

Leisure and Hospitality Job Gains: Why So Strong?

Over the last two years (May 2012 to May 2014) the Leisure and Hospitality (LH) sector in the Pittsburgh region posted a jump of 10,300 jobs to stand at 125,800 in May of this year. That represents a 9.4 percent increase. Those are remarkably strong numbers, especially in light of the fact that total private sector employment climbed by just 10,000 (one percent) over the same 24 month period. Bear in mind that the substantial private sector gains first reported in 2013 were eliminated by the benchmark revisions released this past March (see *Policy Brief Volume 14, Number 14*).

In any event, LH jobs growth exceeded the gain reported for the entire private sector. Meanwhile, Construction and Professional and Business Services also registered solid increases. On the other hand, there obviously must have been losses in other industry groups to offset those gains. Indeed, Manufacturing and Educational Services (which includes all higher ed), Retail Trade, Information, Transportation and Utilities and other services all lost jobs over the period offsetting the meager gains in the sectors that did grow along with LH's very strong performance.

Looking at growth since 2010 when the economy of the region began to recover from the 2008-2009 recession, we find the LH sector has been an outstanding jobs producer adding 14,800 jobs (to be sure many of these jobs tend to be low paying relative to the average private job and many are part-time). This represents a 13.3 percent four year gain and accounts for just under 30 percent of the 53,400 (5.4 percent) growth in total private employment over the period. Bear in mind that LH accounts for only 11 percent of all private jobs making its contribution to recent total employment gains extremely noteworthy and important.

And even more intriguing is the truly extraordinarily rapid expansion of the sub category of LH known as the Arts, Recreation and Entertainment (ARE) group. The sub category includes performing arts, spectator sports, musical groups, gambling, golf, skiing, amusement parks, movie theaters, fitness centers, museums, historical sites and bowling indicating the range and variety of activities captured under the ARE heading. In 2010, ARE employment accounted for two percent of private jobs, in 2014 the percentage has jumped to 2.6 percent of private jobs.

Over the period May 2010 to May 2014, ARE jobs rose an extraordinarily rapid 34.8 percent (7,300 jobs), seven times the pace of total private employment growth. Meanwhile, the major component of the LH sector, Accommodation and Food Services (AFS), climbed a much more modest 8.5 percent over the four years—respectable but far short of the numbers posted by the ARE group. Remember that LH employment is less than 20 percent as large as the AFS subcategory and yet added virtually the same number of jobs over the four years.

It is important to note that the LH sub sector weathered the recession in great shape holding its job total steady while AFS lost a couple of thousand jobs from 2008 to 2010, just below two percent. Private jobs suffered a 33,000 drop or 2.7 percent—a very modest loss compared to many cities and states. The point is LH was showing some unexpected strength during the downturn, possibly owing to the advent of casino gaming.

That LH job growth has been even stronger since 2010. However, it cannot all be casinos. There is little chance that casinos have added 7,300 new jobs in the Pittsburgh metro area. So, the question must be; where are the job gains coming from? For the Pittsburgh region there is no breakdown report of the jobs in each of the many components that makeup the LH group. Thus, we would be forced to speculate in order to answer the question of what is driving the extraordinary growth.

One avenue to explore would be to look at the national performance of LH employment and more specifically the ARE components. And that has been done. Over the four years May 2010 to May 2014, US private jobs rose 8.4 percent, which looks good compared to Pittsburgh's 5.34 percent rise. However, US jobs fell by nearly 8 percent during the downturn while the Pittsburgh metro area lost a much smaller 2.7 percent. Thus, the rebound nationally has achieved only a small net gain over the last seven years while Pittsburgh can boast a 2.5 percent higher level than in 2007 and has set a new all-time record total by a comfortable margin.

Nationally, LH employment since the recession has climbed 12.2 percent, very comparable to Pittsburgh's rise of 13.3 percent. In a major difference with the Pittsburgh experience, national AFS matched the growth in LH overall while the ARE job increase was a relatively modest 9.7 percent. Thus, national ARE growth is modest in comparison to national AFS and far below Pittsburgh's 34.8 percent jump in ARE employment. Therefore, we may safely conclude that whatever is driving ARE job gains in this region it is not something that is happening nationally. Indeed, the national numbers suggest the Pittsburgh ARE jobs should be growing slower than the AFS jobs.

One final point of inquiry to look at is the hourly earnings for LH workers nationally. These numbers are not available for Pittsburgh but the national figures should offer some insight into how the wages vary among the sub industries. The ARE employee average in June was \$19.34 per hour, spectator sports jobs paid \$30, theater companies \$27.61. Thus, we can conclude that many of the less glitzy sub sectors such as bowling and museums paid far less to bring the average down. But remember this is all workers ranging from players and team execs in pro sports to ushers and ticket office workers.

The AFS group pays considerably lower hourly wages at \$12.92 per hour with food services at \$12.38. Again, this average includes all the managers as well as the cooks and the servers. Consider too, that many employees in the food service business do not work full time. Therefore, the annual wages of restaurant workers do not compare favorably with the average of all ARE workers. And to make the comparison even less flattering, the average private sector employee earns \$24.45 per hour.

One would expect that the relative earnings would carry over into Pittsburgh. But since we have no idea which areas of ARE are growing rapidly we can only speculate as to what the impact the rapid job growth in the sector has had on the region's average wage rate. Since it would appear unlikely that the bulk of the large increases in ARE jobs are in the very high paying categories, we can reasonably assume that the extraordinary jump in these jobs, while having a positive impact on total regional income, is not lifting average take home pay.

Finally, we hope the extraordinary gains in ARE employment are real and will not be wiped out next year when revisions are published next March.

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