

### **A Jobs Tale of Two Pennsylvania Cities**

To say that the employment picture between 2001 and 2015 has been interesting and volatile would be a woeful understatement. Nonetheless it is true whether one is referring to jobs growth in the state, nation, or the Philadelphia and Pittsburgh metropolitan statistical areas.

U.S. private sector jobs climbed eight percent (just under 9 million) between 2001 and 2015, a rate of well below one percent per year. Gains were mediocre through 2007 and after the recession of 2008-2010 it took almost seven years for jobs to climb back to the 2007 figure. There was some acceleration in employment expansion in 2014 and 2015. Meanwhile, in Pennsylvania, private employment managed a pickup of only 3.6 percent (179,000 jobs for a paltry annual average gain of 12,800) over the 2001 to 2015 period. The growth was evenly split at 1.8 percent each in the periods 2001 to 2008 and 2008 to 2015. And, as was the case nationally, it took almost seven years for the state to see jobs return to their 2007 high point. There was a modest rebound from the recession but growth has averaged only one percent per year since the recession.

These figures will serve as a backdrop for the examination of the employment story in Pittsburgh and Philadelphia. For the purpose of this *Brief*, we focus on the five county area (Bucks, Chester, Delaware, Montgomery and Philadelphia) comprising the Pennsylvania part of the Philadelphia MSA, which also includes counties from neighboring states. For the Philadelphia MSA, private employment grew a mere 3.4 percent over the 2001 to 2015 period. There was very little growth (1.1 percent) from 2001 to 2008 and a slight pick up to 2.2 percent for 2008 to 2015. After a post-recession bounce, jobs rose at a moderate 1.4 percent rate in the 2012 to 2015 period.

In the Pittsburgh MSA the private jobs figures have been dismal for much of the 2001 to 2015 period. From 2001 to 2008, employment was down slightly (4,000) despite small gains in 2006 and 2007. Between 2008 and 2015, private sector jobs rose by 2.2 percent thanks to a sharp rebound in 2011 and 2012 from the recession's low point of 2009, due in large part to the boom in Marcellus Shale gas drilling and the impacts on firms supplying the activity. However, since 2012 the expansion of private sector employment has slowed to a crawl with only 8,400 jobs added from 2012 through 2015—a growth rate of less than 0.3 percent per year.

A comparison of the performance of key industry sectors in Philadelphia and Pittsburgh since the end of the recession follows.

As mentioned above, when the recession that started in 2008 finally loosened its grip on the national economy, the Pittsburgh MSA experienced a quick rebound in the immediate years following, but since that quick burst, job growth has slowed dramatically. This slowing growth is best exemplified through the data on private jobs. The table below illustrates.

<b>Total Private Jobs</b>	<b>2010-2015</b>	<b>2012-2015</b>	<b>2014-2015</b>
<i>Philadelphia</i>	6.3%	4.1%	1.5%
<i>Pittsburgh</i>	4.8%	0.8%	0.3%

The table shows employment growth over the period 2010 (the year the recovery began) through 2015 at 4.8 percent for the Pittsburgh MSA. However, for the Philadelphia MSA, we see a different picture as private jobs grew at a slightly faster pace (6.3%). But unlike the Pittsburgh MSA, the Philadelphia MSA was better able to sustain that growth. From 2012 to 2015, private jobs grew at a rate of 4.1 percent—five times faster than the Pittsburgh MSA (0.8%). For the 2014-2015 time frame, the annual average number of jobs increased by nearly one and a half percent in the Philadelphia area versus just a third of a percent in the Pittsburgh area.

Pittsburgh area leaders are quick to point out that the region is strong in education and health care jobs. But how did growth in this sector stack up to that of the Philadelphia area? The following table shows the results.

<b>Education and Health Services</b>	<b>2010-2015</b>	<b>2012-2015</b>	<b>2014-2015</b>
<i>Philadelphia</i>	6.6%	3.9%	1.8%
<i>Pittsburgh</i>	1.6%	-0.5%	-0.4%

For the period of 2010 to 2015 the Pittsburgh MSA experienced 1.6 percent job growth in this sector. However, the Philadelphia MSA grew by more than four times as much (6.6%). This pattern continued over the two sub periods as the Pittsburgh MSA experienced employment declines in this sector while the Philadelphia MSA had growth rates of 3.9 percent (2012-2015) and 1.8 percent (2014-2015). For the Pittsburgh MSA, weakness in this sector stems from the educational services subsector which experienced significant declines in each period while health care jobs were basically flat.

