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PRESS STATEMENT

Manufacturing Job Losses Cripple Pennsylvania Economic Growth as Higher Paying Jobs Traded for Lower Paying Jobs

Imperative for Candidates to Disclose Plans to Combat Foreign Predatory Trade Polices and Stop U.S. Manufacturing Job Losses

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The American Manufacturing Trade Action Coalition (AMTAC) has analyzed job gain/loss in Pennsylvania in a report prepared by Dr. Charles W. McMillion, President and Chief Economist of MBG Information Services titled, *Pennsylvania's Jobs Market 2001-2008: Trading Down in A Debt-Driven, Weak Economy*.

Reacting to the report, Peter McKernan, CEO of Herculite Products, Inc. of Emigsville, Pennsylvania said, "Pennsylvania can't keep trading good manufacturing jobs for lower paying service sector jobs and expect to grow its economy."

"Americans haven't stopped buying manufactured goods; they just aren't buying as many from Pennsylvania as before. That's what has got to change if Pennsylvania is to recover the more than 207,000 manufacturing jobs it has lost since 2001 and recharge its economy," McKernan stated.

Noting that U.S. manufacturing's competitiveness concerns are fostered by Chinese and other foreign-country predatory trade practices such as blatant currency manipulation, rebates of value-added (VAT) taxes, and outright export subsidies, McKernan continued, "A detailed policy response from the administration, all presidential candidates, and the Democratic and Republican leaderships in Congress to address U.S. manufacturing competitiveness is long overdue. Without this, sectors of the Pennsylvania economy subject to international competition will continue to bleed jobs and wither from the lack of capital investment."

"There also is a significant point to be made about the risk to consumers. For example, a number of serious product recalls occurred on imports coming from China in 2007. So not only have we shipped Pennsylvania jobs overseas, we are putting the public at greater and greater risk to imports of suspect quality coming from China. The notion that cheaper is better for consumers runs up against law of unintended consequence when consumers are made less safe," McKernan added.

McKernan concluded, "America can't keep running up its 'China credit card' buying foreign manufactured goods. America has got to start producing and buying more products made in Pennsylvania and elsewhere in the United States or we will leave our future generations owing an unsustainable debt to China and our other foreign bankers."

(An analysis of Dr. McMillion's report, *Pennsylvania's Jobs Market 2001-2008: Trading Down in A Debt-Driven, Weak Economy*, by AMTAC Executive Director Auggie Tantillo follows.)

**Analysis of Dr. Charles W. McMillion's *Pennsylvania's Jobs Market 2001-2008:
Trading Down in A Debt-Driven, Weak Economy***

by

**Auggie Tantillo
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The steep decline in U.S. and Pennsylvania manufacturing employment significantly has stunted economic growth. Without swift policy action by Congress and the Bush Administration to stop manufacturing job losses caused by predatory trading partners like China, ameliorating a recession's pain will be more prolonged and difficult.

Manufacturing Job Losses Cripple New Job Creation in Pennsylvania

As with the rest of the country, Pennsylvania's hemorrhaging of manufacturing jobs has crippled net new job creation. Since 2001, manufacturing employment in Pennsylvania has declined by -24.3 percent, a loss of -207,300 jobs. Not only are Pennsylvania's manufacturing job losses considerably worse even than the record shattering U.S. figure of -19.7 percent, but only nine other states have experienced a greater percentage of losses. As a result, Pennsylvania only added a paltry 94,200 jobs for an anemic employment growth rate of 1.7 percent in the last seven years. This growth rate was less than half of the weak 4.2 percent U.S. increase (a 6.9 percent growth rate was necessary for the United States to maintain employment at 2001 participation rates) and the 13th slowest job growth among the 50 states. Moreover, Pennsylvania's job losses from the worsening trade deficits with China doubled from almost -40,000 in 2000 to near -80,000 in 2007, a loss of -40,000 jobs.

As High-Wage Jobs Are Lost, Pennsylvania Incomes Fall While Debt Rises

The loss of higher-wage jobs in manufacturing and in other sectors (almost certainly) caused household incomes to lose purchasing power in Pennsylvania and in the United States for the first time during any business cycle since the Depression. The U.S. Census Bureau has not yet released household income figures for 2007, but inflation-adjusted median incomes fell by -\$903 (a drop of -1.8 percent) in Pennsylvania and by -\$962 (a drop of -2.0 percent) nationally between 2000 and 2006. The purchasing power of median household incomes is thought to have stagnated or perhaps fallen slightly in 2007. That is, most households in Pennsylvania and throughout the United States entered the current 2008 recession both with less real income than they had in 2000 and with far more debt.

