

# **Pennsylvania Intergovernmental Cooperation Authority**



## **Continuing Economic Decline: A Foreboding Future for Philadelphia**

**White Paper  
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**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**

1429 Walnut Street, 14th floor, Philadelphia, PA 19102

Telephone (215) 561-9160 -- Fax (215) 563-2570

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## **Continuing Economic Decline: A Foreboding Future for Philadelphia**

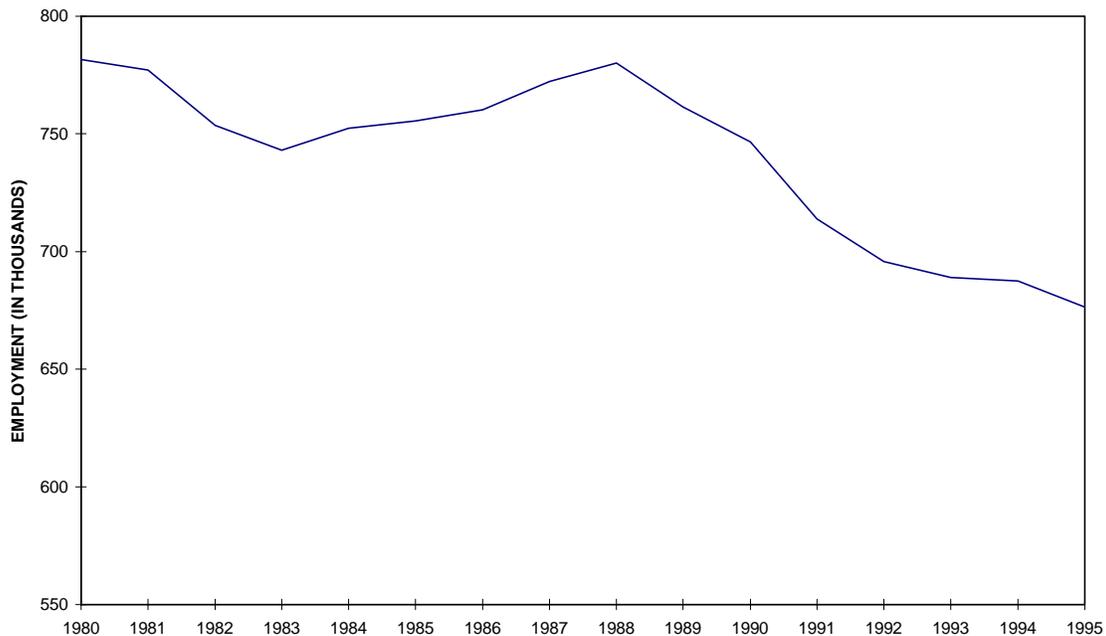
Philadelphia's economy continues to decline at a precipitous rate, as demonstrated by job and population loss statistics. This continuing decline puts the city's General Fund, and thus the ability to pay for fundamental government expenditures, at risk. Simultaneously it creates a greater demand on public services. Significant concerted efforts are needed to reverse this economic decline and secure the city's future.

### **Decline in Number of Jobs**

The most common indicator of economic activity is job creation, as measured by the federal government's monthly payroll survey. While economic activity can increase without an increase in jobs, job loss is a clear indication of a declining economy.

The number of jobs in the city has dropped by approximately 250,000 over the last 25 years, to less than 670,000 currently. While there was slight growth in the number of jobs in Philadelphia as a result of the national economic expansion of the mid-1980s, the number of jobs has declined every year since 1988, totaling a loss of almost 100,000 jobs. In 1991 alone the city lost 4.4% (32,900) of all its jobs. Recent data indicate job loss is continuing.

