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## **The Final Verdict Is In: Pennsylvania's Job Growth and Economic Performance Since 2011 Prove a Cuts-Only Approach to the Budget Doesn't Work**

*State's Recent Experience Shows Need to Reinvest in Education, Job Creation & Communities*

**(HARRISBURG, PA) – June 23, 2015** -- A briefing paper released today by the Keystone Research Center examines the economic consequences of the state's failure under former Gov. Tom Corbett to take a balanced approach towards resolving Pennsylvania's fiscal challenges, beginning with his first budget in June 2011. This brief is particularly timely as the General Assembly debates another potentially pattern-setting budget under a new governor.

Although deeply scarred by the Great Recession, Pennsylvania weathered the recession better than most states and emerged in 2010 with brisk job and economic growth, the paper's authors, Dr. Mark Price and Ellis Wazeter, found. "But the wind was knocked out of the Pennsylvania economy in late 2011, as school districts cut staff in the wake of Gov. Corbett's first budget. Over the next four years, school districts across the state shed 32,000 workers. These job losses also slowed overall employment and economic growth in Pennsylvania," said Price, KRC labor economist. "It took several years but Pennsylvania has finally shaken off the negative effects of those first deep budget cuts and, so far in 2015, is experiencing its fastest job growth since 2010."

Still, the pain of those early budget cuts has left Pennsylvania lagging the rest of the country in job growth, labor market slack (unemployment and underemployment rates) and tax revenue growth. Among the paper's findings are that, thanks in part to a cuts-only approach to the state budget:

- Overall job growth from January 2011 to January 2015 was just 2.6% compared to 7.6% nationally, leaving Pennsylvania ranked 48th for job growth among the 50 states.
- Pennsylvania's underemployment rate (a broad measure of joblessness that includes the unemployed, people working part-time because they can't find a full-time job and discouraged workers who have stopped looking for a job) declined from 13.9% in 2011 to 11.6% in 2014. Over the same period, the national underemployment rate fell nearly twice as much – from 15.9% to 12.0%. The commonwealth ranked 40<sup>th</sup> among states based on the decline in its underemployment rate from January 2011 to January 2015.
- The growth of tax revenues from the first quarter of 2011 to the fourth quarter of 2014 was just 2.3%, compared to 12.8% nationally. As a result, Pennsylvania fell from sixth highest in tax revenue growth the year before Gov. Corbett took office (first quarter of 2010 to first quarter of 2011) to 43<sup>rd</sup> place over the next four years.

“The final verdict is in – you can’t cut your way to prosperity,” Price said. “As Pennsylvania faces another difficult budget choice, policymakers need to learn this lesson from recent experience. The failure to take a balanced approach – looking for costs savings but also new revenues – since 2011 operated as a drag on the economy and makes Pennsylvania’s budget choices this June more difficult. What Pennsylvania needs now is a turnaround budget that combines sound fiscal management with investments in education, job creation, and communities.”

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