New Pennsylvania Jobs Don't Export

As throughout the country, the new jobs generated by Pennsylvania's soaring recent debt economy are in industries that do not face import competition, are not easily offshored, and do not export. As an example, the Commonwealth's job growth in *Health Care and Social Assistance* (130,400 new jobs) is far greater than all Pennsylvania net job growth (94,200) since 2001. Add the new jobs in *State and Local Governments* (24,600 new jobs) and in *Food Services and Drinking Places* (38,600 new jobs), and these three industries alone added twice as many jobs as all new jobs added in Pennsylvania.

New Pennsylvania Jobs Pay Less than Those Lost

Importantly, detailed compensation data illustrates that the average (not median) annual compensation in Pennsylvania for jobs in *Health Care and Social Assistance* is \$44,457, -30.6 percent less than the average Pennsylvania *Manufacturing* job which pays \$64,222. Jobs in Pennsylvania *State and Local Governments* pay \$49,644, -22.7 percent less than *Manufacturing*; and jobs in *Food Services and Drinking Places* pay \$16,240, -74.7 percent less than *Manufacturing*.

Very few industries with annual compensation higher than *Manufacturing* added jobs in Pennsylvania in recent years. Of those that did, few faced global competition or exported, and many appear closely related to the recent debt-fueled boom in housing and national security.

Pennsylvania MSAs with Job Growth Faster than U.S Average of 4.2 Percent:

- York/Hanover
- Lancaster
- Allentown/Bethlehem/Easton/Warren Co. (NJ)

Three Pennsylvania metropolitan statistical areas (MSAs) created more jobs than the U.S. average of 4.2 percent. York-Hanover gained 11,000 jobs, an increase of 6.4 percent. Lancaster employment grew at a 6.3 percent clip, adding 13,900 jobs. And, the Allentown-Bethlehem-Easton (PA)-Warren County (NJ) job growth was 5.1 percent, a gain of 16,500. Not even these MSAs, however, sustained seven years of job growth even at the 1 percent per year rate necessary to accommodate minimum population growth.

Despite their net job gains, manufacturing employment unfortunately dropped by -8,100 in York-Hanover, a decrease of -17.8 percent; by -12,900 in Lancaster, a decrease of -23.8 percent; and by -16,700 in Allentown-Bethlehem-Easton (PA)-Warren County (NJ), a decrease of -30.1 percent.

Pennsylvania MSAs with Job Growth Slower than U.S Average of 4.2 Percent, but Faster than Pennsylvania's Average of 1.7 Percent:

- Harrisburg/Carlisle
- Altoona
- State College
- Johnstown

MSAs experiencing job growth lower than the national average of 4.2 percent but higher than Pennsylvania's average of 1.7 percent were Harrisburg-Carlisle at 4.1 percent (12,800 job gains), Altoona at 3.3 percent (2,000 job gains), State College at 2.9 percent (2,000 job gains), and Johnstown at 2.9 percent (1,700 job gains).

The jurisdictions also suffered heavy manufacturing job losses. Harrisburg-Carlisle lost -7,000 jobs, a decrease of -23.0 percent. Altoona dropped -2,500 jobs, a decrease of -25.3 percent. State College suffered the highest percentage of manufacturing job loss statewide, losing -3,800 jobs, a staggering -46.9 percent decrease. Johnstown saw -1,400 jobs disappear, a decrease of -23.0 percent.

Pennsylvania MSAs with Job Growth Slower than Pennsylvania's Average of 1.7 Percent:

- Reading
- Scranton/Wilkes-Barre
- Philadelphia metro

Although the metropolitan areas of Reading and Scranton/Wilkes-Barre and Reading did achieve net employment growth, their increases of 1.6 percent (2,700 job gains) and 0.7 percent (1,700 job gains) respectively were lower than for the Commonwealth as a whole.

Substantial manufacturing job losses were recorded in these communities. Reading lost -9,700 jobs, a decrease of -24.0 percent while Scranton/Wilkes-Barre lost -12,400 jobs, a -27.7 percent decrease.

The Philadelphia metro area also fits in this category and is discussed in greater detail below.

