



Halting and uneven jobs recovery in the Pittsburgh region

Summary: May payroll jobs numbers for the Pittsburgh Metropolitan Statistical Area (MSA) have been reported by the state. As expected, the May data continue to show the economic devastation from the lockdown ordered by the governor in response to the coronavirus. Despite a loosening of restrictions in May with all counties in the metro area being moved into the governor's yellow phase by mid-month, ongoing dramatic job declines from pre-virus levels continued.

In the yellow phase, the stay-at-home restriction was eliminated while some in-person retail resumed (though curbside pickup was recommended). Note that several retail categories including grocery, pharmacy, gasoline stations and other so-called essential items were allowed to remain open. Several big box chains remained open throughout the lockdown, mitigating the hit to retail jobs. Other types of businesses were given permission to resume with the requirement of following building safety orders (though telecommuting was still encouraged). Indoor recreation, health and wellness facilities, education facilities, hair salons and all entertainment remained closed. Restaurants and bars were limited to carryout.

An April *Policy Brief* (Vol. 20, No. 18) demonstrated the severity of the lockdown's red phase wherein only a select number of firms were allowed to open. The methodology of that *Brief* is also used in this analysis. As noted in that *Brief*, seasonally adjusted data are not available for many of the subsectors of major interest so the year-over-year differences in the unadjusted values will constitute a reasonable estimate of the virus' lockdown impact. Thus, the May 2020 job counts compared to May 2019 will serve as a good measure of the impact of the virus closings.

May 2020 nonfarm jobs in the MSA dropped by 175,800 or 15 percent from May 2019. This represents some improvement compared to the April number which saw a year-over-year loss of 214,000 (18 percent). The smaller loss in May reflects the gradual reopening of some segments of the economy and some pickup in sectors that were not in full lockdown. Nonetheless, employment is still suffering a huge decline and the most recent data point to a long road ahead to a full recovery for many sectors of the economy.

Bear in mind that nonfarm jobs include government employment. Unfortunately, the private sector has borne the brunt of the job reductions. From May 2019 to May 2020 MSA government employment fell by only 5,000 from 116,000 to 111,000, with local governments accounting for all the decline. Federal and state employment was not cut.

Earlier *Briefs* have argued that the MSA's jobs performance has been restrained by bad public policies such as onerous regulations and high taxes along with a generally unfriendly business climate. Prior to the virus lockdown, nonfarm jobs year-over-year grew 0.5 and 0.6 percent in January and February. Going back even farther, the year-over-year growth for each month in 2019 (vs. 2018 levels) ranged from 0.6 percent (November) to 1 percent (January).

Compared to national job growth, the Pittsburgh MSA's performance has been lackluster. Nationally, during the 2020 pre-virus period of January and February, total nonfarm jobs climbed 1.5 and 1.6 percent, respectively, above year-earlier levels. In 2019, national monthly jobs gains ranged from 1.2 percent to 1.7 percent. After the virus impact arrived, nonfarm jobs nationally fell 11.7 percent in April and 8.7 in May, much smaller declines than in the Pittsburgh MSA.

Goods-producing sectors

Goods-producing sectors, mining and logging, construction and manufacturing, accounted for 146,800 of the 1,024,500 MSA nonfarm jobs (14 percent) in May. Employment in those three sectors combined fell 17,700 from a year earlier, an 11 percent decline and represented 10 percent of the MSA's total nonfarm job losses (175,800). Manufacturing, which had been on the upswing over the last couple of years (2.5 percent growth from 2017 to 2019), lost the most jobs (9,400 or 10.7 percent) while mining and logging suffered the largest percentage drop (21 percent or 2,600 jobs). Construction jobs were down 5,700 from May 2019 (8.8 percent). This sector rebounded substantially from April's job count when the employment loss was 40 percent lower than the year-ago level. In the yellow phase construction projects were given permission to resume.

Service-producing sectors

Service-producing sector jobs have been hardest hit, accounting for 90 percent of MSA nonfarm job losses. In a sign of some improvement in job markets, the May 2020 decline of 158,100 jobs from the May 2019 reading was significantly smaller than the year-over-year loss in April (201,500) and evidence that jobs were being added as the lockdown loosened up slightly in the yellow phase.

Leisure and hospitality suffered the biggest employment decline. The sector lost 58,700 jobs in May compared to May 2019 but that was a slight improvement from April's 66,000 drop. Activity at some of the affected component categories picked up in the yellow phase. Still, the 64,300-job count in this sector was the lowest May level since

the 91,800 jobs reported for 1990, the earliest year for which the U.S. Bureau of Labor Statistics reports MSA leisure and hospitality numbers.

