



CENTER CITY REPORTS

Growing More Family Sustaining Jobs in Philadelphia

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Overview

After decades of job loss, Philadelphia has enjoyed nine straight years of job growth that accelerated in 2014. Despite the recent upturn however, the city has rebounded more slowly than most peer cities. More significantly, Philadelphia has added a disproportionately larger share of lower wage jobs and far fewer working- and middle-class jobs than the surrounding suburbs, the national economy and the 25 largest American cities.

Since the end of the Great Recession, 60.5% of jobs added in Philadelphia pay \$35,000 or less; just 26% pay between \$35,000 and \$100,000 annually. Nationally, 29% of new jobs are in the lower wage sectors; 58.4% pay between \$35,000 and \$100,000. Among the 25 largest cities, 28.1% of new jobs are in the lower wage sectors; 51.8% pay between \$35,000 and \$100,000. Philadelphia's newly added jobs are also markedly different from the total distribution of the city's existing, 580,665 private sector jobs: 27% pay \$35,000 or less; 56% pay between \$35,000 and \$100,000 and 17% pay \$100,000 or more.

While this report concludes with some possible explanations for such a preponderance of low wage job growth, the primary objectives of this analysis are: (1) to establish how unique the local job growth pattern has been; and (2) to emphasize that Philadelphia should not settle for the current distribution of newly added jobs if we want to provide a broader range of opportunities that enable many more residents to prosper and to remain in the city. Finding the path to faster, more diversified, citywide job growth must be our top priority.

The Good News

After decades of contraction, Philadelphia rebounded from the Great Recession of 2008 and added jobs every year since 2009. Growth has energized Center City, University City, the Navy Yard, Temple's campuses and other commercial districts, highlighted disparities with those areas that have not appeared to benefit and expanded the tax base for municipal government.¹

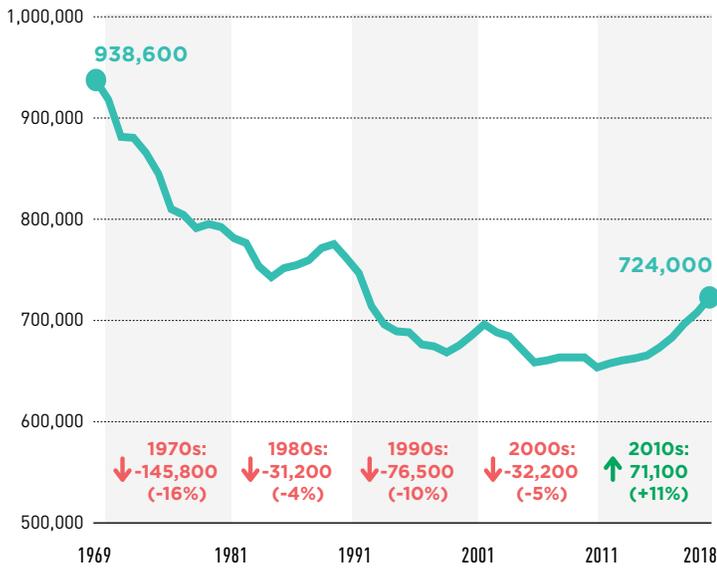
However, because Philadelphia has been climbing out of a deep, protracted decline, losing 263,000 jobs from 1970 to 2010, the recent addition of 71,100 jobs still leaves the city 23,000 jobs below its 1990 levels and 23% below 1970 levels (Figure 1). By contrast, other older East Coast cities, like Boston and New York, now have more jobs than they did in 1970.

Nonetheless, nine straight years of growth is almost unprecedented for Philadelphia (Figure 2). One would have to look to the boom years during World War II or even to the 1920s for any comparable period of sustained employment growth. The result is that Philadelphia has now exceeded its 2001 employment plateau.

The year 2018 was particularly strong. For the first time since the Great Recession, Philadelphia added jobs at a faster rate than the average rate of growth in the 25 largest cities in the United States (Figures 3, 4).

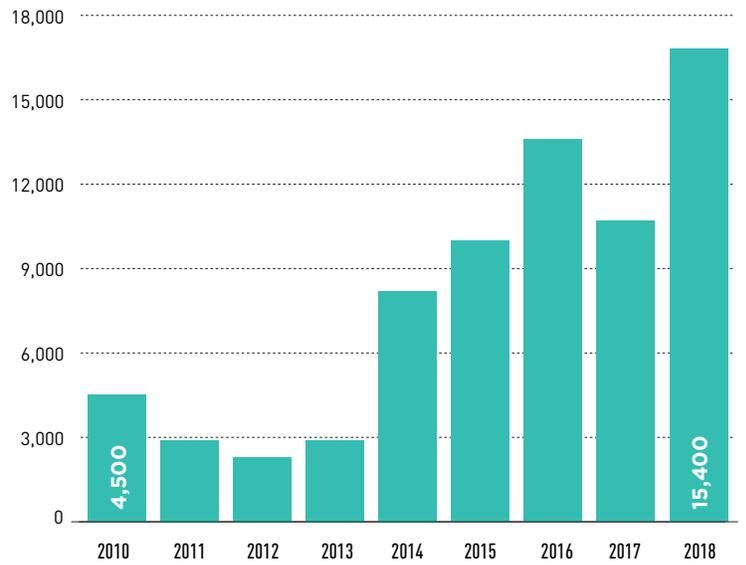
¹: Wage tax revenues, for example have increased by 31% since City fiscal year 2014, even with very modest reductions in the rate.

FIGURE 1: PHILADELPHIA TOTAL JOBS, 1969-2018



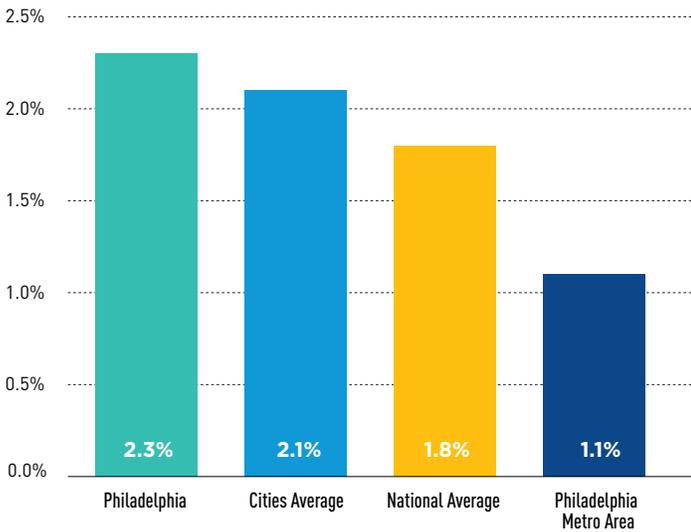
Source: Bureau of Labor Statistics, Current Employment Statistics

FIGURE 2: TOTAL JOB CHANGE FROM PREVIOUS YEAR, 2010-2018



Source: Bureau of Labor Statistics, Current Employment Statistics

FIGURE 3: ANNUAL PERCENT CHANGE IN PRIVATE SECTOR JOBS, 2017-2018



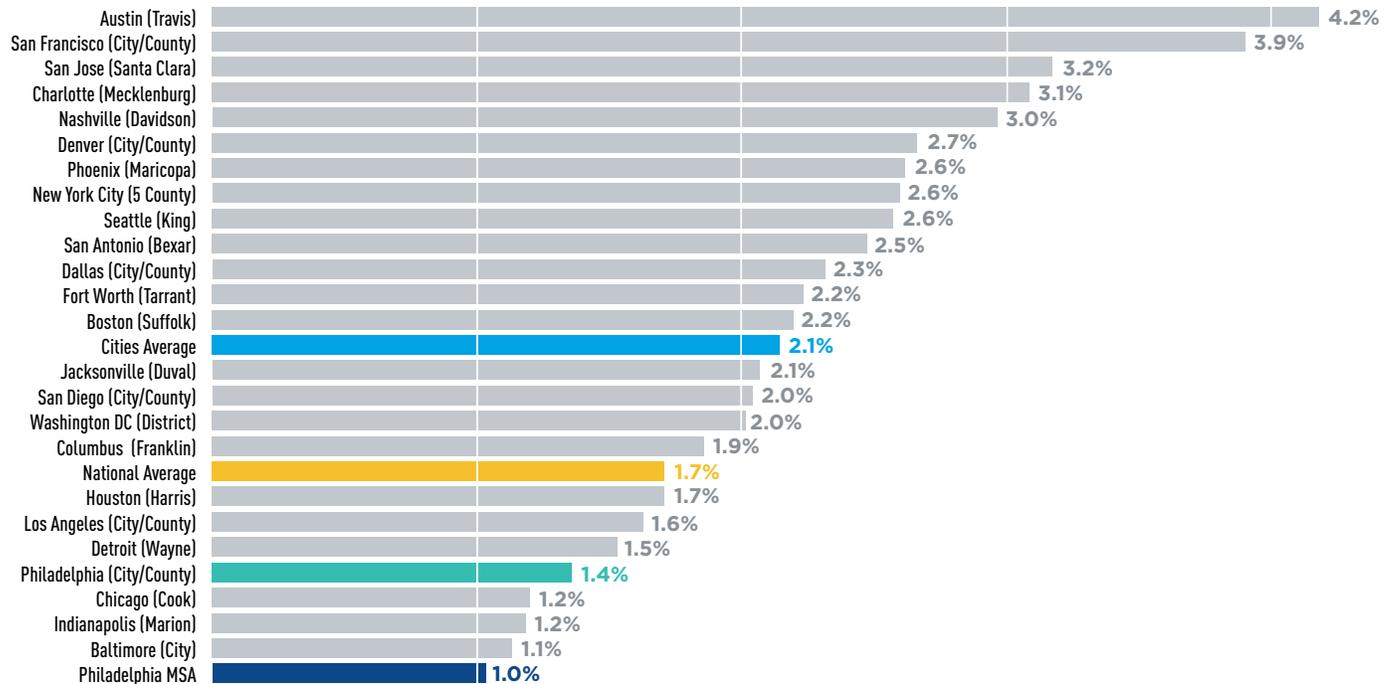
Source: Bureau of Labor Statistics, Current Employment Statistics

