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Pittsburgh Area Jobs Count Revised Downward—Again

For the second year in a row the Department of Labor and Industry has made downward benchmark revisions to the establishment payroll employment data for the Pittsburgh region, altering the jobs picture as portrayed in the numbers originally released the prior year.

In March of 2014, the revisions erased virtually all of the strong employment net gains initially reported for 2013. Recently, the Department released revised numbers for 2014. While 2014's originally released numbers showed employer payrolls to be growing at a less than robust pace, the revisions produced gains that were even more anemic than the initial reports depicted. For example before the revisions, the monthly average of nonfarm (including government) payrolls in 2014 increased by just over 6,100 compared to the 2013 average. After the revisions that number fell to just over 3,600 jobs, a growth rate of less than three tenths of a percent. A similar change happened with private employment as the rise in the monthly average was lowered from 7,760 to just fewer than 5,000 with the benchmark adjustments.

Going back even further, we can see that job growth in the Pittsburgh MSA has cooled considerably since the rebound following the end of the recession that began in late 2008. From the pre-recession peak in May 2008 to the low point in February 2010, seasonally adjusted nonfarm jobs fell by 42,500. As the economy rebounded from early 2010 to March 2012, nonfarm jobs recovered the losses incurred during the downturn and tacked on 12,000 beyond the May 2008 peak. However, since March 2012 growth has virtually stopped with the March 2015 job count at almost the same level it was in March 2012. In short, nonfarm employment recovered rather quickly after the recession, but has sputtered along since 2012.

A similar pattern emerges for private jobs. Employment dropped by 41,000 from February 2008 to February 2010. Growth then resumed and accelerated throughout the year and into 2011 finally returning private jobs to the level from the same month in 2008 with the September 2011 reading. Job gains continued at a strong pace through the summer hitting new record levels in 2012 and then slowed sharply throughout with virtually no growth for the year. The pace picked up again in the second quarter of 2014 but remained much weaker than the heady expansion months of 2011 and 2012—a pattern that has persisted into 2015 thus far. Bear in mind that, as noted above, the private job counts were lowered by an average of over 2,500 for each month of 2014, this on top of very large downward revisions in the 2013 numbers.

How did the individual sectors fare in the revisions? For the goods producing sector overall the average annual employment count was adjusted upward by about 2,400 jobs. There are three goods producing industries—construction, manufacturing, and mining and logging. The construction sector was virtually untouched by the adjustments, while, promisingly, manufacturing picked up nearly 1,800 of those jobs with mining and logging realizing the rest.

However, the private service providing sector did not fare as well as the average annual number of jobs was revised downward in the aggregate by nearly 5,000 employees. Most of the subsectors such as trade, transportation, and utilities, information, professional and business services, and education and health services were virtually unchanged. The financial services sector was revised downward by about 700 employees. The biggest change occurred with the leisure and hospitality sector which is explored in more detail below.

During the recessionary period from mid-2008 to early 2010 the drop in the average annual job total for the leisure and hospitality sector was very slight—fewer than 300 jobs. In the first two years of recovery jobs grew 3.7 percent (3,950) before slowing a bit from 2012 to 2014 (2.6 percent or 2,950 jobs). But what made this sector noteworthy are the enormous revisions to the 2014 employee count. Based on the original data, the monthly average for jobs for 2014 was listed at 119,933. But when the figures were released in the spring of 2015, that number was adjusted downward by 5,300 jobs to 114,633.

At the MSA level, only the accommodation and food services subsector is large enough to be estimated. Accommodation and foods services had its 2014 average monthly job count revised downward by about 1,270 jobs. However, the remaining subsector, identified by the BLS as arts, entertainment, and recreation but not tracked for the Pittsburgh MSA, had its jobs count lowered by the remaining 4,000 plus jobs. While this subsector accounts for only a tiny fraction of total employment, during 2014 it was responsible for a large share of private job growth. After revisions, those unexplainably large gains were a mirage. Something we have repeatedly suggested was likely to happen.

The revisions to the last two years' jobs number show just how volatile and unreliable labor data can be. As was just demonstrated, on first reading, the 2014 Pittsburgh MSA economy appeared to be sluggish compared to 2013. Then revisions pushed the economy from looking sluggish to being anemic when the one sector with strong employment gains during the year, leisure and hospitality, saw those gains wiped away.

All of this underscores a key point. The Pittsburgh economy has been languishing under the weight of heavy taxation and a restrictive regulatory and labor environment. Until the area and state adopt more business friendly, pro-free market growth policies, we can expect more of the same for years to come.

Jake Haulk, Ph.D., President **Frank Gamrat, Ph.D., Sr. Research Assoc.**

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079 * Fax (412) 440-0085
E-mail: aipp@alleghenyinstitute.org