

# Grading Pennsylvania's Economy

## New Rankings Reveal Pennsylvania's Subpar Economy

### OVERVIEW

Over the past few months, Gov. Josh Shapiro and his administration have routinely touted Pennsylvania's supposed economic success, portraying the commonwealth's [economy](#) as “one of the strongest in the nation”—and the only state in the Northeast with a growing economy.”<sup>1</sup> These slogans distract Pennsylvanians from a less flattering reality: the Commonwealth's laggard economic performance and status, both regionally and nationally.

### KEY POINTS

- Under Shapiro's leadership, the Keystone State continues to lag in key measures of economic growth.
- Unemployment continues to climb, and the labor participation rate fell from 62.7 percent in January 2024 to [61.6 percent](#) in December 2025.<sup>2</sup>
- In domestic state-to-state migration, Pennsylvania continues to lose population to states with better tax and regulatory climates.<sup>3</sup>
- Lawmakers need to take proactive steps to reduce tax burdens, protect workers' rights, cut the red tape facing job creators, and improve the quality of K–12 education.

### COMPETITIVENESS RANKINGS

- Shapiro's administration [claims](#) “Pennsylvania remains the only state in the Northeast with a growing economy” based on an [analysis](#) from Mark Zandi of Moody's Analytics.<sup>4</sup> The analysis doesn't show economic growth, but an assessment of each state's risk of recession.<sup>5</sup>
- The American Legislative Exchange Council's (ALEC) 2025 *Rich States, Poor States*, [places Pennsylvania](#) 36th in Economic Outlook and 44th in Economic Performance. Pennsylvania received low grades on tax burden and debt.<sup>6</sup>
- Pennsylvania ranked [36th overall](#) in the Tax Foundation's *2026 State Tax Competitiveness Index*. The commonwealth dropped two spots from the prior year on the index.<sup>7</sup>
- Regarding pro-worker, pro-growth labor reforms, ALEC's third edition of *States that Work: A Labor Policy Roadmap Across America* shows Pennsylvania as [the 33rd freest state](#) for laborers. Nationally, the commonwealth's 7.94 percent in Average 10-Year Private Sector Employment Growth (2014-24) sits at 35th.<sup>8</sup>
- The “[2026 EdChoice Share](#),” which measures each state's proportion of K–12 students enrolled in private school choice programs, places Pennsylvania 13th, with one other state in the Northeast

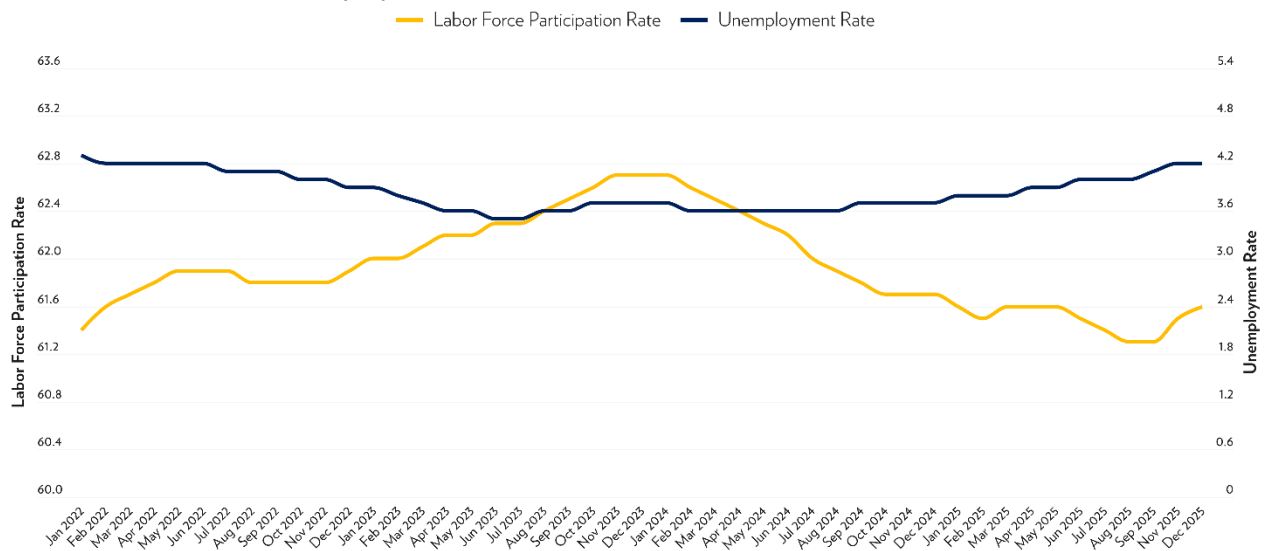
region at ninth, New Hampshire. Neighboring states, Ohio and West Virginia, rank above the commonwealth, respectively third and tenth. Overall, Florida takes the top spot nationally for the highest share of participating students. Pennsylvania is falling behind neighboring states and the rest of the country.