FIGURE 4: ANNUAL PERCENT CHANGE IN PRIVATE SECTOR JOBS BY COUNTY, 2017-2018

CITY (COUNTY)	% CHANGE 2017-2018	CITY (COUNTY)	% CHANGE 2017-2018
Austin (Travis)	3.9%	Washington DC (District)	1.8%
Phoenix (Maricopa)	3.7%	National Average	1.8%
San Francisco (City/County)	3.6%	Houston (Harris)	1.7%
Seattle (King)	3.1%	San Antonio (Bexar)	1.6%
Fort Worth (Tarrant)	3.0%	Los Angeles (City/County)	1.5%
Denver (City/County)	3.0%	Dallas (City/County)	1.5%
Nashville (Davidson)	2.9%	Boston (Suffolk)	1.3%
Jacksonville (Duval)	2.6%	Baltimore (City)	1.2%
San Jose (Santa Clara)	2.6%	Memphis (Shelby)	1.2%
Charlotte (Mecklenburg)	2.5%	Columbus (Franklin)	1.2%
New York City (5 County)	2.4%	Philadelphia MSA	1.1%
Philadelphia (City/County)	2.3%	Chicago (Cook)	0.9%
San Diego (City/County)	2.3%	Detroit (Wayne)	0.8%
Cities Average	2.1%	Indianapolis (Marion)	0.7%

Source: Bureau of Labor Statistics, Current Employment Statistics

FIGURE 5: AVERAGE ANNUAL PRIVATE SECTOR JOB GROWTH, 2009-2018



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

The Challenges

Throughout most of the last decade, Philadelphia was at the back of the pack in city job growth in an era when nearly all big cities have outperformed the national economy. Despite the recent upsurge that started in 2014, Philadelphia’s average annual rate of job growth during the last nine years places the city 23rd out of 25 major American cities and behind the overall national rate of employment growth (Figure 5).

A survey conducted by The Pew Charitable Trusts at the end of 2018 found that the top reason why people moved out of Philadelphia in the last several years was “inability to find the right position in Philadelphia or the availability of better options elsewhere.” Overall, 26% scored this first among 15 other possible reasons; the next closest reason cited by 14% was “crime and safety.” For those who moved outside the region, 44% attributed their move to “inability to find the right position in Philadelphia or the availability of better options elsewhere.”²

While the recent acceleration in employment growth provides grounds for optimism, there are two compelling reasons to avoid overconfidence or to assume the sole remaining task for public leadership is to redistribute the proceeds of growth.

First, the local economy only accelerated late in the national expansion cycle, putting Philadelphia among a cluster of cities and regions termed “late bloomers”³ (Figure 6). These cities came slowly out of recession from 2009 to 2014 and only began to accelerate in 2015 as other urban areas saw local investment and growth decelerate. If the current business expansion were never to end, we might still catch up, despite a late start.

Second and of much greater concern, however, is the type and mix of jobs Philadelphia has been adding.

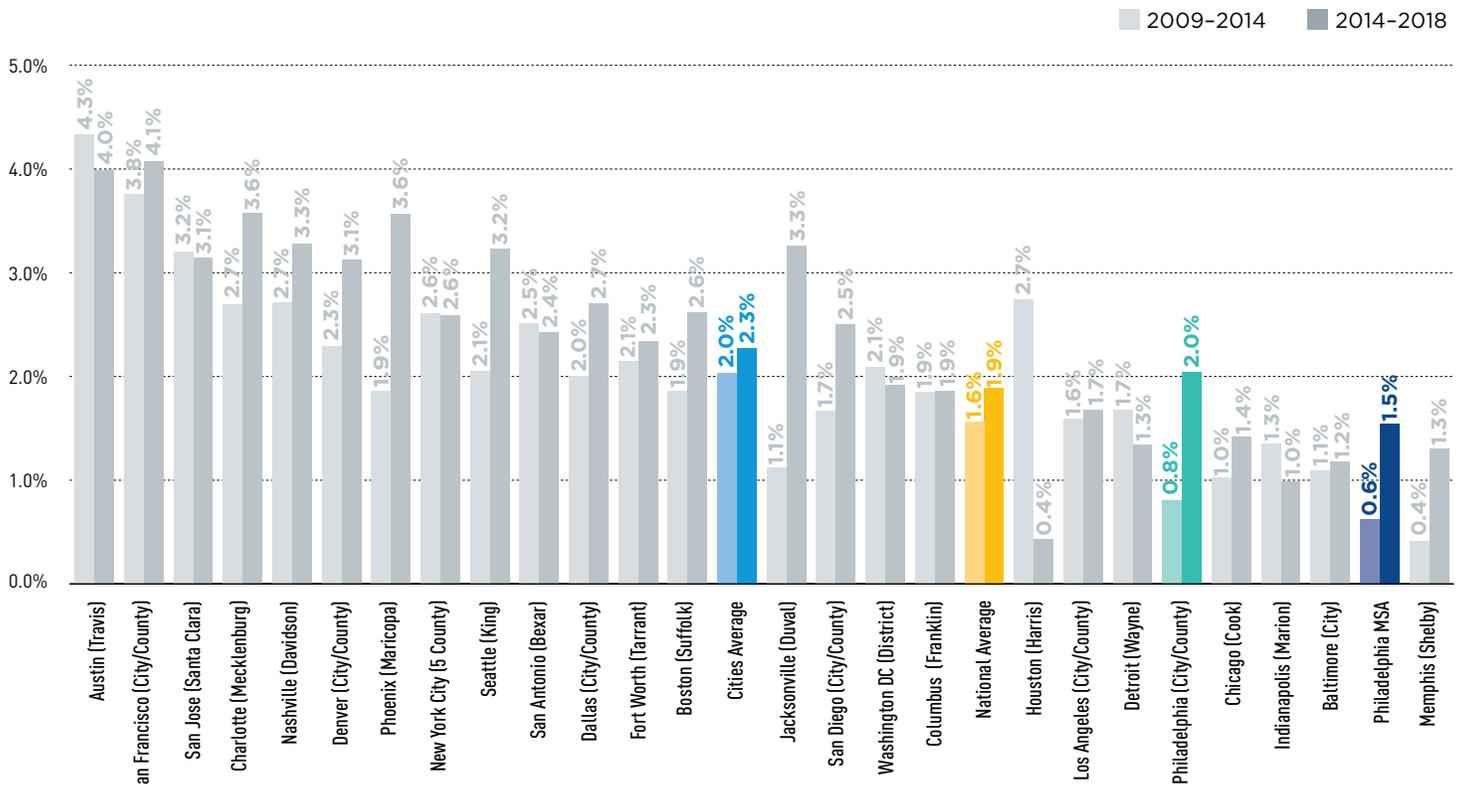
Of all jobs created in Philadelphia since 2009, 60.5% are in sectors that pay on average \$35,000 or less; only 26% are in sectors paying family sustaining wages between \$35,000 and \$100,000. By contrast, the percentages are almost exactly reversed at the national level: 29% of all new jobs created in the United States during this period pay \$35,000 or less, while 58.4% pay between \$35,000 and \$100,000 (Figure 7). At the upper end of the wage scale, Philadelphia tracks national averages with 13.5% of recently created, local jobs paying over \$100,000, compared to 12.6% nationally. But it lags behind the average in the 25 largest cities, where 20.1% of their recently created jobs pay more than \$100,000.⁴

2: Pew Charitable Trusts, Who’s Leaving Philadelphia and Why? September 2019

3: Cushman & Wakefield, Spotlight on Employment: A Tale of 35 MSAs, June 2019

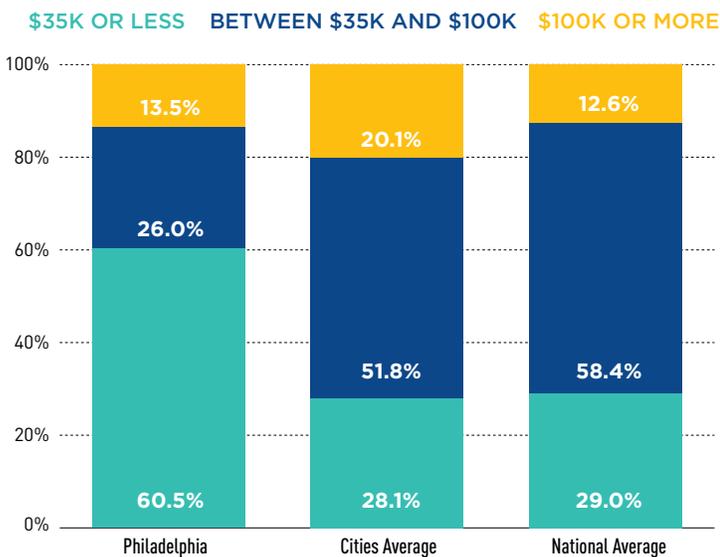
4: Since the purchasing power of a \$35,000, \$50,000 or \$100,000 annual salary varies significantly from region to region, this analysis is based a cost-of-living adjustment, converting the wages paid in different cities into *Philadelphia dollars* using the federal Bureau of Economic Analysis (BEA) Regional Price Parities (RPP) data. See Appendix 1 for the methodology and the data sources used.

FIGURE 6: AVERAGE ANNUAL PRIVATE SECTOR JOB GROWTH, 2009-2014 VS 2014-2018



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

FIGURE 7: PROPORTION OF JOB GROWTH BY SALARY RANGE, 2009-2018



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

Philadelphia has grown a disproportionately larger share of lower wage jobs than the nation and the 25 largest American cities.

