



Estimates of employment impacts of coronavirus in the Pittsburgh MSA

Summary: The economic deterioration resulting from the coronavirus plague worsens daily in the U.S., in Europe and here in Pennsylvania and the Pittsburgh metro area (MSA). Based on data through the end of March, a rough estimate of the unemployment levels for the region can be calculated.

The calculation looks first at the household data for the number of people newly out of work as measured by unemployment claims. Since March 15, Pennsylvania has recorded 844,000 new unemployment claims. That represents roughly 13.6 percent of the number of Pennsylvanians working as of February. Assuming that percentage also applies to the Pittsburgh MSA (which is reasonable in light of the governor's mandated statewide business closing orders) there would have been 155,600 unemployment claims in the MSA. The unemployment rate which stood at 5.2 percent in February—the latest official number—could be close to 18 percent as of the end of March and will almost certainly worsen further in April.

No doubt the claims will continue to rise in the weeks ahead, perhaps more slowly since the mandated closings have already had their heaviest impact. However, the situation will continue to worsen as the effect of rapidly rising unemployment in many sectors not under the governor's mandate begins to push unemployment claims upward. Travel-related sectors such as hotels, airlines, taxicab services, etc., will almost certainly be much worse off in the days ahead.

A rough estimate of the job losses by business sector can be made by focusing on the businesses ordered closed by the governor and the ones allowed to remain open. The Bureau of Labor Statistics provides MSA data for the broad industry sectors, including retail, leisure and hospitality, goods producers, transportation, wholesale, education and health, finance and professional services.

However, within the broad sectors there are many subcomponents for which there are no data. In several cases involving retail components some are under mandated closure orders and some are not. By applying the retail subcomponents' percentages of national retail to Pittsburgh MSA total retail jobs, a reasonable approximation of the area's

employment in the subgroupings can be obtained. For example, nationally, pharmacies make up 4.5 percent of all retail jobs and grocery stores account for 17.5 percent.

Using the national percentages means that in the Pittsburgh MSA for businesses still open, there are close to 6,000 jobs in pharmacies, 21,000 in grocery stores, 7,000 in gas stations (including attached convenience stores) and 14,500 in super centers. And there are others such as building supply, pet supply stores, auto parts and non-store businesses, including electronic (internet, etc.) ordering services that could add another 10,000-12,000 to those allowed to remain at work.

All told, employment in retail likely stands at about 59,000 jobs while approximately 57,000 are out of work, including motor vehicle dealers; clothing stores; appliance and electronics; sporting goods and hobby; furniture and other “non-essential stores”.

Note that some grocery stores and supercenters have added jobs but that number is not available. To the extent that is occurring, the 57,000 out of work figure would be a little lower.

The other very hard-hit sectors are in the leisure and hospitality group. In February this group had 118,000 jobs. Of that number, eating and drinking establishments employed 88,500; accommodations (hotels, motels, and others) had just under 10,000 employees, and the arts, recreation and entertainment group had roughly 20,000.

Eating and drinking establishments were ordered closed but many restaurants are offering take out. It is reasonable to assume that no more than 40 percent of these employees are required (note about 35 percent of eating places’ employees work at fast food restaurants that are less affected by the closing order) that would mean about 52,000 food and drink workers are not working. Meanwhile, hotels have been hard hit by the enormous drop in travel. One can assume that with the occupancy rate at 23 percent nationally for the week of March 22-28 (*Pacific Business News, April 3, 2020*) that the rate in the Pittsburgh MSA would be fairly close to that figure. In that case, there would most likely be some serious layoffs of personnel, perhaps as many as half so far. That would mean 5,000 fewer jobs.

Finally, the arts, entertainment and recreation component of 20,000 jobs has also taken a major hit owing to mandated closings. Assuming that 20 percent or so of these employees are office workers and can work from home, this component would add another 16,000 to the unemployed roll.

In total, leisure and hospitality would have around 73,000 workers off the job. And with 57,000 off the job in retail there are an estimated 130,000 fewer jobs in the region owing to the coronavirus in just these two industry groups. And the number of people not working are being added to daily by local and state government employees being sent home. Some may be working from home and some will be on layoff status.

Moreover, other sectors are being affected by the economic slowdown including airports, local trucking, and wholesalers. However, there is no direct or reliable indirect way as-of-yet to estimate the number of layoffs.

Education and health, a very large sector of 260,000 employees, has likely not yet been significantly affected. Education, including public education, continues by remote instruction at least until the spring semester is over. Health and public assistance might well be adding help. There is no news on that.

Mining and logging and most of the construction sector were locked down on March 20th but extraction industries are now open again. Construction employment in the MSA stood at 69,000 in February. Some manufacturing (mostly durable goods except for primary metals) is closed by edict amounting to roughly 50,000 employees, as are many business services and legal services. However, since many of these business services jobs can be carried out from home, the numbers actually out of work cannot be reliably estimated although the total affected by the mandatory closing order is at least 150,000.

At some point employers might decide to lay off business service employees as opposed to letting them work from home because of reduced demand for their services and falling revenue as the economy slows dramatically. In that case unemployment claims will swell further and the unemployment rate in the April report will rise to a catastrophic level.

The obvious question has become crucially important. When is the cure worse than the disease? There should be much more effort to find ways people can work safely at their regular workplace. Otherwise the downturn becomes a self-sustaining downward spiral as incomes dry up and demand plunges. While the massive federal spending plan will soften somewhat the effects of the jobs lost because of the mandated closings by replacing some of the lost wages and business revenue, it will not replace the massive loss of output that is occurring. The economic damage is real and enormous.

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