



PHILADELPHIA'S FISCAL FUTURE

Lexey Swall/The Pew Charitable Trusts

4 Possible Scenarios for Philadelphia's Economy

In-person activity and business investment could be keys to job growth

Overview

Through its Philadelphia's Fiscal Future series, The Pew Charitable Trusts, in collaboration with the William Penn Foundation, is exploring the various possibilities that lie ahead for the city's finances and economy. This second report, prepared with the Philadelphia-based economic consulting firm Econsult Solutions Inc., looks at the future of the city's economy as a whole and in terms of its various economic sectors and demographic groups, including those that did not fully benefit from the relatively prosperous years before the COVID-19 pandemic.

The potential outcomes described here are rooted in the findings of the series' first report, which found that the city fared relatively well in the 2010s, has underperformed the national economy since COVID-19 arrived, and is now coping with the impacts of the rise in working from home, increases in online purchasing, and other trends that the pandemic has helped accelerate.

Econsult created four scenarios for Philadelphia's economic future through mid-2025. Because job growth continues to be a top priority for policymakers and Philadelphians struggling to recover from pandemic-related job losses, the research focused on the number and distribution of jobs as the key metric for scenarios. Two primary drivers affect that number. One is the degree to which workers, travelers, and consumers resume in-person activity, thereby increasing aggregate demand for goods and services within the city; the other is how effectively the city generates new business investment and economic growth.

The scenarios follow, listed in descending order in terms of total job creation. As a point of reference, the city had roughly 738,800 jobs in 2019, before COVID-19 hit, and was still off about 65,000 jobs from that figure heading into the fall of 2021.¹

- **Overall Growth.** Philadelphia sees job growth across communities and skill levels, based on a high level of in-person activity and new business creation. Job total: 774,900 in mid-2025, up about 36,100 from the pre-pandemic number.
- **Uneven Gains.** The city regains its pre-pandemic growth trajectory in some highly competitive parts of the economy, but reduced in-person activity creates downward pressure on sectors such as leisure and hospitality. Job total: 754,500, up about 15,700. This scenario is incorporated in the city government's five-year fiscal plan.
- **Competitive Loss.** Even though in-person activity largely returns, Philadelphia fails to regain its pre-pandemic share of the nation's jobs and economic activity. Job total: 727,600, down 11,200.
- **Stunted Recovery.** Limited growth in high-wage sectors and diminished levels of in-person activity create a substantial loss in employment compared with pre-pandemic levels. Job total: 704,800, down about 34,100.

These scenarios do not represent projections, and no probabilities are assigned to them; the numbers are intended to be informed estimates, not precise calculations, and do not encompass the full range of possibilities. They are meant to provide policymakers, business leaders, and concerned residents with plausible scenarios for the city's economy. And they also illustrate the importance of the public and private sector decisions being made now—including those about tax reform, public investments, business expansion or downsizing, the need for office space, and remote work policies—that will affect the lives and livelihoods of Philadelphians and commuters.

Employment scenarios and key unknowns

In assembling the four scenarios, Econsult determined, based on the economy's performance since March 2020, that the key unknowns fall into two categories.

One is **in-person activity**, the degree to which workers, travelers, and consumers resume pre-pandemic behaviors by patronizing local retail establishments, going to the office, dining out, and attending meetings and conventions. The other is **attractiveness and competitiveness**, which refers to the city's ability to support the expansion and importation of existing businesses and the formation of new ones through business and event attraction, population growth and retention, research and development grants, and real estate investment and development.

In both categories, numerous factors play a role in how the economy evolves—some of which relate to policy decisions made by city government and some of which don't.

From a policy perspective, the pandemic-related rules governing business operations and individuals' ability to patronize those businesses affect in-person activity; ultimately, the pandemic's trajectory is the prime driver of these rules. A broader range of factors influence attractiveness and competitiveness, including government decisions such as tax rates and the mix of taxes imposed upon businesses and individuals; regulatory policy; the availability of a skilled workforce; the supply of affordable and high-quality housing; the extent and conditions of public infrastructure; and other elements related to the overall quality of life.