FIGURE 8: PHILADELPHIA'S FASTEST GROWING JOBS, 2009–2018

NAICS CODE	SUBSECTOR	PHILADELPHIA EMPLOYMENT CHANGE	PHILADELPHIA AVERAGE WAGE	CITIES AVGERAGE WAGE	NATIONAL AVERAGE WAGE
624	Social assistance	20,560	\$31,657	\$25,168	\$25,706
772	Food services and drinking places	14,451	\$21,955	\$23,340	\$20,822
625	Ambulatory health care services	9,996	\$64,547	\$61,088	\$65,806
641	Professional and technical services	9,210	\$112,091	\$112,736	\$102,358
561	Administrative and support services	7,773	\$35,552	\$46,153	\$42,167
812	Personal and laundry services	2,872	\$25,105	\$30,296	\$29,698
713	Amusements, gambling, and recreation	2,331	\$29,714	\$24,964	\$24,082
424	Merchant wholesalers, nondurable goods	1,698	\$73,388	\$74,983	\$75,536
452	General merchandise stores	1,596	\$20,499	\$27,665	\$26,245
445	Food and beverage stores	1,486	\$23,523	\$27,576	\$26,384
611	Educational services	1,184	\$80,358	\$59,463	\$53,985
622	Hospitals	1,128	\$71,778	\$73,015	\$67,717
238	Specialty trade contractors	1,126	\$76,524	\$63,612	\$61,042
485	Transit and ground passenger transportation	981	\$28,010	\$45,426	\$36,287
492	Couriers and messengers	966	\$40,392	\$52,646	\$48,638
531	Real estate	881	\$67,715	\$73,746	\$63,576
454	Nonstore retailers	857	\$71,342	\$110,125	\$74,043
523	Securities, commodity contracts, investments	633	\$221,841	\$272,568	\$241,070
236	Construction of buildings	620	\$83,527	\$80,350	\$72,014
237	Heavy and civil engineering construction	563	\$82,086	\$85,232	\$79,459
519	Other information services	540	\$110,436	\$211,050	\$217,836
447	Gasoline stations	536	\$19,898	\$26,057	\$23,708
446	Health and personal care stores	490	\$36,855	\$41,696	\$41,454
712	Museums, historical sites, zoos, and parks	483	\$44,621	\$42,515	\$37,660
481	Air transportation	434	\$81,652	\$89,217	\$93,504

Source: Bureau of Labor Statistics, Current Employment Statistics

On one hand, since only 29% of adults in the city have a bachelor’s degree, the robust growth of positions in home health care, individual and family services, administrative support, hospitality, retail, grocery stores and restaurants – all industries in which a college degree is not a necessity – creates many needed, entry-level opportunities (Figure 8).⁵ On the other hand, due to the very modest growth in jobs that pay between \$35,000 and \$100,000 per year, Philadelphia is not creating sufficient paths for upward mobility within the city for those seeking family-sustaining jobs.⁶

While only 26% of Philadelphia’s new jobs created since 2009 pay between \$35,000 and \$100,000 per year, working- and middle-class jobs in that salary range account for 51.8% of created in the 25

largest cities. The surrounding suburbs not only account for two-thirds of all regional employment growth since the end of the recession (123,181 jobs), **48.2% of the jobs added in the adjacent counties pay between \$35,000 and \$100,000**. This may be one reason why 40% of working residents of neighborhoods outside of Center City reverse commute to jobs in the suburbs.⁷

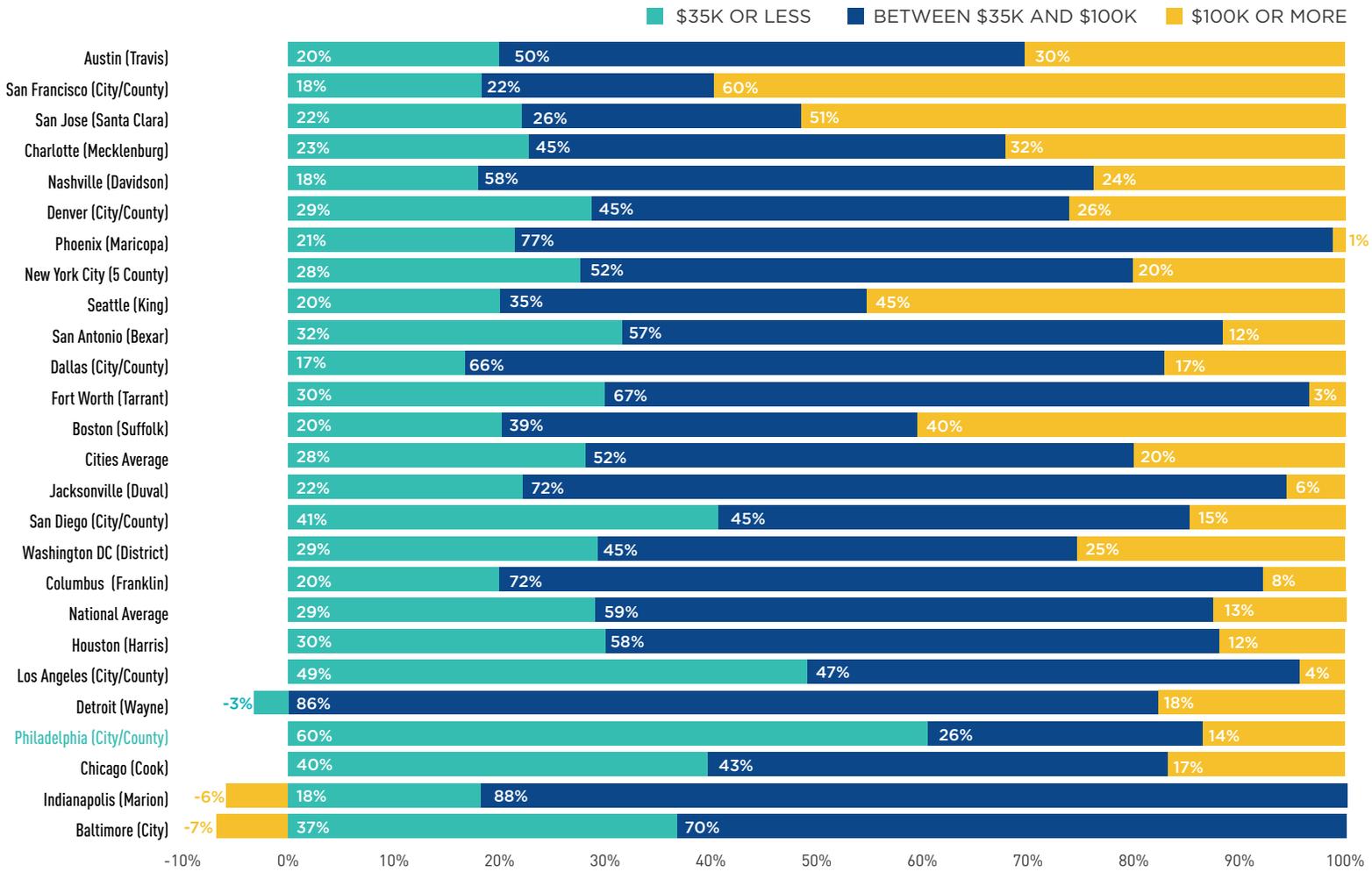
One possible explanation for the dearth of new, middle class jobs within the city might be that Philadelphia employers are paying less for positions that command higher salaries in other cities. Figure 8 shows that adjusting for local cost of living, as has been done throughout this report, Philadelphia’s fastest growing low wage jobs pay higher salaries than the national average. Several of our slow

5: The data on wage levels in this chart and subsequent ones comes from BLS Quarterly Census of Employment and Wages (QCEW), which uses counties as the geographic area. See Appendix 1 for further details on the impact of using county boundaries.

6: It is important to underscore that this report is focused on the new jobs that have been created since 2009; not the current mix of all jobs. The current distribution of all existing, 580,665 private sector jobs is as follows: 27% pay \$35,000 or less; 56% pay between \$35,000 and \$100,000 and 17% pay \$100,000 or more. The anomaly is our recent job growth.

7: Philadelphia’s wage tax is structured so that regardless of where a city resident works, their employer is obligated to withhold the full city wage tax. Suburban residents who work in the city, pay a wage tax lower than Philadelphia residents, approximately 3.45% compared to 3.88%. By contrast, residents of the counties who work within the counties pay no more than a 1% wage tax. Thus, the commute to the suburbs for Philadelphia residents carries with it an incentive to move to the suburbs: a 2.8% raise.

FIGURE 9: DISTRIBUTION OF PRIVATE SECTOR JOB GROWTH BY SALARY LEVEL, 2009-2018



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Bureau of Economic Analysis, Regional Price Parities

Philadelphia is distinct among cities for the large percentage of new jobs that are concentrated in lower wage industries.

growing, lower-wage jobs do pay below the national average. But among mid wage jobs there is only one category in which Philadelphia pays below \$35,000 for positions that receive compensation over \$35,000 at the national level. The majority of Philadelphia's jobs that pay between \$35,000 and \$100,000 pay more than the national average.

At the other end of the spectrum, **higher wage jobs, paying over \$100,000, accounted for 20.1% of the jobs added in the 25 largest cities, but only 13.5% of jobs added here.** However, three out of four of our highest wage jobs command *lower salaries* than are offered in other cities, even adjusting for the different cost of living. This puts Philadelphia at a disadvantage in efforts to retain recent college graduates in the city as they advance in their careers. In Pew's recent survey, 34% of respondents under 30 cited *job opportunities* as their number one reason for leaving the city, scoring it almost three times as high as the second highest choice, to get *closer to family/friends*. For those with a bachelor's degree, 36% cited *job opportunities* as the number one reason for leaving the city, scoring it more than three times as high as the two next highest reasons which were tied at 11%, *better schools for my children* and *to get closer to family/friends*.

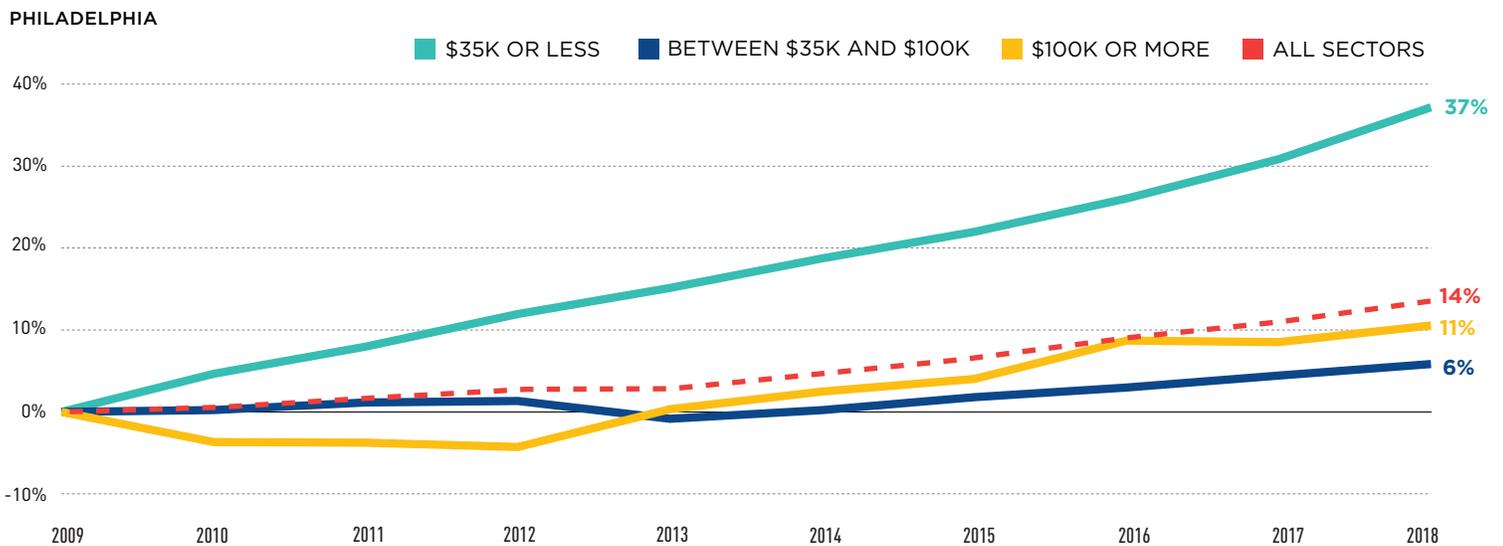
The proportional mix of new jobs created in cities across the country is portrayed in Figure 9 and helps visualize the difference between Philadelphia and the other 25 large cities.

