than the national average in the year 2000 itself, the rate of job growth in Pennsylvania rate has been only 40 percent that of the nation over the entire 1979-2000 period. Since 1995, three of our neighboring states have much higher job growth rates and three others have rates close to Pennsylvania’s.

So far our summary has highlighted trends up to the end of the year 2000, which, measured by the unemployment rate, had the most favorable climate for workers since 1969. **The evidence for the first half of 2001, indicate that the economic winds have now turned in harsher directions for workers.**



- In the second quarter of 2001, the U.S. economy (measured by Gross Domestic Product) expanded at an annual rate of only 0.7 percent. In 2000, the United States gained 1.76 million jobs; between April and June 2001, it had a net loss of 271,000 jobs.
- The unemployment rate in Pennsylvania rose to 4.5 percent in July 2001 (and 4.8 percent in June 2001), up from 4.0 percent in April 2000.
- In 1999, the share of Pennsylvania workers filing for unemployment benefits each year as a result of mass layoffs reached its lowest level since 1995. This share increased only a little in 2000. But in the first half of 2001, this share jumped (at an annualized rate) by 0.7 percent of Pennsylvania workers, twice the climb nationally.
- The number of manufacturing jobs in Pennsylvania plummeted 3.8 percent from July 2000 to July 2001, the biggest drop in any 12-month period since 1991.

Pennsylvania workers face the prospect of an economic downturn in their weakest position since the 1930s.

In the 1950s to 1970s, when unemployment increased, wages rarely fell because of union influence and a relatively high minimum wage. But today, in Pennsylvania, unions represent only one in six workers and the minimum wage has fallen to well below most low-wage earnings. The only factor holding up most wages, therefore, has been low unemployment. Loosen the labor market and we can expect wages to fall, more workers to lose benefits, and more workers to lose good jobs without finding another job as good.

* * * * *

This report spells out the unsatisfactory consequences for ordinary Pennsylvanians of two decades in which public policy has been guided by a faith in unfettered markets.

Moving forward, Pennsylvanians have a choice. We can hold on to the dominant view that markets alone should determine labor market outcomes, with government doing little even if less favorable conditions bring less favorable outcomes.

Or we can recognize that achieving broadly shared prosperity in the new economy demands a new set of economic and labor market rules – a New Deal for a New Economy. Such a New Deal could accomplish in the 21st century what Roosevelt managed in the 1930s – it could establish a framework within which people generally reap the benefits of a dynamic new economy and the economy itself becomes even more dynamic.

The box on the next page, based on Keystone Research Center’s *Steal this Agenda: A Blueprint for a Better Pennsylvania* (on line at www.keystoneresearch.org), summarizes how to begin crafting a New Deal for a New Economy in Pennsylvania.

Of course, some voices may tell us we have no choice. If, in a global new economy, inequality rises and economic insecurity spreads, they say, Pennsylvanians must grin and bear it. More accurately, a small slice of Pennsylvanians can grin and ordinary Pennsylvanians must bear it.

We think it’s possible to create a future that is less of a burden and more of a joy for the majority of Pennsylvanians. In such a future, the majority would recover a sense of control and hope regarding their economic opportunities. With this foundation, good will, families, and communities would flourish.

Over the next 15 months, through our publications and our collaboration with others, our goal is to make the need for a New Deal for a New Economy the dominant view in Pennsylvania. In a democracy, that is the precondition for implementing such a New Deal.

BOX 1: A BLUEPRINT FOR A BETTER PENNSYLVANIA

Promote Economic Security

- **Make Work Pay** by raising the minimum wage, enacting “living-wage laws” that require that jobs subsidized by government pay enough for a family to live on, and establishing a “worthy wage” above the minimum wage for workers in critical caregiving occupations.
- **Build Career Ladders** linked to regional industries and occupations rather than to individual firms.
- **Foster “New Unions”** that can raise wages and benefits, help build career ladders, and ensure that companies invest adequately in workers’ skills.
- **Make Health Insurance Accessible to More Working People** by modifying the state’s new adult insurance program so that the state can draw down matching funds from the federal government (e.g., via Medicaid).

Relieve Stress for Working Families

- **Relieve the Time Squeeze on Working Families** by enacting a paid family leave program.
- **Make Quality Child Care Accessible to More Working Families** by expanding eligibility for state subsidies and increasing funds for compensation and quality improvement at child care providers.
- **Promote Life-Enriching Elder Care** by supporting a grass-roots movement to spread innovative high-quality models of care delivery.

Reduce Suburban Sprawl

- **Reverse the Decline of Established Cities and Towns** by establishing county or metropolitan planning councils, using state planning and infrastructure funds to encourage compliance with county or metropolitan plans, and implementing regional tax-base sharing.

Promote Higher Productivity Growth

- **Redirect State Business Subsidies to the Creation of Good Jobs.**
- **Shift Economic Development Dollars to Raising the Performance of Whole Industries**, not individual firms.

Build a Strong Foundation for a Better Pennsylvania

- **Make Pennsylvania’s Democracy More Responsive To Ordinary Pennsylvanians** through public financing of campaigns and making voting easier.
- **Promote High Quality Education for All Children From Preschool to College** through
 - higher state education funding that ensures adequate school funding in all school districts
 - increased investment in small classes in the early grades
 - investing in a Teacher Effectiveness Initiative
 - increasing funding for higher education, including Pennsylvania’s underfunded community colleges.
- **Ensure That the State Has Adequate Revenues for Essential Public Investment and Social Needs** by putting the planned phase-out of one of Pennsylvania’s major business taxes (the capital stock and franchise tax) on hold and establishing a 21st century Pennsylvania tax commission.
- **Monitor Whether the State is On the Right Path** by creating a new Pennsylvania Benchmarks index that measures quality of life in the state.



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The Keystone Research Center has a fundraising campaign underway. Read on and find out how you can help.

A LETTER FROM THE CAMPAIGN CHAIRS

Shaping public discourse on the issues of the day requires good ideas and an educated public. Unfortunately, these days discussion of vital public issues is all too often framed by narrow special interests as false either/or choices. Without informed discussion, policymakers, legislators, and citizens are robbed of the opportunity to discover and decide what ideas will best serve the public good.

In Pennsylvania, the Keystone Research Center encourages public debate that serves the public good by presenting balanced and insightful research on the issues that most affect the people of the Commonwealth.

Over the past five years — working with limited resources — the KRC has broken new ground in its analysis of Pennsylvania's economy, low-wage labor market, nursing homes, community colleges, democracy, and public health system.

Generating rigorous, research-based ideas is not free.

Sustaining and expanding Keystone's work requires financial support so that it can continue to champion informed public discussion on issues that touch the lives of every Pennsylvanian.

As KRC Capital Campaign co-chairs, we are committed to advancing the Keystone Research Center's capacity to influence public debate about the issues of today and about those looming in our future.

We invite you to discover more about the work of the Keystone Research Center by exploring the Research Center's Web site (www.keystoneresearch.org) and contributing to the KRC Capital Campaign.

Your support will help insure that the KRC will continue to bring the power of ideas to bear on policy debates in Pennsylvania in a way that will advance the public good.

Dr. Linda M. Rhodes
Campaign Co-Chair

Dr. Thomas W. Wolf
Campaign Co-Chair

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INTRODUCTION

The State of Working Pennsylvania 2001 provides a statistical portrait of the economic status of Pennsylvania workers and their families. It maps Pennsylvania's performance on such indicators of well-being as wages, inequality, poverty, and unemployment. Most data are displayed over time, permitting current performance to be compared to that of the past. To put the state in perspective, the report compares Pennsylvania to the nation and sometimes to neighboring states.

In addition to statistics examined in previous years, our report this year for the first time contains data on:

- health and pension benefit coverage in Pennsylvania, which some observers fear have been jeopardized by the transition to the new economy;
- hours worked by families with children, which provide insight on the extent to which Pennsylvania parents face difficulty balancing work and family responsibilities;
- the number and percent of Pennsylvania families with young children whose incomes do not cover the cost of basic needs (food, clothing, housing, etc.), more accurate indicators of economic hardship than poverty statistics;
- the educational qualifications of Pennsylvania workers compared to those of workers in other states, a key factor in expanding good jobs;

- wage and inequality trends for 10 different Pennsylvania metropolitan areas and for rural areas in the state.

This report also assesses the impact of the current national economic slowdown on Pennsylvania. We do this by examining monthly data on unemployment, layoffs, and manufacturing employment through the middle of 2001.

Throughout *The State of Working Pennsylvania 2001*, dollar values are adjusted for inflation and expressed in 2000 dollars (i.e., the buying power of wages at 2000 prices). For inflation adjustments, we use the CPI-U-X1, a consumer price index published by the Bureau of Labor Statistics.

In analyzing trends, we ordinarily report figures for 1999 and 2000, but pay more attention in the text to changes that occurred over longer periods of time. We compare 2000 primarily to 1995, 1989, and 1979.

For Pennsylvania, 1995 was the low point for inflation-adjusted wages after 1979. Changes since 1995 allow us to see how much state wages have recovered since they bottomed out. The year 1989 was the high point in the economic expansion before the current one. By comparing the present to 1989 we can see how much workers have progressed during the current business cycle. The year 1979 was also a high point in an economic cycle and about the time that wages began to decline from their post-World War II peak.



WAGES

Wages and salaries account for roughly three quarters of total family income and an even higher share for middle class and low-income families. Wages are thus a major determinant of living standards for most families and a key influence on income inequality. This section examines wage growth and wage inequality in Pennsylvania in the past two decades.

Wages Fall Slightly from 1999 to 2000

As in prior years, we focus much of our wage analysis on the “median” earned by someone who falls right in the middle of all wage earners. Median wage earners make more than half of all workers and less than the other half of workers.

The inflation-adjusted median wage in Pennsylvania fell between 1979 and 1995 but rose

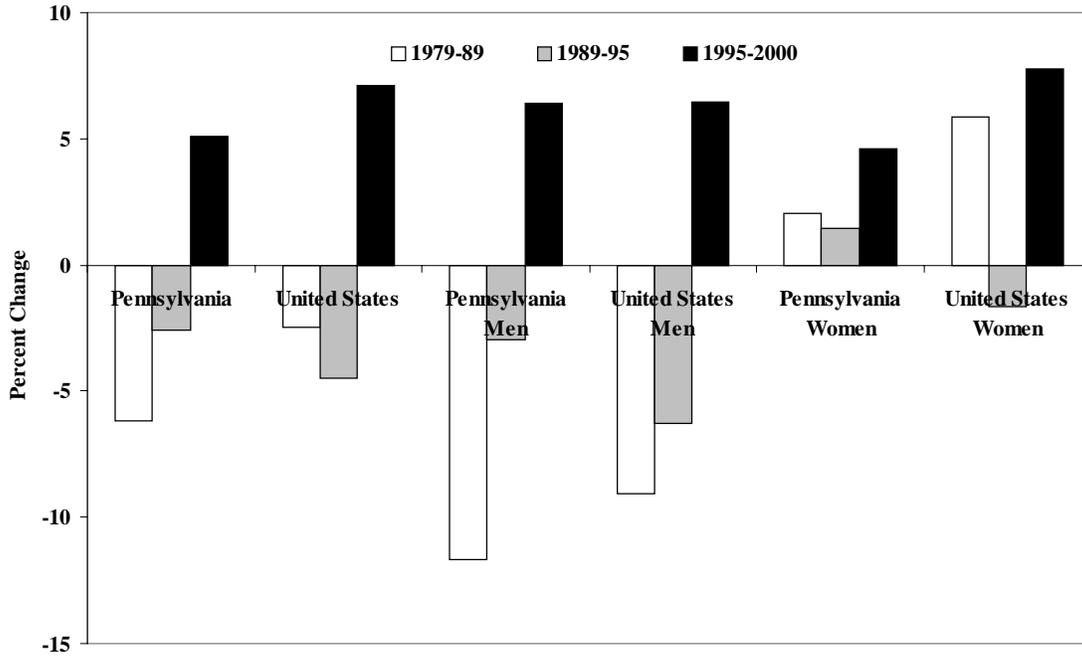
in each year from 1995 to 1999 (Table 1 and Figure 1). The median wage fell again from 1999 to 2000. The state’s median wage now exceeds its 1989 level by 29 cents per hour. It still trails its 1979 level by 51 cents per hour, which adds up to about \$1000 less per year for a full-time, full-year worker.

Pennsylvania wages lost ground compared to U.S. wages in the 1980s and gained the same amount as U.S. wages in the 1990s. In 1979, no neighboring state had a wage more than 74 cents above Pennsylvania’s. Today, Maryland and New Jersey have a median wage that exceeds Pennsylvania’s by at least \$1.58 per hour and two other states (Delaware and New York) have a median of 76 cents or more above Pennsylvania’s. In four of our six neighbors, unlike Pennsylvania, the median wage in 2000 exceeds its 1979 level (Figures 2A and 2B).

	All Workers		Men		Women	
	PA	US	PA	US	PA	US
1979	\$12.78	\$12.29	\$15.85	\$15.43	\$9.70	\$9.68
1989	11.98	11.98	14.00	14.03	9.90	10.25
1995	11.67	11.45	13.58	13.14	10.05	10.08
1999	12.36	12.27	14.36	13.85	10.56	10.66
2000	12.27	12.26	14.45	13.99	10.51	10.86
Percent Change						
1979-2000	-4.0	-0.2	-8.8	-9.3	8.3	12.2
1989-2000	2.4	2.3	3.2	-0.3	6.1	6.0
1995-2000	5.1	7.1	6.4	6.5	4.6	7.7
1999-2000	-0.7	-0.1	0.6	1.0	-0.5	1.9

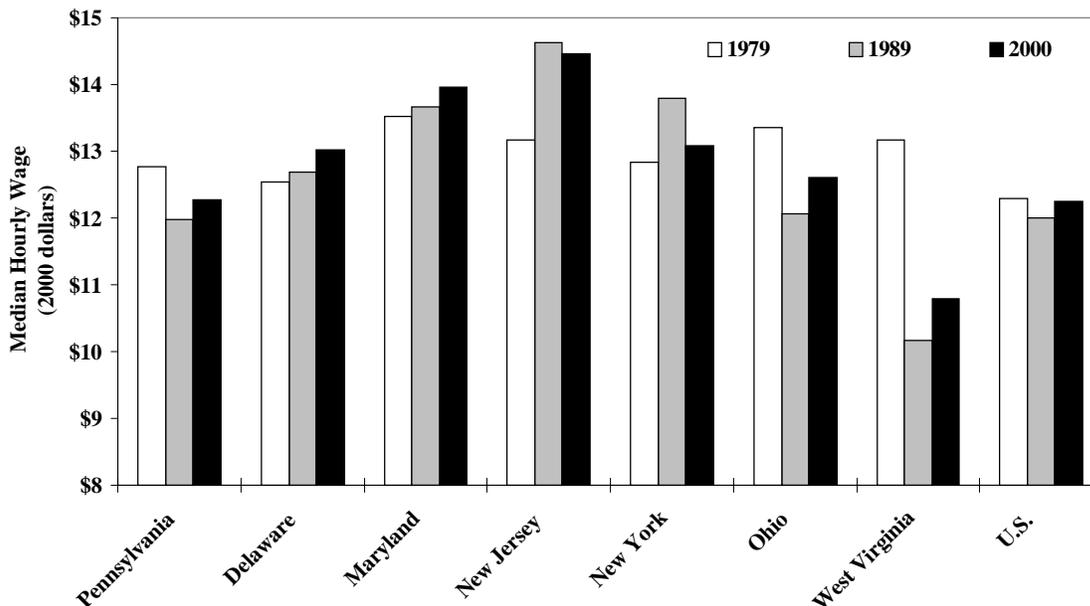
Source: Keystone Research Center, based on U.S. Census Bureau Current Population Survey (CPS) data.

Figure 1. Change in Inflation-Adjusted Median Wage in Pennsylvania and the United States (percent)



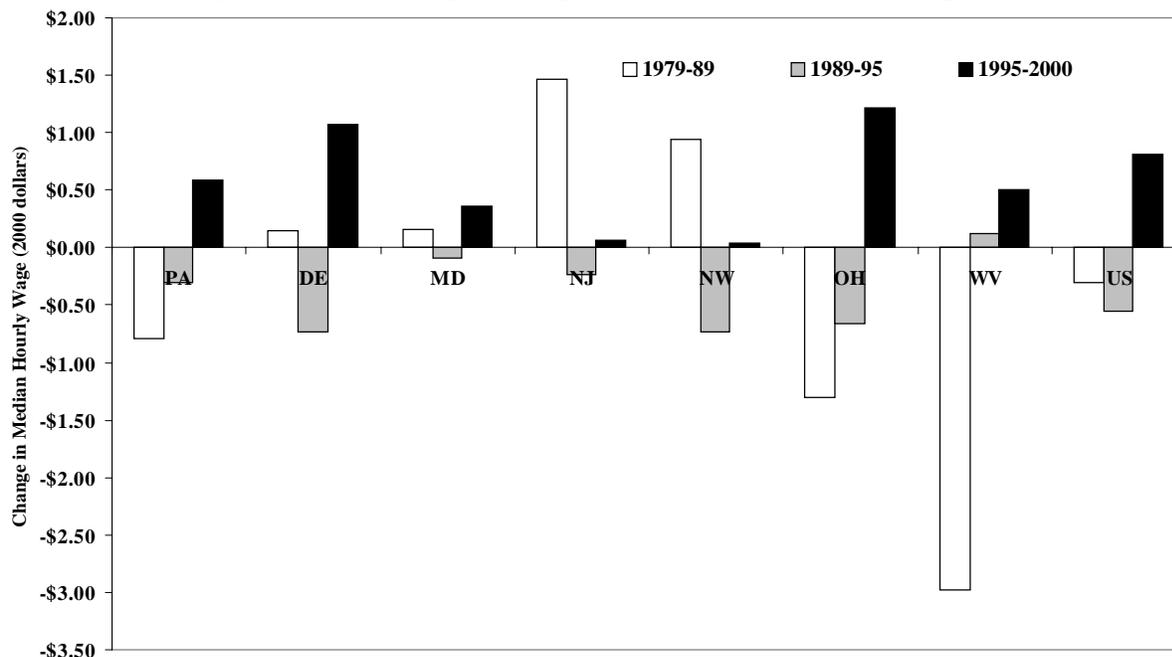
Source: KRC, based on CPS data.