Although the business community and others have been taking steps to encourage a return to in-person activity, this analysis suggests that the city's level of attractiveness and competitiveness—for businesses as well as current and prospective residents—will have a greater impact than in-person activity on the economy in the years to come. Decisions the city makes—for example, to invest in infrastructure and amenities such as public spaces or to restructure the tax system—can affect both variables. The direction of the national economy and decisions made in the private sector also figure into the mix.

There are several reasons for the primacy of attractiveness and competitiveness over in-person activity. One is that the sectors in Philadelphia’s economy most affected by competitive forces are bigger than those driven largely by in-person activity. And the sectors in the attractiveness/competitiveness group tend to be “export” industries, ones that rely to varying degrees on selling goods and services outside the city—which means they can gain (or lose) revenue from other locales.

These sectors include professional and business services, finance and information, and health care and social assistance, to the degree that health care involves research, innovation, and development. Sectors most affected by in-person activity, on the other hand, include retail trade and leisure and hospitality.

In developing the four scenarios, Econsult used as its starting point the projections that IHS Markit, an international firm that provides economic research and analysis for businesses and governments, made for the city’s finance department in February 2021. Those projections, which assume no major changes in city fiscal policy, form the basis of Philadelphia’s 2022-26 five-year fiscal plan, created as part of the annual budget process for approval by the Pennsylvania Intergovernmental Cooperation Authority, a state oversight board. Starting with these numbers anchors Econsult’s work in an approach already familiar to policymakers.

The Uneven Gains scenario, which assumes high attractiveness/competitiveness and low in-person activity, represents the five-year plan—including the projected total number of jobs in 2025—and embodies the type of growth the city experienced before the pandemic, with job increases varying substantially among sectors and demographic groups.

Econsult developed the three other scenarios by retaining the IHS Markit job projections for some sectors and estimating changes in the employment trajectory for others.

For the attractiveness/competitiveness sectors, Econsult’s changes were based on estimates of whether sectors such as professional and business services would grow nationally—as projected by the Congressional Budget Office and the federal Bureau of Labor Statistics—and the degree to which Philadelphia’s share of the jobs in those sectors might increase or decrease.

For the in-person activity sectors, Econsult adjusted the employment projections up or down to reflect different levels of overall economic activity relative to pre-pandemic benchmarks. In the bleakest scenario, for instance, it increased the percentage of job losses in leisure and hospitality from 2019 through 2025 by a third. In the rosiest, it held job levels constant in the in-person sectors or raised them slightly, based in part on initial recovery data from the U.S. Bureau of Economic Analysis.

A major downturn or accelerated upswing in the national economic recovery would add additional variability.

To learn more about this process, see the methodology.

The scenarios

Following is a more detailed look at the four potential tracks for the city’s economy.

Overall Growth (high in-person activity/high attractiveness and competitiveness) is the most optimistic of the four, with a rebound of in-person activity and improved regional attractiveness and investment, and is characterized by:

- High growth and investment in sectors sensitive to competition from outside the city, which help to improve aggregate demand for service sectors.
- A return to near-previous levels of in-person activity, improving the overall trajectory of service-oriented industries.

- Philadelphia outperforming the national economy and reaching 774,900 jobs in 2025, about 5% higher than the pre-pandemic figure of 738,800.

Uneven Gains (low in-person activity/high attractiveness and competitiveness) is based largely on the projections included in the city’s five-year plan and is characterized by:

- Material growth in highly competitive sectors such as professional and business services, health care, and finance.
- A continued low level of in-person service activities such as leisure and hospitality and retail, which have traditionally offered entry-level positions to many people of color and individuals without college degrees.
- The city essentially matching the national economy, as it did in the decade before COVID-19, and recording 754,500 jobs in 2025, about 2% higher than the pre-pandemic level.

