



## Cross Currents in the Pittsburgh Region's Job Situation

December employment data for the Pittsburgh region show a respectable 14,700 rise in private sector jobs from the December 2013 reading. At first glance, this 1.4 percent twelve month increase is fairly impressive. But as we shall demonstrate the overall job growth number does not provide the whole story. It's the categories of job gains and job weakness that raises concerns about the employment picture. Moreover, as we have seen in recent years, the re-benchmarked data coming in March could contain major revisions. *Policy Brief Volume 14, Number 14* detailed how virtually all of the gains originally reported in 2013 had been wiped away by the updated figures. Re-benchmarking changes have been large on many occasions so they will bear close watching.

After beginning 2014 with year-over-year losses for every month of the first quarter, Labor Department reports showed private job growth strengthening significantly in the second quarter, although year-over-year growth did not reach one percent. The second half of 2014 saw a further quickening in the pace of expansion, averaging 1.2 percent year-over-year growth. July and December posted the best gains at 1.4 percent. By way of comparison, national private employment in the second half of 2014 rose 2.4 percent compared to the second half of 2013.

However, as noted earlier, the pace of the region's job growth is not nearly the whole story. It is important to look at the sectors of the economy that posted gains and those that did not to get a better assessment.

Of the region's 14,700 private jobs increase from December 2013 to December 2014, 13,500 are service providing jobs with only 1,200 additional goods producing jobs. Manufacturing jobs were down very slightly while construction and mining posted small gains. In the service producing sector, three industry components account for virtually all the gains; retail trade, leisure and hospitality, and health care.

According to the latest report, retail trade jobs grew by 4,100 year-over-year in December. However, and somewhat baffling, the report shows that most of the large categories comprising retail trade are down: food and beverage stores (-500); clothing and clothing accessories stores (-500); and general merchandise stores (-300). The only one showing improvement was building material and supplies dealers (100). So where has the growth happened? How can it be that these four sectors, that make up over half

of retail employment, had a net decline of 1,200 jobs and yet the retail trade category grew by 4,100? This implies that some unidentified sector, or a combination of sectors, had to have grown by 5,300 jobs over the twelve month period. That would mean those sectors grew by 8 percent during this time. It would be very helpful to know where such rapid growth has occurred, if it has in fact increased that much.

Moreover, it is important to keep in mind that many retail jobs are part time with few benefits and that the wages are well below the all-industry average. Indeed, in light of the Affordable Care Act requirement that full time workers in firms over 50 employees must receive health insurance coverage or the company pays a penalty, it would be instructive to know how many existing employees in retail have had their hours reduced.

The leisure and hospitality sector posted a sizable year-over-year gain for December 2014, rising by 9,000 jobs—a growth rate of 8.2 percent. Employment counts are provided only for the accommodation and food services component and it recorded an increase of 4,800 jobs. Keep in mind that the Pittsburgh region had 118,800 employees working in the leisure and hospitality industry in December 2014. Of these, 95,500 (80 percent) worked in the accommodation and food services subcategory. Thus, the remaining 20 percent (23,300) worked in the arts, entertainment, and recreation subcategory. No data is reported for this component although simple arithmetic says it must have added 4,200 jobs over the twelve month period. That is an expansion rate of 18 percent. This number cries out for explanation but none has been forthcoming.

What's more, the 8.2 percent growth to the Pittsburgh region's leisure and hospitality industry dwarfs the good but modest 2.3 percent growth nationwide, which is in line with overall national job gains. Amazingly, while leisure and hospitality jobs represent only 11.2 percent of private employment in the region, the 9,000 increase in this component accounts for 61 percent of all private job gains over the last year. Indeed, even more stunning, the arts, entertainment and recreation sub component, which represents a mere 2.2 percent of private jobs, accounted for 28.5 percent of the private employment expansion over the twelve month period—more evidence that the reporting seems to have areas that require careful scrutiny.

One industry that had been strong, but took a step back in December, is the professional and business services sector. The December 2014 year-over-year loss was only one percent (-1,800 jobs), but as before it is the mix that is of concern. Even though the category of professional and technical services increased by 3,300 jobs, architectural and engineering services posted a decline of 200 while scientific research and development service showed a modest gain of 100. Again, because only data for these two subsectors are reported for professional and technical services, there is no way of knowing which other components are showing strength in hiring. Thus, important service sectors such as accounting, marketing, consulting, legal, design, etc., must be adding to payrolls but which ones and by how much is left unknown. Nonetheless, at the national level most of these subsectors posted good to outstanding gains with the exception of legal services where the jobs count fell.

The administrative and waste services component of professional and business services suffered the worst year-over-year loss of any sector in the region (-5,500) with 4,200 of that coming from administrative and support services sector. Of this, 200 were lost in the employment services subsector. What could have happened to precipitate such a large decline in the administrative and support services sector? Or is it a sampling error problem and not actually that big of a drop? Contrast the regional data to the national situation where administrative and support services registered above average growth. Significant gains nationally were seen in temporary help services, office administrative services, and call centers.

The education and health services sector had a respectable year-over-year growth in December 2014 of 3,200 with 1,000 coming from (private) educational services (colleges and universities (800)) and the remainder coming from health care and social assistance. Health care and social assistance is comprised of ambulatory health care (1,100), hospitals (-100), nursing and residential care facilities (700), and social assistance (500). Health care in its various forms continues to contribute to the region's employment gains although hospitals have been losing share for some time.

In sum, private employment in terms of overall job count had a good year in 2014 as measured from December to December after a very weak first quarter and so-so second quarter. But as demonstrated in the discussion above there are some serious reservations about the validity of the job growth. And given the hefty percentage of the total employment increase accounted for by relatively low paying jobs, it seems certain that absent major revisions in the coming benchmark data, the employment growth as reported for 2014 will not translate into the kind of income gains that would occur if the bulk of the job expansion had occurred in manufacturing, construction, mining or other high paying sectors.

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