Figure 2A. Median Hourly Wages in Pennsylvania and Neighboring States, 1979-2000 (2000 dollars)



Source: KRC, based on Economic Policy Institute (EPI) tabulations of CPS data.

Figure 2B. Change in Inflation-Adjusted Median Wage in Pennsylvania and Neighboring States in Three Periods (percent)



Source: KRC, based on EPI tabulations of CPS data.

Men’s Wages Climb, Women’s Decline

Table 1 and Figure 1 also show that Pennsylvania men’s wages have climbed slightly faster than women’s since 1995. This is a substantial change from the prior 16 years, when women’s wage growth substantially outpaced men’s. Last year, Pennsylvania men’s inflation-adjusted median wage rose by 9 cents per hour, but women’s median wage fell by 5 cents per hour. Pennsylvania men’s median wage is now \$1.40 less per hour less than in 1979, while women’s median wage is 81 cents more per hour.

Black Male Wages Rise, Black Female Wages Fall

In the second half of the 1990s nationally, African-American male workers recovered some of the ground that they lost in the prior 16 years. In

Pennsylvania, they lost even more ground from 1995 to 1999 but saw an upturn in the past year (Table 2 and Figure 3). The black male median wage in Pennsylvania is now \$11.00 per hour, 30 cents per hour less than in 1995 and nearly three dollars per hour less than in 1979. Black women in Pennsylvania lost ground in the last year but have gained 46 cents per hour since 1979.¹

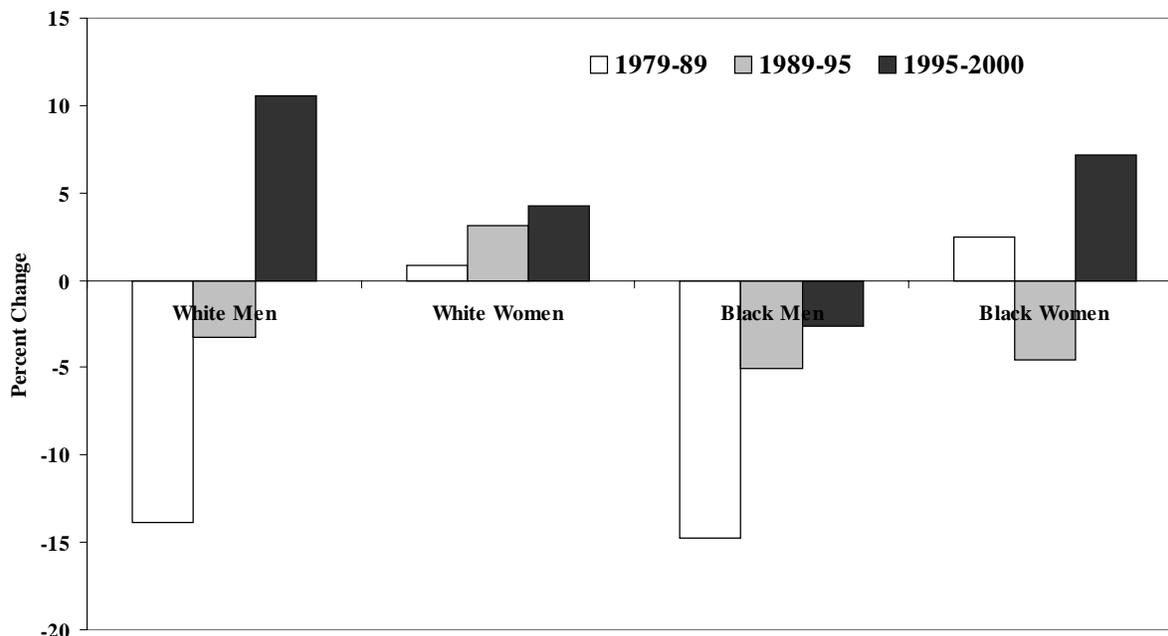
Non-College Earnings Still Flat

Table 3 and Figure 4 show Pennsylvania wage trends by gender for groups of workers with different levels of educational attainment. The hourly earnings of male workers with less than a four-year college degree remain \$2.79 to \$5.43 below their 1979 level. Even in the last five years, some male and female workers without a college degree have experienced wage declines.

						Percent Change			
	1979	1989	1995	1999	2000	1979-2000	1989-2000	1995-2000	1999-2000
WHITE	\$12.94	\$12.15	\$11.86	\$12.54	\$12.60	-2.6	3.7	6.2	0.5
White Men	16.29	14.03	13.57	14.74	15.00	-7.9	6.9	10.5	1.8
White Women	9.77	9.86	10.17	10.78	10.60	8.5	7.5	4.2	-1.7
BLACK	11.64	10.76	10.51	10.34	10.33	-11.2	-4.0	-1.7	-0.1
Black Men	13.96	11.90	11.30	10.34	11.00	-21.2	-7.6	-2.6	6.4
Black Women	9.54	9.78	9.33	10.34	10.00	4.8	2.3	7.1	-3.3

Source: KRC, based on CPS data.

Figure 3. Change in Real Median Wage by Race and Sex in Pennsylvania in Three Periods (percent)



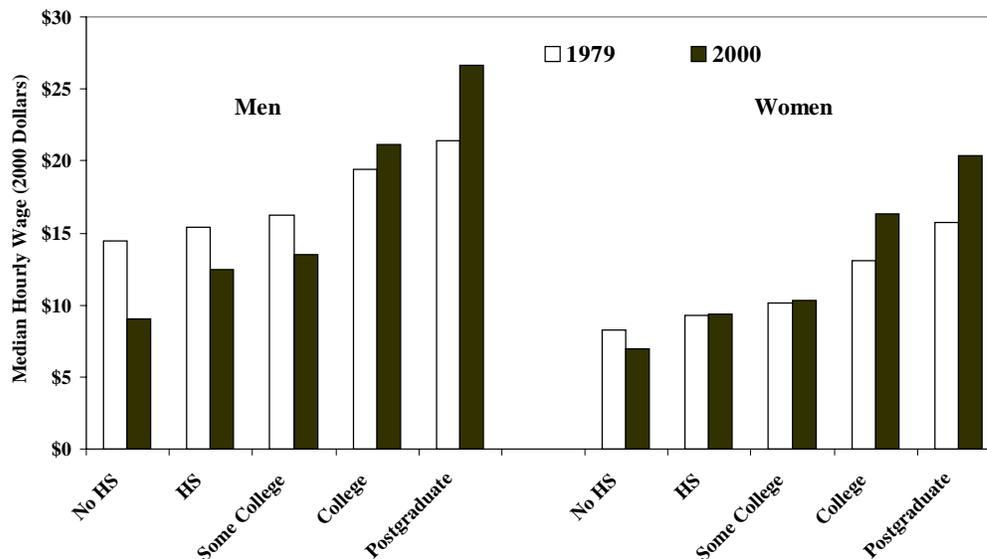
Source: KRC, based on CPS data.

Table 3. Median Hourly Wages in Pennsylvania by Education Level, 1979-2000 (2000 dollars)

						Percent Change			
	1979	1989	1995	1999	2000	1979-2000	1989-2000	1995-2000	1999-2000
MEN									
No HS	\$14.43	\$11.80	\$10.06	\$9.30	\$9.00	-37.6	-23.8	-10.5	-3.3
HS	15.43	12.94	12.43	12.92	12.50	-19.0	-3.4	0.6	-3.3
1-3 Yrs. Post-HS	16.29	13.89	13.56	13.25	13.50	-17.1	-2.8	-0.4	1.9
College	19.43	19.09	19.02	20.67	21.14	8.8	10.7	11.2	2.3
Postgraduate	21.43	23.51	25.31	25.84	26.67	24.4	13.4	5.4	3.2
WOMEN									
No HS	\$8.26	\$7.64	\$7.06	\$6.72	\$7.00	-15.3	-8.4	-0.9	4.2
HS	9.31	9.03	8.98	9.30	9.41	1.1	4.2	4.8	1.2
1-3 Yrs. Post-HS	10.12	10.62	9.75	10.34	10.30	1.8	-3.0	5.6	-0.3
College	13.10	13.89	14.87	15.50	16.33	24.6	17.6	9.8	5.3
Postgraduate	15.75	18.05	20.77	22.36	20.40	29.5	13.0	-1.8	-8.8

Source: KRC, based on CPS data.

Figure 4. Pennsylvania Wages by Education and Gender, 1979-2000 (2000 dollars)



Source: KRC, based on CPS data.



In the past year, men with a high school diploma saw a decline in their median wage. The median wage for this group is now 44 cents below its 1989 level. Women with a high school diploma now have a median wage 38 cents above their 1989 level and 10 cents above their 1979 level. Workers of both genders without a high school diploma and with some college have not caught up to their 1989 wage levels.

Pennsylvania college graduates and those with a postgraduate education now earn 11 to 18 percent more than they did in 1989. Despite strong gains for males with college degrees in the past year, women with postgraduate degrees saw a nearly two dollar per hour decline in their median wage.

Wage Inequality Unchanged Since 1995

Just as wage trends can be examined by following the wages of middle-wage earners, they can also be examined by following high-wage and low-wage earners. Table 4 does this by examining the wages of “high-wage earners” defined as those earning more than 90 percent of all workers and less than the other 10 percent; and “low-wage earners” defined as those earning more than 10 percent of all workers and less than 90 percent.

In the United States, the gap between high-wage earners and low-wage earners grew sharply in the 1980s but changed little from 1989 to 1995. In Pennsylvania, the gap between high-and low-wage

Table 4. Hourly Wages of High-and Low-Wage Earners in Pennsylvania and the United States, 1979-2000 (2000 dollars)

	High-Wage Earners		Low-Wage Earners		High-Wage Earners' Wage as a Percent of Low-Wage Earner's Wage	
	PA	US	PA	US	PA	US
1979	\$23.46	\$24.11	\$7.00	\$6.89	335	350
1989	23.82	25.18	5.96	5.78	400	436
1995	24.79	25.29	5.84	5.72	424	442
1999	26.47	26.93	6.24	6.25	424	431
2000	26.76	27.49	6.31	6.31	424	436
Percent Change						
1979-2000	14.1	14.0	-9.9	-8.4		
1989-2000	12.4	9.2	5.9	9.2		
1995-2000	7.9	8.7	8.0	10.4		
1999-2000	1.1	2.1	1.1	0.9		

Note: In this table, "high-wage earners" are defined as those who earn more than 90 percent of all workers and less than 10 percent of all workers. "Low wage earners" are those who earn more than 10 percent of all workers and less than 90 percent.

Source: KRC, based on CPS data.

earners did not grow as much in the 1980s – because high-wage workers experienced smaller wage increases in Pennsylvania – but continued to increase from 1989 to 1995.

In the last five years, wage inequality changed little in the United States and did not change at all in Pennsylvania. Since 1995, wages of both high- and low-wage earners in Pennsylvania have increased by about 8 percent.

Minimum Wage Unchanged, Small Increases in Low-Wage Earnings

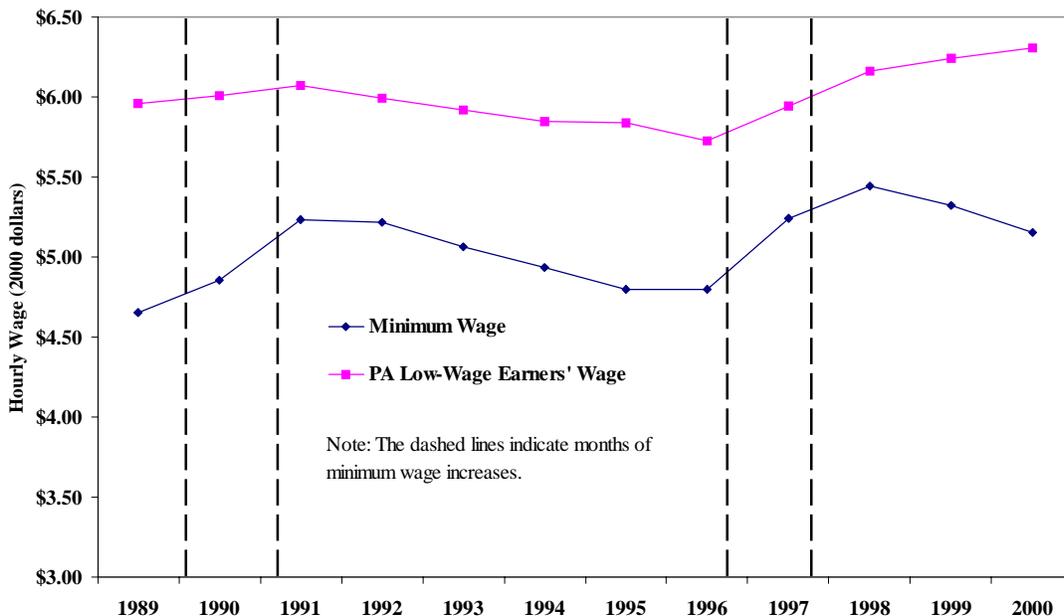
The federal minimum wage hikes in October 1996 and September 1997 contributed to a steep rise in low-wage workers’ hourly earnings in 1997 and 1998. With the minimum wage unchanged since 1997, increases in low-wage workers’ earnings slowed in 1999 and 2000, despite even lower unemployment (Figure 5). Low-wage workers in Pennsylvania still earn 69 cents less per hour than in 1979.

Pennsylvania Low-Wage Earners Lag Those in Five Neighboring States

Tables 5 and 6 and Figure 6 compare the wages of “moderately” high-wage earners (defined as those who earn more than 80 percent of all workers) and “moderately” low-wage earners (defined as those who earn more than 20 percent of all workers) in Pennsylvania, neighboring states, and the United States. (We compare states based on moderately low- and moderately high- wage earners because the Economic Policy Institute (EPI) made such data available to us.)

In the year 2000, moderately low-wage Pennsylvania earners had lower wages than such workers in the United States and all neighboring states except West Virginia (Table 5). Moderately low-wage earners in Pennsylvania saw three cent per hour wage decreases from 1999 to 2000, a larger decline than any neighboring state and the United States.

Figure 5. Pennsylvania Low-Wage Earners' Wages Increase Most When the Minimum Wage Increases



Source: KRC.

Table 5. Moderately Low-Wage Workers' Wages in Pennsylvania and Neighboring States, 1979-2000 (2000 dollars)

					Percent Change		
	1979	1989	1999	2000	1979-89	1989-2000	1999-2000
Pennsylvania	\$8.21	\$7.44	\$7.77	\$7.74	-9.4	4.0	-0.4
Delaware	8.30	7.96	8.11	8.10	-4.1	1.8	-0.1
Maryland	8.40	8.44	8.52	8.67	0.4	2.7	1.7
New Jersey	8.23	8.98	8.60	8.64	9.1	-3.8	0.5
New York	8.18	8.14	7.70	7.83	-0.5	-3.9	1.6
Ohio	8.17	7.20	7.82	7.94	-11.8	10.2	1.5
West Virginia	7.73	5.80	6.54	6.67	-25.0	15.1	2.0
U.S.	7.86	7.20	7.60	7.77	-8.5	7.9	2.2

Note: Moderately low-wage workers earn more than 20 percent of all workers and less than 80 percent.

Source: KRC, based on EPI tabulations of CPS data.

Table 6. Moderately High-Wage Workers' Wage in Pennsylvania and Neighboring States, 1979-2000 (2000 dollars)

					Percent Change		
	1979	1989	1999	2000	1979-89	1989-2000	1999-2000
Pennsylvania	\$19.20	\$18.87	\$20.24	\$20.82	-1.7	10.3	2.9
Delaware	21.05	20.36	21.61	20.93	-3.3	2.8	-3.2
Maryland	22.74	21.59	24.16	23.14	-5.0	7.2	-4.2
New Jersey	20.87	23.80	24.74	25.10	14.0	5.5	1.4
New York	20.08	22.20	22.76	22.88	10.6	3.1	0.5
Ohio	19.59	19.11	20.55	20.19	-2.4	5.7	-1.8
West Virginia	20.21	17.39	17.74	17.99	-14.0	3.5	1.4
U.S.	19.63	19.93	20.60	20.91	1.5	4.9	1.5

Note: Moderately high-wage workers earn more than 80 percent of all workers and less than 20 percent.

