



Pearl Properties | Matt Stanley

Employment

From 2009 to 2019, Philadelphia enjoyed a remarkable resurgence, adding 87,700 payroll jobs — a significant turnaround from the prior four decades, when the city lost 267,500 jobs between 1970 and 2009. The decade that followed the Great Recession was also the longest sustained period of employment growth in the city since the 1920s.

Philadelphia benefited from an expanding national economy and demographic and cultural trends favoring cities. However, the resurgence was sparked by local, strategic decisions and investments that began in the early 1990s. In 1990 and 1991, Philadelphia pulled back from the brink of bankruptcy with the Commonwealth's assistance. The Pennsylvania Intergovernmental Cooperation Authority (PICA) enabled the City to refinance debt and required budget discipline within a five-year plan. In 1991, the Center City District began an expanding set of services focused on the cleanliness, safety and attractiveness of downtown, adding during the next decade streetscape improvements and park renovation, management and programming. By the late 1990s, similar efforts were underway in Old City, University City and on South Street.

Beginning in 1992, Mayor Ed Rendell's administration implemented budget controls and efficiencies. In 1996, they set the City on a path of sustained, predictable wage and business tax reduction for 15 years, continuing through both terms of Mayor John F. Street's administration. This reversed a two-decade downward spiral during

which taxes were raised as residents and jobs were departing, only pushing more of those with choice out of the the city. Due to the recession, the schedule of tax reduction was suspended in 2010 by Mayor Michael Nutter and was only restarted in 2015 at a greatly diminished level.

In the 1990s, the City, State and local foundations made significant investments in arts and cultural institutions, hotels, the Pennsylvania Convention Center and sustained tourism and convention marketing. These hospitality investments fueled the growth of restaurants and retail, while creating thousands of new entry-level jobs in the city.

The 10-year tax abatement, first approved in 1997, helped jump-start housing construction and turned around population decline. Philadelphia grew every year from 2006 to 2019, adding 96,600 new residents.

Most of the job and population growth was concentrated around Philadelphia's two largest employment nodes, Center City and University City, which together hold 53% of the city's jobs.

On one hand, it is a sign of success that so few people who lived and worked in Philadelphia in February 2020 had any experience or memory of a place that was dirty, dangerous and nearly bankrupt. On the other hand, too many now take for granted, or have forgotten, the foundations on which success was built.

The Impact of the Pandemic: The COVID-19 pandemic briefly plunged Philadelphia back into 1990 conditions, exposing the weaknesses and limitations of the recent revival. The initial impact of the economic shutdown was the loss of 120,100 jobs between March and April 2020, wiping out 16% of payroll employment in the city. By February 2021, employment had rebounded by 41,400 jobs, but remained 78,700 below the March 2020 level. The most serious losses were in leisure and hospitality, where jobs initially declined by 43,400 (-60%). Losses were also severe in transportation, and every other sector dependent on face-to-face interaction.

As of February 2021, compared to pre-pandemic levels, the leisure and hospitality sector shed 34,600 jobs (-45.3%); educational services lost 9,400 jobs (-12.4%); health care and social assistance declined by 6,000 jobs (-3.4%); and professional and business services contracted by 4,200 jobs (-4.0%). Employment increased in three sectors: retail trade by 1,600 jobs (3.2%), concentrated in grocery stores and big-box locations easily accessible by auto; construction by 700 jobs (5.9%); and government by 2,200 jobs (2.1%).

Three sectors of the economy make up nearly two-thirds of the city's overall job losses: leisure and hospitality accounts for 41%, health care and social assistance makes up 13%, and educational services represent 10% of overall losses.

Philadelphia's employment losses were similar to other major Northeastern cities, losing fewer jobs proportionately than New York, but more than Baltimore and Washington. Philadelphia's recovery since the low point in April 2020 has largely tracked trends in these peer cities.

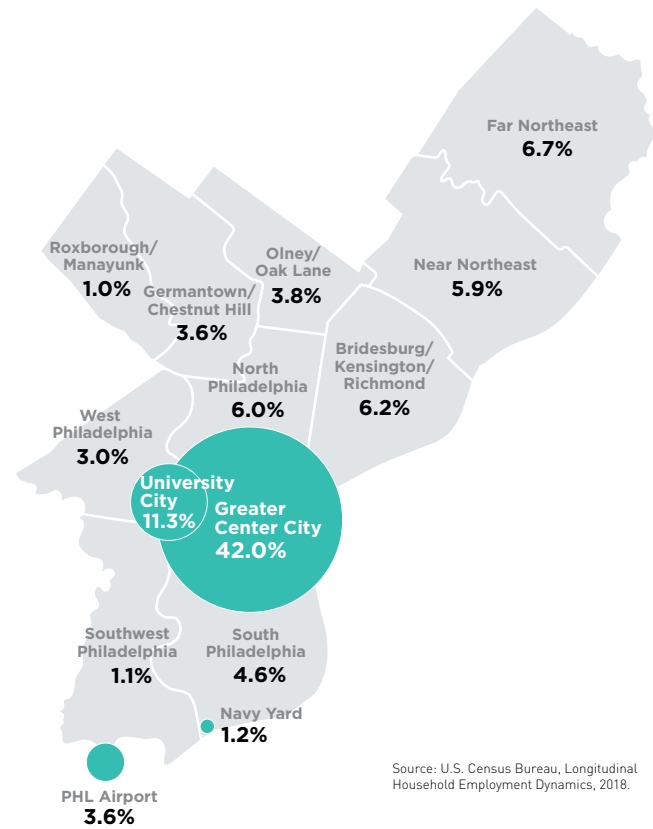
Uneven Job Growth: During the recovery from 2009 to 2019, Philadelphia grew an insufficient number of family-sustaining jobs. Of all jobs created in the city in that period, 60.5% were in sectors that pay on average \$35,000 or less; only 26% were in sectors that pay \$35,000 to \$100,000. Surrounding suburbs saw 62% of their new job growth in family-sustaining jobs; in the 25 largest U.S. cities, 51.8% of their employment growth came as middle class jobs.

