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Population losses being felt in labor market

Summary: A recent *Policy Brief* (Vol. 19, No. 18) analyzed the long-running population decline in the Pittsburgh Metropolitan Statistical Area (MSA) and the challenges the economy faces as a result. Obviously, population changes affect the area's labor market, specifically the labor force available for employers. This *Brief* looks at the area's labor force and how it has changed over the past decade.

The Pittsburgh MSA consists of the seven counties of Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland. In the previous *Brief*, we noted that in 2010 the Census Bureau placed the Pittsburgh MSA's population at 2,356,285. Based on the most recent estimate from July 2018 the area's population had fallen by 31,542 to 2,324,743—a loss of 1.3 percent.

The U.S. Census Bureau's American Factfinder website provides estimates of the share of the population in the labor force for each county, specifically for those 16 years of age and over. The data is presented as five-year moving estimates starting with 2009 (2005-2009) with the most recent covering 2017 (2013-2017). The MSA participation rate was calculated using a weighted average of the county rates.

These estimates place the MSA's population aged 16 years and over in 2009 at 1,934,482, rising to 1,955,211 in 2015 and then falling to 1,950,671 in 2017. Over the eight years the net change in the population aged 16 years and older increased slightly by 0.84 percent.

The Census breaks down population counts into seven different age segments: 16-19, 20-24, 25-44, 45-54, 55-64, 65-74 and 75 years and over. Splitting the MSA's working-age population roughly in half between the younger (16-44) and the older segments (ages 45 and up) reveals that the younger group of the population fell by 27,487 while in the older portion in the MSA grew by 42,676.

The population aged 16 years and older represents the number of potential members of the labor force. Bear in mind the definition of labor force. The Census' glossary classifies someone in the labor force as a person who is not institutionalized that is either working, waiting to start work or actively seeking employment. Those not actively looking for work are not counted in the labor force (for example, retirees). The Census also provides estimates

of the labor force participation rate which represents the proportion of the population that is in the labor force.

Pittsburgh MSA's labor force in 2009 is estimated to have been 1,195,370. All figures are five-year moving estimates rather than yearly estimates. 57,870 members of the labor force (4.8 percent) were aged 16-19 years old and 105,675 were 20-24 years old (8.8 percent). Combined they accounted for 14 percent of the MSA's labor force. By 2017, when the total labor force reached 1,224,224, the combined 16 to 24 age group's share had fallen to 13 percent.

Meanwhile for the oldest age brackets, the share of the labor force increased. For those in the 55-64 age range, 181,376 were in the labor force in 2009 (15.2 percent of the total). By 2017 there were 237,788 people in the labor force in that bracket (19.4 percent)—the largest increase of any age cohort. But the second largest jump belonged to the 65-74-year-old age group with an increase from 41,491 in 2009 (3.5 percent share) to 60,916 in 2017 (4.9 percent share).

The age cohort with the biggest decline happened to the 45-54-year group. There were 309,492 in 2009's labor force count (25.9 percent of the total). By 2017, their numbers dwindled by over 42,000 to just 267,400 and accounted for only 21.8 percent of the area's labor force.

Of course, many factors determine why a person enters/stays in the labor force. Principal among those are financial conditions and opportunity. For those at the bottom age rung of the labor force (aged 16 to 19), their family situation may be financially stable enough that they don't need to enter the labor force as their families can support them. For the older age groups, it could be health-related, a need or willingness to stay active, finances or changes in the minimum age to claim full Social Security benefits.

Opportunities in the labor market are evidenced by growth or declines in employment statistics. Two measures are provided: the household survey from which labor force estimates are derived and the establishment survey which estimates the number of payroll jobs. As employment begins to increase, people currently not in the labor force are more likely to enter (or re-enter) as they see more and better opportunities for employment. Likewise, when employment falls and good job openings become scarce, some workers will become discouraged and stop actively looking for work.

The U.S. Bureau of Labor Statistics (BLS) publishes monthly employment data for the MSA. This data has been converted to five-year moving averages (2005-2009) through (2013-2017) to be comparable to the labor force estimates provided by the Census.

In 2009, the number of people employed in the Pittsburgh MSA was 1,146,698, which was the highest level for the period through 2017. The (2005-2009) period represents employment levels before the recession of 2009-2010 began. The lowest five-year employment, 1,127,661, occurred in 2013 (2009-2013), which includes the very weak years of the recession. By 2017 the employment estimate reached 1,143,631, still slightly below the 2009 reading.

In addition to the finding of very slow growth in the numbers of people working over the 2009-to-2017 period, it is also clear that the workforce is aging dramatically.

Looking at labor force and population counts for persons aged 16 to 54 and those 55 and over reveals substantial changes. In 2009 there were an estimated 1,239,706 people aged 16-54 in the seven-county Pittsburgh MSA. By 2017 that number had fallen by 82,146 to 1,157,560—a decline of 6.6 percent. Over the same period, the 55 and older age group grew from 695,776 in 2009 to 793,111 in 2017, a jump of 97,335 or 14 percent. The average age of the area’s working-age population has become significantly older.

And, of course, there are ramifications for the labor force. In 2009 there were 962,403 people in the labor force aged 16 to 54. By 2017 that number dropped by 48,469 to 913,934 (-5 percent). By contrast, for those aged 55 and up, the labor force count rose from 233,783 in 2009 to 311,643 in 2017—a jump of 77,859 or 33.3 percent. Indeed, the over 55 group accounted for all the net increase in labor force.

National data also shows the older portion of the population growing faster than the younger part from 2009 to 2017. The population aged 16 to 54 grew by 1.24 percent (2,048,302) while the population 55 and over climbed by 25.3 percent (17,877,686).

And that of course is also reflected in the labor force with the number of people aged 16 to 54 increasing by just one percent (1,302,273) from 2009 to 2017. Meanwhile, for those 55 and older their ranks in the labor force jumped by 32.3 percent (8,456,866). Nonetheless, national employment was up significantly faster during the 2009 to 2017 period, growing almost four times as fast as the MSA’s one percent.

But while the Pittsburgh MSA lost labor force participants in the younger segment, nationally there was a gain, even if it was marginal.

The fact that the population and labor force participation is skewing older does not bode well for the region. Job growth in the region over the last decade, whether measured by the household survey or the employer survey (see *Policy Brief, Vol. 19, No. 9*), has been anemic at best.

Jobs, and the prospects of finding a job, draw people to the area, thereby increasing not only the population but the pool of labor force participants. Thus, the region would do well to greatly improve its economic policies to make the region attractive to both businesses and job seekers.

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