Source: KRC, based on EPI tabulations of CPS data.

The wages of moderately high-wage earners have increased more in Pennsylvania in the 1990s and in the past year than in any neighboring state or the United States (Table 6).

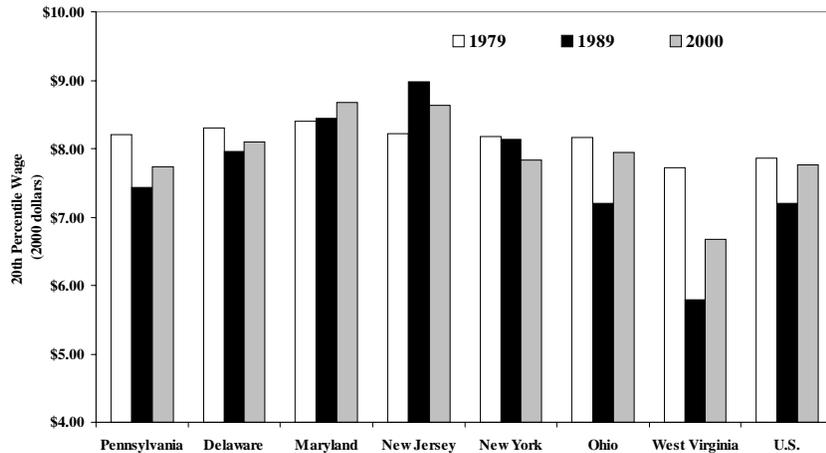
Measured by the ratio of moderately high-wage earners' wages to moderately low-wage earners' wages, Pennsylvania had a more equal wage distribution than any of its neighbors and the United States in 1979. By the year 2000, Delaware and Ohio had a more equal wage distribution and Pennsylvania's level of inequality was about the same as that of U.S., Maryland, and West Virginia.

One in Four Workers Earns Poverty Wages

One measure of the adequacy of hourly earnings is whether, if workers are employed full-time, full-year, their hourly wage will lift them above the official poverty threshold for a family of four. In the year 2000, this "poverty wage" in the U.S. was \$8.46 per hour.

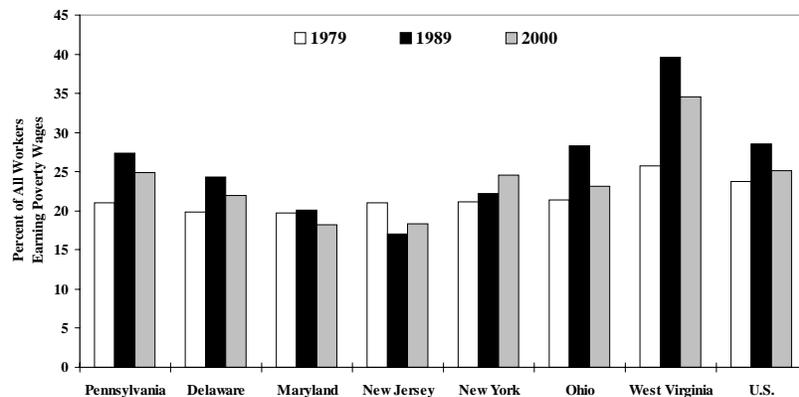
Since 1995, the share of Pennsylvania workers who earn less than a poverty wage declined from 27 percent to 25 percent. Figure 7 shows the share of workers earning poverty wages in Pennsylvania, neighboring states, and the United States as a whole. The share of Pennsylvania workers earning poverty wages is lower than in West Virginia, about the same as in New York and the U.S., and higher than in Delaware, Maryland, Ohio, and New Jersey.

Figure 6. Hourly Wage of Moderately Low-Wage Earners in Pennsylvania and Neighboring States, 1979-2000



Source: KRC, based on EPI tabulations of CPS data.

Figure 7. The Share of Workers Earning Poverty Wages in Pennsylvania and Neighboring States, 1979-2000



Source: KRC, based on EPI tabulations of CPS data.

BENEFITS

The availability of health and pension benefits provides another indicator of economic well-being. In the old economy, many workers received benefits as part of a long-term employment relationship with a single employer. With the apparent weakening of ties between workers and individual employers, concerns have arisen about an erosion in health and pension benefit security. Below, we show that Pennsylvania data provide some justification for these concerns.

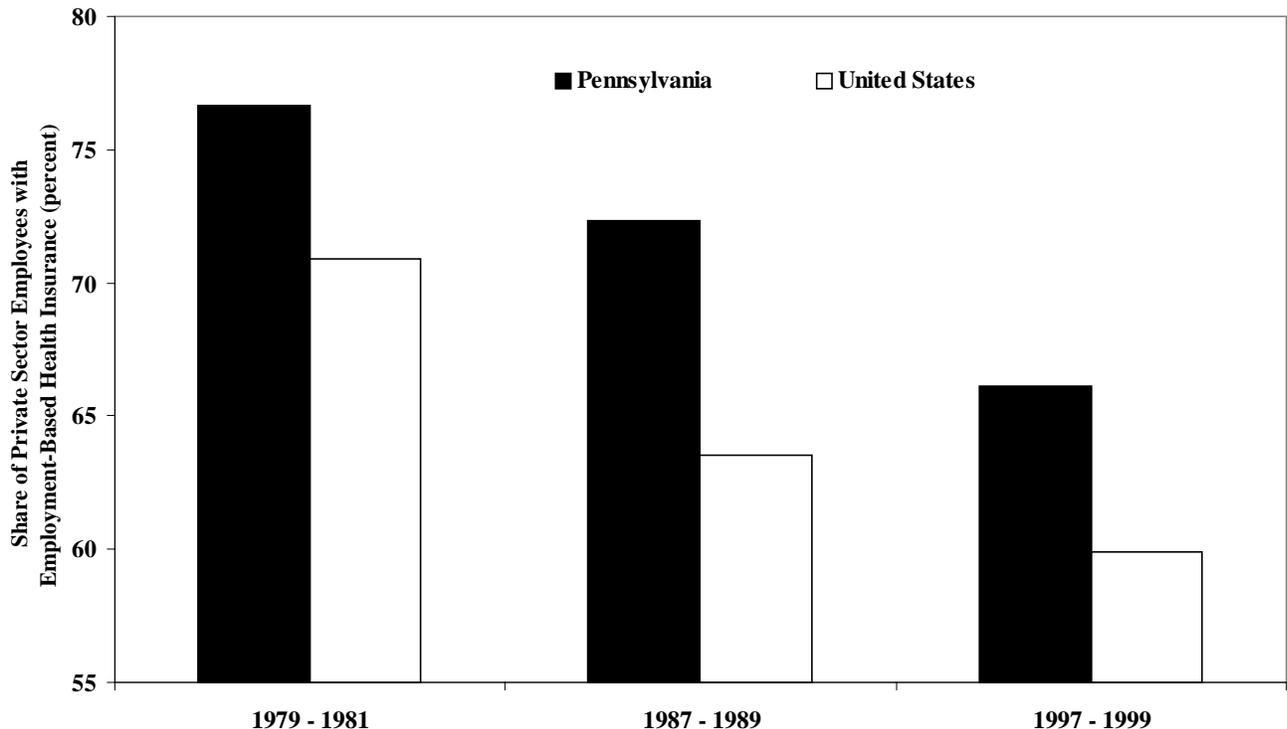
Employment-based Health Coverage Drops

Over the past two decades, the share of Pennsylvanians with employment-based health

insurance has been declining. (People with employment-based health insurance obtain their insurance through the health benefits that come with their job or with the job of a family member.) From nearly 77 percent in the 1979-81 period, the share of Pennsylvanians with employment-based health insurance fell to 72 percent in the late 1980s and 66 percent in the late 1990s (Figure 8).

Reflecting its large manufacturing sector and bureaucratic employment traditions, Pennsylvania still has the 4th highest employment-based health insurance rate in the United States. However, the state's 6.2 percentage point drop in employment-based health insurance since the late 1980s was the eighth largest decline in the country.

Figure 8. Employment-Based Health Insurance Declines in Pennsylvania



Source: KRC, based on EPI tabulations of CPS data.

1.1 Million Pennsylvanians Lack Health Insurance

Between 1987 and 1998, as employment-based health insurance coverage became less common, the number of Pennsylvanians without health insurance grew from 844,000 to 1.25 million (i.e. from 7.2 percent to 10.5 percent of the population). The most recent year of data, from 1998 to 1999, show the number of uninsured Pennsylvanians falling back down to 1.1 million, or 9.4 percent of the population. This was mostly due to an expansion (by 1.3 percent of the state population) in the number of Pennsylvanians covered by Medicare. Pennsylvania's health insurance picture is much better than the national one; 15.5 percent of Americans have no health insurance.

Probably as a result of the Children's Health Insurance Program, the share of Pennsylvania children under 18 without health insurance has fallen sharply from the 1994 peak of 11.1 percent to 9.0 percent in 1998 and 7.6 percent in 1999. The share of children without health insurance remains above the 1987 level of 7.1 percent.

In recent years, low unemployment has helped maintain Pennsylvania's relatively high levels of employment-based health insurance coverage. Many employers have offered health insurance to attract or keep workers. With health care premiums rising rapidly, a looser labor market that reduces employers' need to offer insurance as a recruitment or retention device could lead to a jump in the number of uninsured Pennsylvanians.

Pennsylvania Slips from First to Sixth in Pension Coverage

In the United States as a whole, the share of workers with employer-provided pensions fell from 51 percent in 1979 to 44 percent in 1989, and then climbed back to 49 percent in 1998.

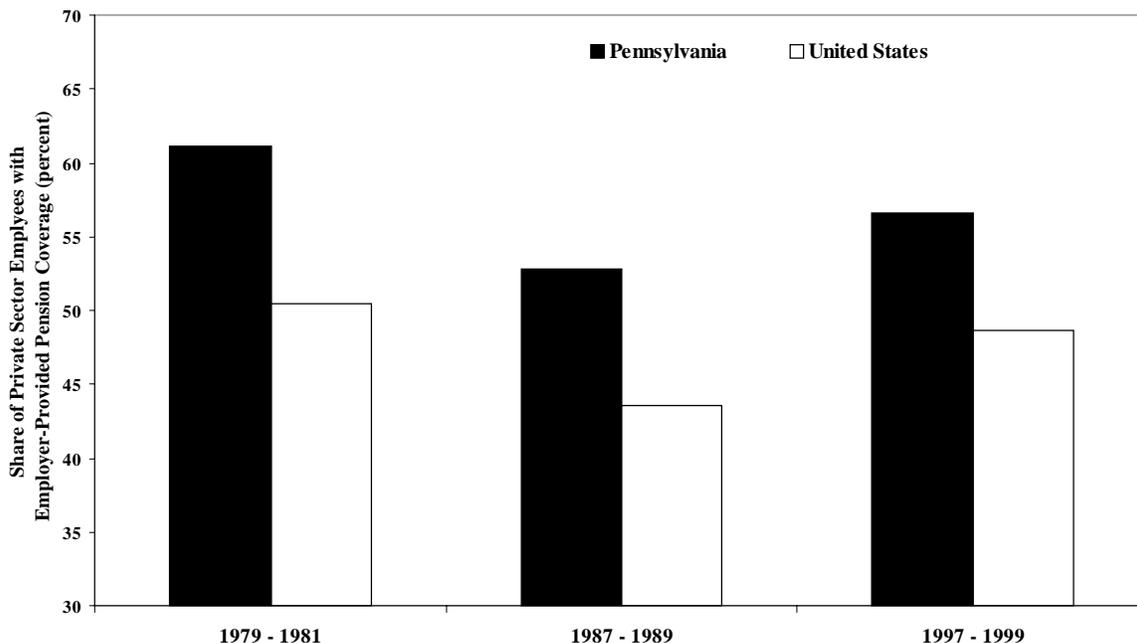
In Pennsylvania in 1979-1981, a higher share of private sector workers (61.1 percent) had employer-provided pension coverage than in any other state (Figure 9). Pennsylvania remained first in the late 1980s but the share of private sector workers with employer-provided pension coverage plummeted to 52.8 percent. Pennsylvania's percentage point decline in employer-provided pension coverage in the 1980s was the sixth largest out of the 50 states.

In the 1990s, the share of private sector employees with employer-provided pension coverage increased in all states. Pennsylvania had the 11th smallest increase in employer-provided pension coverage in the 1990s. By the late 1990s, the state dropped from first to sixth in private sector pension coverage rates.

The fall in pension coverage since the late 1970s has taken place entirely among male Pennsylvania workers (Figure 10). Even with some recovery in pension coverage in the 1990s, fewer than six out of 10 men have employer-provided pensions now, compared with two-thirds in 1979 to 1981. While men have also experienced a more rapid erosion of pension coverage than women nationally, this trend has been more pronounced in Pennsylvania. The coverage rate for Pennsylvania men is now 9.4 percentage points lower in the late 1970s, compared to 4.9 percentage points lower for men nationally.

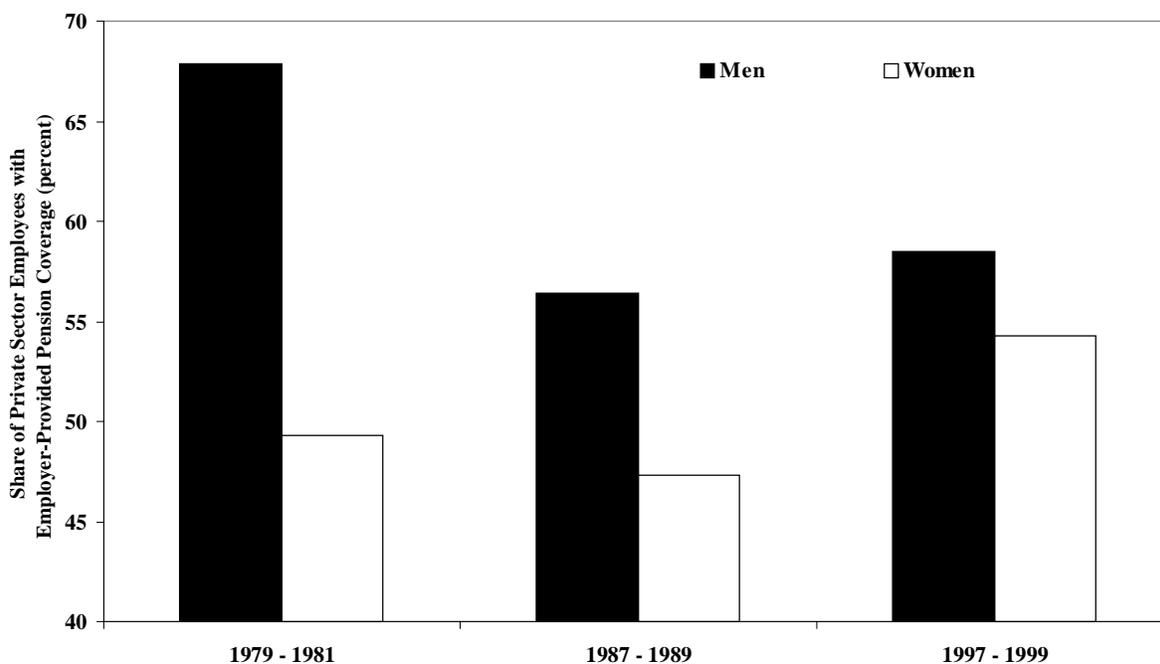
Even the rebound of pension coverage in the 1990s must be viewed cautiously. As noted in *The State of Working Pennsylvania 2000*, this rebound was accompanied by a big shift from "defined benefit" pensions that guarantee a specified benefit at retirement to "defined contribution" plans. With the latter, such as 401(k) plans, employers sometimes make very small contributions. In addition, workers bear the risks associated with fluctuations in the value of their pensions (e.g., due to the stock market).

Figure 9. Employer-Provided Pension Coverage Falls in 1980s, Recovers Some in 1990s



Source: KRC, based on EPI tabulations of CPS data.

Figure 10. Employer-Provided Pension Coverage Falls for PA Men, Rises for Women Since 1979



Source: KRC, based on EPI tabulations of CPS data.

INCOME, POVERTY, AND ECONOMIC HARDSHIP

We now turn our attention to measures of overall family well-being. We begin by examining trends in the income of four-person families. We then examine family income inequality. We conclude by examining how many Pennsylvania families lack the resources to pay for a basic needs budget and, as a result, face economic hardships.

Four-Person Pennsylvania Family Income Tracks the U.S., Lags Leading Neighbors

Looking at incomes of families of a fixed size controls for the general decline, over time, in family size. In Pennsylvania, the median income of a four-person family rose by 8.1 percent from 1979 to 1989 and 9.7 percent from 1989 to 1999 (Table 7 and Figure 11). These changes mirror the national trend. (Family income increased despite stagnant wages because family work hours increased, as explained below.)

In the 1990s, percentage increases in four-person family income have been larger in Pennsylvania than in four of our neighboring states (New Jersey, New York, Ohio, and West Virginia). Over the entire 1979-1999 period, Pennsylvania four-person family income increased less than in four of our six neighboring states (Delaware, Maryland, New Jersey, and New York). In 1999, the median income for a four-person family Pennsylvania was more than \$5,000 less than in New Jersey, Maryland, and Delaware.