The city's most rapidly growing sectors were social assistance, ambulatory health care, leisure and hospitality, and professional services. Arts, entertainment and recreation jobs increased 36%, and accommodation and food services increased 34%, reflecting expansion in downtown employment and living, as

well as conventions, trade shows and tourism. Professional and technical services, providing robust, middle class jobs, increased by 30%, with the largest gains in computer systems design, management consulting, and scientific research and development.

Slow Job Growth: Despite the strength in certain sectors, and expansion in Center City and University City, Philadelphia's overall job growth prior to the pandemic underperformed that of other cities. From 2009 to 2019, private sector jobs in the city increased at an average annual rate of 1.4%. If Philadelphia had grown jobs at 2.3% per year, the median growth rate of the 25 largest cities during that time, there would have been 52,000 more jobs in the city in 2019.

Philadelphia Employment by Area



Source: U.S. Census Bureau, Longitudinal Household Employment Dynamics, 2018.

Private Sector Job Growth by Area, 2009-2019

	GREATER CENTER CITY	UNIVERSITY CITY	NAVY YARD	AIRPORT	ALL OTHER NEIGHBORHOODS	PHILADELPHIA
Private Sector Jobs	14.30%	23.90%	121.30%	25.40%	4.90%	17.10%
Average Annual Rate of Growth	1.40%	2.40%	12.10%	2.50%	0.40%	1.70%

Private Employment in Greater Center City and Philadelphia, 2009-2019

	PRIVATE EMPLOYMENT			TOTAL EMPLOYMENT		
	2009	2019	ANNUAL % CHANGE	2009	2019	ANNUAL % CHANGE
Greater Center City	212,987	243,371	1.4%	281,720	309,473	1.0%
University City	64,042	79,325	2.4%	66,402	83,506	2.6%
All Other Neighborhoods	265,471	312,704	1.8%	304,778	347,621	1.4%
Philadelphia	542,500	635,400	1.7%	652,900	740,600	1.3%

Note: Population and private employment figures for Greater Center City represent area including the following ZIP Codes: 19102, 19103, 19106, 19107, 19109, 19123, 19130, 19146, 19147.

Source: ESRI Community Profile

The slow pace of expansion reflected relatively weak growth or declines in key sectors such as finance and insurance, management, and information, export sectors that offer high wages and can drive overall growth. This was offset to some extent by relatively strong growth in administrative services and social assistance.

Compared to Boston and New York, Philadelphia’s growth was similar in professional and business services, health care and social assistance, and leisure and hospitality, but lagging in high-wage sectors such as information and financial activities.

Prior to the pandemic Philadelphia was therefore growing slowly, while lagging in the addition of both middle-class and high-wage jobs. We lacked dynamic growth in export, or what economists call “traded” sectors that sell outside the region and draw business revenues from across the nation and around the globe back into Philadelphia, where they generate demand for more workers, increase labor force participation and expand the local purchase of services. Only five of Philadelphia’s 20 largest employers at the start of 2020 were in the for-profit sector and only three were not health care related.

Among five peer cities on the East Coast, in 2017, Philadelphia had the lowest density of businesses per thousand residents and the lowest number of Black-owned businesses per thousand Black residents. It also had significantly lower business density than surrounding suburbs. One consequence is that 43% of the residents of every Philadelphia neighborhood outside Center City reverse-commute to jobs in the suburbs, where they work alongside of suburban residents with better-funded schools and who pay a 1% wage tax compared to Philadelphia’s 3.8% rate. Despite population growth downtown, more households are moving from Philadelphia to the suburbs than are moving the other way. Philadelphia is still losing working- and middle-class households, reinforcing a city increasingly split between wealth and poverty.

The American Rescue Plan provides Philadelphia an opportunity to make investments in both equity and growth.

In 2019, Philadelphia’s poverty rate of 24.3% ranked third highest among the 30 largest U.S. cities. Increasing job opportunities and labor force participation, along with investments in education and in Black- and brown-owned business, should be key elements of the city’s anti-poverty strategy.

Vibrant Downtown: Greater Center City remains Philadelphia’s largest concentrated employment center, with 42% of all Philadelphia jobs, a prime driver of citywide opportunity with 52% of downtown jobs held by city residents. The area holds the highest concentration of high paying jobs in the city, including 74% of Philadelphia’s jobs in information and finance and 70% of its professional and business services jobs. However, two-thirds of downtown jobs do not require a four-year college degree. SEPTA provides the link that enables 25% of the working residents of every city neighborhood to connect with opportunity downtown.

Jump-starting Growth with Tax Policy: Changes in local tax policy are essential for faster job growth. The pandemic underscored the risk of relying on volatile wage and business taxes for 53% of locally generated revenue. Suburban workers contribute \$800 million in wage taxes, 20% of the City’s local tax revenues. As the pandemic ends, if 10% or 20% of suburban residents do not return downtown or to University City office buildings, health care or educational institutions, the City stands to lose \$80 million to \$160 million in wage tax revenues. At a time when businesses are choosing whether to return to