## ECONOMIC OUTLOOK

- Pennsylvania’s unemployment rate in December hit **4.2 percent**, showing no change since November. Current trends show the unemployment rate will likely keep climbing.<sup>9</sup>
- The labor force participation rate enjoyed a slight recovery to **61.6 percent** in December after the August through September dip to 61.3 percent. Yet, this falls short of the highest rate since the start of Shapiro’s term: 62.7 percent during the 2023–24 winter months.<sup>10</sup>
  - The labor force population dropped to a low of 6,570,445 in December 2025 from the peak of 6,617,742 in January 2024.<sup>11</sup>

# Pennsylvania’s Economy

PA’s Labor Force and Unemployment Rate for 2022–2025



Source: U.S. Bureau of Labor Statistics, “Local Area Unemployment Statistics”

- As of January 2026, 47 states have fully recovered all their pandemic-era job losses—led by Idaho and Utah, which have more than a 13.5 percent job growth since February 2020. Pennsylvania finally returned to pre-COVID-19 employment levels in June 2023. Yet, the commonwealth’s anemic 2.8 percent job growth recovery ranks it **26th** over the last six years.<sup>12</sup>
- Pennsylvania’s job growth rate is 3.2 percent since Shapiro took office, ranking the state **18th** for job growth over the last three years. Meanwhile, South Carolina and Idaho lead with more than 5.5 percent job growth.<sup>13</sup>
- Pennsylvania is 33rd for the number of **small businesses** per capita and 40th nationwide in start-up rates for small businesses. New start-ups in Pennsylvania are about 1 in 14 compared to the national average of 1 in 10.<sup>14</sup>

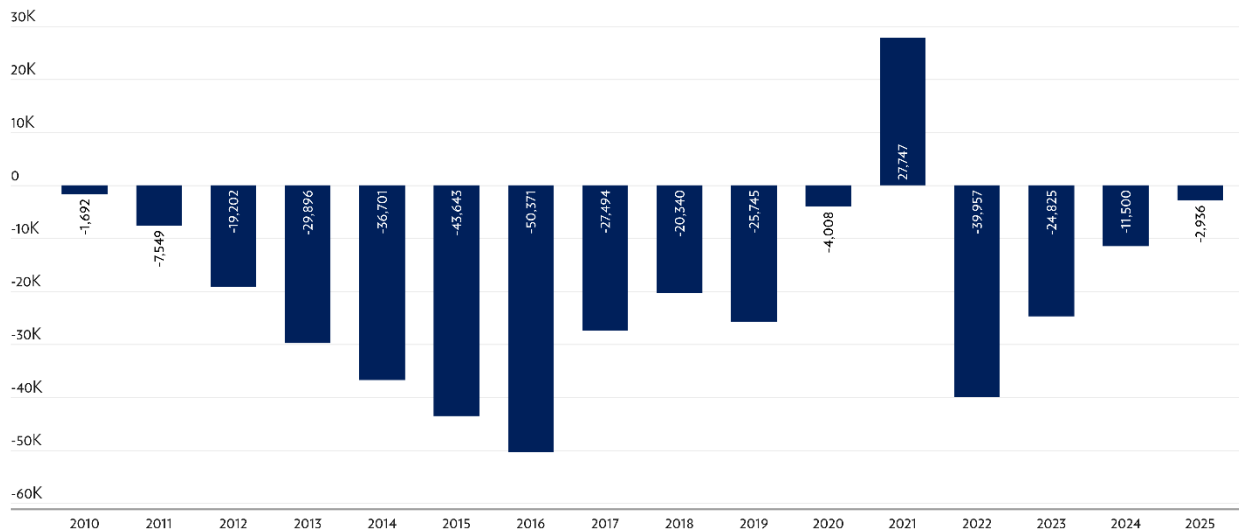
- However, Pennsylvania ranks among the top 10 for small business survival rate, with 69 percent surviving three years after starting up compared to the national average of 64 percent.<sup>15</sup>