MSAs Losing Jobs:

- Pittsburgh
- Erie
- Williamsport

- City of Philadelphia

Four Pennsylvania MSAs suffered net job loss in the last seven years. Pittsburgh lost -10,200 jobs, a decline of -0.9 percent. Employment in Erie declined by a similar -1.1 percent, resulting in a loss of 1,500 jobs. Williamsport fared even worse, losing -2,300 jobs for a decline of -4.2 percent.

Manufacturing job losses were severe in these communities. Manufacturing employment in Pittsburgh fell by -29,000, a decrease of -22.7 percent. Erie plummeted by -8,900, a decrease of -23.6 percent. Williamsport dropped by -3,500, a decrease of -22.4 percent.

Suffering the worst job losses of all was the City of Philadelphia, a jurisdiction discussed in the next segment.

The Philadelphia MSA: Two Divergent Tales – the City Versus the Suburbs

The City of Philadelphia was particularly hard-hit over the past seven years, losing a devastating -30,900 jobs or -4.5 percent of its total employment. While the Chester, Delaware, Montgomery and Bucks County suburban areas around Philadelphia added 48,100 jobs (growth of 4.0 percent), these gains resulted only in an anemic 0.9 percent employment growth rate (an increase of 17,200 jobs) for the entire Pennsylvania portion of the greater metropolitan area of Philadelphia.

Manufacturing employment in the City of Philadelphia fell by -13,800, a decrease of -33.3 percent. Suburban Chester, Delaware, Montgomery and Bucks counties lost a combined -40,500 jobs, a decrease of -25.1 percent. Total manufacturing employment in the Pennsylvania portion of the Philadelphia metro area plunged by -54,800, a decrease of -26.8 percent.

National Economic Picture – Massive Debt Spending Fails to Generate Expected Job Gains

Taking a quick look at the U.S. economy for the years covered by this report, U.S. household and federal government debt has soared to unprecedented levels. Together, household and federal debt almost have doubled over the past seven years, soaring by \$10.4 trillion to reach \$23.1 trillion, an amount 64 percent larger than the entire Gross Domestic Product (GDP). In comparison, total U.S. household and federal debt was 27 percent larger than GDP at the end of 2000. The previous U.S. record of debt larger than GDP was the 38 percent figure accumulated in 1946 to stimulate the U.S. economy out of the Great Depression and to pay for World War II. The current record debt level is the basis for the debt crisis that now has plunged the United States into a new and possibly severe recession.

Nevertheless, even with this massive debt stimulus, the United States by far suffered its weakest seven-year job growth since the demobilization following World War II. Although the U.S. Census Bureau estimates that the U.S. population grew by 6.9 percent, expanding by 19,622,932 people from 283,946,833 on January 1, 2001 to 303,569,765 on January 1, 2008, the United States added only 5,587,000 jobs for a seven-year employment increase of 4.2 percent, growth far short of the 9,140,000 job creation figure necessary to maintain employment participation rates at January 2001 levels.

Skyrocketing trade deficits chiefly are responsible for the U.S. job creation shortfall as they offset much of the job-creating effects of the unprecedented debt stimulus. Record U.S. Current Account trade deficits totaling - \$4.3 trillion from 2001 to 2007, including more than -\$3 trillion in deficits for Manufactured Goods alone, reflect the loss of both production and millions of manufacturing and other jobs in higher-wage industries exposed to global outsourcing and imports. Since January 2001, the U.S. manufacturing sector has been the hardest hit, suffering an employment fall of -19.7 percent from 16,993,000 to 13,638,000 in January 2008, a loss of -3.355 million jobs. The previous worst seven years of U.S. manufacturing job losses was the loss of -14.6 percent of jobs during the demobilization following World War II. The current 13,638,000 figure represents the smallest U.S. manufacturing employment total since May 1950.

Red ink with China contributed significantly to U.S. manufacturing jobs losses. The annual U.S. trade deficit with China tripled over the past seven years, spiraling from -\$84 billion to -\$256 billion, with Manufactured Goods accounting for the entire deficit. This caused the number of U.S. jobs lost to the China deficit almost to

double from one million in 2000 nearly two million in 2007 (job losses only doubled as trade losses tripled because of U.S. productivity increases).

The American Manufacturing Trade Action Coalition (AMTAC) is a non-profit organization whose mission is to preserve and create American manufacturing jobs through the establishment of trade policy and other measures necessary for the U.S. manufacturing sector to stabilize and grow. You can contact AMTAC at (202) 452-0866 or visit our website at <http://www.amtadc.org>.