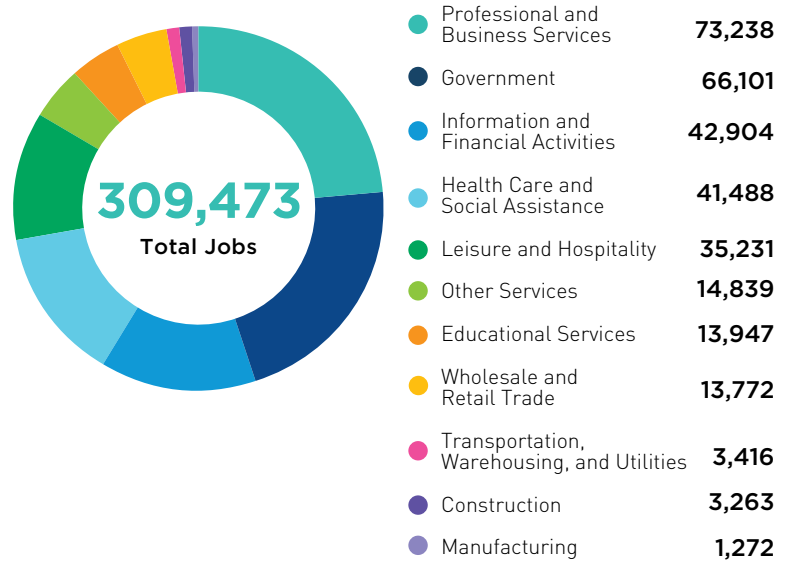
their offices or remain remote, we are the only large city that taxes both gross and net income of local companies. Mayor Jim Kenney’s proposal to lower wage and business taxes, to reverse the 2020 increase in the parking tax and the wage tax for suburban residents who work in the city, sends an important message throughout the region: “We want you back!”

In an analysis conducted for CCD in fall 2020, Public Financial Management calculated that if Philadelphia had a tax structure similar to Boston’s, deriving 60% of its revenues from real estate taxes, only 15% from wage, earnings and net profits taxes and just 5% from the business income and receipts tax (BIRT), Philadelphia would still have seen significant tax revenue declines of 9.6% from pre-recession levels. However, due to the greater stability and lower volatility of real estate taxes, Philadelphia would have had \$160.8 million more in tax receipts in the final FY2021 budget. Fewer cuts or tax increases would have been required, and the City would have had an extra year to plan for further adjustments.

The \$1.9 trillion federal American Rescue Plan provides Philadelphia with significant resources to respond to multiple crises exacerbated by the pandemic. In addition to addressing immediate needs, the temporary infusion of federal funds creates a unique opportunity for Philadelphia to reposition itself, not just to fill budget gaps, but also to free up resources to make permanent and transformational change. By investing in

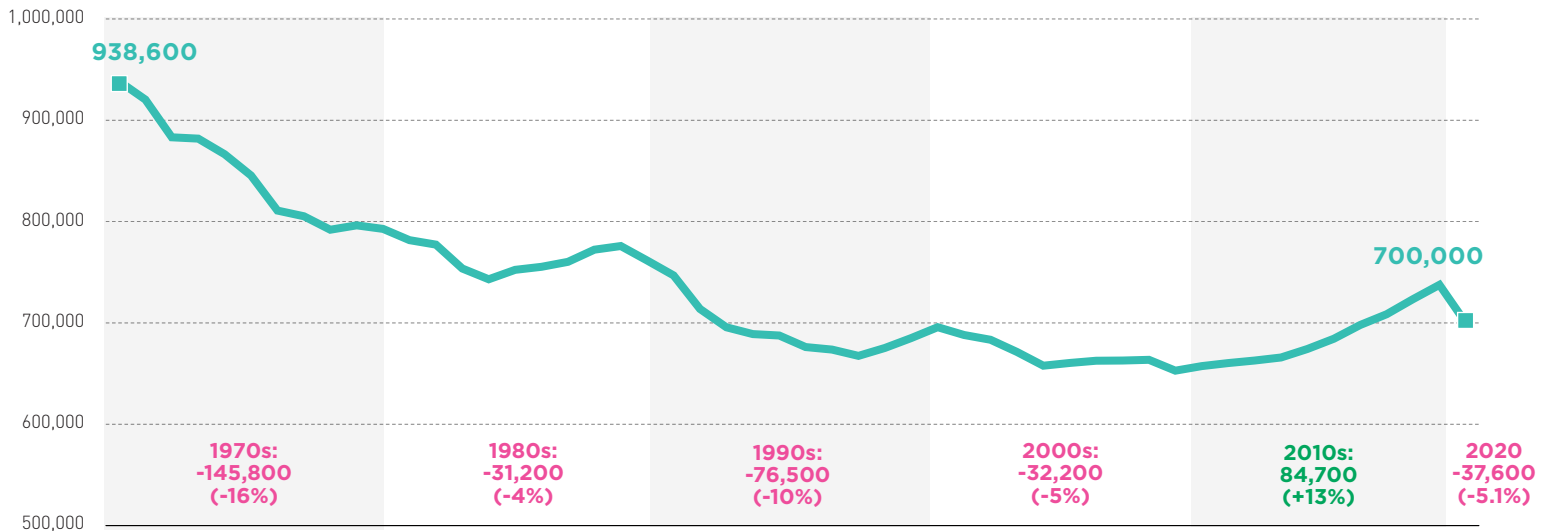
economic development, the growth of Black- and brown-owned businesses, enhanced neighborhood services and tax reduction, we can set the city on a course toward more expansive growth that benefits all Philadelphians.

