

Issue Summary

Pittsburgh Employment Situation

The Issue:

Perennial lackluster job gains continue to plague the Pittsburgh region and little progress in addressing fundamental causes is being made.

What We Know:

In recent years, private payroll (establishment) employment gains in the Pittsburgh metro area (Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland Counties) have been extraordinarily anemic. Meantime, the area's unemployment rate is holding at a reasonably low level of 4.7 percent primarily owing to the very slow pace of labor force growth. The seven county labor force count was 2000 lower in late 2006 than it was in late 1997, allowing the number of unemployed persons to fall despite weak job growth, measured either by the broad household count or the narrower payroll count.

For analytical purposes, establishment payroll employment is usually considered a preferable gauge of the employment picture in that one can track jobs by industry detail. Therefore, the remainder of this summary will focus on establishment payroll jobs.

Over the last nine years (Dec 1997 to Dec 2006), private sector employment in the Pittsburgh metro area rose from 981,500 to 1,027,500, an increase of 4.7 percent or 0.5 percent at an average yearly rate. Unfortunately, all of the growth occurred by 2000 when payrolls topped 1,031,000. During the six years since 2000, jobs fell to as low as 1,013,000 in 2003 and managed to rebound to 1,027,500 but remain below the 2000 level.

By way of comparison, U.S. private employment rose 9.8 percent from 1997 to 2006 and has climbed 3 percent since 2000. In both national and Pittsburgh area jobs, the manufacturing sector has been very weak, sustaining serious losses over the last six years. Pittsburgh's factory count dipped below 100,000 in late 2006 for the first time in decades. Between 2000 and 2006, the region suffered a 25 percent drop in manufacturing jobs. Nationwide the 2000 to 2006 decline was 18 percent with employment tumbling to just over 14 million.

Job strength in the Pittsburgh region has been concentrated in the education and health category and the leisure and hospitality sector. Together these two sectors have added 40,000 workers since 2000, accounting for virtually all net new jobs but still not enough to offset losses in manufacturing and retail trade as well as near stagnation in other sectors. The absence of meaningful gains in other sectors has held the region to no net overall gain for six years. In a quite different picture, there has been substantial national strength in construction and finance in addition to the education and health and leisure and hospitality sectors that together have more than offset the slide in manufacturing

employment. Moreover, many parts of the country, especially in the mountain west and south, have recorded rapid jobs growth that has produced most of the national increase despite weakness in the rust belt and the northeast.

Economically, the Pittsburgh region has the misfortune of being located in a state that is a relatively poor performer and whose business and labor climate, especially its public sector unions is not as friendly as it ought to be toward private enterprise. Pittsburgh does have several strong economic attributes with top quality medical top facilities and enviable institutions of higher education. Unfortunately, while they help sustain the region's economy these sources of strength are not sufficient to spur the private sector dynamism necessary to produce healthy, long term job gains—the key to real economic well being and vitality.

Recommendations:

Sadly, there is little the Pittsburgh region can do by itself directly to fix the state's business and labor climate. However, political, civic and business leaders need to demand actions in Harrisburg that will begin the process of loosening the stranglehold unions, particularly public sector unions, have over government spending taxes and regulations of the workplace. Then too, there needs to be strong support for lowering taxes, especially onerous property taxes and business taxes that are detrimental to state and regional growth. And there is much local leaders can do to rein in costly government and onerous taxes. There needs to be leadership that will stand up to unreasonable union demands and work for the benefit of citizens and taxpayers.

Allegheny Institute References:

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