As we have documented in earlier *Policy Briefs*, one of Pittsburgh's top performing sectors in terms of job gains has been leisure and hospitality. While we have for some time argued—and continue to believe—that this is not a sector on which to base a strong economy due to typically low paying wages, it has been a primary source of employment strength for the area. The following table shows the growth in this sector.

<b>Leisure and Hospitality</b>	<b>2010-2015</b>	<b>2012-2015</b>	<b>2014-2015</b>
<i>Philadelphia</i>	13.5%	6.1%	1.7%
<i>Pittsburgh</i>	8.0%	4.2%	1.8%

From 2010-2015 leisure and hospitality employment grew by nearly eight percent in the Pittsburgh MSA. While this seems impressive, in the Philadelphia MSA, jobs in this sector expanded by 13.5 percent. During the sub periods (2012-2015 and 2014-2015), the two regions posted similar rates of increase. Obviously, the Philadelphia region enjoyed much faster gains than Pittsburgh in the years 2010 to 2012. It makes sense that the Philadelphia area would have a strong leisure and hospitality sector because of the numerous famous historical attractions there. However, we continue to be puzzled by the strong growth in Pittsburgh's leisure and hospitality sector because the data do not provide information regarding the types of businesses creating the expansion in payrolls.

The one industry area where the Pittsburgh MSA has had the upper hand on its cross-state rival is in the professional and business services sector, specifically the professional, scientific, and technical services subsector. The following table shows the growth in this subsector.

<b>Prof., Scien., &amp; Tech. Services</b>	<b>2010-2015</b>	<b>2012-2015</b>	<b>2014-2015</b>
<i>Philadelphia</i>	8.6%	4.7%	1.2%
<i>Pittsburgh</i>	19.3%	11.4%	3.9%

From 2010 to 2015 this subsector in the Pittsburgh MSA had a huge surge in jobs, advancing by more than nineteen percent compared to Philadelphia's very good 8.6 percent. In the 2012-2015 and 2014-2015 sub periods this growth remained strong in both regions, but far more robust in Pittsburgh than in Philadelphia.

Unfortunately, manufacturing has been in decline across the state for many years, including in the state's largest cities. The table below shows the loss of employment in this sector for the two regions.

<b>Manufacturing Jobs</b>	<b>2010-2015</b>	<b>2012-2015</b>	<b>2014-2015</b>
<i>Philadelphia</i>	-4.6%	-1.6%	-0.7%
<i>Pittsburgh</i>	0.2%	-2.5%	-1.2%

The table shows that the Philadelphia MSA had a significant loss of jobs in the 2010-2015 period, while there was a very small rise in the Pittsburgh area, most likely due to the relationship with the Marcellus Shale drilling activity. Of course, that growth must have occurred in the 2010 to 2012 period as jobs are down since 2012. Indeed, since 2012 manufacturing in the Pittsburgh area has shed jobs at a slightly higher rate than Philadelphia.

In sum, after a robust upturn following the 2008 to 2010 recession, the Pittsburgh MSA job count has slowed over the last three years despite strong gains in leisure and hospitality and professional and technical services. To put this in perspective we

compared the Pittsburgh MSA growth rates for private jobs, as well as some selected industry sectors, to the gains in the five Pennsylvania counties that are included in the Philadelphia MSA. Somewhat surprisingly, we find that overall Philadelphia employment has grown faster than Pittsburgh since 2001, albeit still at a paltry 3.4 percent rise over the fourteen year period while Pittsburgh managed only a 1.8 percent advance. Moreover, Philadelphia has maintained decent growth over the last three years while Pittsburgh has definitely cooled off dramatically.

Keep in mind that the Philadelphia MSA does not have a mining and logging sector, as does the Pittsburgh MSA, which has reaped the rewards of drilling in the Marcellus Shale formation and some attendant strong employment gains in the 2010 to 2012 period. But that sector's employment has fallen sharply and with it a lot of the area's previous strength.

Suffice it to say that neither metro area, nor the state as a whole, compares favorably to the national performance and appear even weaker when compared to the strong growth in many states. And unfortunately, they are not likely to show much improvement compared to states with strong performance as long as the Commonwealth labors under the heavy hand of regulations, the absence of a right to work, high corporate taxes and a generally unfriendly business climate.

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