Center City Employment by Industry, 2019



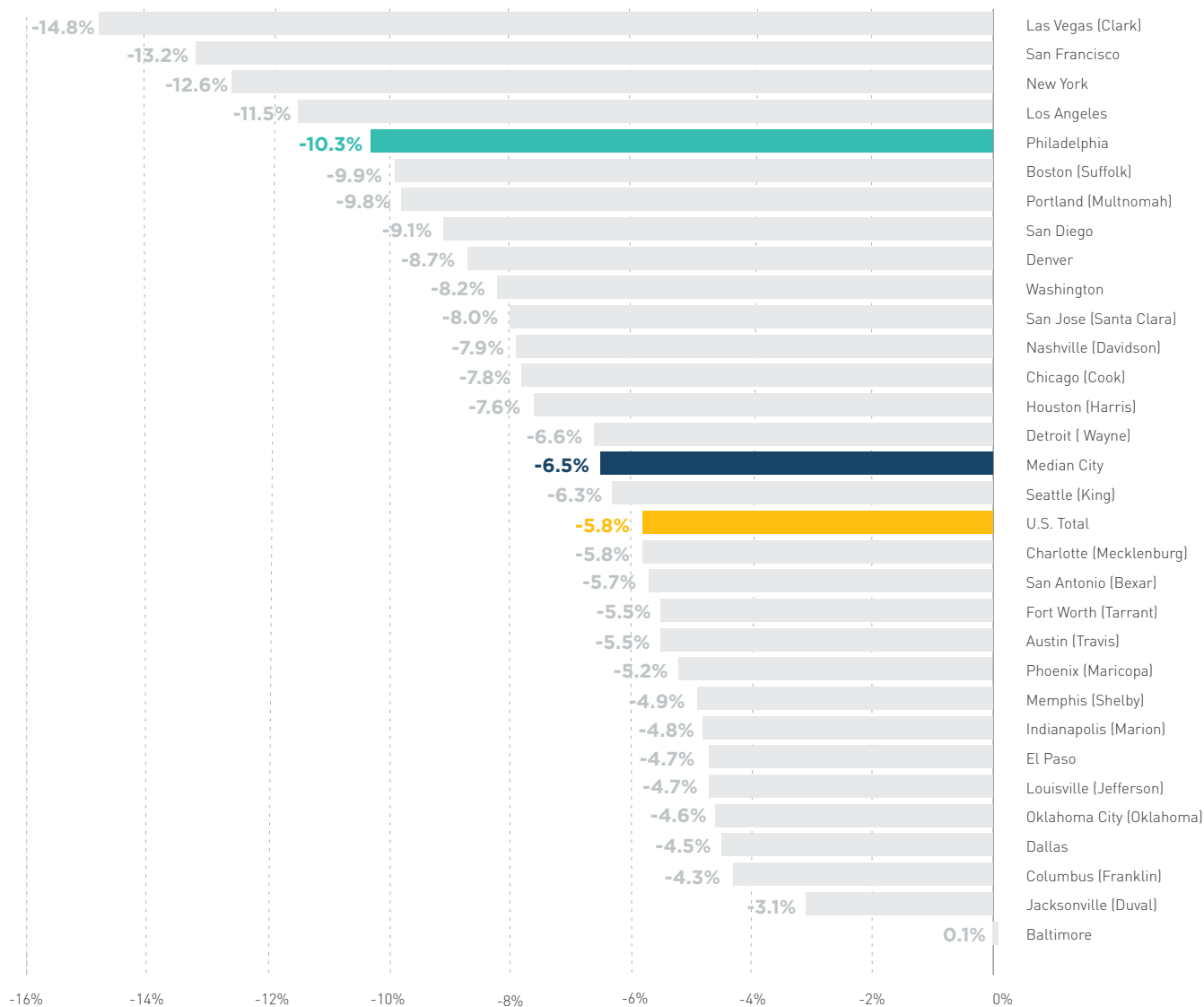
Source: CCD estimate based on US Census Bureau, Longitudinal Employer-Household Dynamics, and Bureau of

Philadelphia Total Jobs, 1969–2020



Source: Bureau of Labor Statistics, Current Employment Statistics

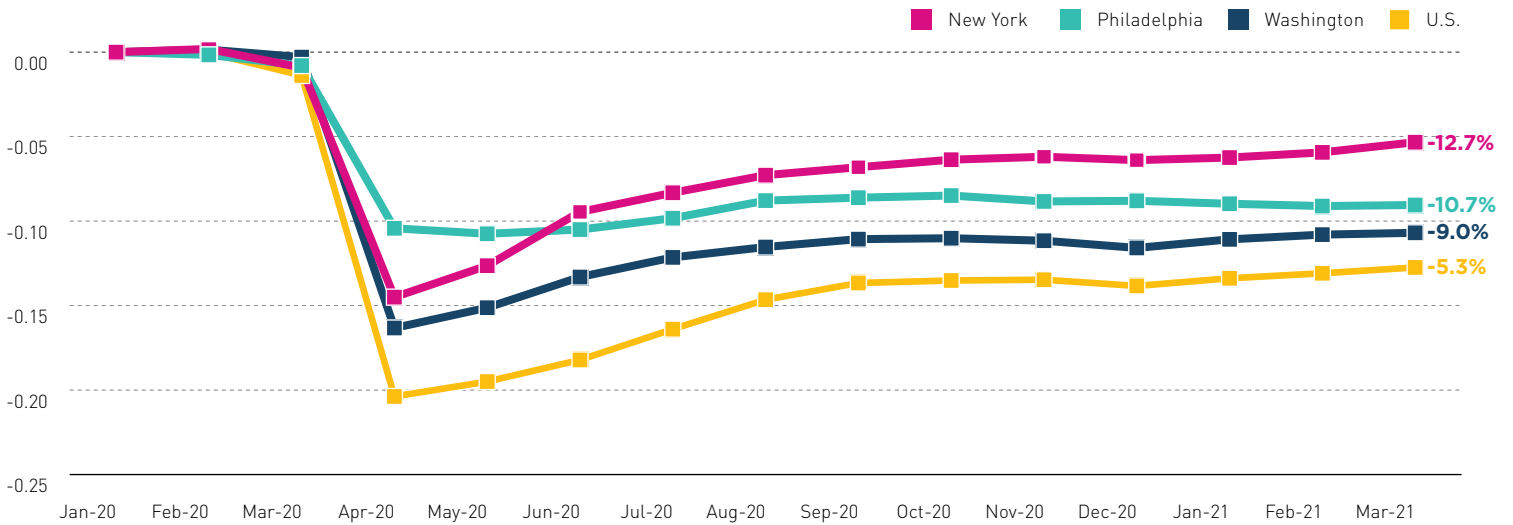
Percent Employment Change, March–September 2020



