

Pittsburgh metro area labor market situation in July 2019

Summary: After accelerating sharply from 2016's anemic growth in 2017 and 2018, private sector jobs in the Pittsburgh metro area have slowed during the last few months. Note that from January to July 2018 private employment rose an average of 14,870 per month compared to the same months in 2017. However, for the first seven months of 2019, jobs climbed an average of only 7,660 per month above the average level of the same months in 2018, marking a dramatic slowing in gains. Moreover, unless revised upward, the July 2019 private job count will be up only 1,100 over July 2018. By comparison, from July 2017 to July 2018, employment in the private sector had climbed by 13,400 jobs.

What led to this abrupt slowing? Two facts are important.

Job growth, as measured by the establishment survey of payroll jobs, has slowed somewhat nationally and more sharply in the commonwealth. In the metro area, retail employment continued its slide dipping by 3,500 jobs compared to 12 months earlier. In the health care sector, employment was lower for the second month in a row in July, dropping 2,500 below the year-earlier reading. Indeed, only a solid 12-month gain of 3,000 in leisure and hospitality and 2,200 in the management of companies sector kept total private-service employment from showing a net job loss over the period as it posted a tiny service employment gain of only 700. All data are from the U.S. Bureau of Labor Statistics and are not seasonally adjusted. Absent major changes in seasonal patterns over the period of one year, comparisons to the same month a year earlier are good measure of jobs changes.

Meanwhile, in the goods sector, 3,000 additional construction jobs compared to July 2018 and a 200 job increase in mining employment were able to offset the 2,800 job drop in manufacturing from the July 2018 level.

Manufacturing losses are worrisome because of the multiplier effect of income produced through its export component. Pittsburgh's July-to-July drop in factory employment was in line with the large loss of 11,000 jobs posted by the commonwealth. Indeed, several

northern states, except for New Jersey, saw 12-month declines in manufacturing jobs, although none as dramatic as Pennsylvania.

Meanwhile, Ohio, Michigan, Indiana and Illinois posted gains over the July-to-July period, with Ohio's 6,000 pickup leading this group. Kentucky and Tennessee enjoyed strong gains of 7,500 and 9,000, respectively. Texas led all states with an increase of 27,000 jobs. Nationally, factory employment was up by 139,000 from July 2018 to July 2019 but that represents a sharp decline in gains from 291,000 jobs added from July 2017 to July 2018.

Unfortunately, Pennsylvania and Pittsburgh factory jobs were hit harder than the nation as some states managed to continue growing, some impressively.

The loss of manufacturing jobs, a slowdown in the mining sector, weakness in health and education employment combined with the ongoing dramatic cuts in retail employment combined to slow Pittsburgh metro area payroll jobs growth to a crawl in July.

At the same time, however, the seasonally unadjusted unemployment rate dipped from 4.6 percent in July 2018 to 4.5 percent in July 2019. The number of people reported as employed by the household survey rose by 2,231 in July 2019 compared to 12 months earlier, a big drop from the 7,942 gain in the previous July-to-July 12-month period.

Meanwhile, the metro area labor force growth is very weak adding only 863 new members over the 12-month period. Indeed, the region's labor force is down by 30,000 people since its recent peak in 2012. In fact, the July 2019 labor force level in the Pittsburgh metro area stood at 1,223,056 in July 2019 which is 12,550 below the 2001 reading. Population losses and aging of the population are making it difficult to increase the work force and therefore hard for the region's employers to grow their payrolls or replace workers who leave from retirement or by changing jobs.

In this situation, some relief might be had by hiring workers who do not live in the metro area but that can be problematic if surrounding counties are facing the same population and labor force difficulties.

It bears repeating that the long-time anti-business climate in much of the region, especially as demonstrated by the City of Pittsburgh, does the metro area great harm. Those who berate the region's air quality based on a couple of monitors in a 10-county area and propose all kinds of labor market regulations for the private sector that increase costs, reduce management prerogatives and flexibility negatively impact the region's attractiveness for outside investment.

Even the gas industry which holds some promise for growth is under almost constant attack.

And sadly, public schools in many communities in the Pittsburgh metro area have academic achievement levels in reading and math that are completely inadequate for

securing and holding good-paying jobs and consign many graduates to low-skill, low-pay jobs.

Unfortunately, there appears to be no change in attitudes on the horizon. Teachers still go on strike; Port Authority bus costs per vehicle revenue hour rank among the very highest in the country and the lack of political resolve, locally and statewide, to do anything about the array of issues that deter growth continue to hold the region back.

Jake Haulk, Ph.D., President Emeritus

*Policy Briefs may be reprinted as long as proper attribution is given.
For more information about this and other topics, please visit our website:
www.alleghenyinstitute.org*

<p>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</p>