## POPULATION & MIGRATION OUTLOOK

- The U.S. Census Bureau’s [Population Estimate](#) data finds that in 2025, Pennsylvania lost a net 2,936 residents. Since 2020, Pennsylvania has lost a net 54,290 to other states.<sup>16</sup>

# Pennsylvania Domestic Migration Gain/Loss

In 15 of the previous 16 years, Pennsylvania lost residents to state-to-state migration.



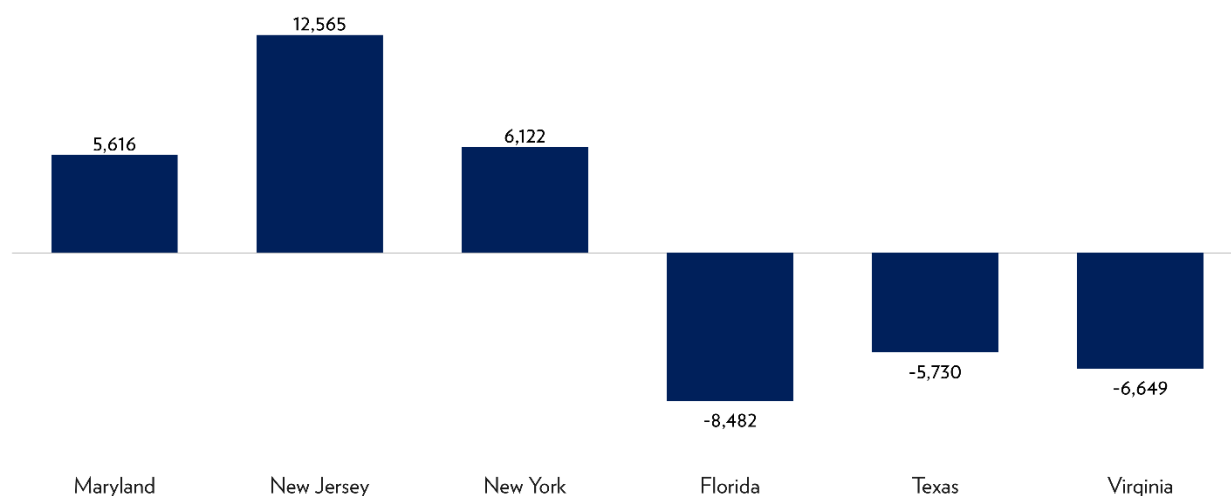
Sources: United States Census Bureau, "Annual Population Estimates, Estimated Components of Resident Population Change, and Rates of the Components of Resident Population Change for the United States, States, the District of Columbia, and Puerto Rico: April 1, 2010 to July 1, 2020"; "Annual and Cumulative Estimates of the Components of Resident Population Change for the United States, Regions, States, District of Columbia, and Puerto Rico: April 1, 2020 to July 1, 2025."

- A report from the [Brennan Center for Justice](#) projects Pennsylvania, given the continuous population loss, is to lose one congressional seat with the 2030 census.<sup>17</sup>
- Pennsylvania gained the most residents from New Jersey (12,565), New York (6,122), and Maryland (5,616).
- Pennsylvania lost the most residents to Florida (-8,482), Virginia (-6,649), and Texas (-5,730).
- [U-Haul Growth Index](#) for 2025 puts Pennsylvania 44th for net gain of one-way customers with a net migration loss of 0.6 percent. Texas reclaims U-Haul’s [top spot](#) as an in-migration state with Florida in a close second showing respective net gains of 1.4 percent and 1.2 percent.<sup>18</sup>
- United Van Lines National Movers Study measures numbers of shipments between states, and the shipments are individuals migrating from one state to another. The 2025 release places Pennsylvania [34th for inbound](#) shipments/movers with a net negative of 1.08 percent.<sup>19</sup>
- According to Vote with Your Feet analysis of IRS data, from 2012 to 2022 Pennsylvania [lost a net 181,662 residents](#) to other states, and they took \$16.5 billion worth of personal income with them. Pennsylvania is sixth for most people lost to other states and seventh for most personal income lost from out-migration.<sup>20</sup>