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

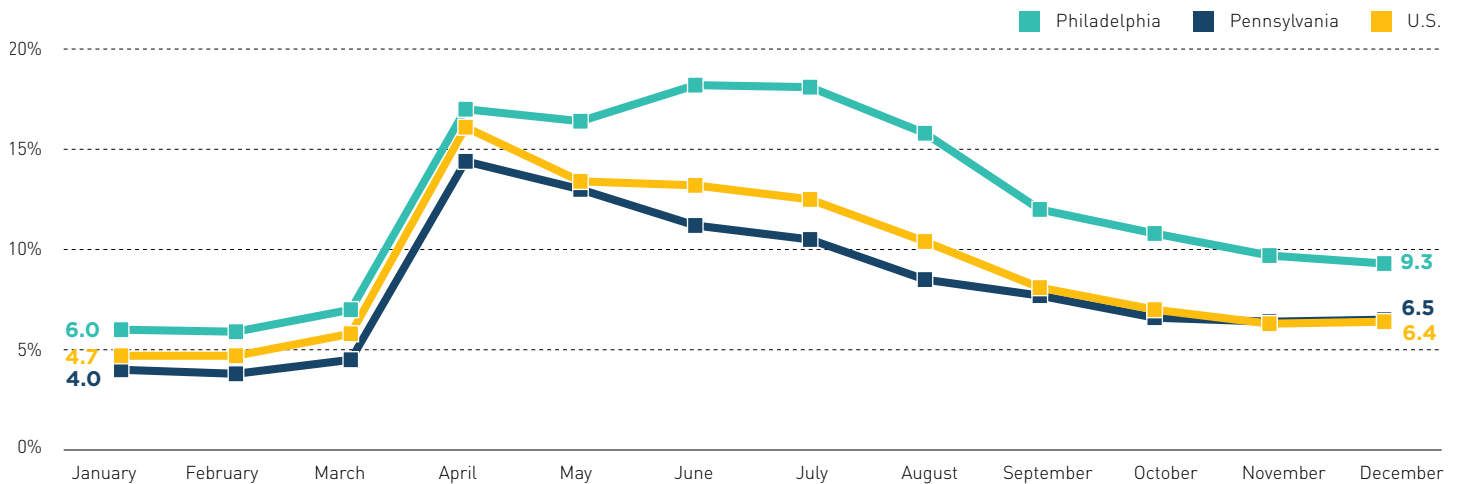
Philadelphia’s job losses in 2020 were not as severe as in New York and San Francisco, but well above the median for the 30 largest U.S. cities.

Monthly Employment Change, Compared to January 2020



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Monthly Unemployment Rates, 2020-2021



Source: Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics, not seasonally adjusted

Philadelphia's Largest Employers

RANK	EMPLOYER
1	Trustees of the University of Pennsylvania
2	City of Philadelphia
3	Federal Government
4	School District of Philadelphia
5	Children's Hospital of Philadelphia
6	Temple University
7	Thomas Jefferson University Hospitals
8	Comcast Cablevision Corp. (PA)
9	American Airlines Inc.
10	Southeastern Pennsylvania Transportation Authority

Source: Pennsylvania Department of Labor & Industry, Center for Workforce Information & Analysis

Only two of Philadelphia's 10 largest employers are private sector, fully taxable businesses.

Philadelphia Private Employment by Industry, March and September 2020

	MARCH	SEPTEMBER	AMOUNT CHANGE	PERCENTAGE OF TOTAL LOSS
ALL INDUSTRIES	596,074	524,799	(71,275)	100%
Manufacturing	18,749	17,310	(1,439)	2%
Wholesale trade	13,304	12,449	(855)	1%
Retail trade	47,532	43,503	(4,029)	6%
Transportation and warehousing	27,189	23,638	(3,551)	5%
Information	14,511	13,689	(822)	1%
Finance and insurance	29,234	28,005	(1,229)	2%
Real estate and rental and leasing	10,327	9,484	(843)	1%
Professional and technical services	56,998	54,127	(2,871)	4%
Management of companies and enterprises	11,809	10,475	(1,334)	2%
Administrative and waste services	27,836	23,118	(4,718)	7%
Educational services	59,775	52,930	(6,845)	10%
Health care and social assistance	170,097	160,853	(9,244)	13%
Arts, entertainment, and recreation	12,929	7,444	(5,485)	8%
Performing arts and spectator sports	5,427	2,478	(2,949)	4%
Museums, historical sites, zoos, and parks	2,389	1,628	(761)	1%
Amusements, gambling, and recreation	5,113	3,338	(1,775)	2%
Accommodation and food services	59,098	35,699	(23,399)	33%
Accommodation	7,337	2,836	(4,501)	6%
Food services and drinking places	51,761	32,863	(18,898)	27%
Other services, except public administration	23,990	19,660	(4,330)	6%