Competitive Loss (high in-person activity/low attractiveness and competitiveness) has a rebound of in-person activity but comparatively low levels of new business investment and is characterized by:

- Limited growth in high-wage sectors despite national growth.
- Demand constraints resulting from a lack of business investment that limit employment growth in sectors such as leisure and hospitality and retail.
- Philadelphia failing to recover to pre-pandemic job levels, reaching total employment of 727,700 in 2025, down about 1.5%.

Stunted Recovery (low in-person activity/low attractiveness and competitiveness) is the least optimistic. This scenario, in which Philadelphia realizes neither a rebound of in-person activity nor any growth in business investment and regional attraction, is characterized by:

- Limited growth in highly competitive sectors despite a national recovery.
- Continued diminished levels of in-person activity, leaving service-oriented sectors near current employment levels.
- Lack of investment, attraction, and in-person activity, which causes the city to lose jobs compared with pre-pandemic levels, with total employment of 704,800 in 2025, a decrease of roughly 5% from early 2020.

Jobs in the attractiveness/competitiveness group represent a larger share of the private sector economy than do those in the in-person activity group. Thus, in the scenarios, change in Philadelphia’s attractiveness/competitiveness has a greater impact on the job total, although the two categories affect each other to some degree. For instance, rising in-person activity increases demand for some professional and business services, and growth in the attractiveness/competitiveness sectors creates customers for stores and restaurants.

There is a third group of sectors for which the forces related to in-person activity and attractiveness/competitiveness are less influential. For these sectors, Econsult retained the IHS Markit projections across all four scenarios. Some of the sectors—such as manufacturing, wholesale trade, and construction—are relatively small; others, such as government and educational services, are largely in the public sector. The idea in holding these job totals constant was to focus the modeling on sectors where the impacts would be most concentrated, although no sector is truly divorced from the performance of the city’s economy at large.

How sectors would be affected

Figure 1 shows the job projections for each sector under each scenario. In the table, individual sectors are shown as being part of the attractiveness/competitiveness group, the in-person activity group, or the less affected group described above.

Figure 1

Job Totals in 2025 Under the 4 Scenarios by Sector

Changes relative to 2019; jobs in thousands

	2025 Scenarios					
	2019	2021	Stunted Recovery	Competitive Loss	Uneven Gains	Overall Growth
Total	738.8	673.9	-34.1	-11.2	15.7	36.1
Attractiveness/competitiveness sectors						
Health care and social assistance	170.7	163.3	-4.6	-4.6	3.8	3.8
Professional and business services	103.5	98.8	-3.7	-3.7	21.3	21.3
Finance and information	57.8	56.9	-0.8	-0.8	2.8	2.8
Transportation and warehousing	29.3	25.8	-1.9	-1.9	2.9	2.9
In-person activity sectors						
Leisure and hospitality	77.3	48.5	-15.4	-4.6	-11.5	0.0
Retail trade	48.6	44.1	-9.6	0.0	-7.2	1.1
Other services	28.6	24.6	0.0	2.5	2.2	2.8
Less affected sectors						
Government	104.1	104.4	1.9	1.9	1.9	1.9
Educational service	71.5	65.4	2.0	2.0	2.0	2.0
Manufacturing	19.6	17	-2.0	-2.0	-2.0	-2.0
Wholesale trade	15.1	13.8	1.7	1.7	1.7	1.7
Construction	12.7	11.4	-1.7	-1.7	-1.7	-1.7
Attractiveness/competitiveness						
			Low	Low	High	High
In-person activity						
			Low	High	Low	High

Note: As the bottom two lines in the graphic indicate, what differentiates the four scenarios is the city's performance on two metrics. Attractiveness/competitiveness is the ability to retain and attract businesses and residents. In-person activity is the degree to which individuals patronize local stores, go to the office, dine out, and attend meetings and conventions.

