In 2003, Pennsylvania’s industrial structure resembled the nation’s in many ways but, like many Midwestern states, the share of its workforce in the manufacturing sector was slightly above the U.S. average (15% versus 12%). The subsectors employing the largest shares of Pennsylvania’s manufacturing workers were fabricated metals (12.7%), food (10.5%), and chemicals (7.7%). The primary metals subsector, which includes steel production, employed about 6% of the state’s manufacturing workers. Aside from manufacturing, Pennsylvania’s concentration of workers in education, health care, and social services was also substantially higher than the nation’s.

Given the general likeness, however, it is not surprising that Pennsylvania and the U.S. have had similar unemployment rates for the last 15 years. Similarity has also been evident in the current business cycle: For almost three years after March 2001, the most recent peak in economic activity, Pennsylvania and the U.S. lost employment at roughly the same rate. But since then, the U.S. has posted slightly greater gains than Pennsylvania: Whereas the U.S. regained its prerecession employment levels in January, Pennsylvania has yet to do so. Nevertheless, unlike the U.S. and other Fourth District states, Pennsylvania’s employment changes have stayed within the range of its historical experience throughout the cycle.

Since the pre-recession peak, Pennsylvania’s employment gains have been concentrated in service-providing sectors. However, employment in the information sector—a service-providing sector that includes conventional and internet publishing and broadcasting, as well as motion picture and sound recording—has decreased...
Pennsylvania’s rate of population growth has lagged the nation’s for roughly the last 25 years. U.S. annual growth since 1980 has averaged just over 1%, while Pennsylvania’s (0.2%) has been one-fifth that rate. Moreover, recent Census Bureau projections suggest that the state’s population will grow at about that rate for the next 25 years, while the U.S. growth rate will speed up slightly to 1.2% annually.

Economic growth can be divided into two components: population growth (assuming a stable labor force participation rate) and productivity growth. But forecasts that Pennsylvania’s population growth will be negligible don’t mean that its economic growth will also be. Smaller contributions to economic growth from population changes can be mitigated by productivity increases. Productivity is partly a function of human capital levels, which can be approximated by educational attainment. Since 1990, the proportion of residents with post-secondary education has risen, a trend that bodes well for the state. However, the share of citizens with more than a high school diploma continues to trail the U.S.

Although one might expect lower education levels to translate into lower average income, Pennsylvania is the only Fourth District state where inflation-adjusted income per capita exceeded the nation’s. And while growth in per capita income since 1990 has been slower in Pennsylvania than in Kentucky or West Virginia, it has been faster than the U.S. average. The state’s higher per capita income is also associated with poverty rates that are lower than national averages in some demographic categories.