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

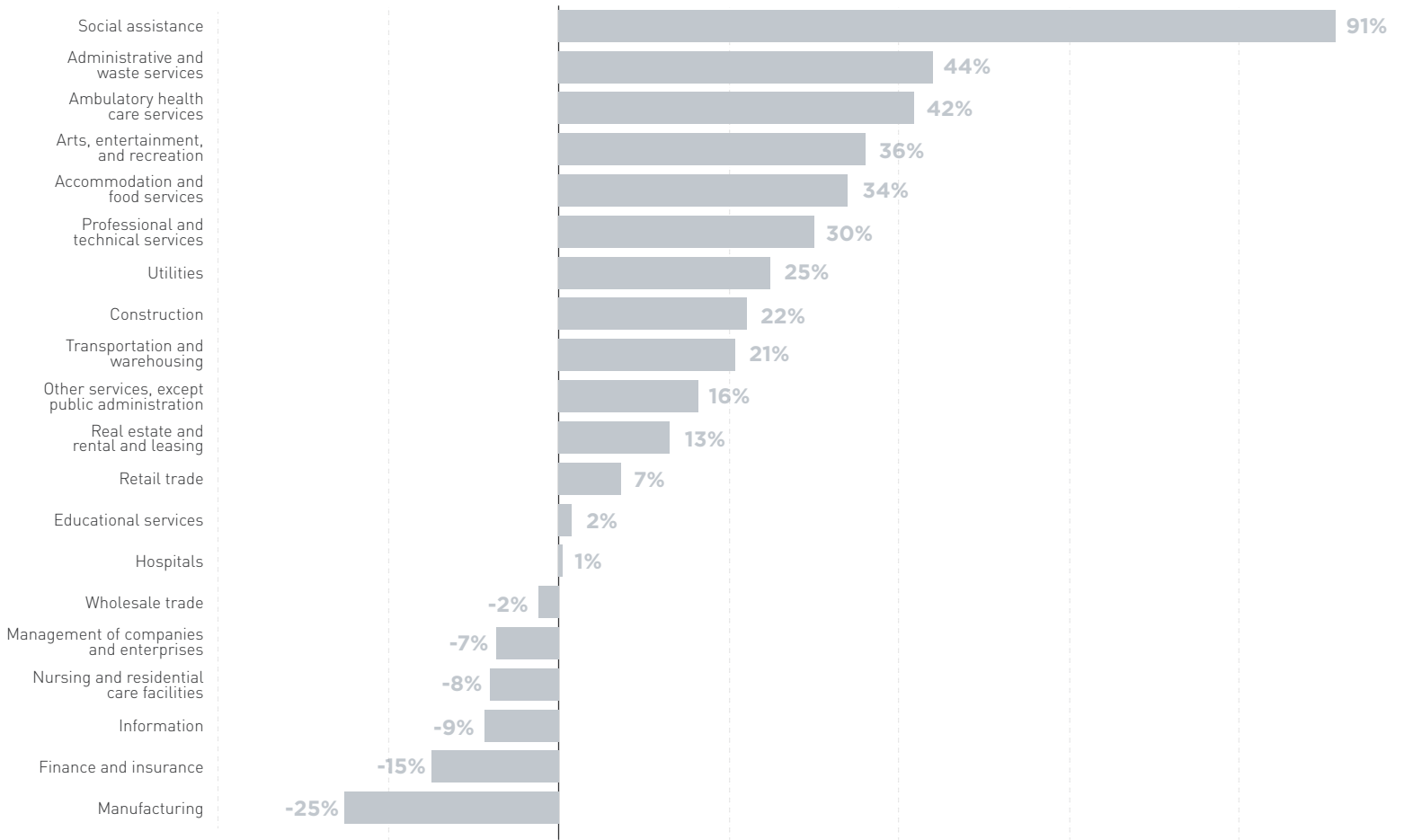
Average Annual Private Job Growth by Industry, Philadelphia, Median of 30 Largest Cities, and U.S., 2009-2019

INDUSTRY	PHILADELPHIA	MEDIAN, 30 LARGEST CITIES	U.S.
Utilities*	2.2%	NA	-0.2%
Construction	2.0%	3.3%	2.3%
Manufacturing	-2.9%	0.5%	0.8%
Wholesale trade	-0.2%	0.9%	0.6%
Retail trade	0.7%	1.9%	0.7%
Transportation and warehousing*	1.9%	NA	3.2%
Information	-0.9%	2.2%	0.1%
Finance and insurance	-1.6%	1.8%	0.7%
Real estate and rental and leasing	1.2%	2.5%	1.5%
Professional and technical services	2.7%	2.9%	2.5%
Management of companies and enterprises	-0.8%	2.8%	2.6%
Administrative and waste services	3.7%	2.8%	2.6%
Educational services	0.2%	1.5%	1.9%
Health Care and Social Assistance	2.3%	2.9%	2.4%
Ambulatory health care services	3.6%	3.5%	2.9%
Hospitals	0.1%	2.2%	1.0%
Nursing and residential care facilities	-0.8%	1.1%	0.9%
Social assistance	6.7%	4.2%	5.2%
Arts, entertainment, and recreation	3.1%	3.1%	2.4%
Accommodation and food services	3.0%	2.8%	2.4%
Other services, except public administration	1.5%	1.7%	0.4%

*Data not available for all 30 cities.

