



Testimony

Submitted on behalf of the
Pennsylvania Chamber of Business and Industry

Rural Workforce Availability and Population Change

Before the:
Pennsylvania Center for Rural Pennsylvania

Presented by:
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Good morning Chairman Yaw and members of the board of directors for the Center for Rural Pennsylvania.

My name is Kevin Sunday, director of government affairs for the Pennsylvania Chamber of Business and Industry, the largest, broad-based business advocacy organization in the Commonwealth. Our nearly 10,000 members are of all sizes and of all commercial and industrial sectors.

Thank you for the opportunity to take part in this important discussion. We are at a critical juncture in terms of setting policy that expands opportunities for all our citizens. Pennsylvania boasts enormous natural resource assets, proximity to the world's most valuable market (the northeast metropolitan area), the country's most efficient port, world-class institutions of higher education and trade and technical schools, access to capital owing to a strong network of financial institutions, a lower cost of living than other northeastern states, and a legacy of leadership in manufacturing, agriculture, defense and energy and emerging innovations in robotics, life sciences, and advanced materials. Despite these advantages, Pennsylvania as a whole is losing population, in large part due to a policy environment that discourages growth and investment.

We thank the Center for convening this hearing and wish to outline a few key points for consideration and policy development.

First, our goal at the PA Chamber, which we hope you share, is to make Pennsylvania the most economically competitive state in the nation. This requires a tax and regulatory environment that encourages investment into the state.

Second, we need modernized infrastructure across the state – from a safe and efficient system of roads and bridges, to world-class airports and ports, to reliable gas, electric and water infrastructure, and, just as important, access to high-speed broadband.

Third, the state should build on recent efforts to improve its workforce, including improving access to affordable child care, streamlining occupational licensing requirements, and encouraging employment of marginalized populations, including providing more second chances for individuals seeking to re-enter the workforce after incarceration.

Fourth, we encourage the Center to take a close look at regional economic needs and population migration trends. Reforms to the state's tax and regulatory structure help everywhere, but it is certainly the case that each region of the state has its own key industries, and, in many cases, will be influenced by the economic and demographic trends of metro regions in neighboring states.

Finally, we highlight a few innovative practices our members are taking to develop their workforce by upskilling their people through partnership with educational institutions or with innovative learning and development approaches.

Thank you for your consideration of our perspective. The PA Chamber looks forward to further collaboration with the members and staff of the Center, as well as the Governor, legislature and communities across the state to move Pennsylvania forward.

Tax and Permitting Reform Are Necessary to Making Pennsylvania More Competitive for Investment

We applauded this month the Pennsylvania Senate for passing SB 350, comprehensive permitting and licensing reform legislation that provides greater transparency and certainty to businesses who want to build and expand and to individuals who want to get to work. As we noted in a joint op-ed with the Pennsylvania Building & Construction Trades Council, “[p]ermit delays mean that a project cannot receive financing, which can delay or cancel projects. This results in fewer good-paying jobs for the talented workers across our commonwealth who are ready to build a 21st century economy.”

We are also excited to see important tax reform measures advance out of committee in the Senate: SB 345 and 346 which respectively accelerate reduction of the state’s onerous corporate net income tax and increasing the ability of businesses to carry forward operating losses into future years. Pennsylvania is one of only two states to restrict this carry-forward, a policy which is especially punitive to new start-ups and capital-intensive manufacturers. These bills received votes from members of both parties (and, notably, in the case of SB 346 in committee, unanimously), and build upon Gov. Shapiro’s campaign platform to accelerate reduction of the CNI, executive orders to improve the permitting process and his recent calls to make Pennsylvania more welcoming for investment.

For a century, Pennsylvania lost at least one Congressional seat during every reapportionment due to stagnant population growth. The state has in recent years lost out in billions of economic activity in new power generation, agriculture, semiconductor, steel, and manufacturing projects to other states who are more committed to welcoming new investment – and who are more active in promoting their state to new residents and in communicating with existing businesses on what their needs are to increase investment.

As we noted in a joint letter with more than 65 local chambers of commerce and industry associations earlier this month to the State Senate ahead of floor debate on the permitting reform legislation, “we have a generational opportunity to meaningfully change the economic trajectory of our state and communities. We stand ready to partner with you all as you tackle this important challenge.”

Competing in the 21st Century Requires Modern and Efficient Infrastructure for All of Pennsylvania

As the pandemic has shown, affordable access to high-speed broadband by increasing connectivity and ensuring reliable telecommunications service is paramount to a modern economy and ensuring all generations of Pennsylvania have access to education, employment and healthcare. Further, as more and more businesses harness cloud computing, advanced data analytics, automated vehicles, advanced manufacturing capabilities, telemedicine and other innovations, the wireless and broadband networks must be modernized to reduce data congestion and ensure reliable data service to provide opportunity across the state, and especially in rural Pennsylvania. Advances in telecommunications and broadband infrastructure capabilities can also be used to improve public safety and ensure more responsive electric, water and natural gas utility system operations.