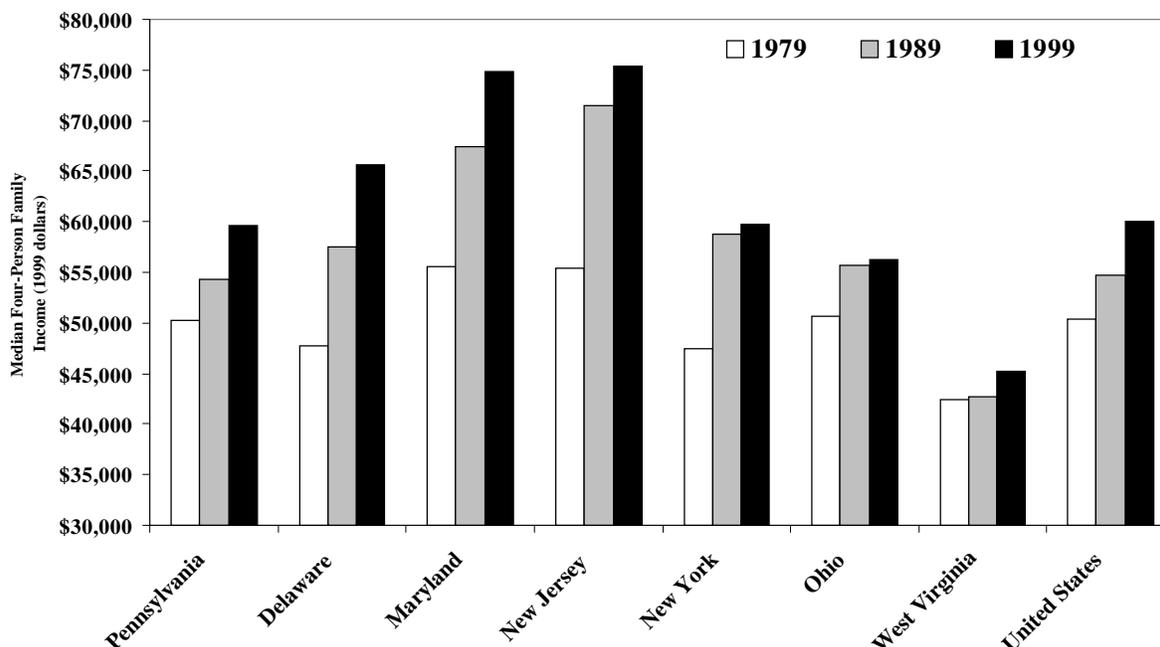
Family Income Inequality Mushrooms

In recent years, Americans have tended to assume that, always and everywhere, “the rich get richer” and “the poor get poorer.” From the late 1940s to the early 1970s, as noted in *The State of Working Pennsylvania 2000*, this was not the case. Family income at all income levels roughly doubled and low-income families experienced slightly larger hikes in their living standards.

				Percent Change		
	1979	1989	1999	1979-89	1989-99	1979-99
Pennsylvania	\$50,237	\$54,285	\$59,546	8.1	9.7	18.5
Delaware	47,693	57,490	65,584	20.5	14.1	37.5
Maryland	55,577	67,372	74,806	21.2	11.0	34.6
New Jersey	55,473	71,516	75,425	28.9	5.5	36.0
New York	47,463	58,704	59,755	23.7	1.8	25.9
Ohio	50,718	55,716	56,237	9.9	0.9	10.9
West Virginia	42,497	42,740	45,202	0.6	5.8	6.4
United States	50,419	54,767	59,981	8.6	9.5	19.0

Source: KRC, based on EPI tabulations of CPS data.

Figure 11. Median Four-Person Family Income in Pennsylvania, Neighboring States, and the U.S. (1999 dollars)



Source: KRC, based on EPI tabulations of CPS data.

Since the late 1970s, the old saw about the rich getting richer has proved true. In Pennsylvania, the inflation-adjusted income of the richest 5 percent of Pennsylvania families rose by 75 percent. The income of the middle fifth of families increased by 8 percent; that of the poorest fifth fell. In the 1990s, nearly half of the total increase in family income in Pennsylvania went to just the top 5 percent of families.

By the late 1990s, the income of the top fifth of Pennsylvania families was 9.4 times the income of the poorest fifth, compared with a ratio of 6.4 in the late 1970s and 7.9 in the late 1980s.

Pennsylvania Ranks in the Middle on Inequality

In the late 1970s, Pennsylvania had one of the nation’s most equal family income distributions,

measured by the ratio of the income of the middle fifth to the top fifth or by the income of the bottom fifth to the top fifth. By the late 1990s, Pennsylvania has slipped to the middle of the pack by these inequality ratios (for details, see *The State of Working Pennsylvania 2000*, on line at www.keystoneresearch.org).

A new and highly reliable large-sample survey (the American Community Survey), conducted for the first time in a period spanning 1999 and 2000, also shows Pennsylvania to rank near the middle of all states on various family income inequality measures (Table 8).² In the “middle-class” range between \$35,000 and \$75,000 per year, Pennsylvania ranks a little above the middle, with the 17th highest share of families. In the highest and lowest income ranges in Table 8, the share of Pennsylvania families in each range ranks 23rd and 29th.



Pennsylvania Has 14th Lowest Poverty Ranking

Another measure of family economic experience is the poverty rate. People are considered poor if their income before taxes and government transfers leaves them below the official poverty line for a family of their size. In 1999, for example, a family with two parents, two children, and income below \$16,895 was considered poor.

Figure 12 shows poverty rates for Pennsylvania and neighboring states in 1980, 1989, and 1999. In the 1980s, the U.S. poverty rate barely changed, while the Pennsylvania poverty rate rose by 0.6 percentage points, to 10.4 percent in 1989. In the 1990s, the poverty rate in Pennsylvania and in the United States decreased by 1 percentage point. Pennsylvania’s poverty rate in the 1990s fell by more than the poverty rate in all neighboring states except Maryland. The Pennsylvania poverty rate is now below that of four neighboring states (Delaware, New York, Ohio, and West Virginia). Of all 50 states, Pennsylvania had the 14th lowest poverty rate in 1989 and in 1999.

Pennsylvania 25th in Child Poverty

Pennsylvania does less well compared to other states based on child poverty. Today, according to the American Community Survey, Pennsylvania’s child poverty rate is 14.7 percent, 25th out of 50 states. Pennsylvania’s child poverty rate is now 86

percent of the national child poverty rate of 17.1 percent. In 1979, as reported in *The State of Working Pennsylvania 2000*, the Pennsylvania child poverty rate was about three quarters of the U.S. child poverty rate. The Pennsylvania child poverty rate in single-mother families is now 40.9 percent, making Pennsylvania 24th highest of 50 states.

One in Four Pennsylvania Families With Young Children Can’t Afford Basics

There is a growing consensus that the official poverty line has become an inadequate measure of the income necessary to maintain a decent standard of living. The official poverty line has been based for nearly four decades on the “1/3” rule. This assumes that a family spends one-third of its income on food. After adjusting for family size and composition, the amount of money required for a family to meet the U.S. Department of Agriculture’s “thrifty food plan” is multiplied by three. This figure is then adjusted from year to year for inflation.

Today, due to increased costs for housing, health care, transportation, and child care, families spend only about one-fifth of their income on food. Other problems, such as the use of a single poverty rate despite large geographic differences in the cost of living, make the official poverty line an inaccurate measure of the true hardships poor families face.

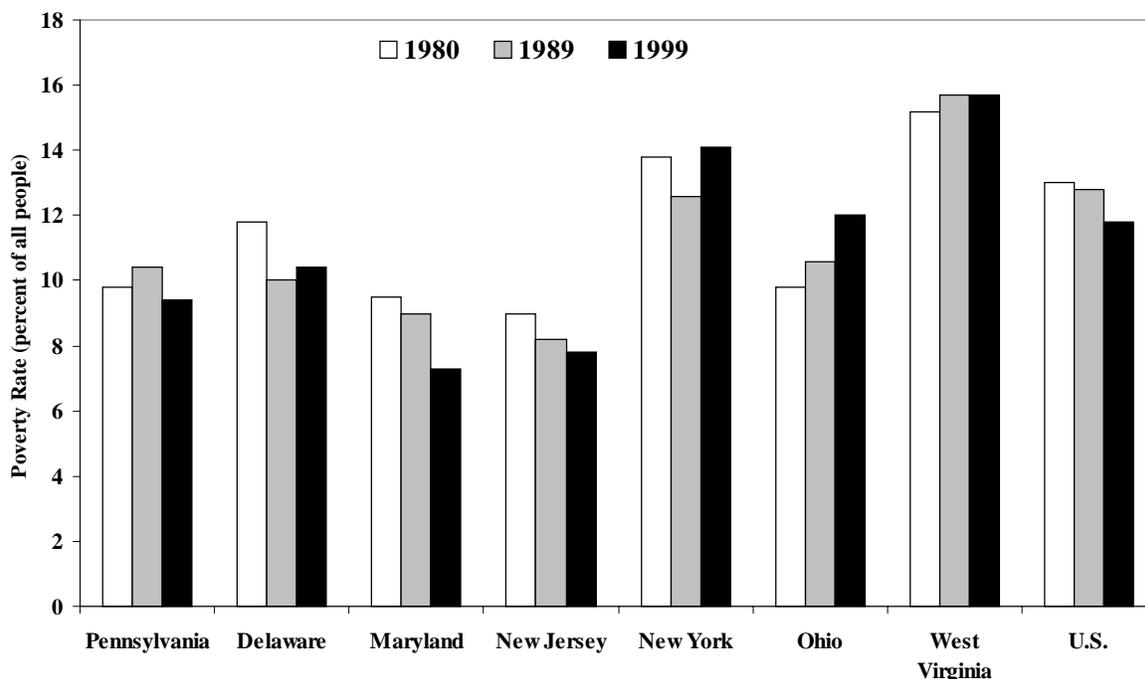
Table 8. Pennsylvania Ranks in the Middle on Family Income Inequality

Percent of Pennsylvania Families with Income in the Ranges Shown						
	<\$25,000	\$25-50,000	\$50-100,000	\$100-200,000	\$200,000+	\$35-75,000
Percent	20.3	31.6	34.8	11.2	2.2	41.6
Rank	29 th	21 st	26 th	20 th	23 rd	17 th

Note: Rank refers to Pennsylvania’s position out of 50 states, ordered from highest to lowest. For example, Pennsylvania has the 29th highest share of families with less than \$25,000 in income out of 50 states.

Source: EPI based on American Community Survey (ACS) data.

Figure 12. Poverty Rates in Pennsylvania and Neighbor States, 1980-99 (percent)



Source: KRC, based on EPI tabulations of CPS data.

To get an accurate picture of the number of families who struggle to make ends meet we draw on a recent Economic Policy Institute report³ that compares family income (for families with one to three children under 12) with the cost of a bare-bones family budget. By building up from the actual cost of food, housing, transportation, health care, and so on, EPI estimates the cost of living in every community nationwide and determines separate basic family budgets for each community.

In Pennsylvania, basic family budgets for a two-parent, two-child family range from \$33,193 in Erie, to \$39,312 in the Philadelphia metropolitan area. In all of Pennsylvania’s metropolitan areas and in rural Pennsylvania, two-parent two-child family budgets are within striking distance of the national median of \$33,511, which is roughly twice

the official federal poverty line of \$17,463 for such a family.

In Pennsylvania, 535,000 people live in families that have one to three children under age 12 and do not earn enough to pay for basic necessities such as food, housing, child care and health care. Even in this period of national prosperity, that is 24 percent of such families, roughly one out of every four.

The majority of families that can’t afford basic necessities are two parent families, often with one or more workers, and for the most part earning incomes above the official federal poverty level. The EPI report documents the kinds of hardships faced by these low-income families:⁴

- Nearly one-third of families with incomes below twice the poverty threshold — a close approximation for the basic family budget level — faced at least one “critical hardship,” such as going without food, getting evicted, having to “double up” in housing with another family, or not having access to medical care during an acute illness.
- Nearly three-quarters of families below twice the poverty threshold faced at least one “serious hardship,” such as worrying about food, failing to pay rent, using the emergency room as their main source of health care, having the telephone disconnected, or having children in inadequate child care arrangements.
- Food insufficiency is the most common hardship. Eighteen percent of families below twice the poverty line missed meals involuntarily. Forty percent worried about having enough food to keep from going hungry. For single-parent families, those last two problems were experienced at rates of 23 percent and 57 percent, respectively.
- Half of families with incomes below basic budget levels include a parent who works full-time. Nearly 60 percent of these families are two-parent families. More than three-quarters are headed by a worker with a high school degree or more. Nearly half are headed by a worker over the age of thirty, and about one-third live in the suburbs, one-third live in cities, and one-third live in rural areas.

HOURS WORKED BY FAMILIES

Another critical aspect of experience in the 1980s and 1990s has been the growth in hours worked by families with children. Hours of work have increased in part to compensate for falling male wages. Last year we examined hours worked at a national level. This year, state data enable us to explore the work and family balancing act in Pennsylvania.

Pennsylvania Families Faced Time Squeeze in 1990s

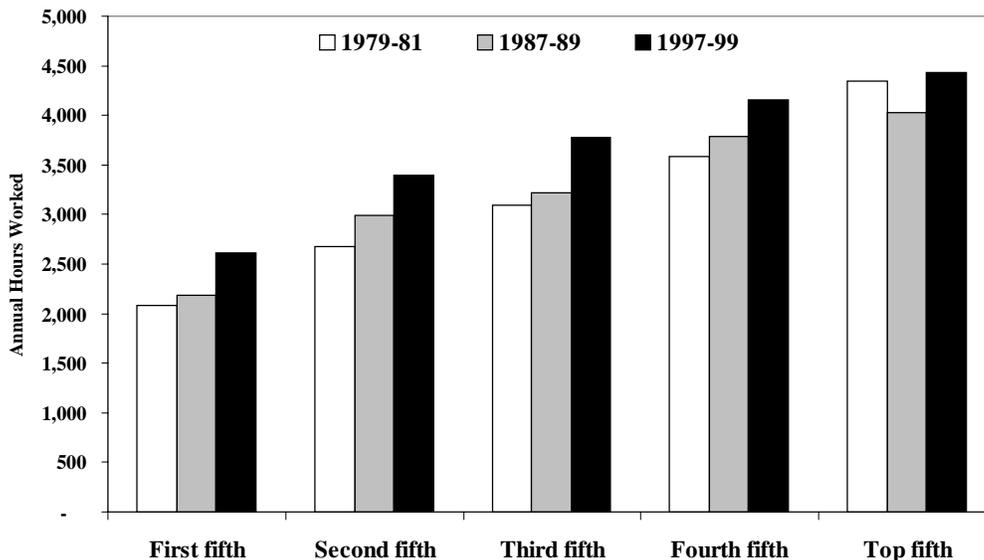
From 1979 to 1999 in the United States, middle-income married-couple families with children increased their annual hours worked (by all family members combined) from 3,284 to 3,856, an increase of 573 hours or 29 percent of a full-time work year.⁵ This same group in Pennsylvania increased annual hours worked from 3,092 in 1979 to 3,775 in 1999, a jump of 684 hours or 34 percent of a full-time work year.

In the United States, the rise in annual working time was evenly distributed between the 1980s and 1990s. In Pennsylvania, a much larger increase in hours worked occurred in the 1990s (Figure 13). This suggests that, in the 1980s, many middle- and low-income Pennsylvania families continued to get by primarily on one income.

Pennsylvania families in the middle fifth of the income distribution increased annual hours worked in the 1990s from 3,225 to 3,775. These 550 additional hours amount to 28 percent of a full-time work year. Few families with two parents now get by with just one person working. In too many cases, long hours at work deprive parents and children of the time they need together.

Families in the top quintile have more often worked long hours out of choice rather than economic necessity, with both parents holding professional or managerial positions. Middle-class and lower-income married couples increasingly appear to work long hours to make ends meet.⁶

Figure 13. Pennsylvania Families Work Longer, Particularly in the 1990s



Source: KRC, based on EPI tabulations of CPS data.

EDUCATION

In the 21st century, a well-educated workforce provides a foundation for a productive economy. It also gives people the knowledge they need to participate in civic life and to develop to their full potential. Table 3 showed that education has also become more critical to making a decent living. In this section, we look at the educational attainment of the Pennsylvania workforce over time and compared with the nation and other states.

Share of Pennsylvanians with Graduate Degrees Rises Faster than in Nation

Table 9 shows the highest level of education attained by residents of Pennsylvania and the United States aged 16 and over in 1979, 1989, and 2000.⁷ The percent of this Pennsylvania age group with at least a college degree has risen from 16.1 percent in 1979 to 27.5 percent in 2000, pulling even with the nation. The percent holding advanced degrees rose from 6.4 percent in 1979 to 9.5 percent in 2000, moving Pennsylvania from below the national average to above it.