**THE NUMBER OF JOBS IN PHILADELPHIA CONTINUES TO DECLINE**



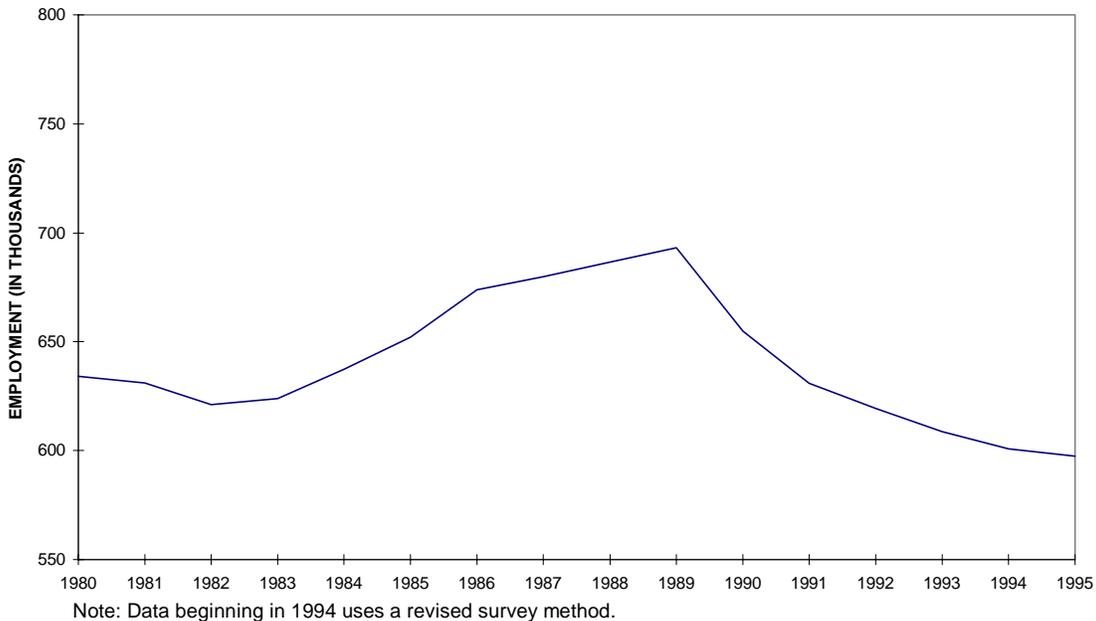
Source: U.S. Bureau of Labor Statistics

The current national economic recovery has not provided any net benefit to the city's job growth. Even with laudable local efforts at economic development, jobs continue to disappear. At most, the rate of job loss may have slowed. However, if there is another national recession, the city's job loss will, without doubt, accelerate again.

### **Decline in Number of Residents Employed**

Another economic activity measurement tool, developed through a combined state and federal research program, is Employment by Place of Residence as measured by the Local Area Unemployment Statistics Program. This statistic, which is used to calculate the unemployment rate, is considered less reliable than the one discussed above because the methodology used to generate it is somewhat speculative and rather complicated. However, it is considered sufficiently reliable as an indicator of long-term trends.

**PHILADELPHIA RESIDENT EMPLOYMENT HAS DECLINED SINCE 1989**



Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics

The number of employed Philadelphians declined between 1989 and 1995. This decline coincided with the city's economic downturn and the loss of jobs based in the city. While some of this decline can be attributed to population loss, employment has dropped faster, indicating greater numbers of non-working Philadelphians. This bodes ill for revenue generation and social service demands.

It appears from recent data that the number of city residents employed increased during the first eight months of 1996, even though the number of jobs in the city have at best

