

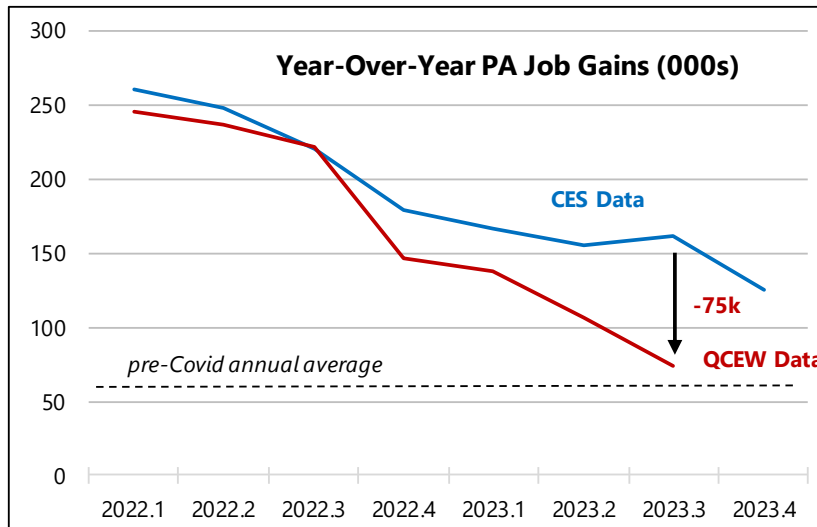
Negative Revision to PA Job Gains Expected



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On February 22, 2024, the U.S. Bureau of Labor Statistics (BLS) released 2023 Q3 state-level data for the **Quarterly Census of Employment and Wages (QCEW)** database. These data include the full population of firms that are part of the state unemployment insurance system and reflect jobs and wage data reported in monthly and quarterly administrative filings. These administrative data are used to “benchmark” more timely jobs data published monthly by the BLS in their **Current Employment Survey (CES)** data series, which are based on surveys and imputed jobs created by new firms. In March, the BLS will release state-level CES jobs data for January and February 2024, and those data will reflect the impact of the benchmark process. The latest QCEW data suggest that there will likely be a major downward revision to the number of jobs created during the past year. (Note: Both series exclude self-employed.)

The chart displays the year-over-year (YOY) payroll job gains for Pennsylvania using current CES data and the annual gains using QCEW data through 2023 Q3. Once benchmarked, the two data series typically show comparable YOY job gains. However, since the last benchmark, a notable gap has opened between the two series starting at about 40,000 jobs and increasing to a 75,000 jobs gain discrepancy for 2023 Q3. After the benchmark, this discrepancy will be resolved and the published CES data will be revised down to more closely approximate the QCEW data that are based on administrative records. The revised level for 2023 Q4 will likely approach the pre-Covid average of 55,000 job gains per annum (dotted line).¹



This outcome implies that the state labor market is less robust than current published data suggest, and that is supported by real-time data on withheld income tax revenues. For the last three quarters, YOY withholding tax revenue growth is as follows: 4.4% (2023 Q3), 4.2% (2023 Q4) and 4.0% (2024 Q1, estimate based on two months). The withholding and jobs data also provide general insights into average wage gains. For example, if total wages paid to

all Pennsylvania workers grow by 4.0% on a YOY basis, and the number of (revised) jobs expands by 1.0%, then the growth in the average wage paid is roughly equal to the difference (3.0%). (This disregards changes to the composition of jobs and average work week.) That rate of average wage growth is notably slower than recent years and implies more slack in the state labor market.

¹ For a discussion of this issue based on QCEW data through 2023 Q2, see the Philadelphia Federal Reserve analysis: <https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/early-benchmark-revisions>.