The leisure and hospitality sector is divided into two major subsectors: arts, entertainment and recreation and accommodation and food services. Prior to the virus, arts, entertainment and recreation accounted for only 20 percent of the leisure and hospitality jobs, however in May 2020 they accounted for an even smaller percentage (15) as most sports, theaters, concerts, amusements, museums, etc. were still unable to open in the yellow phase. In May 2019 there were 22,900 jobs in this group. But in May 2020 that number had plummeted to just 9,900—a drop of 13,000 or 57 percent. With this subsector opening very slowly, even under the green phase where large gatherings are still forbidden, these enormous job losses may linger longer than in other sectors.

Meanwhile, accommodation and food services jobs remained very depressed in May. While the drop to jobs of 45.7 percent was smaller than the 54.7 percent slide in April, it points to a long road ahead before this group returns to the 2019 level. Full-service restaurants took the brunt of the losses, dropping 34,300 jobs (a 75 percent plunge) while limited-service restaurants lost 7,100 jobs (20 percent).

The next hardest hit sector was education and health services which lost 38,600 jobs or 15 percent in May 2020 compared to a year ago and was slightly higher than the 34,000 year-over-year loss in April. Education services are defined by the BLS as all colleges, universities, training centers and private k-12 schools. Public k-12 schools are reported under the category of local government education services.

Education services posted 43,500 jobs in May, down 8,200 or 16 percent from last May—similar to April’s losses of 8,300 or 15 percent. Bear in mind, however, that college and university jobs make up the bulk of education services (37,200) and suffered only a minor loss of 500 jobs from May 2019 to May 2020.

Surprisingly, in the midst of a pandemic, health care and social assistance suffered the heaviest losses in the “eds and meds” sector with a plunge of 30,400 from May 2019 to May 2020, accounting for 79 percent of the overall decline. Part of this huge drop can be attributed to the governor’s orders to shut down non-essential medical practices which included elective procedures at hospitals and outpatient centers.

Ambulatory healthcare services—practitioners not providing inpatient services such as doctor’s offices and outpatient service facilities—were hardest hit losing 18,300 jobs (25.5 percent) from a year ago, falling to 53,400 jobs. This represents the lowest May level in 15 years (2005, 51,900).

Hospitals, protected by the lockdown to prevent them from being overrun, also suffered losses falling 3,100 jobs or 5 percent.

The remaining job losses in the healthcare and social assistance subsector occurred in nursing and residential care facilities (2,100) and social assistance jobs (6,900). The

year-over-year losses to both nursing homes and social assistance jobs were greater in May than in April (1,800 and 6,500 respectively).

The trade, transportation and utilities group posted a decline of 27,400 jobs (13 percent) from May to May to stand at 180,800. While this represents an improvement over April's loss (35,000 jobs), it still shows just how far the economy has to go. It is worth noting that the number of jobs in this sector has been declining steadily since 2000 when the sector employment reached 242,300.

The retail trade component's 15,600-job decline (13 percent) was the largest. Transportation, warehousing and utilities posted a loss of 7,400 with truck transportation accounting for 2,700 of those losses.

May-to-May declines were also seen in professional and business services (13,400), almost the same as April's drop. The sector known as "other services" saw employment fall 13,000 (23 percent), most heavily in personal services such as barber shops and salons.

Meanwhile, finance sector employment was slightly higher in May 2020 than May 2019 (76,600 to 76,300) after recording a slight increase from April-to-April as well. Incredibly, in May 2020 there were 11 times more jobs in finance than in full-service restaurants.

The Pittsburgh MSA's economy was dealt a huge blow by the virus-related lockdown of businesses and citizens. The impact will be long-lasting and is leading to a slow recovery related to the slow release from the lockdown.

But as earlier *Briefs* have noted many times before, the area's economy has seen sluggish growth for the last few years and has been unable to keep up with national growth rates. The business-unfriendly high-tax and regulatory environment in the state and area that was responsible for the pre-virus sluggish growth will also hamper the economy's recovery.

Frank Gamrat, Ph.D., Executive Director

Jake Haulk, Ph.D., President-emeritus

Policy Briefs may be reprinted as long as proper attribution is given.

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: [AlleghenyInst1](https://twitter.com/AlleghenyInst1)