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Pittsburgh Metro's December jobs report disappointing

Summary: The latest employment figures for the Pittsburgh Metropolitan Statistical Area (MSA) is once again disappointing. The area's total private job gains fail not only to match the national growth rate, but also the growth rates of comparable metros.

The employment figures for December 2018 recently released for the Pittsburgh MSA (Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland counties) were not encouraging. Private sector payroll employment (not seasonally adjusted) rose by just 8,100 (0.75 percent) between December 2017 and December 2018. This continues a trend of relatively weak growth that defined the local economy in 2018. Seasonally adjusted data are not available for payroll data at the metro level. However, the 12-month-ago comparison eliminated most if not all seasonal effects and is a good measure of year-to-year gains.

To provide perspective, this *Brief* will compare employment growth in Pittsburgh to jobs gains in the metro areas of Columbus, Ohio, Indianapolis, Ind., Nashville, Tenn. and the national performance. Data in all comparisons will be private employment changes from December 2017 to December 2018. Comparisons are presented for total private jobs, jobs in goods production and private service sector production as well as in the focused areas of manufacturing, education and health, and leisure and hospitality.

Nationwide total private jobs grew 2.02 percent from December 2017 to December 2018. Indianapolis' and Nashville's MSAs job counts topped that by rising 2.31 and 2.14 percent, respectively, while Columbus' MSA fell just short (1.72 percent). Meanwhile, the 0.75 percent pickup in the Pittsburgh MSA was well short of not only the national growth but also the gains in the sample of comparable metros.

In the goods-producing super sector (which includes mining and logging, construction and manufacturing) employment nationally posted a solid 3.13 percent gain. The highest jump among the metro areas belongs to Indianapolis (5.67 percent) with Pittsburgh coming in a distant second at 1.41 percent but not too far above Columbus (1.33 percent). Nashville had a decline to its number of employees in the goods-producing super sector (-0.88 percent). Much of Pittsburgh's pickup, 80 percent, was in the construction sector.

At the same time, manufacturing employment rose 2.11 percent from December 2017 to December 2018. While the Pittsburgh MSA had positive growth in manufacturing jobs (0.12 percent), it was not only well behind the national rate, it was much slower than Columbus (1.49 percent), and Indianapolis (1.41 percent) but ahead of Nashville, which was the only metro in this sample to see a decline in manufacturing jobs (-1.56 percent).

In the private service-providing super sector, employment nationally recorded a rise of 1.81 percent—a much slower pace than the goods-producing super sector. In the group of metros, only Nashville exceeded the national pickup (2.64 percent). Columbus' (1.77 percent) was just below that of the nation closely followed by Indianapolis' MSA (1.71 percent). The Pittsburgh MSA followed well behind all areas with a mere 0.64 percent jobs gain.

A key private service-providing subsector is the education and health subsector, often known as "eds and meds." The Pittsburgh MSA prides itself on being strong in this area with its many hospitals and universities. However, the employment gain in "eds and meds" from December 2017 to December 2018 was the lowest for all comparison areas at a paltry 0.47 percent. Nationally these jobs climbed 2.25 percent over the 12 months with the highest growth posted by Columbus (3.21 percent). While the Indianapolis and Nashville MSAs came in below the national gains (1.86 and 1.72 percent respectively), the gains were far stronger than in the Pittsburgh MSA.

Leisure and hospitality job growth is the last sector examined. This sector includes the accommodation and food services subsectors (the largest subgroup) as well as the arts and entertainment subsectors. The Pittsburgh MSA did quite well in the leisure and hospitality group posting growth of 2.33 percent from December 2017 to December 2018. This was much better than the national growth of 1.18 percent and handily besting Columbus (1.06 percent), Nashville (-0.79 percent) and Indianapolis (-3.83 percent).

However, as has been explained in previous *Policy Briefs*, this is the one sector that perhaps does the least to boost economic growth because of very weak multiplier effect and low wages. For example, statewide (timely wage data are not available by sector below the state level) the average weekly wage of all employees in the manufacturing sector was $881.50 in December 2018—a 2.17 percent increase over the weekly wages rate one year ago. By contrast, the statewide average weekly wage for employees in the leisure and hospitality sector was just $385.79—up just 1.45 percent from its year-earlier posting. Manufacturing wages are more than twice as high as leisure and hospitality wages in Pennsylvania and contribute more to the state and MSA's tax coffers, as well providing stronger multiplier effects.

Average weekly hours worked for each sector show workers in the manufacturing sector have much longer work weeks and far beyond those in the leisure and hospitality sector (41.6 hours vs. 25.1 hours). It's not hard to see why manufacturing jobs are more sought after than are those in leisure and hospitality—yet the latter sector is where the Pittsburgh MSA excels.

A primary reason that jobs growth continues to languish in the Pittsburgh MSA, and even statewide, are economic policies that make the business climate less friendly than other areas and consequently making it a less desirable place for startups and for existing businesses to grow.

The latest salvo aimed toward business is a plan announced by the governor to raise the minimum wage in Pennsylvania from the national minimum of $7.25 per hour to $12 per hour in 2019 with the ultimate goal of increasing it to $15 by 2025.

Apparently, no amount of evidence of the negative effects of large increases in mandated minimum wages will deter politicians who prefer to look concerned about incomes, as opposed to helping their states and regions grow businesses and employment with higher wages and produce strong demand for workers. Strong sales and good profits lead to higher wages in a competitive labor market. Avoiding this truism is not a good way to boost economic prosperity.

As long as Pennsylvania, and the region, continues to ignore the impact of policies on business friendliness—which seems to be the case—job growth will remain stunted and future disappointing jobs reports will be the norm.

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