Source: Econsult Solutions calculations

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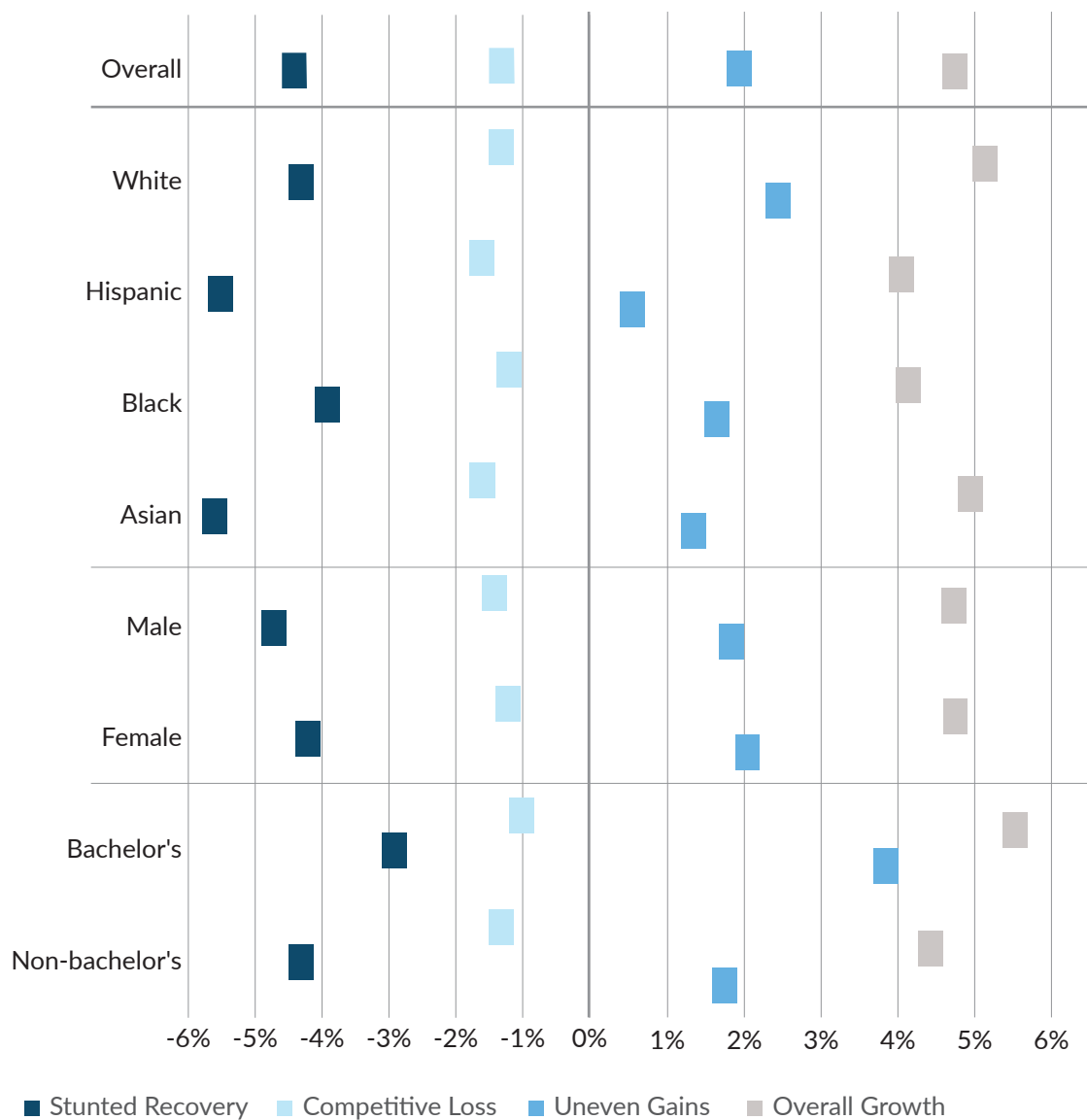
Equity implications

The Econsult analysis looked at how each scenario would affect job growth for White, Hispanic, Black, and Asian workers. Based on the share of jobs that the various groups held in each sector before the pandemic, the scenarios affect these demographic groups differently.