Pennsylvania Has Few Workers Without a HS Diploma But Lags in “Some College” Category

In the nation and Pennsylvania, 72.5 percent of the 16 and over population has a four-year college degree. The educational attainment of this 72.5 percent differs substantially in Pennsylvania compared to the United States. In Pennsylvania, this 72.5 percent divides roughly into 7 percent with less than a high-school education, 41 percent with a high school education but no further education, and 25 percent with some college education. In the United States, about 11 percent have less than a high-school education, 32 percent have a high school education but no further education, and 30 percent have some college education.

These number show that a strength of Pennsylvania is the small fraction of people aged 16 and over without a high-school diploma. This represents something of a shift since 1979, when Pennsylvania had almost as large a share of people without a high-school diploma as the nation.

		1979	1989	2000
Pennsylvania	Less Than High School	18.9%	11.6%	7.2%
	High School	49.2%	47.6%	40.7%
	Some College	15.8%	19.3%	24.6%
	College	9.7%	12.5%	18.0%
	Advanced Degree	6.4%	8.9%	9.5%
United States	Less Than High School	20.1%	13.7%	10.8%
	High School	38.5%	36.9%	31.9%
	Some College	22.8%	26.0%	29.8%
	College	11.0%	14.0%	18.8%
	Advanced Degree	7.6%	9.4%	8.7%

Source: KRC based on EPI tabulations of CPS data.



A weakness of Pennsylvania is the high proportion of non-college educated people with no education beyond high school. While this proportion declined in the 1990s, Pennsylvania still lacks workers with mid-levels of education that today contribute to the creation of a strong middle class.

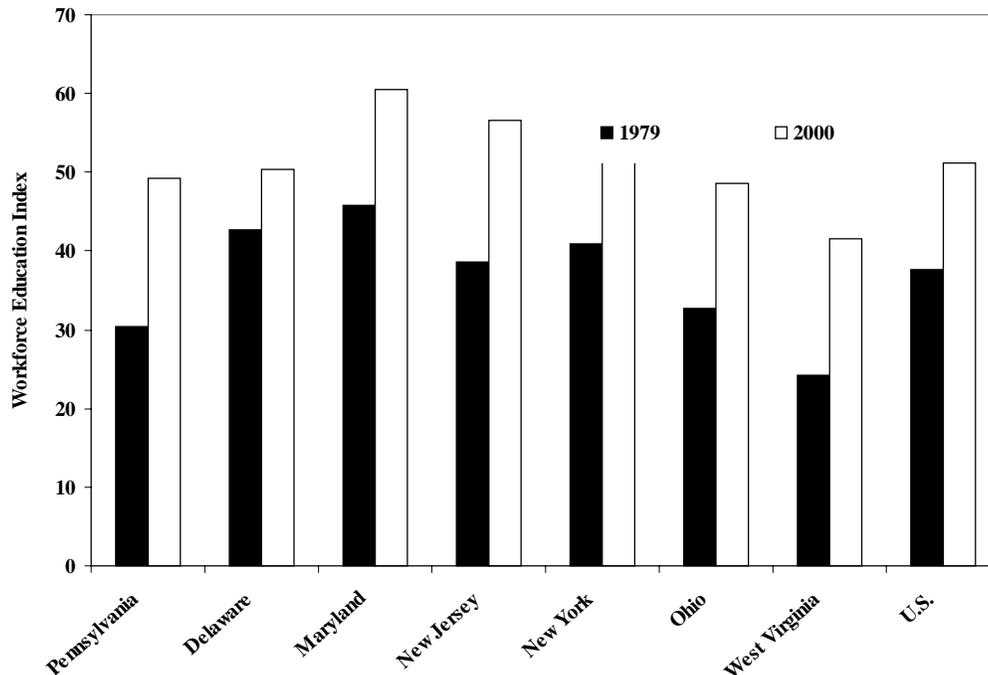
Pennsylvania Workforce Education Rank Climbs to Middle of the Pack

One way to gauge the improvement in Pennsylvania’s educational standing relative to other states is to use the “workforce education index” (WEI) developed by the Progressive Policy Institute (PPI).⁸ The index derives a single number that takes into account the share of workers in a geographical area that have some college education, a college degree, or a graduate degree.⁹ According to the PPI, the index captures

the extent to which state workforces are able to fill knowledge-based jobs, increase productivity, and sustain a higher standard of living.

In a 1999 report, using 1990 census data, PPI rated Pennsylvania 43rd based on the workforce education index. The data we use places Pennsylvania 39th of 50 states in 1989 with a workforce education index of 40; this compares with 30.4 in 1979, when Pennsylvania ranked 42nd.¹⁰ By the year 2000, Pennsylvania’s WEI had risen to 49.2, placing it 29th out of 50 – still not good but considerably better. From 1979 to 2000, Pennsylvania had the fourth largest percentage point increase in the WEI. While Pennsylvania still trails four of its neighboring states on this index (Delaware, Maryland, New Jersey, and New York), Pennsylvania has caught up with Ohio and closed in on Delaware (Figure 14).

Figure 14. The Workforce Education Index* in Pennsylvania and Neighboring States, 1979-2000



* The Workforce Education Index equals two times the percent of people 16 and over with graduate degrees, plus one times the percent with college degrees, plus one half the percent with some college.

Source: KRC, based on EPI tabulations of CPS data.

REGIONAL ANALYSIS

By themselves, statewide trends paint an incomplete picture of the economic status of Pennsylvania's workers. In this section we explore wage trends in the last 20 years in the state's two largest metropolitan areas, Philadelphia and Pittsburgh. (In this section, unless otherwise specified, when we refer to cities we mean the metropolitan area that includes the city.)

We look at changes in the last 10 years in two other regions: Southern Metropolitan Pennsylvania (SMPA), an amalgam of five small metropolitan areas, Allentown-Bethlehem-Easton, Harrisburg-Lebanon-Carlisle, Lancaster, Reading, and York; and a "Rest of the State" region that includes all of the state except Southern Metropolitan Pennsylvania, Pittsburgh, and Philadelphia.

We also pool three years of data to obtain sample sizes large enough to examine wage trends in the 1990s in Pennsylvania's smaller metropolitan areas and in rural Pennsylvania.

Philadelphia Remains Highest-Wage Region

Philadelphia maintains its position as the highest-wage Pennsylvania region (Table 10 and Figure 15). The median wage gap between the Philadelphia area and state as a whole has increased since 1995 from \$1.04 (in 2000 dollars) to \$1.73. The Philadelphia median wage has risen since 1979 by 7 percent, or about 4 cents per year.

Median Wage Up Since 1995 in Philadelphia and Southern Metropolitan Pennsylvania

Table 10 shows that, since 1995, SMPA and Philadelphia have experienced wage gains of about 10 percent and 8 percent, respectively. By contrast, the median wage in Pittsburgh has fallen slightly. Wages in the Rest of the State fell by about 7 percent from 1995 to 2000 after rising 2.7 percent from 1989 to 1995. From 1999 to 2000, the median wage fell in SMPA and the Rest of the State, and rose by a nickel an hour in Philadelphia and Pittsburgh.

Pittsburgh Still \$2.29 Per Hour Below 1979 Levels

After the calamitous 1980s, Pittsburgh experienced a wage recovery between 1989 and 1995. Wages then dropped back in the second half of the decade by 1.4 percent. Pittsburgh-area wages in 2000 were 15.7 percent below their 1979 levels. While in 1979 the Pittsburgh median wage exceeded the statewide median by \$1.76 per hour, the Pittsburgh median now trails the statewide median by 2 cents per hour.

Low-Wage Workers Make Limited Progress but Slip in Southern Metropolitan Pennsylvania

Table 11 and Figure 16 indicate that, since 1995, low-wage workers (defined as those who earn more than 10 percent of all workers) experienced wage increases of 10 to 13 percent in Philadelphia and Pittsburgh, but experienced wage losses in SMPA. In the Rest of the State, low-wage earners saw an increase of about 6 percent in their wages since 1995. Even in Philadelphia, low-wage workers earn about the same as they did 20 years ago. Low-wage workers make 11 percent less in 2000 than they did in 1979 in Pittsburgh. From 1999 to 2000, wage growth for low-wage earners was sluggish in Philadelphia and Pittsburgh, negative in SMPA, and slightly positive in the Rest of the State.

Regional Inequality Up Because High Wage Workers Gain

Since 1989, inequality (measured by the ratio of the hourly earnings of high-wage workers -- who earn more than 90 percent of all workers -- to the hourly earnings of low-wage workers) has increased in Philadelphia and SMPA, decreased slightly in Pittsburgh, and remained the same in the Rest of the State (Table 11). In the two regions where inequality rose, it did so largely because of increases in high-wage workers' earnings that ranged from 13 to 16 percent (Figure 17). By

Table 10. Median Hourly Wages in Pennsylvania Regions, 1979-99 (2000 dollars)

	Metro. Philadelphia	Metro. Pittsburgh	Southern Metro. PA	Rest of State
1979	\$13.09	\$14.54	.	.
1989	13.19	11.57	\$12.15	\$11.11
1995	12.71	12.43	11.30	11.41
1999	13.95	12.20	12.42	10.85
2000	14.00	12.25	12.25	10.63
Percent Change				
1979-2000	7.0	-15.7	.	.
1989-2000	6.1	5.9	0.8	-4.3
1995-2000	10.1	-1.4	8.4	-6.9
1999-2000	0.3	0.4	-1.4	-2.1

* As defined in this report, Metropolitan Philadelphia includes Philadelphia, Bucks, Chester, Delaware, and Montgomery Counties. Metropolitan Pittsburgh includes Allegheny, Beaver, Washington, and Westmoreland Counties in all years. In 1989, Fayette County was added. In 1999, Butler County was added. The four counties included throughout the period have 88 percent of the total Metropolitan Pittsburgh population. Metropolitan Southern Pennsylvania combines the Primary Metropolitan Statistical Areas of Allentown-Bethlehem-Easton, Harrisburg-Lebanon-Carlisle, Lancaster, Reading, and York.

** Rest of State includes all of the state except Metropolitan Philadelphia, Metropolitan Pittsburgh, and Metropolitan Southern Pennsylvania.

Note: Our data source makes it impossible to distinguish between Metropolitan Southern Pennsylvania and the rest of the state in 1979.

Source: KRC, based on CPS data.

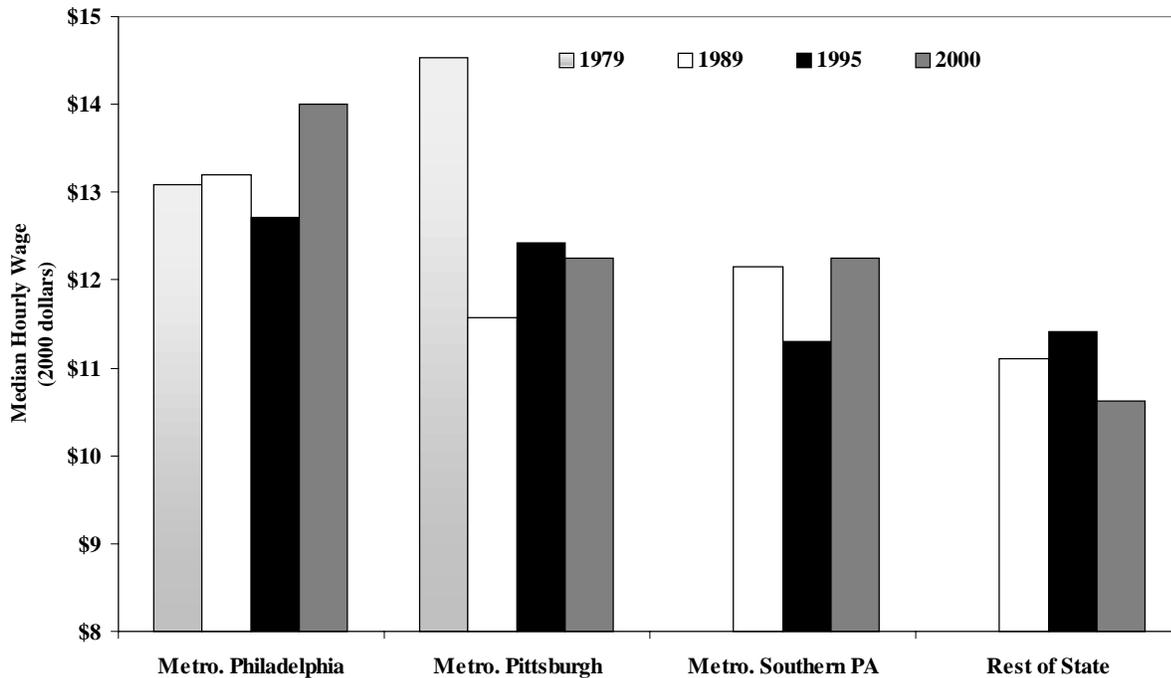
contrast, high-wage workers' hourly earnings went up only slightly more than low-wage workers' earnings in the Rest of the State, so inequality did not rise. In Pittsburgh, high-wage workers' saw an almost 5 percent drop in their wages from 1999-2000, while low-wage workers' wages changed little, thus inequality decreased.

Workers Earning Poverty Wages Up in Rest of State

Figure 18 shows that, since 1995, the share of workers earning a poverty wage has fallen in

Philadelphia and Southern Metropolitan Pennsylvania, remained flat in Pittsburgh, but risen substantially in the Rest of the State. (Recall that a poverty wage is a wage below the level necessary for a full-time, full-year worker to earn at least the official poverty income for a family of four. Keep in mind also that our measure of the poverty wage does not take into account regional differences in the cost of living.) Nearly one-third of workers in the Rest of the State earn less than \$8.46 per hour, compared to 27 percent in Metropolitan Pittsburgh, nearly 22 percent in SMPA, and 20 percent in Philadelphia.

Figure 15. Median Hourly Wages in Four Pennsylvania Metropolitan Regions, 1979-2000 (2000 dollars)



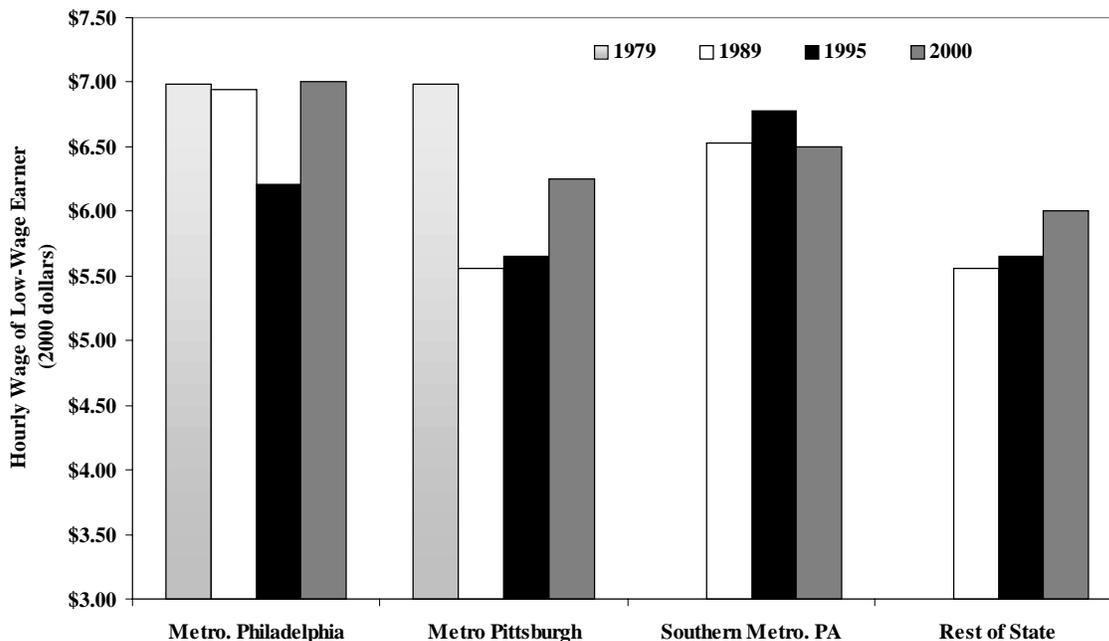
Source: KRC, based on CPS data.