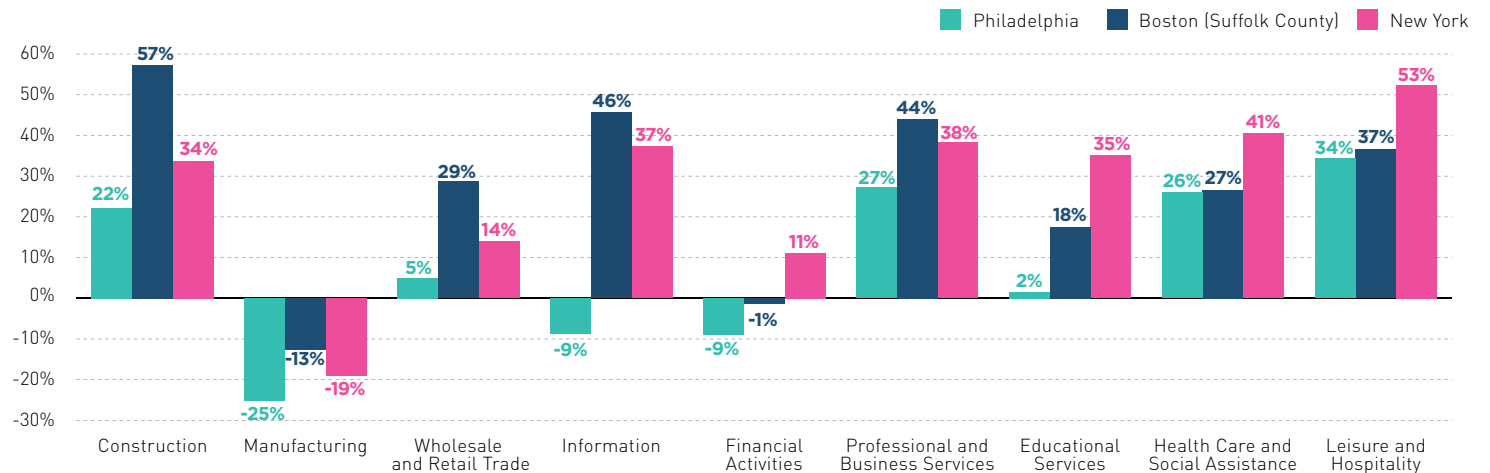
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Private Job Growth by Industry, Philadelphia, 2009-2019



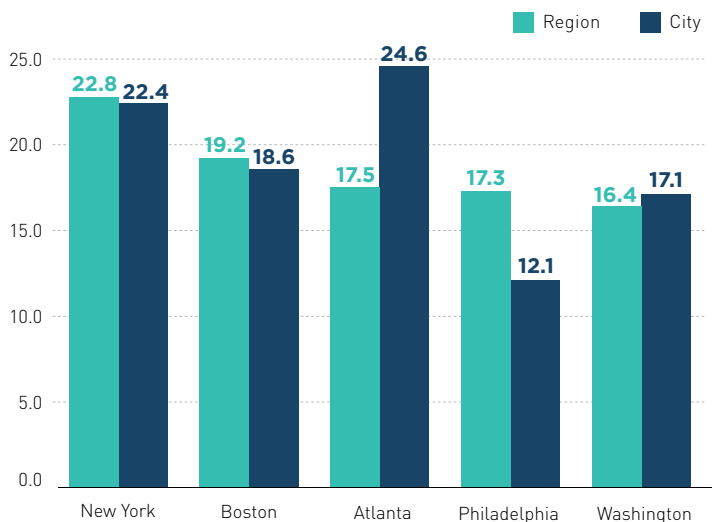
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Northeastern City Growth in Private Employment by Industry, 2009-2019



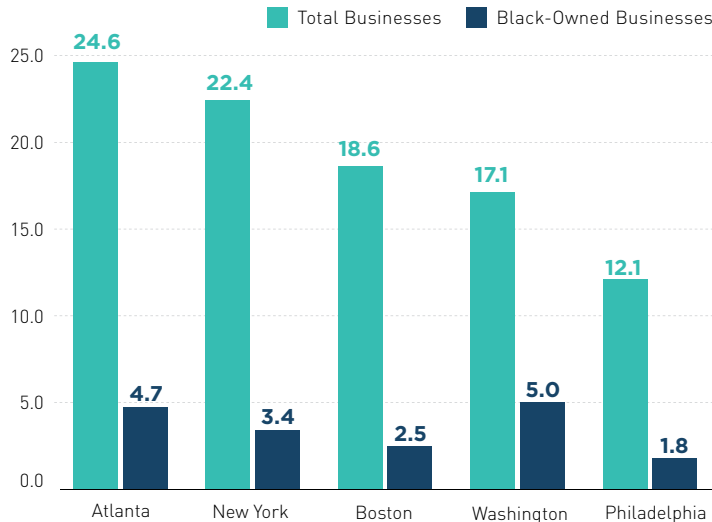
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Businesses Per 1,000 Residents, City and Region, 2017



Source: U.S. Census Bureau, Annual Business Survey and American Community Survey 2017 one-year estimates.

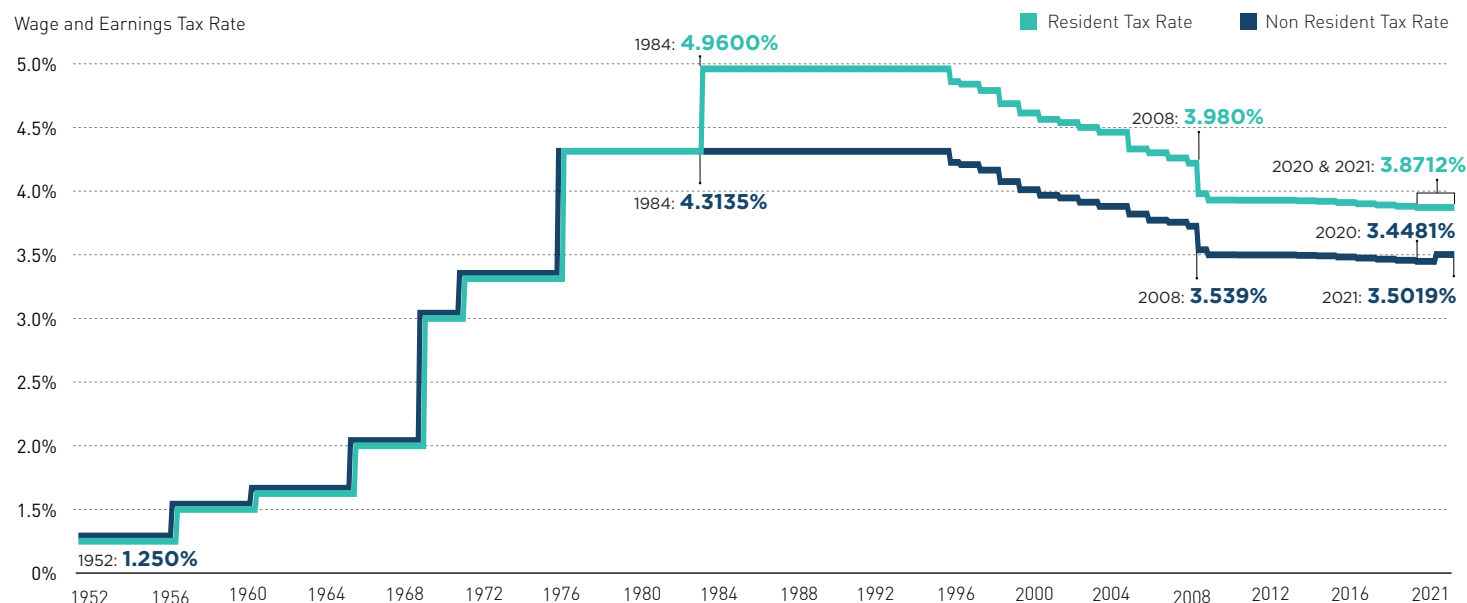
Total Businesses and Black-owned Businesses Per 1,000 Residents, Major Cities, 2017