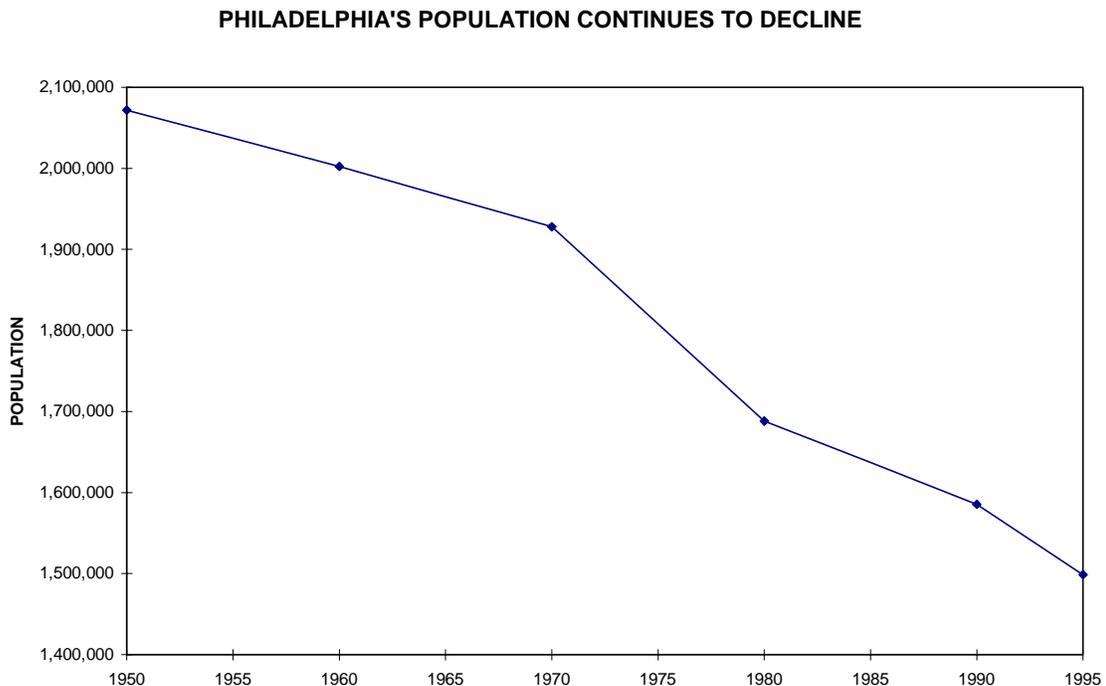
remained flat. Such a dichotomy between resident employment trends and total job trends can be explained by three possibilities: 1) fewer residents working more than one job, resulting in more residents working the same number of total jobs; 2) a displacement of non-resident employees in the city with city residents or 3) a growing number of city residents who work outside of the city.

At first glance it would seem that all three trends would benefit the city, since employed residents place less of a drain on city services and residents pay more in taxes than non-residents. However, the latter of these trends indicates a number of potential problems.

In the short-term the city is losing out on the business taxes that would be paid by employers if they were located in the city rather than the suburbs. The city is also not benefiting from the economic activity generated by these employees during the day, particularly during lunch hours. In the long-term these residents are at-risk for moving out of the city to live closer to their work place and enjoy the benefits of living in the suburbs.

### **Decline in Population**

Philadelphia's population peaked in 1950 at over two million residents. Since then, the population has declined by over 25%, reaching a level the city has not seen since the early 1900s. The latest Census Bureau figures indicate that the city is losing on average over 1,800 residents each month (425 each week).



Source: U.S. Census Bureau

By necessity, the residents leaving the city are overwhelmingly those who can afford to do so (i.e., those who can make living arrangements elsewhere and not suffer a significant loss in income). As people with means move out of the city, they take their income and economic activity with them.

This results in a tax revenue loss to the city, not only because taxable wealth is extracted but also because less money is spent locally. Less local economic activity results in a further loss of jobs, which in turn leads to a greater demand on social services.

Philadelphia's population loss is unique. According to the Census Bureau, of the twenty largest counties in the United States, Philadelphia has experienced the greatest decline in population during the first half of this decade. Its rate of decline (5.5%) was more than double the next greatest decline, which was in Wayne County, Michigan, Detroit's home county. Philadelphia's population loss contrasts with the rest of the Philadelphia region, which as a whole is growing.

## **Conclusion**

Philadelphia's economy continues to decline at an unprecedented rate. Even with the national economic recovery and historic efforts at economic development, including a \$100 million empowerment zone, the city continues to lose jobs and population. Without a radical change in these trends, Philadelphia's decline will continue for the foreseeable future.

This economic decline impedes the city's ability to raise revenue and creates greater demands for social welfare and other services. Without a reversal in the city's economy, the city government will find it extremely difficult to meet growing demands and maintain a balanced budget. PICA plans over the next few months to explore further how the city budget will be strained by these trends.