Table 11. Hourly Wages of High-and Low-Wage Earners in Pennsylvania Regions, 1979-2000

	Metro. Philadelphia			Metro. Pittsburgh			Southern Metro. PA			Rest of State		
	High-Wage Earners	Low-Wage Earners	High-Wage Earners' Wage as Percent of Low-Wage Earners' Wage	High-Wage Earners	Low-Wage Earners	High-Wage Earners' Wage as Percent of Low-Wage Earners' Wage	High-Wage Earners	Low-Wage Earners	High-Wage Earners' Wage as Percent of Low-Wage Earners' Wage	High-Wage Earners	Low-Wage Earners	High-Wage Earners' Wage as Percent of Low-Wage Earners' Wage
1979	\$24.72	\$6.98	354	\$25.60	\$6.98	367	.	.	.	.	.	.
1989	26.39	6.94	380	24.30	5.55	438	\$23.15	\$6.53	355	\$20.83	\$5.55	375
1995	27.16	6.21	437	26.06	5.65	461	22.89	6.78	338	24.44	5.65	433
1999	29.82	6.98	427	28.00	6.20	452	25.84	6.72	385	21.64	5.84	371
2000	30.77	7.00	440	26.70	6.25	427	26.44	6.50	407	22.50	6.00	375
Percent Change												
1979-2000	24.5	0.2		4.3	-10.5		.	.		.	.
1989-2000	16.6	0.8		9.9	12.5		14.2	-0.4		8.0	8.0	
1995-2000	13.3	12.6		2.5	10.6		15.5	-4.1		-7.9	6.2	
1999-2000	3.2	0.3		-4.6	0.8		2.3	-3.3		4.0	2.7	

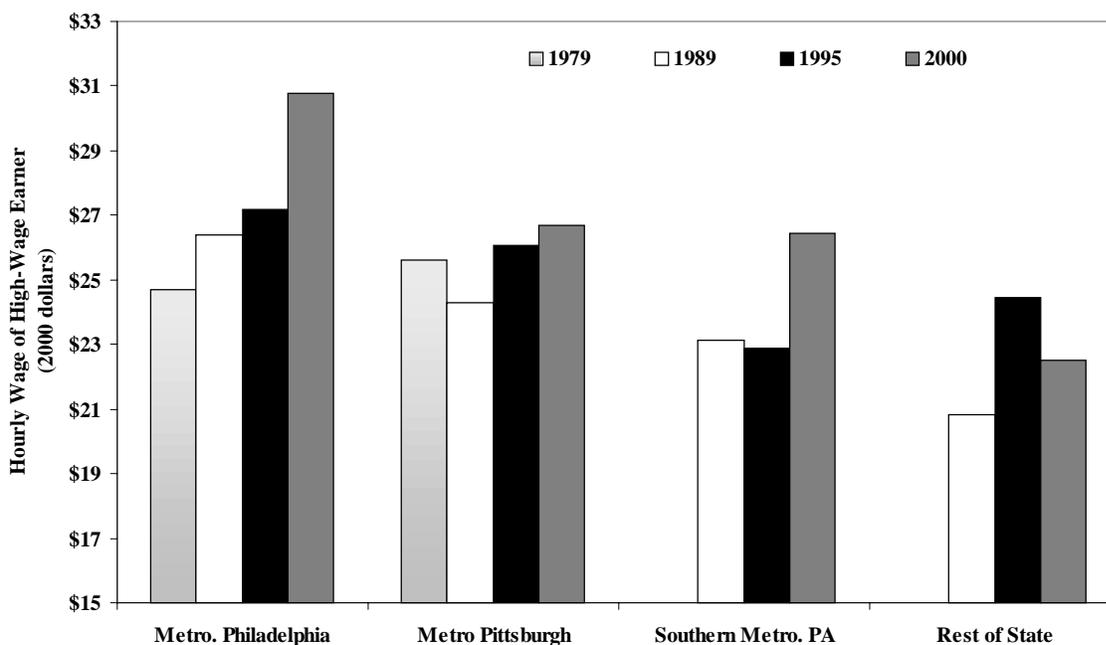
Source: KRC, based on CPS data.

Figure 16. Hourly Wages of Low-Wage Earners in Four Pennsylvania Regions, 1979-2000 (2000 dollars)



Source: Table 11.

Figure 17. Hourly Wages of High-Wage Earners In Four Pennsylvania Regions, 1979-2000 (2000 dollars)



Source: Table 11.

Wages Rise in York in 1990s, Fall in Erie, Reading, Rural Pennsylvania

To investigate further the state of Pennsylvania’s regions, Figures 19A-C and Table 12 show median, high, and low wages for 10 metropolitan areas plus rural Pennsylvania.¹¹ (Since we have already reported data for Philadelphia and Pittsburgh, we do not highlight these two metropolitan areas in this section). To generate larger sample sizes and more reliable estimates, we pooled three years of data from the late 1980s (1987-89) and late 1990s (1998-00) for each of the 11 regions.¹²

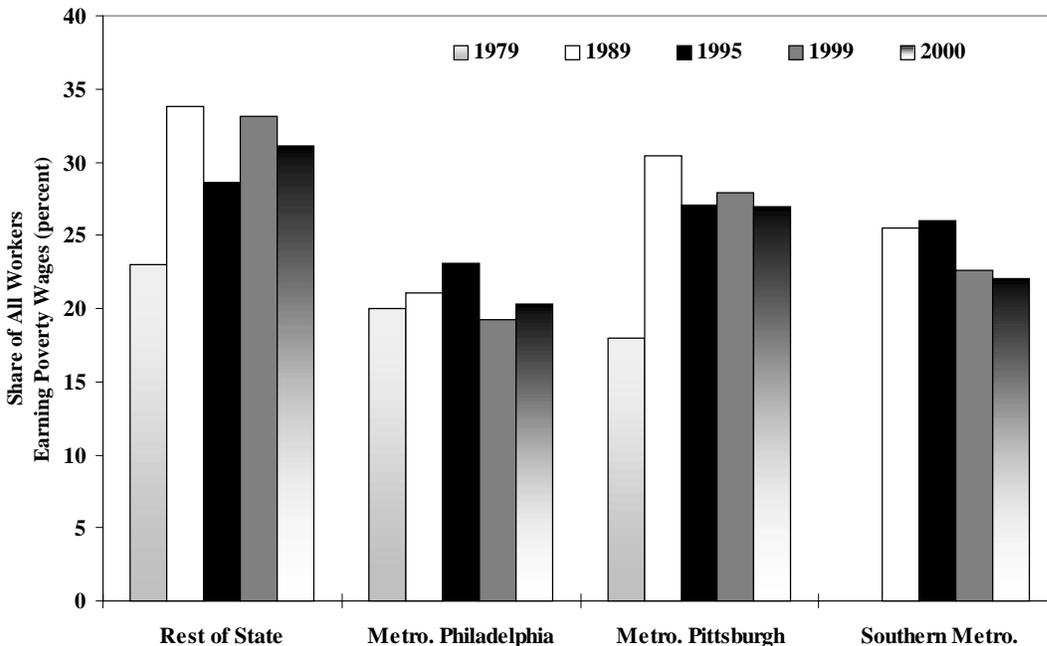
Figure 19A shows that, based on their median wages, Harrisburg and York are the state’s second and third highest-wage metropolitan areas after Philadelphia. Johnstown is the state’s lowest-wage region followed by rural Pennsylvania. Figure 19B shows that, throughout the state, wages at the bottom end of the labor market range from \$5.25

to \$6.75. Johnstown, rural Pennsylvania, and Erie have the lowest low-wage worker hourly earnings, Harrisburg, Philadelphia, and Reading the highest low-wage worker hourly earnings. At the top end of the labor market, Allentown, York, and Harrisburg join Pittsburgh in a group some \$2-\$3 behind Philadelphia (Figure 19C). High-wage workers in Johnstown and rural Pennsylvania earn over \$8 less per hour than in Philadelphia.

From the late 1980s to the late 1990s, median wages rose in five regions and fell in five regions (Figure 20A). While most of the changes were relatively modest, the median wage fell 12 percent in Erie, 10 percent in Reading, and 9 percent in rural Pennsylvania; the median wage rose 9.5 percent in York.

Low-wage earners (those earning more than 10 percent of all workers in the region) saw decreases in their wages in seven of the 11

Figure 18. Share of Workers Earning Poverty Wages in Pennsylvania Regions, 1979-2000 (Percent)



Source: KRC, based on CPS data.



Pennsylvania metropolitan areas (Figure 20C). The fall was particularly large in Lancaster and York. Pittsburgh and Harrisburg both experienced increases of 8 percent from the late 1980s to the late 1990s.

Wages for high-wage earners' (those earning more than 90 percent of all workers in the region) climbed nearly 25 percent in York, more moderately in Lancaster and Allentown, and

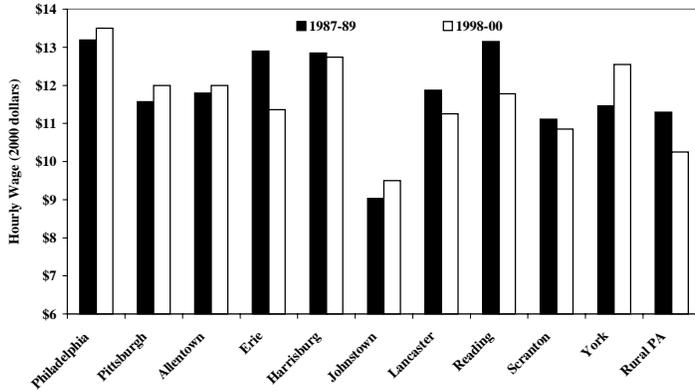
slightly in Scranton Wilkes-Barre (Figure 20B). High-wage earners saw a slight fall in their wages in Erie, Reading, and Harrisburg and a larger one in Johnstown.

Inequality escalated the most dramatically in York, with the earnings of high-wage earners going from three times those of low-wage earners to four times. Inequality increased two-thirds as much in Lancaster.

Metro Region	Median Wage			High-Wage Earners			Low-Wage Earners		
	1987-89	1998-2000	Percent Change	1987-89	1998-2000	Percent Change	1987-89	1998-2000	Percent Change
Philadelphia	\$13.19	\$13.50	2.4	\$26.39	\$28.85	9.3	\$6.94	\$6.75	-2.7
Pittsburgh	\$11.57	\$12.00	3.7	\$24.30	\$26.44	8.8	\$5.55	\$6.00	8.1
Allentown	\$11.80	\$12.00	1.7	\$24.69	\$26.50	7.3	\$6.46	\$6.40	-0.9
Erie	\$12.90	\$11.36	-11.9	\$23.05	\$23.00	-0.2	\$5.55	\$5.65	1.8
Harrisburg	\$12.85	\$12.74	-0.9	\$26.73	\$25.85	-3.3	\$6.25	\$6.75	8.0
Johnstown	\$9.03	\$9.50	5.2	\$19.86	\$18.27	-8.0	\$5.14	\$5.25	2.1
Lancaster	\$11.87	\$11.25	-5.2	\$20.69	\$22.02	6.4	\$6.74	\$6.00	-11.0
Reading	\$13.15	\$11.78	-10.4	\$23.33	\$23.08	-1.1	\$6.75	\$6.60	-2.2
Scranton	\$11.11	\$10.85	-2.3	\$21.57	\$22.00	2.0	\$6.25	\$6.00	-4.0
York	\$11.46	\$12.55	9.5	\$20.83	\$26.00	24.8	\$6.94	\$6.50	-6.3
Rural PA	\$11.29	\$10.25	-9.2	\$22.09	\$20.60	-6.7	\$5.55	\$5.50	-0.9

* Rural Pennsylvania consists of all parts of the state except the 10 metropolitan areas listed in the table.

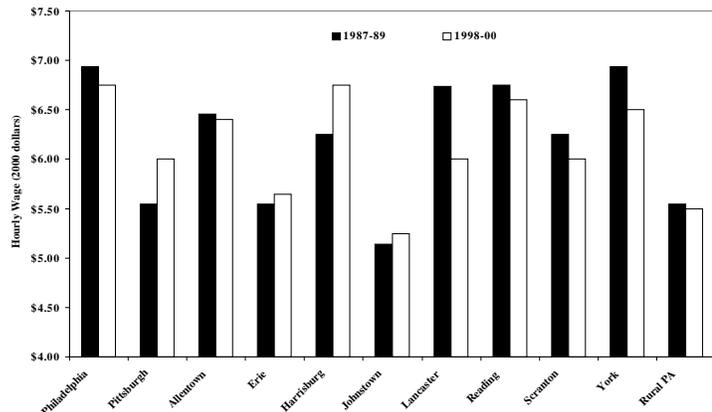
Source: KRC, based on CPS data.



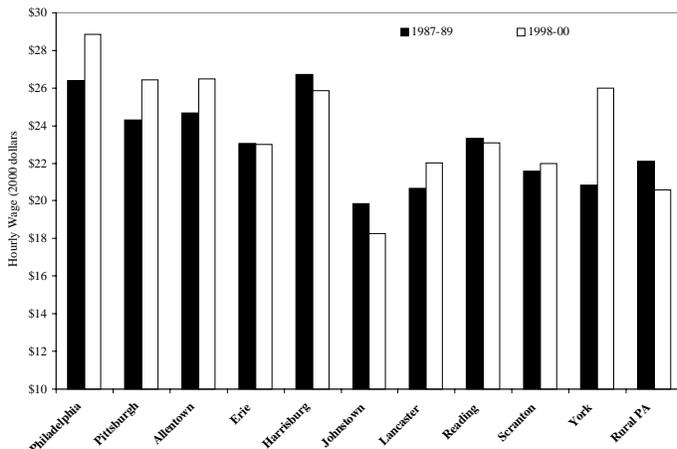
Source: KRC based on CPS data.

Figure 19A. Median Hourly Wages in 10 Pennsylvania Metropolitan Regions, Late 1980s to Late 1990s (2000 dollars)

Figure 19B. Hourly Wages of Low-Wage Earners in 10 Pennsylvania Metropolitan Regions, Late 1980s to Late 1990s (2000 dollars)

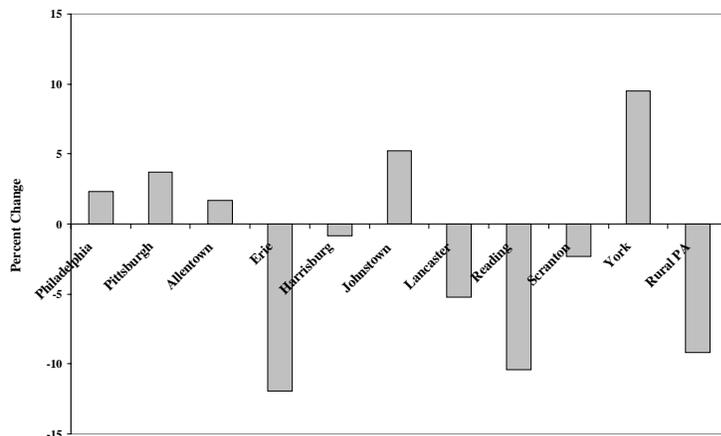


Source: KRC based on CPS data.



Source: KRC based on CPS data.

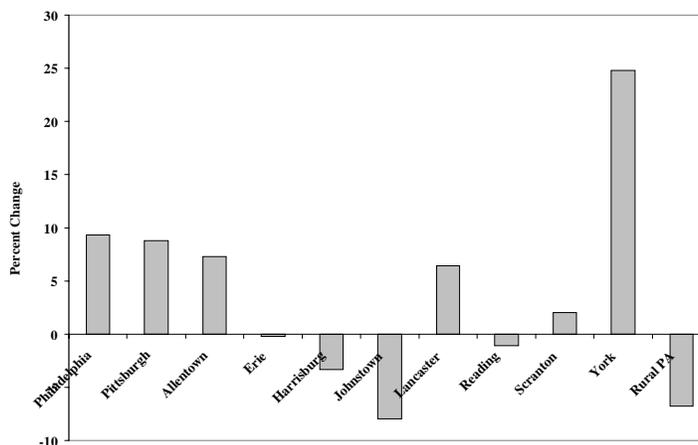
Figure 19C. Hourly Wages of High-Wage Earners in 10 Pennsylvania Metropolitan Regions, Late 1980s to Late 1990s (2000 dollars)



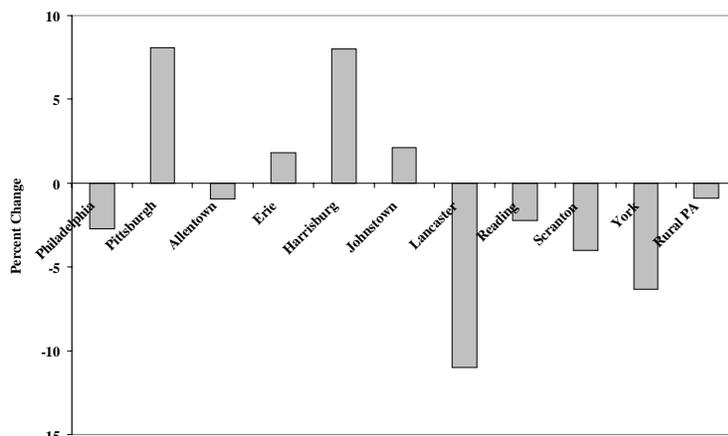
Source: KRC based on CPS data.

Figure 20A. Change in Median Hourly Wages in 10 Pennsylvania Metropolitan Regions, Late 1980s to Late 1990s (percent)

Figure 20B. Change in Hourly Wage of High-Wage Earners in 10 Pennsylvania Metropolitan Regions, Late 1980s to Late 1990s (percent)



Source: KRC, based on CPS data.



Source: KRC based on CPS data.

Figure 20C. Change in Hourly Wage of Low-Wage Earners in 10 Pennsylvania Metropolitan Regions, Late 1980s to Late 1990s (percent)

JOBS AND JOBLESSNESS

This section reports trends in job growth, unemployment, and underemployment in Pennsylvania over the past two decades. It also examines Pennsylvania’s employment share in manufacturing and in government.

Pennsylvania Job Growth Less than Half of U.S. Levels

Since job growth partly reflects the age composition of the population, which is independent of the health of the economy, slow job growth may not be cause for concern. Nonetheless, job growth is also an indicator of economic strength. With a strong economy, job growth rises because more workers enter (or stay in) the labor force and workers from other areas move in to take advantage of opportunities.

