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Pittsburgh region's October payroll jobs fall

Summary: The October 2019 jobs report for the Pittsburgh Metropolitan Statistical Area (MSA) showed the number of non-farm jobs had fallen by 3,000 from the count posted for October 2018—a decline of 0.3 percent. This year-over-year loss is the first since August 2016 when jobs dipped 1,900 from the 12 month-earlier reading. This *Policy Brief* compares the Pittsburgh area to other metro areas. All data are from the U.S. Bureau of Labor Statistics. In a word, the Pittsburgh region's employment looks very *weak* compared to other metro areas.

For the nation as a whole, non-farm jobs rose 1.4 percent from October 2018 to October 2019, i.e., year-over-year. This gain was much higher than in Pennsylvania, where statewide year-over-year growth was just one-half percent. Meanwhile, the Philadelphia metro area (Pennsylvania counties only) had a year-over-year increase that just exceeded the national rate (1.48 percent).

Other non-Pennsylvania metro areas include Charlotte, Cincinnati, Cleveland, San Antonio and Indianapolis. San Antonio led the group with an October year-over-year gain in non-farm jobs of 3.4 percent. This was followed by Charlotte (2.3 percent) and Cincinnati (2 percent). These metros also outpaced the national rate. Cleveland (0.9 percent) and Indianapolis (0.8 percent) trailed the national growth but easily outpaced the Pittsburgh area. Pittsburgh's 0.3 percent drop stands in stark contrast to these similarly sized metros.

Jobs are divided into two broad categories—goods-producing and service-producing. The former includes mining and logging, construction and manufacturing. The latter includes sectors such as professional and business services, retail, financial, transportation, education and health services and leisure and hospitality.

Goods-producing jobs typically have a higher multiplier effect on jobs in other industries and are prized for higher rates of pay.

Nationally, the October year-over-year growth rate of goods producing industries was just under one percent. This was better than Pennsylvania's rate (-0.5 percent) and far

ahead of the Pittsburgh MSA's decline of 2.4 percent. Two other metros in this small sample—Cleveland (-0.1 percent) and Charlotte (-0.8 percent)—had declines as well but not on the magnitude of the Pittsburgh MSA. San Antonio and Indianapolis had strong year-over-year growth in goods-producing jobs (4.4 percent and 4.1 percent, respectively) while Cincinnati had nearly 2 percent growth. The Philadelphia metro also had a very small gain of 0.2 percent.

For the service-sector industries, the national job count grew by 1.5 percent year-over-year in October while Pennsylvania's service-sector industries grew at a slower pace (0.7 percent). Among the MSAs in the comparison group the jobs gains range from a high of 3.3 percent (San Antonio) to a low of 0.1 percent (Pittsburgh). Charlotte, Cincinnati and Philadelphia outpaced the national rate while Cleveland and Indianapolis fell below.

Two industry classifications in which the Pittsburgh MSA has performed well in recent years are education and health services and leisure and hospitality.

The education and health industry sector, also known as "eds and meds", includes colleges, universities and private schools. It does not include public k-12 schools. The health care portion includes hospitals, physician offices and social assistance.

Nationally, jobs in "eds and meds" grew at a 2.6 percent rate from October 2018 to October 2019. Statewide, the sector grew by 0.5 percent, well below the national rate. Among the metro areas being examined in this *Brief*, the top performers were Cincinnati and Charlotte (3.7 percent). Indianapolis and Philadelphia both had year-over-year gains of less than one percent. Of the areas in the sample only the Pittsburgh MSA posted a decline (-1.0 percent) in the "eds and meds" sector.

The leisure and hospitality sector includes food services, accommodations and arts and recreation firms. Nationally, the sector had a strong job gain of 3.9 percent from October 2018 to October 2019.The metros of San Antonio (5.3 percent), Charlotte (4.9 percent) and Philadelphia (4 percent) exceeded the national growth rate, with Cincinnati (3.2 percent) not far behind. Despite Philadelphia's success, statewide jobs were down in Pennsylvania (-0.4 percent) and in the Pittsburgh MSA (-0.6 percent).

The Pittsburgh MSA's best-performing sector was professional and business services with a 1.3 percent gain. By comparison, Indianapolis posted an increase of only 0.9 percent, the same as Pennsylvania statewide. However, Pittsburgh trailed other metro area gains badly led by San Antonio's 7.8 percent, followed by Cleveland (5.6 percent), Charlotte (3.1 percent) and Philadelphia (2.4 percent). Nationally, the growth was 2 percent.

The Pittsburgh area's year-over-year October job growth was negative for the first time in years. Although October is the only month with a decline in jobs thus far in 2019, recent months' have shown sluggish growth. Indeed, Pittsburgh metro gains have fallen behind the national rate and, when compared to other metros, fall far short.

This outcome is not surprising. As we have noted for years, the constant interference with the market and generally unfriendly attitude toward the private sector and employers have tamped down growth prospects. Of late, proposals have come out of Harrisburg that would massively increase the statewide minimum wage and change the overtime rules to allow more salaried workers to claim extra pay.

Locally, City of Pittsburgh officials have also lobbied for higher mandated wages and have offered a host of regulations that would hinder private businesses. These ideas, when combined with the already unfriendly business climate, and if enacted, will make the state and region even less competitive. Even proposing them signals a bias against employers.

The effects of market-interfering regulations and anti-business attitudes are clearly manifested in this jobs report. Without substantial changes to the regulatory and tax environment, slow to no job growth will be the status quo for the foreseeable future.

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