Mathematically, there are two possible explanations for Philadelphia's disproportionate creation of lower wage jobs: (1) Philadelphia's low wage sectors could be growing so fast that they dwarf strong growth in higher wage categories; or (2) Philadelphia's low wage sector growth is near national and city averages, but the growth in the middle and higher wage categories is weak. Figure 5 shows clearly that Philadelphia has been lagging most other cities with a 1.4% average annual job growth since 2009, compared to a 2.1% average growth rate for the 25 largest cities.

Figure 10 shows that Philadelphia's lowest wage sectors have grown by 37% from 2009 to 2018, while the middle and top tiers have grown by just 6% and 11%, respectively, averaging out to 14% growth for all job types. At the other end of the spectrum, fast growing Austin (Figure 11) has experienced slightly faster growth in the lowest wage sectors than Philadelphia (39% compared to 37%), but Austin is also adding many more in the middle wage sectors (+44%) and highest wage sectors (+51%), averaging out to 45% growth for all types of jobs from 2009 to 2018.⁷

Comparing Philadelphia not just to the Sun Belt city of Austin, but to another Rust Belt city, Boston, to the nation as a whole and to the 25 cities average, what stands out is the spread between lower wage job growth and other job growth (Figures 11-16). **Philadelphia is adding lower wage jobs about as fast as any large city, but lags well behind the average in the middle and higher wage sectors.**

FIGURE 10: PERCENT CHANGE IN PRIVATE SECTOR JOBS, 2009-2018



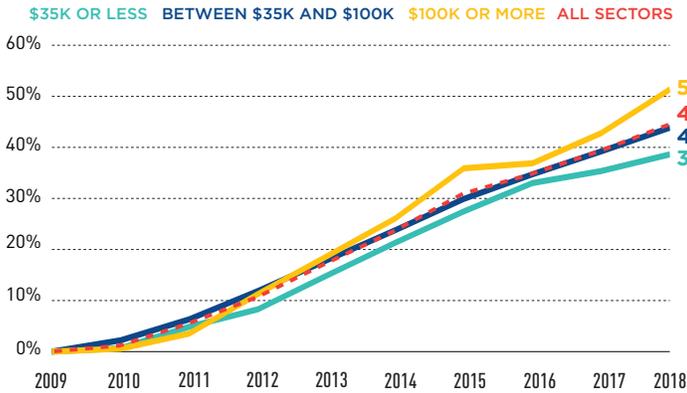
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Bureau of Economic Analysis, Regional Price Parities

7: Cost of living is adjusted individually for each geography shown in the charts that follow.

PERCENT CHANGE IN PRIVATE SECTOR JOBS, 2009-2018

FIGURE 11:

AUSTIN (TRAVIS)

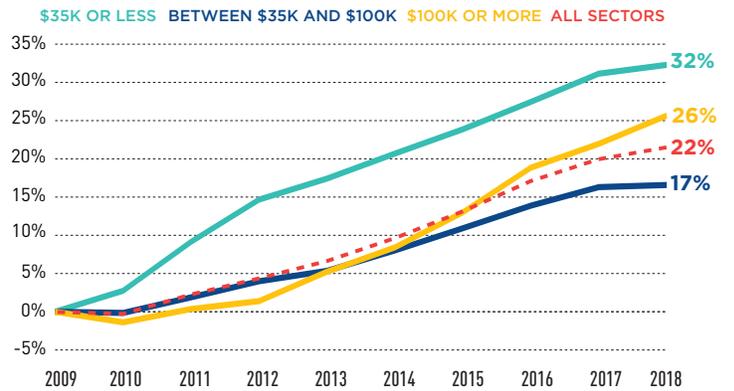


Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Bureau of Economic Analysis, Regional Price Parities

* Austin Cost Living Adjustment Factor: 121.4% of Philadelphia MSA

FIGURE 12:

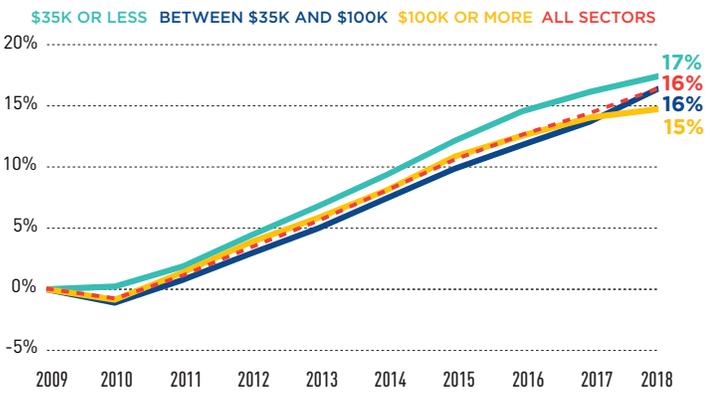
BOSTON (SUFFOLK)



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Bureau of Economic Analysis, Regional Price Parities

FIGURE 13:

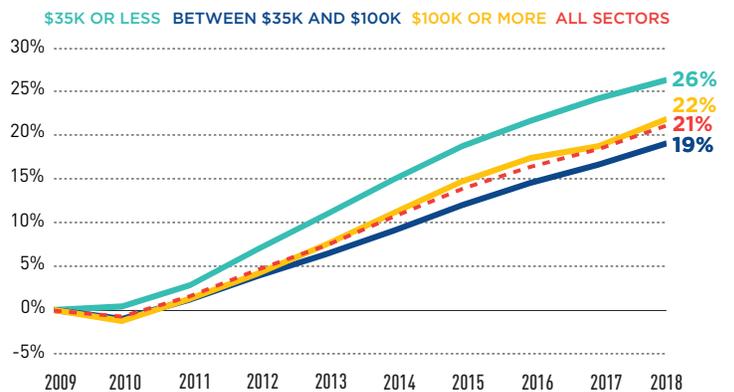
NATIONAL AVERAGE



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Bureau of Economic Analysis, Regional Price Parities

FIGURE 14:

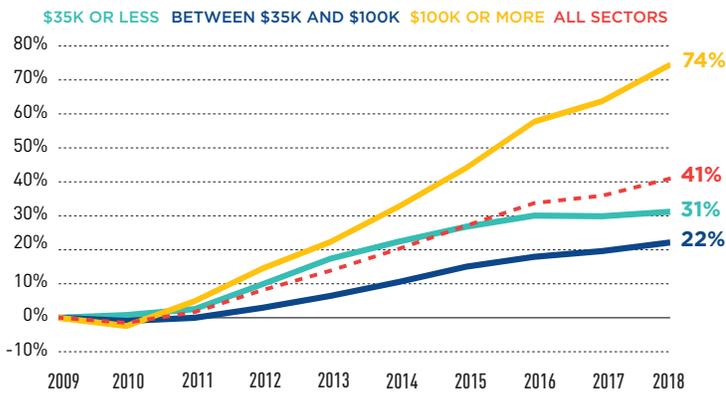
CITIES AVERAGE



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Bureau of Economic Analysis, Regional Price Parities

FIGURE 15:

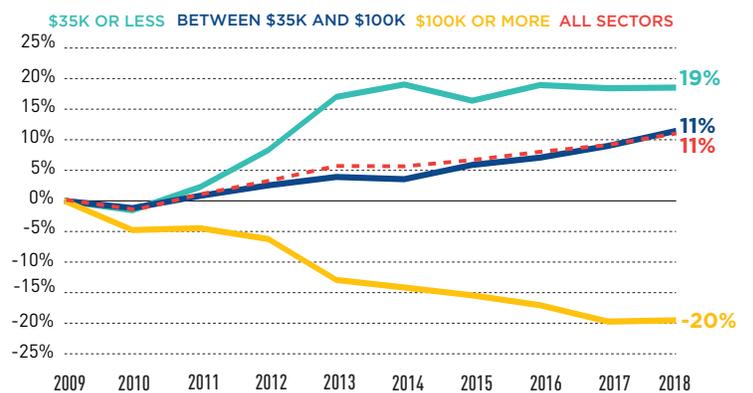
SAN FRANCISCO (COUNTY)



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Bureau of Economic Analysis, Regional Price Parities

FIGURE 16:

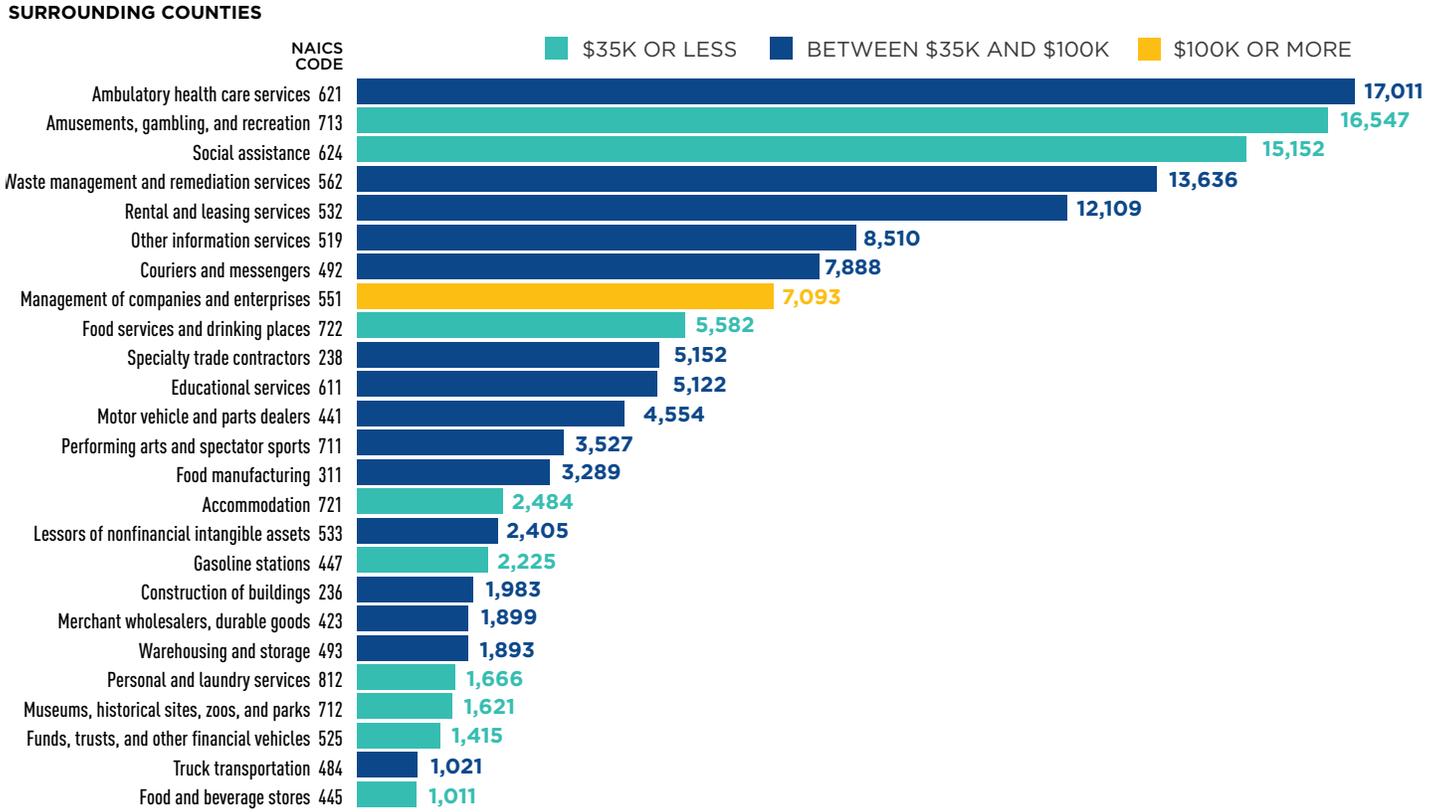
BALTIMORE (CITY)



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Bureau of Economic Analysis, Regional Price Parities

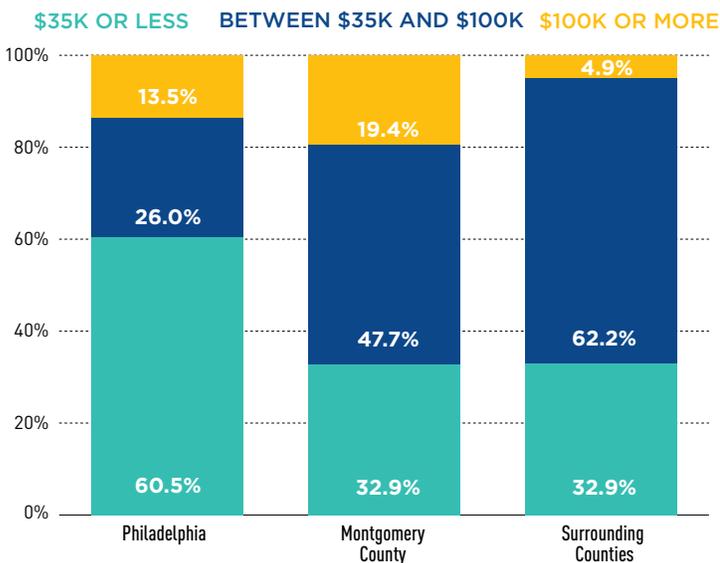
* Cost of living adjusted individually for each geography

FIGURE 17: NUMBER OF JOBS ADDED IN TOP SECTORS, 2009–2018



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

FIGURE 18: REGIONAL JOB GROWTH PROPORTIONS BY WAGE RANGE, 2009–2018



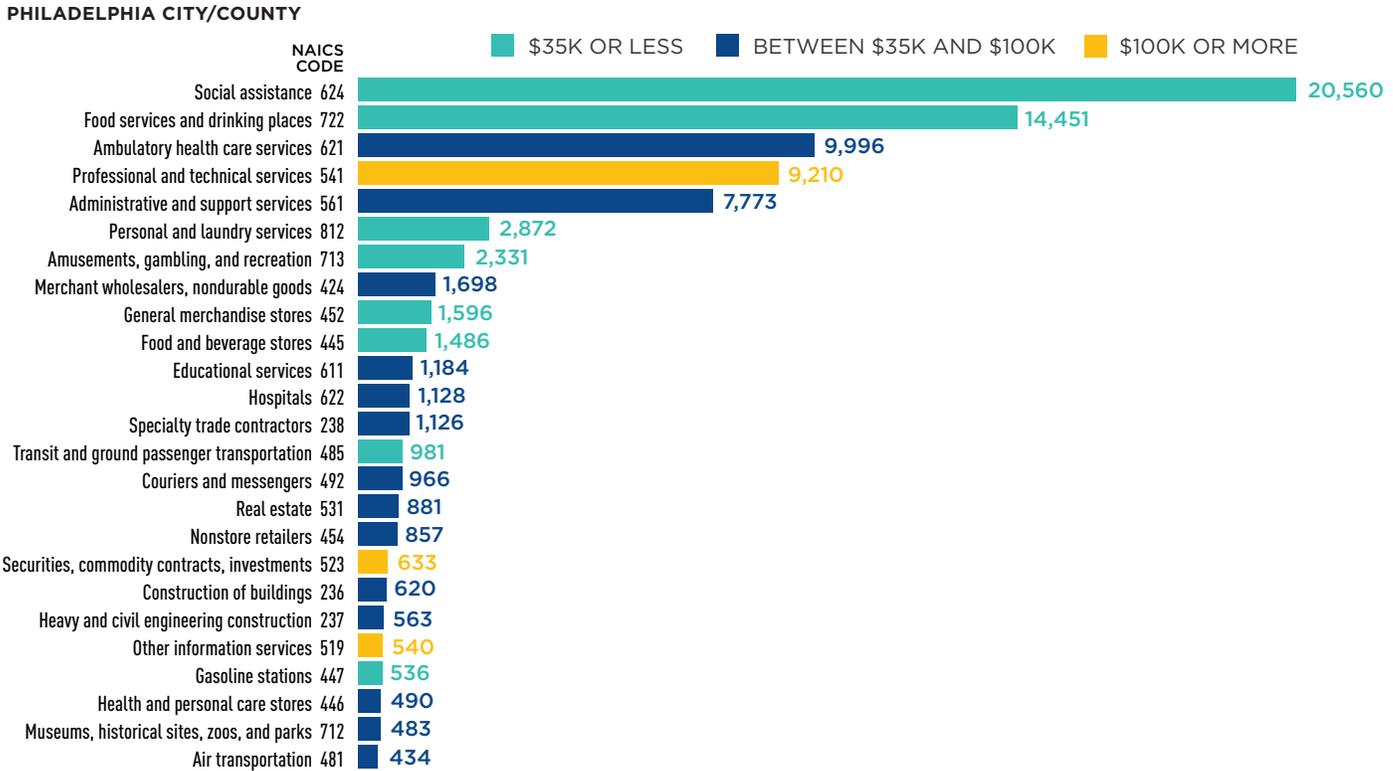
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Of the cities included in the analysis, the only one with a larger spread is San Francisco (Figure 13), with a 52% gap between high and middle – except there, the explanation is that high wage jobs have seen astonishing 74% growth; its middle and lower wage job growth has surpassed both the 25 cities and national averages.

Boston has grown lower wage jobs at a rate 5 points below Philadelphia, but has added middle class jobs at a rate 11 points higher and jobs over \$100,000 at a rate 15 points higher. Baltimore has seen growth in its lower wage jobs at 19% and experienced a 11% rate of growth in its jobs paying between \$35,000 and \$100,000, but a decline in the highest wage jobs.

A final comparison of Philadelphia to its six surrounding suburban counties, shown in Figures 17, 18 and 19 prompts the obvious question; *why?* Why is Philadelphia growing a disproportionately larger share of low wage jobs, but not growing more jobs in the \$35,000 to \$100,000 range like most other large cities and our surrounding suburbs?

FIGURE 19: NUMBER OF JOBS ADDED IN TOP SECTORS, 2009–2018



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

What is Driving Low Wage Jobs?

The significant growth in lower wage jobs appears to correlate with broader demographic, social and industry trends. An aging population, a significant portion of Philadelphia’s residents living in poverty and the epidemic of drug addiction have led public agencies, nonprofits and philanthropies to increase social service spending, helping to create 20,560 jobs, the largest category of new jobs added in Philadelphia from 2009 to 2018. Second, Philadelphia is a city and region with a predominance of health care institutions seeking to reduce costs by moving patients toward outpatient and home health care solutions. This probably accounts for the growth of the third largest number of new jobs, higher paying ambulatory care positions, as well as many lower wage home health care and support positions. The significance of an aging population and changes in health care seems confirmed by the Montgomery County data, where *ambulatory care* and *social assistance* rank first and third as the largest categories for job growth, even though the county poverty rate is just 6.4%.

The second fastest growing sector in Philadelphia has been employment in *food services and drinking places*, with the addition of 14,451 jobs from 2009 to 2018. Driven by expanding employment in

other sectors, a growing population with a greater tendency to dine outside the home and a burgeoning hospitality industry, restaurants and bars have dramatically expanded not only in Greater Center City and University City, but also across the entire city. A recent report by the Philadelphia Department of Public Health counted more than 6,900 places to dine in Philadelphia.⁸ It is noteworthy that while *food services and drinking places* ranks as the fastest growing sector nationally and in the 25 largest cities, it ranks 14th in the surrounding counties with very modest growth since 2009, though it ranks second in Montgomery County. This suggests that Philadelphia may be capturing a larger share of regional demand for eating and drinking establishments.