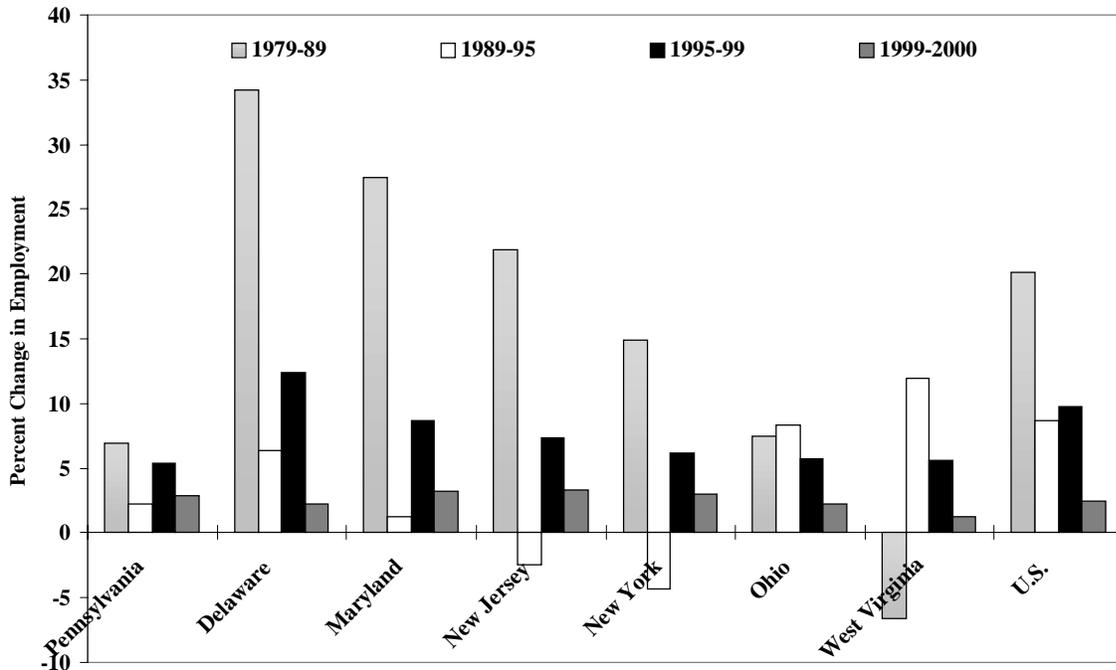
Pennsylvania job growth over the entire 1979 to 2000 period was about 40 percent of the U.S.

level. In three sub-periods - 1979 to 1989, 1989 to 1995, and 1995 to 1999 - job growth in Pennsylvania never reached 60 percent of the U.S. level (Figure 21). In the year 2000, Pennsylvania job growth exceeded U.S. job growth. Job growth in Pennsylvania has been faster since 1995 than in West Virginia and Ohio but slower than in our four other neighboring states.

Jobs Increase Slowly in All Parts of State

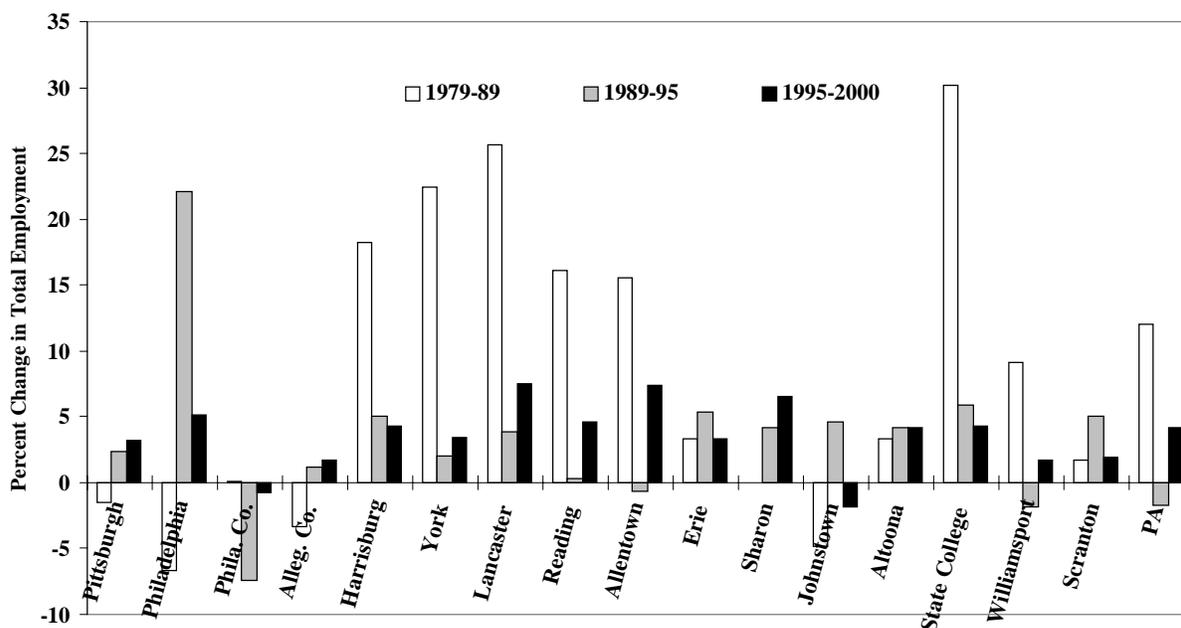
Figure 22 shows employment growth in the 1980s, the first half of the 1990s, and the second half of the 1990s in each of Pennsylvania’s 14 metropolitan areas, plus the city of Philadelphia and Allegheny County. (Figure 22 is based on a different data base than the previous figure. While over the entire 1979-2000 period both data bases show a similar change in Pennsylvania employment, the changes in sub-periods differ somewhat. Since our primary interest is how job

Figure 21. Change in Nonfarm Employment in Pennsylvania and Neighboring States in Four Periods (percent)



Source: KRC, based on EPI tabulations of CPS data.

Figure 22. Change in Total Employment in 16 Pennsylvania Areas in Three Periods (percent)



Source: KRC, based on Pennsylvania Department of Labor and Industry data.

growth rates differ by region, the discrepancies between the two data sets are not a major concern.)

In the 1980s as a whole, job growth was negative in the metropolitan areas of Pittsburgh, Philadelphia, and Johnstown. Job growth was much stronger in the areas of Harrisburg, York, Lancaster, Reading, Allentown, and State College.

In the first half of the 1990s, job growth was slow or negative in all regions except metropolitan Philadelphia. From 1995 to 2000, employment growth per year has been more even across the state than earlier in the 1990s and more rapid in most places. Since 1995, Lancaster, Allentown, and Sharon have the fastest job growth of the regions shown in Figure 22. From 1995 to 2000, annual job growth slowed compared to the 1989 to 1995 period in the suburban parts of metropolitan Philadelphia and in Erie and Scranton.

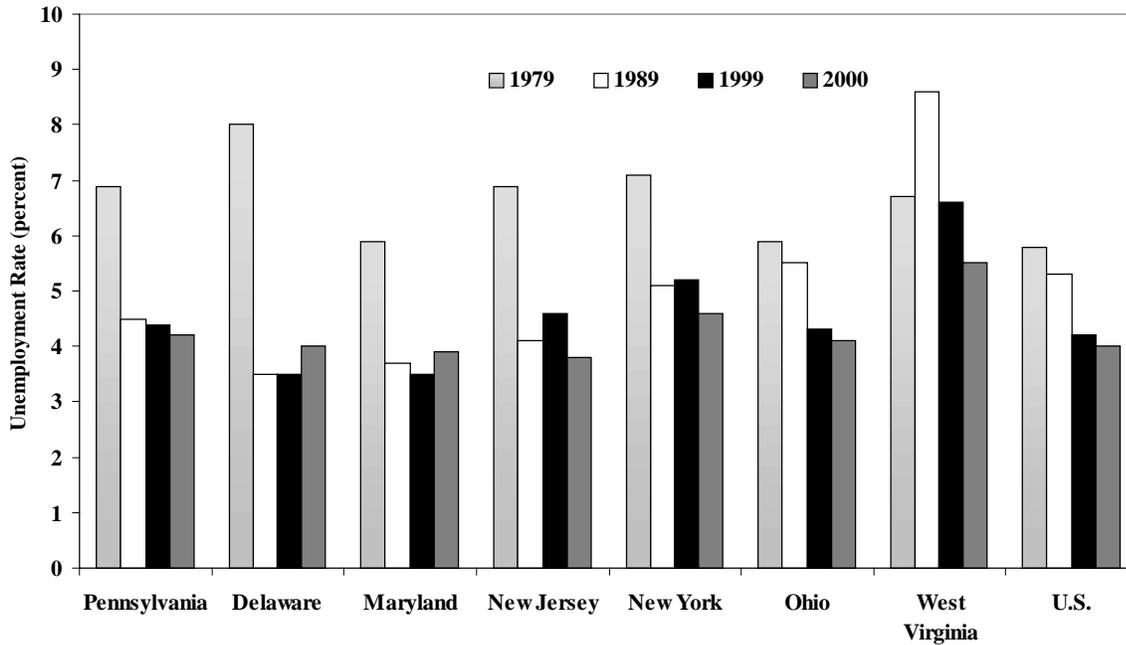
U.S. and Pennsylvania Unemployment Near Four Percent

Figure 23 shows unemployment in Pennsylvania, neighboring states, and the United States from 1979 to 2000. Pennsylvania's unemployment rate substantially exceeded the United States rate in the early 1980s. Since then, and especially since 1992, unemployment in Pennsylvania has closely tracked unemployment in the United States. At 4.2 percent in 2000, Pennsylvania's unemployment rate was within one percentage point of that of all neighboring states except West Virginia.

Joblessness High Among Young Pennsylvania Blacks

While Pennsylvania's unemployment has declined in the 1990s, and is now very close to the U.S. unemployment rate, unemployment rates for blacks and less-educated workers exceed comparable rates for the United States.

Figure 23. Unemployment Rate in Pennsylvania and Neighboring States, 1979-2000 (percent)



Source: KRC, based on EPI data.

For the 1997-2000 period in Pennsylvania and surrounding states, Table 13 shows unemployment and underemployment by gender for all 18-35 year olds, and for African-Americans.

Underemployment is a better measure of overall labor market slack than unemployment. While unemployment only includes workers who are without a job and actively looking for work, the underemployed also include involuntary part-time workers, “discouraged” workers who would like a job but have given up looking for one, and others who have recently sought work but are not currently looking.

- Pennsylvania’s overall unemployment and underemployment rate for 18-35 year olds are similar to those for other states.
- Pennsylvania’s African-American unemployment and underemployment rate, especially for high-school educated workers, substantially exceed those of other states.
- Almost one in three black Pennsylvania men with a high school education is underemployed, compared to a bit less than one in four in New York, and between one in four and one in five in New Jersey, Ohio, and Maryland.
- The unemployment rate for males and females in Pennsylvania with less than a high school education are 4.0 and 4.6 percentage points, respectively, above the U.S. rates for these group. For blacks, the discrepancies are 8.5 and 11.7 percentage points.

Table 13. Unemployment and Underemployment Rates for 18-35 Year Olds, by Gender, Education, and Race, 1997-2000 (percent)

	Female				Male			
	Unemployment		Underemployment		Unemployment		Underemployment	
	LTHS*	HS*	LTHS	HS	LTHS	HS	LTHS	HS
All Races								
PA	20.0	7.4	31.7	15.1	14.2	7.6	22.3	12.7
U.S.	15.3	7.2	26.5	13.8	10.2	5.1	17.8	9.4
U.S. - PA	-4.6	-0.1	-5.2	-1.3	-4.0	-2.5	-4.4	-3.3
Black								
PA	38.5	15.3	53.9	25.7	35.0	22.8	49.5	32.2
U.S.	26.8	13.0	40.2	21.9	26.5	12.5	38.9	19.9
U.S. - PA	-11.7	-2.3	-13.7	-3.8	-8.5	-10.3	-10.6	-12.3

* LTHS stands for "less than high school" education; HS stands for "high school" degree holders without additional education.

Source: EPI, based on CPS data.

One-Third of Manufacturing Jobs Lost in Pennsylvania Since 1979

Since 1979, Pennsylvania has lost one-third of its manufacturing jobs, the number declining from 1,386,800 to 926,000 (Table 14 and Figure 24). From 1979 to 1989, the number of manufacturing jobs declined by 25 percent. Although the rate of job loss slowed in the 1990s, manufacturing employment still fell by 11.6 percent from 1989 to 2000. From 1979 to 2000, Pennsylvania was seventh of 50 states in percent of manufacturing jobs lost. From 1979 to 1989, only West Virginia experienced a larger percentage decline in manufacturing employment than Pennsylvania.

The manufacturing share of total employment in Pennsylvania has declined from 28.9 percent in 1979 to 16.3 percent in 2000. This moved Pennsylvania's ranking by the manufacturing share of employment from 12th to 16th out of 50 states.

Since 1991, manufacturing employment in Pennsylvania has declined the most in the metropolitan areas of Allentown, Johnstown, and Harrisburg, followed by Philadelphia, Reading, and Scranton (Figure 25).

Pennsylvania Has Second Smallest Government

Conservatives in Pennsylvania, as elsewhere, strongly favor shrinking government. The evidence shows that Pennsylvania already has a relatively "small government." Pennsylvania has the second lowest government employment share in the United States.¹³ With 12.8 percent of jobs in government, Pennsylvania falls far below nearby states New York (17.0 percent), New Jersey (14.7 percent), and Maryland (18.2 percent), as well as below the United States (15.7 percent).

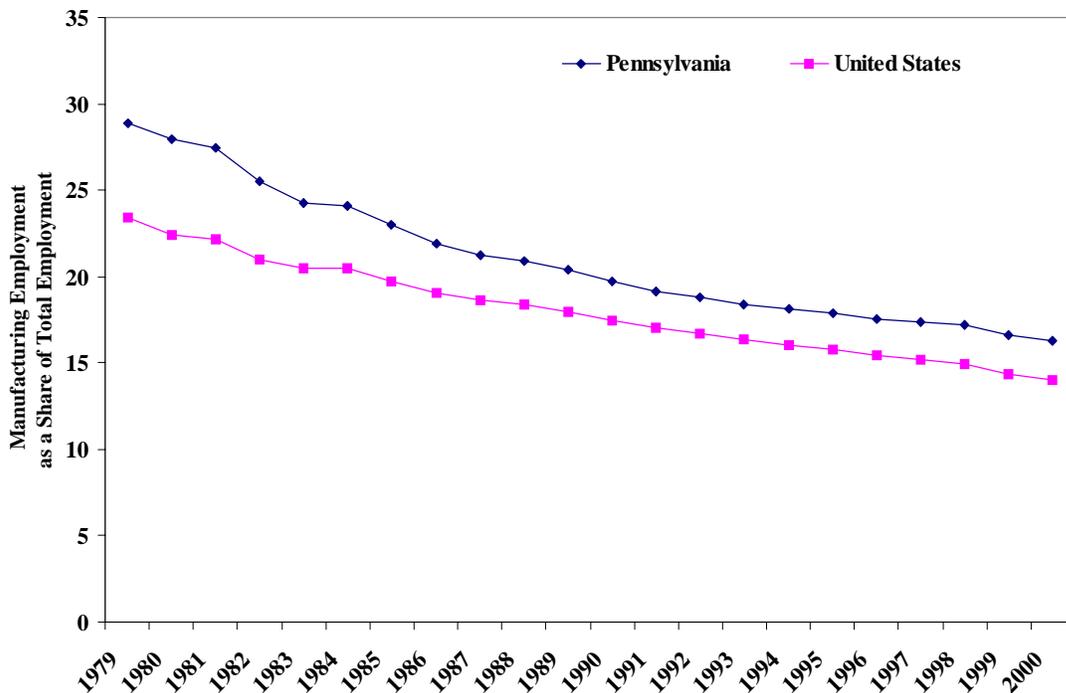
Government employment in Pennsylvania fell as a share of total employees from 13.6 percent in 1989 to 12.8 percent in 2000.