- Pennsylvania’s Independent Fiscal Office (IFO) revealed similar persisting trends in state population change totals. After the net gain of 73,000 between 2020 and 2025, [IFO projects](#) a net loss of 66,000 from 2025 to 2030, followed by another loss of 132,000 from 2030 to 2035.<sup>21</sup>

## 2024 State-to-State Domestic Migration

The net change between Pennsylvania and other states in the region



Source: U.S. Census Bureau "State to State Migration Flows: 2024"

## SOLUTIONS

Pennsylvania lawmakers should strive to make the commonwealth a leading state for tax competitiveness, economic freedom, and regulatory burden. Several policy reforms would result in faster economic growth, increasing employment opportunities and family incomes, and make Pennsylvania a destination state again.

- **Easing Tax Burdens:** Lawmakers should continue the [current gradual reduction](#) to the Corporate Net Income Tax (CNIT) rate, moving Pennsylvania from the second highest rate to among the most competitive. In addition, reducing the Personal Income Tax rate would fuel Pennsylvania’s economic outlook for both families and small business owners.
- **Controlling Government Spending:** Lawmakers should pass the Taxpayer Protection Act to limit the government spending growth and enact policies to protect against unbalanced budgets and reduce the structural deficit. These changes would ease tax burdens on working families and unleash economic growth.
- **Regulatory Relief:** Lawmakers should expand expedited permitting, require legislative approval of costly regulations through a state REINS act, and cut red tape for start-up small businesses.
- **Worker Freedom:** Lawmakers should protect workers rights to join, or not join, a union, and eliminate special privileges and powers of government unions (including the taxpayer-funded collection of political money).

- **Educational Choice:** Lawmakers should continue to expand educational choice, empowering parents to find the best school for their kids, to improve educational outcomes and make Pennsylvania more attractive to families.

<sup>1</sup> Pennsylvania Office of the Governor, “New Data: Pennsylvania Ranks Among Top States for New Business Survival Under Governor Shapiro’s Leadership,” press release, January 05, 2026, <https://www.pa.gov/governor/newsroom/2025-press-releases/new-data-pa-ranks-among-top-states-new-business-survival>; Pennsylvania Office of the Governor, “News: Under Governor Shapiro’s Leadership, New Report Finds Pennsylvania is the Only State in the Northeast with a Growing Economy,” press release, October 10, 2025, <https://www.pa.gov/governor/newsroom/2025-press-releases/under-gov-shapiro-s-leadership-report-finds-pa-is-growing-econo>.

<sup>2</sup> U.S. Bureau of Labor Statistics, “Databases, Tables & Calculators by Subject,” U.S. Department of Labor, accessed January 13, 2026,

[https://data.bls.gov/timeseries/LASST42000000000003?amp%253bdata\\_tool=XGtable&output\\_view=data&include\\_graphs=true](https://data.bls.gov/timeseries/LASST42000000000003?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true).

<sup>3</sup> Center for Rural Pennsylvania, “New 2024 Census Bureau Data: International Migration Drives Pennsylvania Population Growth,” January 2025, [New 2024 Census Bureau Data: International Migration Drives Pennsylvania Population Growth](https://www.rural.pa.gov/download.cfm?file=Resources%2FPDFs%2F2024+Pennsylvania+Population+Growth+Fact+Sheet.pdf).

<sup>4</sup> Pennsylvania Office of the Governor, “New Report: Under Governor Shapiro’s Leadership, Pennsylvania Remains the Only State in the Northeast Growing Economy,” press release, October 22, 2025, <https://www.pa.gov/governor/newsroom/2025-press-releases/new-report-under-gov-shapiro-pa-remains-only-state-northeast-gr>.

<sup>5</sup> Dorthy Neufeld, “Mapped: Recession Risk by State in 2025,” Visual Capitalist, December 15, 2025, <https://www.visualcapitalist.com/recession-risk-by-state-in-2025/>.