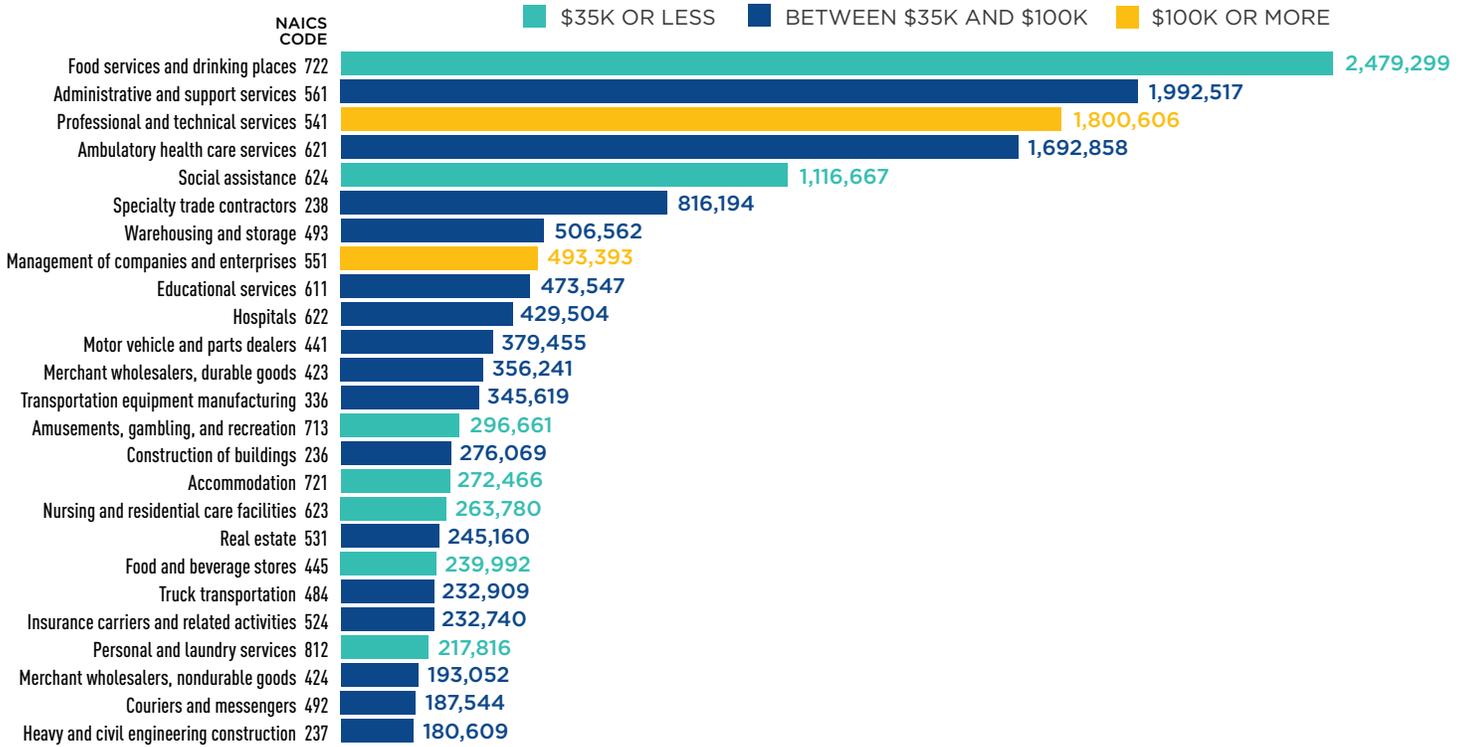
Still, the fundamental challenge facing the city is how much of our job growth is limited to sectors that pay below \$35,000 annually: social assistance, food services and drinking places account for 50% of all new jobs added in Philadelphia from 2009 to 2018.

While *food services and drinking places* also top the charts nationally and in the 25 largest cities, Figures 20 and 21 depict how much this varies from the 25 largest cities and from national averages.

8: *Neighborhood Food Retail in Philadelphia*, Department of Public Health, September 2019.

FIGURE 20: NUMBER OF JOBS ADDED NATIONALLY IN FASTEST GROWING SECTORS, 2009–2018

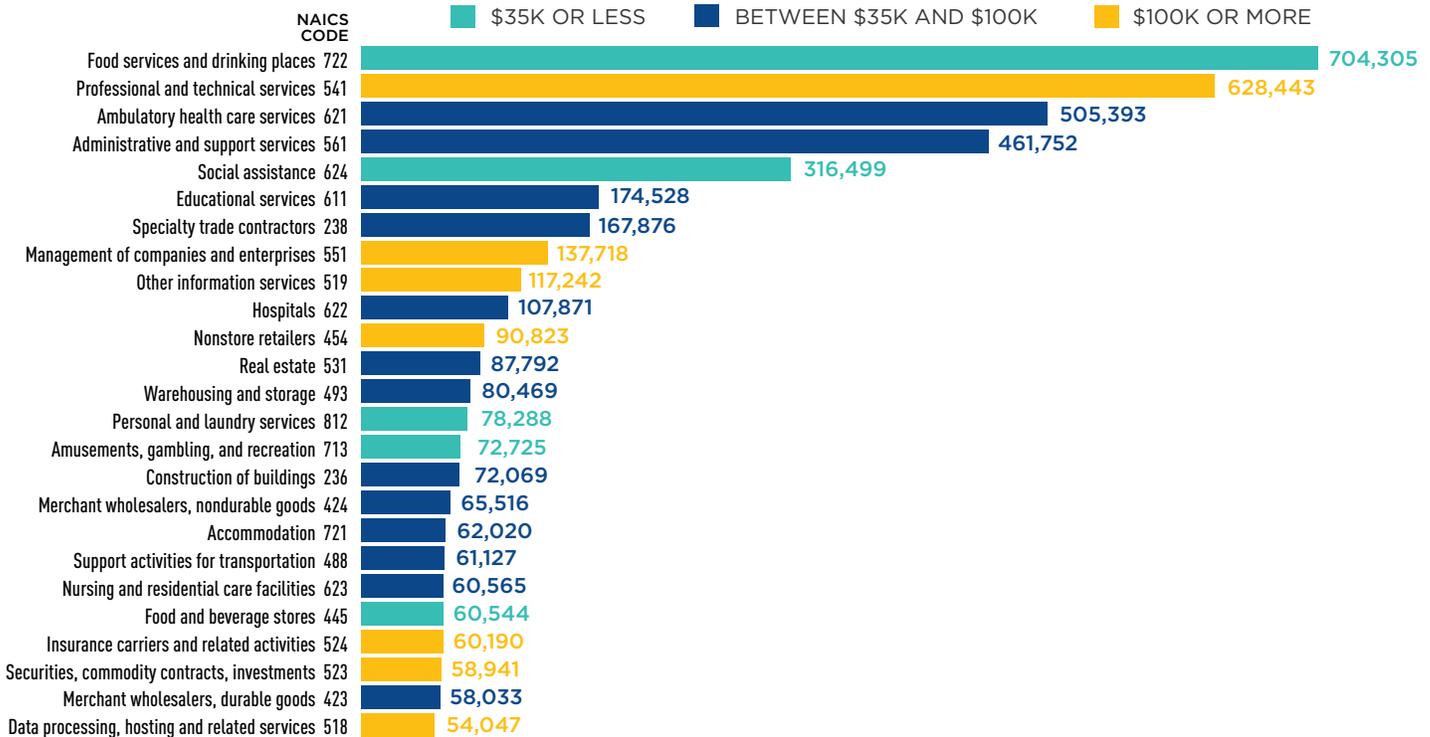
U.S. TOTAL



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

FIGURE 21: NUMBER OF JOBS ADDED IN 25 LARGEST CITIES IN FASTEST GROWING SECTORS, 2009–2018

CITIES TOTAL



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

Why So Few Middle Income Jobs?

Why is Philadelphia not adding more jobs in the \$35,000 to \$100,000 range? The data rules out one possible answer: Philadelphia employers are *not pushing middle income jobs into the lower wage category and paying less for those jobs than employers in either the surrounding counties or nationally. In many cases, Philadelphia employers are paying more for most comparable positions.*

Rephrasing the question: why are local, regional and national employers not locating more \$35,000 to \$100,000 jobs in the city? Three possible answers might be: (1) Employers can't find sufficient candidates to fill those jobs in the city so if they have a regional footprint, they locate as many as of their jobs as possible in the suburbs; (2) Philadelphia doesn't have the sites to accommodate many of the middle range jobs that are growing in our suburbs; (3) The cost for employers of locating those jobs Philadelphia is higher than the cost in the suburbs and therefore they limit their growth in the city.

Education Levels

The surrounding counties added 96,748 jobs from 2009 to 2018, 48% of which pay between \$35,000 and \$100,000. The percent of adults over the age of 25 with at least a college degree in the six surrounding counties is 42%, rising to 52% in Montgomery County, which accounts for 23% of all suburban job growth. By contrast, in Philadelphia only 29% have a bachelor's degree. In Philadelphia 47% of adults have no more than a high school diploma; in the counties, that number is just 32%. This possible explanation suggests that despite the strong presence of college-educated millennials and other adults in Greater Center City, their impact is not sufficient to outweigh the lower levels of educational attainment of a substantial part of Philadelphia's resident workforce.⁹ Therefore, employers could be locating their new jobs closer to where the largest number of educated workers live.

Yet each workday, almost 120,000 suburban residents commute into Center City, accounting for 47.5% of the downtown workforce. Another 30,000 suburban residents make up 43% of the workforce of University City.¹⁰ Employers take advantage of being at the center of the region's transit and highway network to gain a 360 degree access to the metro area's workforce that they will not achieve by locating in New Jersey or in the western Philadelphia suburbs. The advantages of being regionally accessible and in the middle of thriving, mixed use areas, are reflected in the broader diversity of skill levels required for all existing private sector jobs in Center City and University City and probably explains the reason why employers locate more higher wage jobs there than the rest of the city (Figure 22). Good access by transit to these two regional

employment centers, which together provide 53% of all jobs in the city, also enables them to provide opportunity at all skill and salary levels for residents of city neighborhoods (See Appendix 2 for the commuting patterns from two Councilmanic districts).