The PA Chamber championed passage of legislation in recent sessions to ensure this happens. We supported legislation to streamline deployment of the next generation of wireless technology, championed federal infrastructure funding that includes significant funding for broadband deployment and bills in Harrisburg to establish the Pennsylvania Broadband Development Authority, on whose education and outreach subcommittee I serve as co-chair. It is imperative we continue to make the state attractive for investment into information technology infrastructure and that we use federal broadband funds judiciously to expand connectivity statewide.

Ensuring our system of roads and bridges are safe and reliable is also a reason we are supporting permitting reform. Effectively deploying this influx of federal infrastructure across the state will require a timely and efficient permitting system to rebuild and modernize our transportation system. The private sector also stands ready to provide technical expertise for the improvements in operations and design of infrastructure system through public-private partnerships or, as we have seen in the cases of water and telecommunications infrastructure, acquisitions of publicly managed systems that have degraded due to a lack of investment by local government.

In one case, local water infrastructure of a municipality in northwestern Pennsylvania had fallen into such disrepair the local fire department was not confident their mains could provide sufficient pressure for their hoses to effectively operate. The system was acquired by an investor-owned utility, which provided the necessary improvement to ensure safe and reliable drinking water and support public safety.

Economic Development Strategy Should Reflect the Trends, Strengths and Challenges of the State's Various Regions

As noted, Pennsylvania is losing population to other states. According to a recent analysis of IRS data¹ conducted by the state's Independent Fiscal Office², our residents are leaving for states with better economic climates, such as Florida, North Carolina, Texas, and Georgia. However, not all counties in the state are losing population. While nearly all counties in southwestern Pennsylvania and the northern tier are losing population, many counties in the south-central and south-eastern tier are gaining population, and a close examination of this IRS data regarding these interstate and intrastate migration trends should be instructive as the Center looks to make recommendations on best practices and policy for rural Pennsylvania.

For example, among all counties, Allegheny County saw the second-highest exodus of residents, with more than 41,000 residents leaving between 2020 and 2021. About half of these went to neighboring, more rural counties, but more than 22,000 left for other states, with major metros like Chicago, Seattle, Los Angeles and Washington, DC at the top of the non-Pennsylvania relocations.

Philadelphia, which lost the most residents in the state, saw more than 40,000 of its 74,000 emigrants that year leave the city for neighboring counties in southeastern Pennsylvania, neighboring Delaware or oceanside counties in New Jersey. Counties along the New York and New Jersey border are also seeing an influx of new residents from these states.

We recommend the Center further examine this data to discern whether other major cities, like New York, Buffalo, Cleveland and Baltimore are losing population to neighboring counties, which could be an opportunity for rural Pennsylvania to attract new residents. Targeted marketing to these jurisdictions, developed in concert with local chambers of commerce and economic development groups, could provide a pathway for increased inflow of population to rural PA.

This is partially the case for the southern counties who are gaining population. Cumberland County, the fastest growing county in the state, saw most of its new residents coming from instate – led by relocations from the Harrisburg metro in Dauphin County, followed by neighboring rural counties. In contrast, York County, to Cumberland's south, also grew substantially over this time with more than 17,000 new residents, but more than half of these came from Maryland.

This cursory analysis of county migration data shows the economies of the regions of Pennsylvania are variously impacted by the vitality of cities in the state and beyond it. Further, the differing regions of the state have different concentrations of commercial and industrial

¹ IRS Migration Data for Pennsylvania, 2020-21. <https://www.irs.gov/statistics/soi-tax-stats-migration-data-2020-2021>

² Independent Fiscal Office Research Brief: Pennsylvania Taxpayers Continue to Migrate South. May 3, 2023. <http://www.ifo.state.pa.us/releases/666/PA-Taxpayers-Continue-to-Migrate-South/>

activity, and therefore any effective economic development strategy will account for which industries are most prevalent in a geography and whether the focus should be retention and expansion of existing firms, or relocation and attraction of new operations. Continued engagement with local chambers and EDCs will inform such a strategy.

Such a strategy may very well include targeted regional tourism marketing to promote our natural resources, including the beaches of Presque Isle in Erie, fishing and rafting on our many world-class streams, and hiking in much of the northern tier. Pennsylvania has also seen a boom in craft breweries, vineyards and distilleries that could be marketed through efforts modeled on Kentucky's Bourbon Trail. With major attractions coming like the World Cup and 250th Celebration of the United States in 2026, these types of promotional efforts can help bring more visitors and new residents to the state.

Workforce Challenges Require Innovative Policy Approaches, and Pennsylvania Employers are Focused on Increasing Opportunity

Policy matters, but so does a love for one's place. As we saw recently with our "Coolest Thing Made in PA" bracket, Pennsylvanians are very proud of the things we make here. Several of our most innovative companies, ranging from a space startup developing the lunar lander to a world-class zero-waste plastics recycling operation to a tech startup focused on hiring veterans and bringing economic development to northwestern PA, are led by leaders who grew up in Pennsylvania or worked or learned here and wanted to bring more opportunity home, even when the tax and regulatory environment made this more challenging. We can also report, anecdotally, of a "hometown rebound," or Pennsylvanians who are moving back to their hometowns with remote work, a desire to raise a family, or a need to care for an aging family member.

