



Evaluating Pittsburgh's private jobs recovery from COVID downturn

Summary: Recently released employment data for May show the Pittsburgh area has made progress since the COVID-depressed level of 2020. However, that progress is disappointing when compared to similar metros from around the country. This *brief* compares the Pittsburgh metro's performance with those from a sample of metros from Right-to-Work states and from non-Right-to-Work states.

The recently released May 2021 employment data for the Pittsburgh seven-county metropolitan statistical area (MSA) show a significant jump from the COVID-depressed May 2020 level. Note that comparisons of monthly data to the same month a year ago are necessary for meaningful indications of gain or loss because MSA jobs data are not seasonally adjusted.

Pittsburgh MSA overview

Private-sector jobs—that had fallen by 16.3 percent (177,000) from the May 2019 level to the May 2020 count—rose 11.4 percent (103,200) from May 2020 to May 2021. However, notwithstanding the hefty May-to-May upturn in the MSA's private sector employment, the count remains 74,000 (6.8 percent) below the pre-COVID reading of May 2019. This May's increase from a year ago reflects substantial growth in retail trade, leisure and hospitality and construction jobs. But the significant gain was not nearly enough to erase the huge losses sustained in 2020.

Meanwhile, government employment in the Pittsburgh MSA (and generally across the state) suffered a much smaller percentage jobs loss from May 2019 to May 2020 with a decline of 5.7 percent (6,700 jobs), 2,500 of the lost jobs were recovered in 2021. Thus, in comparison to the private-sector, government jobs, especially state and federal, were relatively safe. Local education services, excluding teachers and principals, accounted for the majority (63 percent) of government job losses between May 2019 and May 2020.

Comparing Pittsburgh to other MSAs

The obvious relevant question is this: How does the jobs performance in Pittsburgh compare to other MSAs around the country? To answer that question, the private employment history of a group of 13 MSAs from around the country were collected to see how Pittsburgh's COVID-caused job losses, and the ensuing recovery, fared relative to other metro areas.

The MSAs include seven situated in Right-to-Work (RTW) states and seven from non-Right-to-Work (NRTW) states. MSAs from RTW states include Boise; Richmond, Va.; Indianapolis; Raleigh; Nashville; Jacksonville and Louisville. For the NRTW group, besides Pittsburgh, the MSAs include Hartford; Kansas City (Mo.); Cincinnati; Minneapolis; Albuquerque and Rochester, N.Y.

To get a more complete perspective on relative MSA performance, this analysis looked at four statistics: (1) the percent loss from May 2019 to May 2020, (2) the 12-month jobs average (annual) loss from 2019 to 2020, (3) the percent change from May 2019 to May 2021, (4) the employment growth in each metro area between 2013, the year following an almost full recovery from the recession, and 2019, the year prior to the COVID pandemic.

The first step in the analysis was to aggregate the RTW and NRTW MSAs by calculating an unweighted average of each gauge of performance.

May 2019 to May 2020

For the 2019 to 2020 changes, the RTW MSAs had an average drop of 9.9 percent, May-to-May, while the NRTW MSAs suffered a 14.2 percent decline, which represents a very large number of jobs lost compared to the RTW MSAs.

Pittsburgh jobs fell 16.3 percent with only Rochester (-17.3 percent) losing a higher percentage. A way to view this loss is to calculate what the Pittsburgh MSA jobs decline would have been if it had experienced the same percentage loss as a much better performing MSA. For example, take the Raleigh MSA's 10.2 percent decline. In that case, the region would have lost 66,000 fewer jobs than it actually did.

Kansas City, among the NRTW MSAs, had the smallest private employment drop at 10 percent. Meanwhile, Louisville, with its 13.7 percent decline, was the only MSA in the RTW group with a loss near the NRTW average of 14.2 percent. Boise, at minus 4.5 percent, had the smallest job decline of the 14 MSAs examined. Jacksonville at -7.3 percent was second lowest. These two performed much better than the other MSAs.

It is almost certain that the decisions of governors in Idaho and Florida to impose fewer mandatory business closings and limitations played a major part in holding down job losses to well below the MSA average.

The two best performing MSAs in the NRTW group were Cincinnati and Kansas City with respective losses of 12.9 and 10 percent. Both states have Republican governors. Meanwhile, Rochester, Hartford and Pittsburgh had an average loss of 16.2 percent. It is noteworthy that all three of these MSAs are in states where severe and lengthy constraints and mandatory closings were ordered.

2019 to 2020 annual change

A second measure of the degree to which government mandates affected recovery of private-sector jobs since May 2020 is the annual change from 2019 to 2020. The longer and more binding were the constraints the weaker the job gains would be in the second half of 2020. Thus, the percentage change in 2020's annual average employment from the 2019 annual average provides a reasonable estimate of the impact of difference constraint regimes on business activity.