But outside regionally accessible places like Center City, University City and the Navy Yard, the absence of a proximate skilled workforce may constitute a deterrent.¹¹ Raising the level of educational attainment for all adults in the city and investing in job training are critical goals. Not only will that increase employment, compensation and housing opportunities for city residents, it should also make other areas of the city more appealing locales for employers and give downtown and University City employers a broader, local pool from which to draw.¹²

Lack of Sites

There are four job categories in the \$35,000 to \$100,000 pay range that are large consumers of land and have enjoyed strong growth in the counties, but don't make the top 25 list of sectors growing jobs in Philadelphia. Those are: *food manufacturing, motor vehicle and parts dealers, truck transportation and warehousing and storage* which added over 10,000 jobs in the surrounding counties from 2009 to 2018. Local economic development professionals suggest that the lack of available sites and the cost of construction (at least 20% higher in the city) are likely constraints, especially when there is still much open land in the Lehigh Valley and South Jersey that is leasing at far lower costs than available sites in Philadelphia's industrial parks. Nevertheless, in this era of online shopping and just-in-time deliveries, there may be benefits to securing more land for logistics and distribution centers in proximity to the airport, *if these uses are job-intense enough to justify some land-cost public subsidies.* One challenge with this approach is predicting which of these type of employers have long-term growth prospects.

Cost of Local Taxes

Center City is a prime driver of region's economy, accounting for 42% of Philadelphia's jobs. Professional, business and financial services, real estate and information – prime office-using industries – provide 121,300, (40%) of downtown jobs. This sector offers not only Philadelphia's highest wage jobs, office buildings are also the densest containers of the most diverse jobs in the city and create many multiplier effects. Based on calculations by the Building Owners and Managers Association, every 500,000 square feet of occupied office space houses not only 3,000 office jobs, including many moderate wage technical and administrative support positions, it also generates work for five building engineers, 18 cleaners and janitors and 12 security positions. Every time tenants turn over, construction trades renovate space. Office tenants in each incre-

9: Greater Center City residents make up just 11.1% of the downtown workforce; residents from other Philadelphia neighborhoods comprise 41.4% of the workforce; suburban residents constitute the remaining 47.5%.

10: *State of University City, 2018*, University City District, page 29

11: It is worth noting that both Detroit and Houston have low levels of adult college graduates (21.4% and 36.8% respectively), but both have not only grown faster than Philadelphia, both have added a much larger percentage of middle wage jobs (see Figure 9).

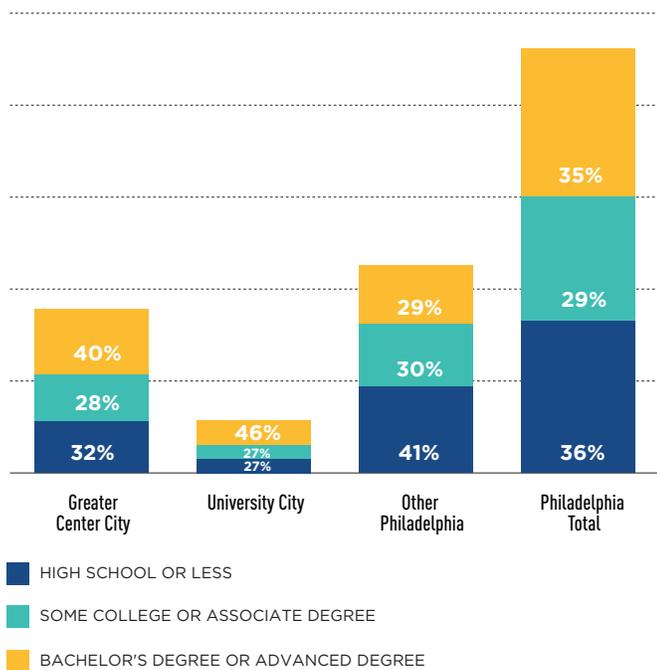
12: The presence of many workers with lower levels of educational attainment in the city probably does make Philadelphia an attractive setting for employers seeking those workers, especially since high suburban housing costs make it difficult for lower wage workers to live near suburban jobs.

ment of a half million square feet account for 11,000 hotel rooms filled with business travelers and they generate \$2.8 million in retail and restaurant demand, according to CCD calculations. Office tenants are also SEPTA and taxi riders, parking garage customers and patrons of Uber and Lyft ride sharing services. As a result, the clustering of higher wage jobs creates a multiplier effect as both business and employee spending generate demand for many middle and lower wage jobs.¹³

Unlike education and health care institutions, which are anchored to place by significant investments in hospital beds, medical and laboratory equipment and class rooms, office tenants are far more mobile and, with the expansion of coworking alternatives, can make much shorter lease commitments.

Despite recent growth, Center City still has 12.7% fewer office jobs than in 1990, while many other major downtowns have seen more pronounced CBD office sector growth in professional and technical services, reflected in the much higher rents for office space in other cities.¹⁴

FIGURE 22: VOLUME OF JOBS, SEGMENTED BY LOCATION AND LEVEL OF EDUCATION REQUIRED



Source: U.S. Census Bureau, Local Employment-Household Dynamics, 2017

13: Enrico Moretti argues in *The New Geography of Jobs* that high wage jobs, and particular innovation jobs in the technology and medical sectors, have the highest multiplier effect. Each new job in the innovation sector generates five additional jobs outside the innovation sector, both in skilled occupations (lawyers, accountants teachers, nurses) and in less skilled occupations (waiters, hairdressers, Uber drivers, baristas, carpenters). "Most sectors have a multiplier effect, but the innovation sector has the largest multiplier of all: about three times larger than that of manufacturing... The best way for a city or state to generate jobs for less-skilled workers is to attract high-tech companies that hire highly skilled ones." [page 13]

14: In 10 other major urban markets, office rents are substantially higher than in Center City and within the region, Center City lags behind five other major metro submarkets (See *State of Center City*, 2019 page 12 and 13)

15: While both the Navy Yard and University City have newer office product than Center City, the higher rents that these locations are able to command is also directly related to the impact of being in Keystone Opportunity Zones, exempting tenants from several major state and city taxes.

16: Pennsylvania Tax Equilization Board (2017); Pennsylvania Department of Education (2016-2017)

A CPDC analysis in 2018 of Department of Revenue records found that office-using firms account for 21% of citywide jobs, but they were shouldering the burden of 57% of the city's Business Income and Receipts tax. When added to the Use and Occupancy tax, these two taxes placed a premium between 20% and 30%, depending on the type of firm, on the cost of locating within the city versus the surrounding suburbs.¹⁵ This is before weighing the impact of workers paying a wage tax that is almost four times as high as any comparable tax in the surrounding suburbs. The tax costs of locating in the city for many regional office firms is thus another significant factor that can account for slow growth in both our middle wage and higher wage jobs.

Conclusion

Improving educational levels, targeting specific growth industries and creating a more competitive tax environment all are strategic options to be evaluated by civic, political and business leaders. But we should start from the recognition that the status quo is unacceptable. Philadelphia has one of the slowest rates of job growth of the 25 largest American cities and the highest poverty rate of the 10 largest cities. The jobs we are creating are disproportionately in low-wage sectors, which means too many working residents and recent college graduates need to leave the city to find greater opportunity.

Philadelphia should maximize the support it can get from Harrisburg and Washington DC. But we live in an era in which cities cannot depend on higher levels of government to solve all their problems. The best way to reduce poverty and to support schools and services is not to raise local taxes more, but to accelerate private sector job growth, add more family-sustaining jobs and expand the city's tax base. Philadelphia's median household income is just \$39,759. The median household income in Chicago is \$55,000; New York City, \$61,000; Boston \$67,000 and San Francisco \$111,000. The assessed value per pupil of city real estate is \$275,000, the state average is \$487,285; Pittsburgh, \$739,000; Lower Merion, \$1,547,300.¹⁶ Regional wealth remains concentrated in the suburbs.

Philadelphia needs growth that is equitable and inclusive. But equity is not about slicing a small economic pie so some get more while others get less. It's about growing the pie so everyone benefits. Prompting more robust, broad-based and diverse job growth must be job #1. It provides the essential foundation to support most other social goals.

Appendix: Data Sources and Cost of Living Adjustment

Data Sources

This report uses two different federal data sources. The calculations of job growth rates (Figures 1-5) come from the Bureau of Labor Statistics (BLS) Current Employment Survey (CES), which uses metropolitan areas and small political subdivisions, including cities. The data on salaries comes from the BLS Quarterly Census of Employment and Wages (QCEW), which uses counties as the geography.

CES is based on a survey of business establishments; QCEW is derived from unemployment insurance data. CES data is more current, and allows calculations at small geographic levels, but does not provide much industry detail and has no wage information. QCEW was used for the comparisons of salary details since it provides extensive industry sector and wage detail in the form of NAICS (North American Industry Classification System) codes, developed for use by federal statistical agencies for the collection, analysis and publication of data related to the U.S. economy. A significant limitation of using QCEW county data for this comparison could be that many counties are much larger than the cities that they contain and thus, some suburban areas are included in the data. This is the case for places like Chicago, Dallas, Los Angeles and San Diego, San Jose and Seattle, where many suburban working residents