<sup>6</sup> Arthur B. Laffer, Stephen Moore, and Jonathan Williams, *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index*, 18th Edition, (Arlington, VA: American Legislative Exchange Council, April 15, 2025), 4–5, 43, [https://www.richstatespoorstates.org/app/uploads/2025/04/ALEC\\_RSPS\\_18th\\_2025\\_Web.pdf](https://www.richstatespoorstates.org/app/uploads/2025/04/ALEC_RSPS_18th_2025_Web.pdf).

<sup>7</sup> Janelle Fritts et al., *2026 State Tax Competitiveness Index* (Washington DC: Tax Foundation, October 30, 2025), 4, 84, [https://taxfoundation.org/wp-content/uploads/2025/10/26\\_STCI\\_Book\\_10-31.pdf](https://taxfoundation.org/wp-content/uploads/2025/10/26_STCI_Book_10-31.pdf).

<sup>8</sup> Alan Jernigan et al., “State That Work: A Labor Policy Roadmap Across America” (Arlington, VA: American Legislative Exchange Council, June 10, 2025), 21, <https://alec.org/publication/states-that-work-a-labor-policy-roadmap-across-america/>.

<sup>9</sup> U.S. Bureau of Labor Statistics, “Economy at a Glance: Pennsylvania,” U.S. Department of Labor, accessed January 16, 2026, <https://www.bls.gov/eag/eag.pa.htm>.

<sup>10</sup> U.S. Bureau of Labor Statistics, “Databases, Tables & Calculators by Subject.”

<sup>11</sup> Center for Rural Pennsylvania, “New 2024 Census Bureau Data: International Migration Drives Pennsylvania Population Growth,” January 2025,

<https://www.rural.pa.gov/download.cfm?file=Resources%2FPDFs%2F2024+Pennsylvania+Population+Growth+Fact+Sheet.pdf>.

<sup>12</sup> U.S. Bureau of Labor Statistics, “Local Area Unemployment Statistics,” U.S. Department of Labor, accessed January 27, 2026, <https://www.bls.gov/lau/data.htm>.

<sup>13</sup> U.S. Bureau of Labor Statistics, “Local Area Unemployment Statistics.”

<sup>14</sup> Center for American Entrepreneurship, “The State of Small Businesses in Pennsylvania,” April 8, 2025, <https://startupsusa.org/wp-content/uploads/2025/04/The-State-of-Small-Businesses-in-Pennsylvania.pdf>.

<sup>15</sup> Center for American Entrepreneurship, “The State of Small Businesses in Pennsylvania.”

<sup>16</sup> U.S. Census Bureau, “State Population Totals and Components of Change: 2020–2025,” January 13, 2026 [page revise date], <https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html>.

<sup>17</sup> Michael Li, “Big Changes Ahead for Voting Maps After Next Census,” Brennan Center for Justice, December 20, 2024, <https://www.brennancenter.org/our-work/analysis-opinion/big-changes-ahead-voting-maps-after-next-census>.

<sup>18</sup> U-Haul, “U-Haul Growth Index: Migration Trends,” accessed January 20, 2026, <https://www.uhaul.com/About/Migration/>; U-Haul, “U-Haul Growth Index: Texas Back on Top as No. 1 Growth State of 2025,” January 5, 2026, <https://www.uhaul.com/Articles/About/U-Haul-Growth-Index-Texas-Back-ON-Top-As-No-1-Growth-State-Of-2025-36556/>.

<sup>19</sup> Katie Vu, “United Van Lines 49th Annual Movers Study Reveals Family, Jobs, and Retirement Are Factors Reshaping Interstate Migration in the U.S.,” December 28, 2025, United Van Lines, <https://www.unitedvanlines.com/newsroom/2025-national-movers-study>.

<sup>20</sup> Vote With Your Feet, “How Many People Moved From State to State Between 2012 and 2022?,” Vote With Your Feet, accessed January 13, 2026, <https://votewithyourfeet.net/map/?map=migration&y=2013>; Vote With Your Feet, “How Much Personal Income Moved From State to State Between 2012 and 2022?,” accessed January 13, 2026, <https://votewithyourfeet.net/map/?map=agi&y=2013>.

<sup>21</sup> Karen Maynard and Frank Lill, “Pennsylvania Demographic Outlook,” Independent Fiscal Office, October 8, 2025, [https://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Pennsylvania\\_Demographic\\_Outlook\\_2025\\_10.pdf](https://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Pennsylvania_Demographic_Outlook_2025_10.pdf).