For the RTW MSAs the annual average decline was 4 percent and for the NRTW MSAs it was 7.4 percent. Boise had the best overall performance with a drop of only 0.2 percent, followed by Jacksonville with a 3.0 percent loss. Louisville was the worst performer in the RTW MSAs with a drop of 6.0 percent. For the NRTW MSAs, Kansas City (-4.9 percent) and Cincinnati (-6.1 percent) were the best at recovering lost employment in the second half of 2020.

Pittsburgh (-8.7 percent) and Rochester (-9.4 percent) suffered the largest year-to-year declines of the 14 MSAs while Hartford and Minneapolis each lost 7.8 percent in 2020 compared to 2019—much higher than the average 4 percent decline in RTW states.

May 2019 to May 2021

The most direct measure of recovery from COVID-induced losses is shown by the change in the level of jobs in May 2021 from the count in May 2019. For the May 2021 RTW group, private jobs on average were 1.3 percent below the May 2019 reading. Meanwhile, the seven NRTW MSAs' May 2021 average employment count was 5.1 percent under the 2019 level. Thus, neither group on average had fully recovered although the RTW was far better than the NRTW.

Among the RTW MSAs, Richmond stands out as having the worst recovery with May 2021 jobs still 6.4 percent below 2019. Evidently, the gubernatorial restraints were tighter in Virginia than the other RTW states. Boise was far and away the strongest performer with May 2021 employment 4 percent *higher* than May 2019.

Pittsburgh (-6.8 percent) and Hartford (-7.2 percent) were the two weakest MSAs in recovering jobs lost to the pandemic. However, Kansas City (-2 percent) and Cincinnati (-3.6 percent) had recoveries more in line with some of the RTW MSAs and better than Richmond.

2013 to 2019 jobs growth

Longer-term employment gains can provide insight into why some MSAs fared better than others during the pandemic. Here the change in annual average employment in 2019 will be compared to 2013. By 2013, U.S. private jobs had almost fully recovered from the serious downturn that began in late 2008. 2019 was the last year before COVID took its toll.

The numbers are very revealing as to underlying strength in the states and metro areas. The seven RTW MSAs averaged jobs gains of 21 percent from 2013 to 2019. Four—Raleigh (22.8), Boise (29.1), Nashville (25.8) and Jacksonville (21)—led the way with outstanding percentage gains. Louisville, Indianapolis and Richmond were well behind with gains in the 12 to 13 percent range.

Still the slowest RTW MSA growth was stronger than all of the NRTW MSAs. The best performers in the NRTW group were Kansas City (10.8), Cincinnati (10.3) and Minneapolis (10.3). The worst were Hartford (5), Rochester (4.4) and Pittsburgh the weakest at 3.9 percent. Albuquerque fell in the middle of the NRTW MSAs at 8.5 percent.

These longer-term gains point to very disparate approaches to the business community and labor/management issues that are not helpful for growth. It is, in large part, a reflection of the presence or absence of the Right-to-Work. Workers cannot be forced to join a union or pay dues in RTW states.

Another factor that has a strong negative correlation with growth is the percent of government employees who are unionized. For instance, the three worst-performing MSAs in terms of longer-

term growth, the extent of recovered lost jobs and losses during the pandemic year of 2020—Hartford, Pittsburgh and Rochester—are in three states that average 60 percent unionized public employees. On the other hand, the three fastest-growing MSAs, of the 14 analyzed—Raleigh, Nashville and Boise—are in states that average only 13.5 percent of public employees unionized.

These results argue that, everything else equal, the presence of RTW and relatively low percentage of public sector unionization are associated with friendlier better business climates and a more free-enterprise oriented approach to regulation while not having Right-to-Work and heavy public sector unionization are indicative of a less friendly business climate.

Conclusion

On each of the measures used to evaluate MSAs in terms of private-sector employment growth before the pandemic, during the worst of the COVID-caused downturn and in the recovery period, the Pittsburgh MSA's performance was very poor compared to most other metro areas. It lost a greater percentage of jobs during 2020 than 12 of the 13 other metro areas of comparable size studied. Only Rochester was worse.

The Pittsburgh MSA had the second-largest decline from May 2019 to May 2020. Again, only Rochester's loss was larger.

And the Pittsburgh MSA surpassed only Hartford in recovery of jobs as measured by the change from May 2019 to May 2021.

Finally, it had the weakest 2013 to 2019 jobs growth of the 14 metro areas analyzed.

In short, the structural, labor and regulatory policies of Pennsylvania and the metro area core-city are inhibiting growth. And it is most notable in comparison with states that have adopted Right-to-Work legislation and have low government-sector unionization.

Additionally, the longer Right-to-Work has been in effect matters as well. Recent adoption will not have substantial impact on either private or public-sector unionization for some time and union influence already in place will be hard to overcome.

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