FIGURE 23: COST OF LIVING ADJUSTMENT

CITY (COUNTY)	METROPOLITAN STATISTICAL AREA	ALL ITEMS	RENTS	GOODS	SERVICES
San Jose (Santa Clara)	San Jose-Sunnyvale-Santa Clara, CA	124.2	218.4	111.9	113.1
San Francisco (City/County)	San Francisco-Oakland-Hayward, CA	121.4	195.0	112.2	113.5
New York City (5 County)	New York-Newark-Jersey City, NY-NJ-PA	116.0	153.1	109.4	117.7
Washington DC (District)	Washington-Arlington-Alexandria, DC-VA-MD-WV	112.3	164.4	105.3	109.8
Los Angeles (City/County)	Los Angeles-Long Beach-Anaheim, CA	111.1	165.9	104.4	106.3
San Diego (City/County)	San Diego-Carlsbad, CA	110.1	168.0	98.6	107.1
Boston (Suffolk)	Boston-Cambridge-Newton, MA-NH	106.1	140.8	102.3	107.1
Seattle (King)	Seattle-Tacoma-Bellevue, WA	106.1	138.5	107.3	103.9
Baltimore (City/County)	Baltimore-Columbia-Towson, MD	101.7	114.7	103.1	105.7
Denver (City/County)	Denver-Aurora-Lakewood, CO	100.9	133.4	100.5	98.0
Philadelphia (City/County)	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	100.0	109.6	100.7	108.2
Chicago (Cook)	Chicago-Naperville-Elgin, IL-IN-WI	98.1	113.9	99.3	102.3
Houston (Harris)	Houston-The Woodlands-Sugar Land, TX	96.5	104.3	95.3	107.7
Austin (Travis)	Austin-Round Rock, TX	95.4	119.4	98.1	93.5
Dallas (City/County)	Dallas-Fort Worth-Arlington, TX	95.1	105.9	98.7	98.8
Fort Worth (Tarrant)	Dallas-Fort Worth-Arlington, TX	95.1	105.9	98.7	98.8
National Average		94.9	101.8	99.0	100.1
Phoenix (Maricopa)	Phoenix-Mesa-Scottsdale, AZ	92.7	98.9	96.2	98.5
Detroit (Wayne)	Detroit-Warren-Dearborn, MI	90.9	86.2	98.7	98.5
Jacksonville (Duval)	Jacksonville, FL	90.5	93.8	98.1	93.5
Nashville (Davidson)	Nashville-Davidson-Murfreesboro-Franklin, TN	90.4	93.6	97.8	93.5
San Antonio (Bexar)	San Antonio-New Braunfels, TX	89.6	90.3	97.8	93.5
Charlotte (Mecklenburg)	Charlotte-Concord-Gastonia, NC-SC	89.0	87.5	97.6	93.5
Columbus (Franklin)	Columbus, OH	87.6	84.5	96.0	92.2
Indianapolis (Marion)	Indianapolis-Carmel-Anderson, IN	87.3	83.2	96.1	92.3
Memphis (Shelby)	Memphis, TN-MS-AR	86.4	76.7	97.9	93.5

Source: U.S. Bureau of Economic Analysis, Regional Price Parties

are included in the data. But for 10 of the sample cities including Philadelphia, the city and the county are the same, or the county areas include not more than 15% more workers than are included in the city count. In the case of New York, the city is the sum of five separate counties. All 11 of these cities are growing a substantially larger percentage of jobs, compared to Philadelphia, that pay between \$35,000 and \$100,000 per year. The distribution of all new jobs in these 11 cities is in fact quite close to the overall 25-city average and shows the same variance from Philadelphia (Figure 24).

Cost of Living

The value of a dollar is measured by its buying power, which varies by location. For example, in the Philadelphia metropolitan area, the median listing price of for-sale homes in 2018 was \$249,950. The median house in the San Jose area was \$1,049,440 – roughly four times higher. While differences are most stark when it comes to housing, the prices of goods and services also vary by place. The quality of life a wage earner is able to afford from their pay thus depends on where they live – \$50,000 will go a lot further in Philadelphia than in San Jose, San Francisco, or New York. To attract workers, employers in the higher cost areas need to offer higher wages than they would in lower cost areas. In the analysis for this report, those differences were accounted for by converting the wages paid into Philadelphia dollars using the Bureau of Economic Analysis (BEA) Regional Price Parities (RPP) data.

At the level of the Metropolitan Statistical Area (MSA), BEA calculates a weighted measure, incorporating data on the cost of rents, consumer goods and services. The RPP data is indexed to the national average, where the U.S. equals 100. To convert to a Philadelphia index, CCD divided the different area RPPs by Philadelphia's, resulting in a figure where Philadelphia equals 100. In the first column of numbers in Figure 23, the 124.2 figure for San Jose means prices in that area are 24.2% higher on average than in the Philadelphia region.

Then, to enable the salary comparisons used this report, we adjusted Philadelphia wage levels of \$35,000 and \$100,000 to their equivalents in other regions. In San Jose, employment sectors paying up to \$43,470 annually are included in the lowest category (under \$35,000 in *Philadelphia dollars*), to account for the difference in cost of living. To make it into the highest category (over \$100,000 in *Philadelphia dollars*) one would need to make a salary of \$124,200 in San Jose (Figure 25).

FIGURE 24:

2018 AVERAGE WAGE IN SECTOR	PHILADELPHIA	11 CITIES AVERAGE	25 CITIES AVERAGE
\$35,000 or less	61%	25%	28%
Between \$35,000 and \$100,000	26%	54%	52%
\$100,000 or more	14%	21%	20%

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

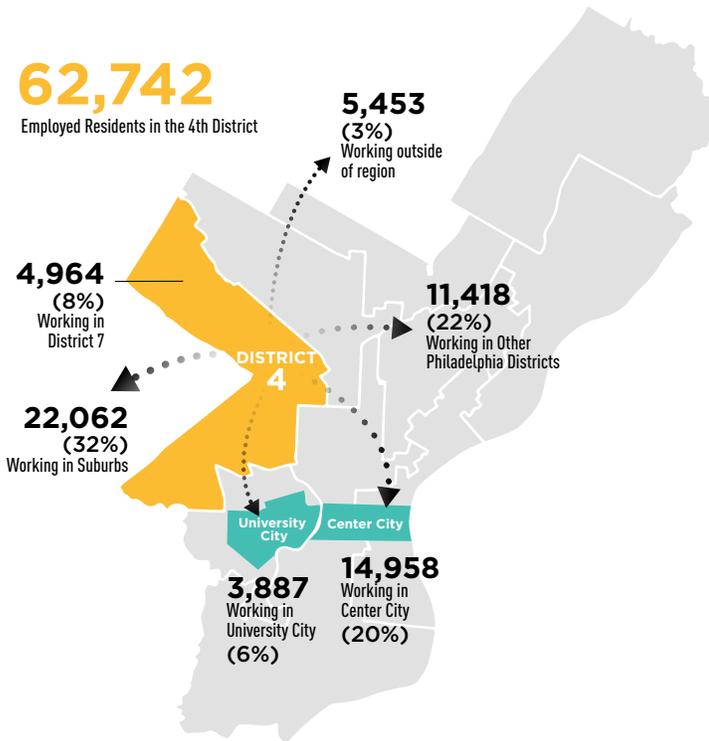
FIGURE 25: PHILADELPHIA EQUIVALENT SALARY

	PHILADELPHIA EQUIVALENT SALARY	ALL ITEMS
Cities Average	\$35,000	\$100,000
San Jose (Santa Clara)	\$43,470	\$124,200
San Francisco (City/County)	\$42,490	\$121,400
New York City (5 County)	\$40,600	\$116,000
Washington DC (District)	\$39,305	\$112,300
Los Angeles (City/County)	\$38,885	\$111,100
San Diego (City/County)	\$38,535	\$110,100
Boston (Suffolk)	\$37,135	\$106,100
Seattle (King)	\$37,135	\$106,100
Baltimore (City)	\$35,595	\$101,700
Denver (City/County)	\$35,315	\$100,900
Philadelphia (City/County)	\$35,000	\$100,000
Chicago (Cook)	\$34,335	\$98,100
Houston (Harris)	\$33,775	\$96,500
Austin (Travis)	\$33,390	\$95,400
Dallas (City/County)	\$33,285	\$95,100
Fort Worth (Tarrant)	\$33,285	\$95,100
National Average	\$33,215	\$94,900
Phoenix (Maricopa)	\$32,445	\$92,700
Detroit (Wayne)	\$31,815	\$90,900
Jacksonville (Duval)	\$31,675	\$90,500
Nashville (Davidson)	\$31,640	\$90,400
San Antonio (Bexar)	\$31,360	\$89,600
Charlotte (Mecklenburg)	\$31,150	\$89,000
Columbus (Franklin)	\$30,660	\$87,600
Indianapolis (Marion)	\$30,555	\$87,300
Memphis (Shelby)	\$30,240	\$86,400

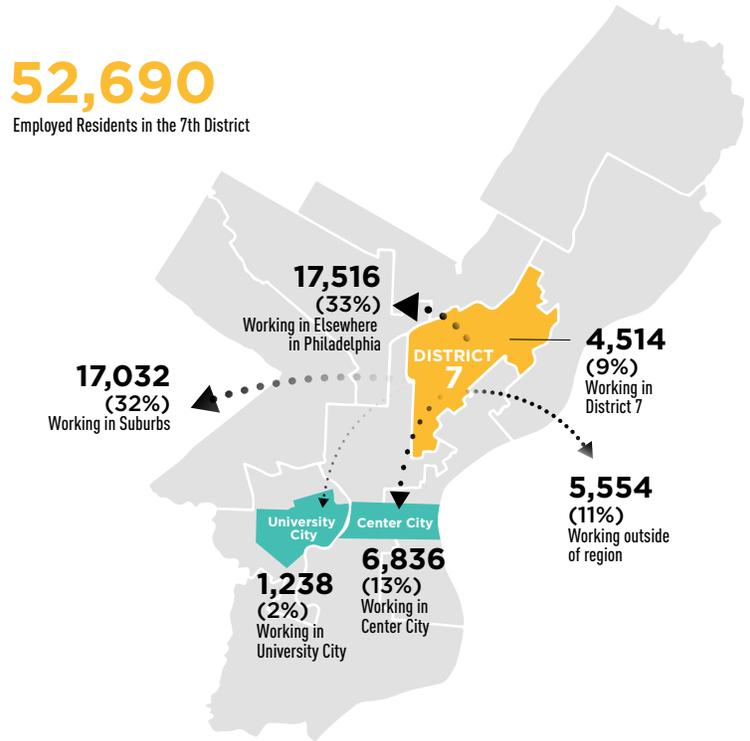
Source: U.S. Bureau of Economic Analysis, Regional Price Parties

APPENDIX II

DISTRICT 4, TOTAL EMPLOYED POPULATION



DISTRICT 7, TOTAL EMPLOYED POPULATION



Source: U.S. Census Bureau, Local Employment-Household Dynamics, 2017

Between 15% and 25% of the working residents of Philadelphia neighborhoods outside of Greater Center City commute to transit accessible jobs downtown and in University City. One third work elsewhere in the city; one-third reverse commute to the suburbs.