But even with such a motivation, these leaders, like nearly all Pennsylvania employers, continue to report significant challenge finding qualified workers. Our former President and CEO co-chaired Gov. Wolf's Keystone Economic Development and Workforce Command Center, which in 2020 identified five barriers that persist to this day: childcare, licensing, re-entry, training and transportation.

The PA Chamber supports policies to address these issues, including an expansion of Pennsylvania's first-in-the-nation Clean Slate law to include record-sealing eligibility to individuals with certain low-level, non-violent felony charges on their record, with the goal of encouraging them to reenter the workforce.

The PA Chamber worked with a strong bipartisan group of lawmakers to develop the first iteration of Clean Slate, address concerns from the business community and get the bill across the finish line. Since then, the policy has been well received by employers, advocates supporting Pennsylvanians with criminal records, and job seekers alike who recognize its help in building a robust, dynamic, and well-trained workforce.

With respect to affordable and accessible childcare, the PA Chamber and U.S. Chamber issued [a joint report](#) in Feb. 2020 titled *Untapped Potential: How Childcare Impacts Pennsylvania's State Economy*. Among the report's findings:

- Absences and turnover caused by childcare cost Pennsylvania employers \$2.88 billion annually
- Pennsylvania loses \$591 million annually in tax revenue annually due to childcare issues
- Childcare issues result in a nearly \$3.47 billion loss annually to Pennsylvania's economy
- 55 percent of Pennsylvania parents reported missing work during the 4th quarter of 2019 due to childcare issues
- Nearly 10 percent of Pennsylvania parents (during the time of this report) had voluntarily left a job due to childcare issues
- 38 percent of Pennsylvania parents postponed job upskilling or reskilling training opportunities due to childcare issues

The PA Chamber was interested in learning more from employers during this period and in the Spring of 2021, we partnered with the Pennsylvania Early Learning Investment Commission and the Center for Rural Pennsylvania to [conduct a childcare-focused survey](#) of Pennsylvania employers. In March and April 2021, we conducted surveys with 284 employers, both for-profit and nonprofit, of all sizes, representing regions throughout the Commonwealth. The survey was intended to shed light on childcare and the workforce, specifically to identify how employers are meeting the childcare needs of their employees; determine how employers were responding to employee childcare needs during the pandemic and to identify areas of opportunity for employers in how to better address employee childcare needs.

Respondents generally indicated some childcare demands among their workforce though most employers had no formal process to gauge their employees' needs. There was strong interest among employers to explore ways to help working families with childcare in order to help retain a strong workforce and reduce turnover, attract new employees and increase productivity, among other reasons. At the same time, most employers who had implemented some childcare supports during the pandemic were planning to discontinue the benefits or were unsure if they would be maintained long-term – 44 percent were unsure if there would still be a need for additional benefits and 35 percent cited concerns over cost. Notably, 70 percent were unaware of the variety of resources available to employers to help assist with employee childcare needs.

We recommend the Center for Rural Pennsylvania and the legislature evaluate the novel approaches that other states are pursuing novel approaches as well. Michigan, for example, has established what it calls the Tri-Share program, in which the cost of child care is shared equally by an eligible employee, their employer and the State of Michigan, with coordination provided regionally by a facilitator hub. Similarly, Kentucky's General Assembly last session created the Employee Child Care Assistance Partnership, in which employers can partner with the state to provide financial assistance to employees struggling with the cost of childcare.

Funding is critical and employers with the ability must lead in emphasizing employee benefits, and

potentially childcare support, as internal budget priorities. Lawmakers can support the business community by embracing a legislative agenda that helps employers reduce costs in other areas.

Finally, with respect to training, several of our members are engaging in innovative upskilling and learning and development initiatives. In some cases, this looks like direct collaboration with an established institution of higher education, such as the soundstage and concert design firm Rock Lititz, which is partnering with the Philadelphia College of Art & Design to establish a first-of-its-kind Academy of Live Technology to develop the next generation of live entertainment technicians, managers and leaders. In other cases, workforce development looks like partnering with distance learning of colleges and universities and cloud-based platforms to upskill existing workers on emerging technical skills, or working with a trade and technical school like the Pennsylvania College of Technology to develop a new curriculum for in-demand vocations like advanced polymers manufacturing. Employers are also standing up apprenticeship programs to develop the next generation of skilled workers.

In short, employers are leaning in, in many cases in partnerships with colleges and trade and technical schools. State government can help support these efforts by providing additional regulatory flexibility for these types of programs, as well as offering reciprocity for in-bound residents with occupational licensing from other states.

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In closing, thank you for the opportunity to appear before you this morning, alongside many distinguished leaders in business, non-profits and public service, for this important discussion, and I am happy to answer any questions you may have, as well as be a resource for further collaboration on this or any other matter.