Table 14. Manufacturing Employment in Pennsylvania, Nearby States, and the U.S., 1979-2000

	1979	1989	2000	1979-89	1989-2000
Pennsylvania	1386.8	1047	926	-24.5%	-11.6%
Delaware	70.2	73.1	58.6	4.1%	-19.8%
Maryland	246.9	209.8	179.7	-15.0%	-14.3%
New Jersey	799.1	639.6	462.4	-20.0%	-27.7%
New York	1492.8	1189	874.2	-20.4%	-26.5%
Ohio	1382.3	1122.6	1085.4	-18.8%	-3.3%
West Virginia	126.1	87.8	80.7	-30.4%	-8.1%
U.S.	21040	19391	18469	-7.8%	-4.8%

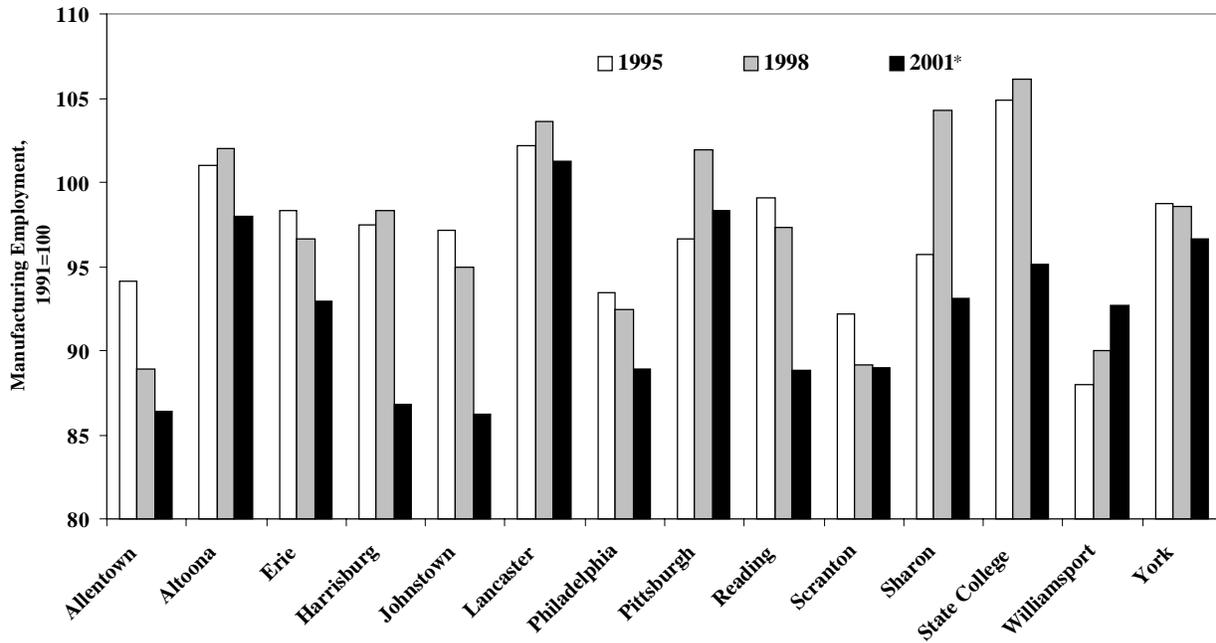
Source: KRC based on EPI tabulations of CPS data.

Figure 24. Manufacturing Employment Declines More in Pennsylvania than the U.S. in 1980s



Source: KRC, based on Bureau of Labor Statistics (BLS) data.

Figure 25. Manufacturing Employment in Pennsylvania Metropolitan Areas, 1991-2001



* The 1995 and 1998 figures represent annual averages for manufacturing employment as a percent of 1991 manufacturing employment in the same metropolitan area. The 2001 figure represents June 2001 manufacturing employment as a percent of 1991 employment in the same metropolitan area.

Source: KRC, based on BLS data.

THE CURRENT SLOWDOWN

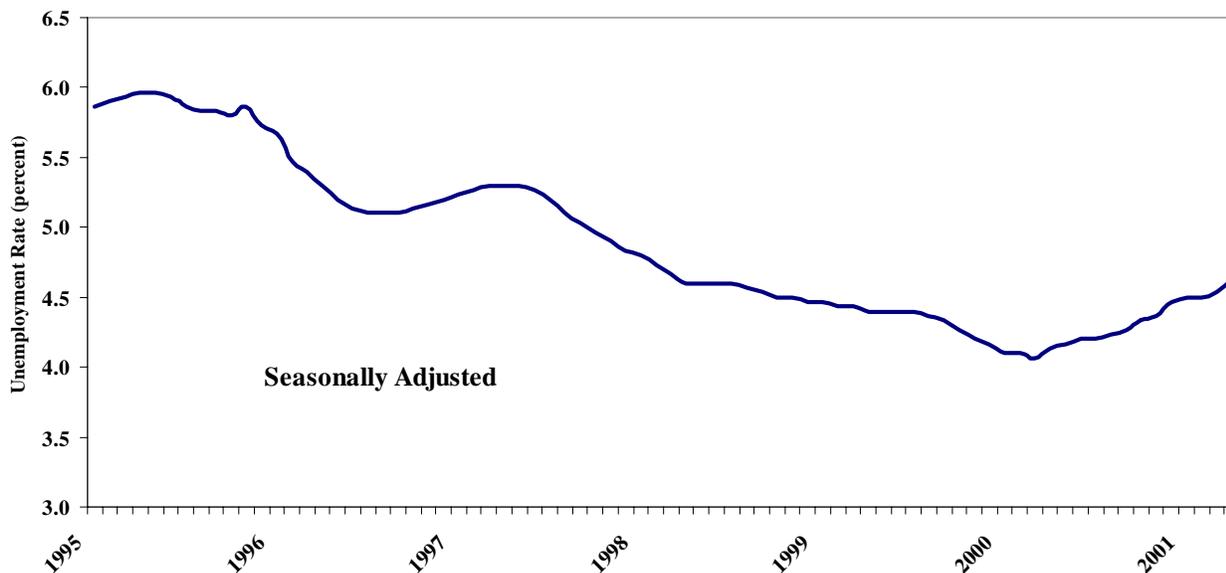
The last section contained a broad overview of job and unemployment trends. This section takes a magnifying glass to the last 12 months.¹⁵ Over this period, after a decade of growth, the U.S. economy has slowed. In the second quarter of 2001, the U.S. economy (measured by Gross Domestic Product) expanded at an annual rate of only 0.7 percent. In 2000, the United States gained 1.76 million jobs; between April and June 2001, it had a net loss of 271,000 jobs. The unemployment rate in the United States has risen to 4.5 percent, up from 3.9 percent just eight months ago.

We document below that the current slowdown has had a similar effect on Pennsylvania unemployment rates. We also find that the number of workers filing for unemployment benefits because of mass layoffs has turned up substantially in Pennsylvania in the last six months.

PA Unemployment Up Half a Point

Figure 26 shows three-month moving average unemployment rates for Pennsylvania from 1995 through June 2001 (see Figure 26 note for a definition of the three-month moving average).¹⁶ From a low of 4.0 percent in March 2000, the unemployment rate in Pennsylvania has climbed about half a percentage point – to a three-year high of 4.8 percent in June then back down to 4.5 percent in July. The three-month moving average has increased from 4.1 percent in February 2000 to 4.6 percent in May 2001. Most of the increase in unemployment above the 4.0-4.3 percent range occurred at the end of 2000 or in 2001. For the most part, therefore, the impact of the economic slowdown is not evident in the year 2000 statistics that we have analyzed so far in this report.

Figure 26. Monthly* Unemployment Rate in Pennsylvania, 1995-2001 (percent)



* The figure shows a three-month "moving average" (i.e., the unemployment rate for May 2001 is the average of the unemployment rate in April, May, and June 2001).

Source: KRC, based on BLS data.



Of 14 metropolitan areas in Pennsylvania, eight had increases of at least 0.5 percentage points in their unemployment rates from June 2000 to June 2001. York and Altoona had increases of over 1.0 percent. Only Johnstown experienced a fall in unemployment.

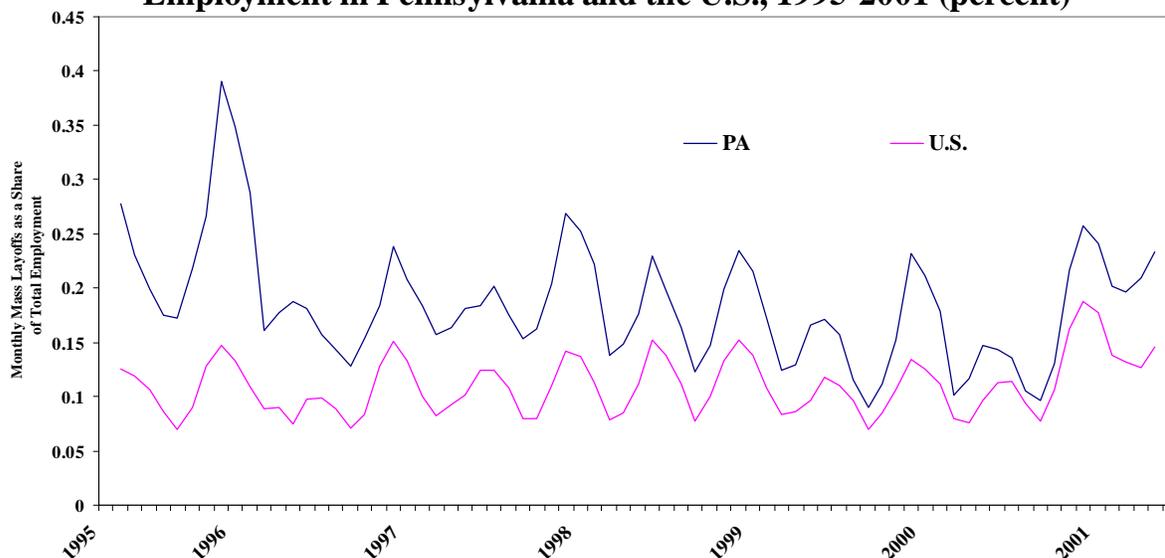
Pennsylvania Mass Layoff Rate Above National Level and Climbing Faster

Another gauge of the economy’s temperature is mass layoffs. Since 1995, when “downsizing” first caught the attention of the nation, the Bureau of Labor Statistics has tracked the total claims for unemployment benefits filed each month by individuals losing jobs as a result of “mass layoffs” (i.e., layoffs in which 50 or more people file claims for unemployment benefits).¹⁷ To compare the impact of layoffs in Pennsylvania and the United States, Figure 27 shows a three-month moving average of layoffs as a share of total employment from May 1995 through May 2001.

As Figure 27 shows, layoffs tend to follow a cyclical pattern both in Pennsylvania and the United States, spiking in June/July and December/January. U.S. mass layoffs remained relatively constant from 1995 to 2000, affecting from 1.2 percent to 1.4 percent of total employment over the course of each year. The number of Pennsylvania workers involved in mass layoffs, on the other hand, declined from a high of 2.9 percent of employment in 1995 to a low of 1.8 percent in 1999. From 1999 to 2000, mass layoffs rose slightly in both the United States and Pennsylvania.

In the first half of 2001, mass layoffs turned up sharply at the start of the year and did not decline as much after January. The number of Pennsylvania workers affected by mass layoffs rose to 2.6 percent (on an annualized basis) in the first half of 2001, an increase of 0.7 percentage points. This increase was more than double the projected national percentage point rise from 1.4 percent to 1.7 percent. About 75,000 Pennsylvania

Figure 27. Monthly* Mass Layoffs as a Share of Total Employment in Pennsylvania and the U.S., 1995-2001 (percent)



* The figure shows three-month moving averages: i.e., April 1996 is the average of the March, April, and May 1996 numbers of workers filing for unemployment insurance benefits as a result of mass layoffs, expressed as a share of employment.

Source: KRC, based on BLS data.

workers felt the impact of mass layoffs in the first six months of 2001, higher than the January-June total for any of the prior five years. If this trend continues, layoffs in Pennsylvania for the full year 2001 will equal or exceed the previous high in 1995.

Manufacturing Jobs Down More than At Any Time Since 1991

Looking at monthly employment figures for the most recent 12 months (July 2000 - July 2001) of available data, we find that manufacturing employment in Pennsylvania declined by 3.8 percent, the largest drop since December 1991. This decline in Pennsylvania is below the U.S. manufacturing employment fall of 4.5 percent in the most recent 12 months. The decline in manufacturing jobs far exceeds those in other industries, partly reflecting the cyclical nature of manufacturing. Employment in Pennsylvania transportation and public utilities decreased in the past 12 months by 1.0 percent. The growth of service jobs in Pennsylvania plateaued from a trend rate of about 2.5 percent growth every 12 months down to 1.5 percent. This is the smallest increase since December 1991.

Pennsylvania Still Needs a New Deal for a New Economy

In the year 2000, Pennsylvania's unemployment rate hit a 30-year low. For that reason, the year 2000 data we examine throughout this report show mostly the impact of a tight labor market. Even so, evidence of positive impact of low unemployment and the longest expansion on record on the economic status of ordinary Pennsylvanians is underwhelming:

- still-stagnant wages,
- levels of employer-provided benefit coverage well below late 1970s standards,
- inequality stuck at the highly polarized levels of the mid-1990s,

- families working long hours to meet their economic needs,
- a quarter of all families with young children unable to pay for basic necessities,
- child poverty levels that have slipped close to the national average.

If this is success, Pennsylvania's middle class and working families may not want any part of failure. Yet the data for the past six months raise exactly the specter of failure.

Pennsylvania's economic foundation remains sound, arguably more so than at any point in history. The state has

- unprecedented levels of productivity,
- a more educated workforce,
- best practice firms in virtually every industry that demonstrate the possibility of even higher levels of performance.

But the potential of our age will not automatically translate into better lives for all Pennsylvanians, stronger communities, close-knit families. That is the fundamental message of this report. That is the fundamental message of a balanced assessment of the economic and social performance of the past 20 years.

We have a choice to make in Pennsylvania.

We can continue to assume that the wonders of the market will by themselves make Pennsylvania a better place. Or we can recognize that there are a host of problems that our powerful market economy cannot, by itself, solve. And we can begin working together in a pragmatic spirit to craft and implement the public policies and new social institutions necessary to capitalize on the potential of our time.

This is the choice Pennsylvania needs to debate over the next 15 months. If Pennsylvania makes the right choice, it can show the nation what the Next Deal looks like.

FOOTNOTES

¹ It is possible that survey respondents' tendency to give round numbers for their hourly earnings exaggerated the divergence in black male and female wages from 1999 to 2000. In 1999 and 2000, in current dollars, both black and female median wages fell at a round number — \$10 or \$11. If the \$10 female wage in 1999 and the \$11 male wage in 2000 were “too high” and the \$10 male wage in 1999 and the \$10 female in 2000 were “too low,” the result would be a misleading growth in the male-female wage gap between the two years. Spikes in the distribution of responses are not as much of a problem in wage analyses for the population as a whole; moreover, we use statistical techniques to correct for this problem by smoothing the overall wage distribution.

² ACS analysis was provided by the Economic Policy Institute. The ACS is a survey of 700,000 U.S. households. The ACS collects a variety of economic, social, and demographic data. Since this is the first release of the ACS, it is not possible to compare data with earlier time periods.

³ Heather Boushey, Chauna Brocht, Bethney Gundersen, and Jared Bernstein *Hardships in America: The Real Story of Working Families* (Washington D.C.: Economic Policy Institute, 2001).

⁴ EPI estimates economic hardships by low-income families based on data from the Survey of Income and Program Participation and the National Survey of American Families.

⁵ Hours worked data are from EPI, based on analysis of U.S. Census Bureau's Current Population Survey Outgoing Rotation Group. To improve reliability of estimates, data are pooled for three years.

⁶ *The State of Working Pennsylvania 2000* documents the rise in consumer debt levels in the 1990s, one factor in the decisions of families to have a second parent work full-time or close to full-time.

⁷ Data are from EPI, based on the CPS Outgoing Rotation Group.

⁸ Robert D. Atkinson, Randolph H. Court and Joseph M. Ward *The State New Economy Index* (Washington, D.C.: Progressive Policy Institute, 1999).

⁹ PPI's precise weights were the percentage of workers with some college (but not a degree) multiplied by 0.5 plus the percentage with a college degree multiplied by 1 plus the percentage with graduate degrees multiplied by 2. The weighted percentages were then added to generate a single score for each year and each state.

¹⁰ We use U.S. Census Bureau data from the Current Population Survey Outgoing Rotation Group for the years 1979, 1989, and 2000 (data provided by EPI).

¹¹ These 10 metropolitan areas correspond to the U.S. Census Bureau's Metropolitan Statistical Areas (MSA) for Pennsylvania. The classification of MSAs was altered in 1984. Thus to make a consistent comparison we compare the late 1980s to the late 1990s. Furthermore, while there are more MSAs in Pennsylvania now (Altoona, Sharon, State College, and Williamsport), data were not available for these new areas in the late 1980s. Rural Pennsylvania includes all areas in the state not in one of the 10 Census defined MSAs listed in Table 12.

¹² Sample sizes vary depending on the size of the MSA. Estimates are less reliable for smaller metropolitan areas. BLS cautions against reporting CPS results from below the state level. Some other analysts, however, report metropolitan area data for a single year (as opposed to from a three-year pooled sample as we do). See, for

example, Barry T. Hirsch and David A. Mcpherson, *Union Membership and Earnings Data Book* (Washington D.C.: The Bureau of National Affairs, Inc., 2001) report of CPS results based on only a single years data from each metropolitan area.

¹³ Data in this section are based on the CPS and were provided by EPI. The government employment numbers cover all federal, state, and local government employees.

¹⁴ This section draws on Edith Rasell and Yvon Pho, *The Impact of the Economic Slowdown on the States* (Washington, D.C.: Economic Policy Institute, 2001).

¹⁵ This section draws on Edith Rasell and Yvon Pho, *The Impact of the Economic Slowdown on the States* (Washington, D.C.: Economic Policy Institute, 2001).

¹⁶ The three-month moving average provides a more robust picture of the trends in unemployment by smoothing out month-to-month fluctuations.

¹⁷ BLS defines a “mass layoff event” as “fifty or more initial claims for unemployment insurance benefits filed against an establishment during a 5-week period.”

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This report was designed and printed in-house.