Source: U.S. Census Bureau, Annual Business Survey and American Community Survey 2017 one-year estimates.

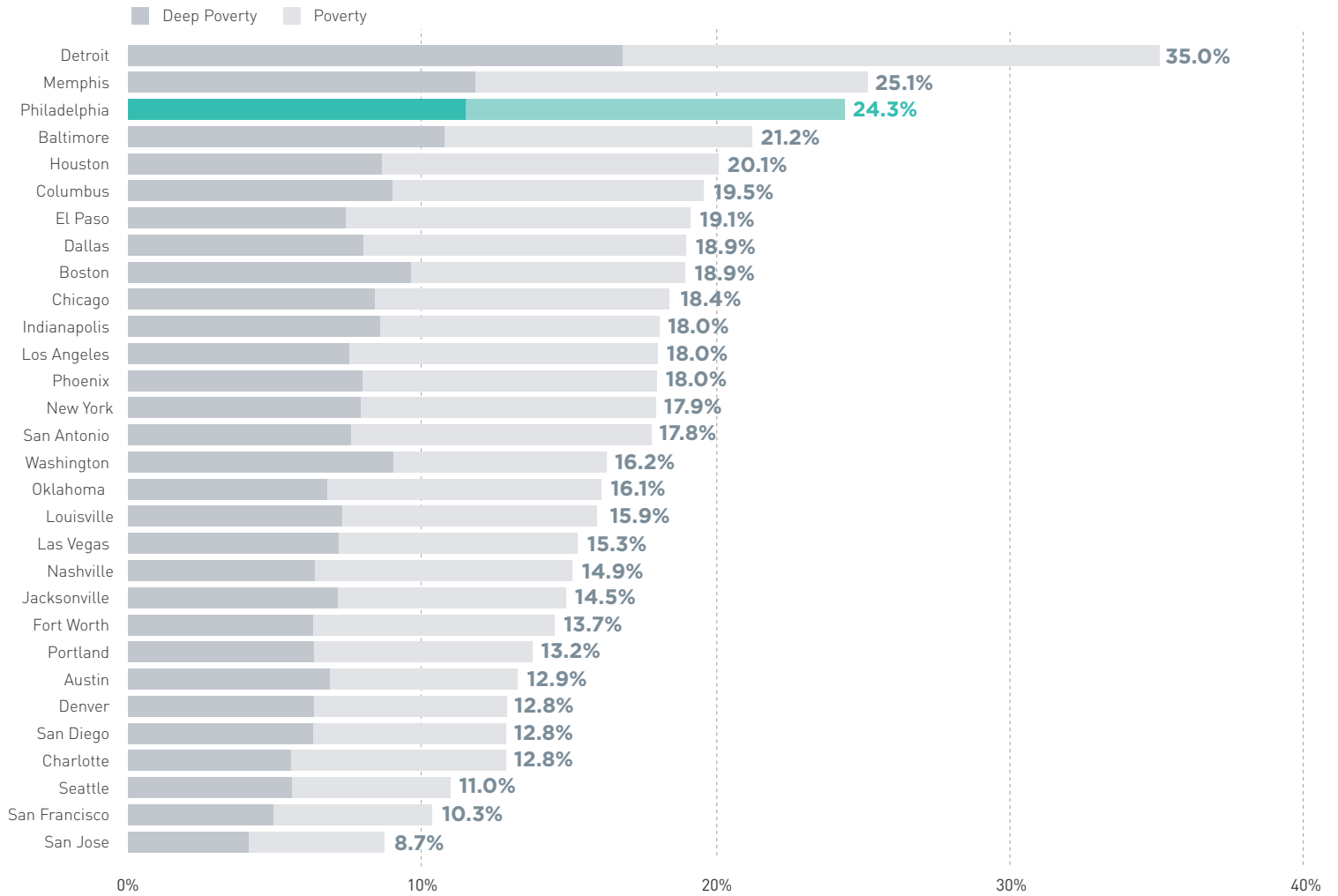
Philadelphia's wage tax doubled from 1970 to 1984 as people and jobs were leaving. Substantial, sustained reductions from 1996 to 2010 laid the foundation for population and job growth that followed. Returning to those pro-growth tax policies can prompt a new, more expansive and inclusive cycle of job growth.

Wage and Earnings Tax Rate History, 1952-2021



Source: City of Philadelphia, Summary Schedule of Tax Rates since 1952

Poverty Rates Among the 30 Largest U.S. Cities, 2019



Source: U.S. Census Bureau, American Community Survey, 2019 five-year estimates