As shown in Figure 2, all groups do well in Overall Growth, in which the collective number of jobs rises 4.9% from 2019 levels; White people and people with bachelor's degrees do the best. All groups do poorly under Stunted Recovery, in which the job total falls 4.6%, with Hispanics and Asians faring the worst.

Figure 2

Percentage Change in Jobs by Demographic Group by Scenario, Q2 2019 to Q2 2025



Source: Econsult Solutions calculations

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Beyond that, the groups fare quite differently under the various scenarios.

In Stunted Recovery, for instance, Black workers lose a smaller percentage of jobs than do members of the other racial and ethnic groups. That's because they are heavily represented in health care and social assistance and government, the size of which does not change much in any scenario, and not overrepresented in the retail and leisure and hospitality sectors, which perform poorly in the low in-person outcomes.

On the other hand, Hispanic workers are overrepresented in retail and leisure and hospitality, exposing them to the downsides of the two low in-person scenarios (Stunted Recovery and Uneven Gains). They are also substantially underrepresented in professional and business services, and finance and information, reducing their upside potential in the high competitiveness scenarios (Overall Growth and Uneven Gains).

The approach used to generate these numbers assumed that in all scenarios, each sector's demographic composition would return to its previous characteristics. But as noted in the first Fiscal Future report, job losses during the pandemic have fallen disproportionately on women, Black workers, and workers without bachelor's degrees.² If those trends are not reversed by 2025, outcomes for Philadelphia's recovery would be less equitable than those shown.

Conclusion

The numbers in this report represent possible outcomes of Philadelphia's economic recovery; they are not meant to be precise and should not be read that way. The pandemic has created significant changes in employment and economic behavior that have the potential to shift businesses' and households' decision-making, even as the pandemic fades. And the difficulty in determining the magnitude of these changes increases the uncertainty surrounding what Philadelphia's post-pandemic economy will look like.

This report aims to lay the groundwork for positive action. The city government's decisions help set the course for which of these four scenarios will best depict where Philadelphia lands three or four years from now: the degree to which its economy will be strong and growing, and its government financially stable and able to provide needed services. And this analysis suggests that although all types of businesses contribute to overall prosperity, efforts that bolster those in the competitiveness/attractiveness category may produce a greater return.

Government officials and civic leaders will decide how effective the existing tax mix and other city policies are in generating revenue as well as encouraging business creation and expansion—while also helping produce an economy that ensures an inclusive recovery with equitable growth. Balancing those goals, some of which are often seen as conflicting, will be a daunting challenge.

Subsequent reports in this series will examine these issues and identify city government's options for addressing them.

About this brief

This brief was written by Larry Eichel, senior adviser to The Pew Charitable Trusts' Philadelphia research and policy initiative, based on research performed for Pew by a team at Econsult Solutions Inc., led by Ethan Conner-Ross. Seth Budick, a senior officer with the initiative, also contributed to the research. Pew senior officer Sandra Shea edited the brief, along with Erika Compart, senior manager, editorial.

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Endnotes

- 1 An earlier report—The Pew Charitable Trusts, “How the Pandemic Has Affected Philadelphia’s Economy and Jobs” (2022), <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/02/how-the-pandemic-has-affected-philadelphias-economy-and-jobs>—said the city’s job total reached 740,600 in 2019.
- 2 The Pew Charitable Trusts, “How the Pandemic Has Affected Philadelphia’s Economy and Jobs” (2022), <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/02/how-the-pandemic-has-affected-philadelphias-economy-and-jobs>.

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