



### MSA's labor force growth slow to rebound

**Summary:** The seven-county Pittsburgh Metropolitan Statistical Area (MSA) experienced very little labor force growth from 2000 to 2019. And all that growth and more disappeared during the pandemic and remains well below pre-pandemic levels through August 2021.

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#### *August job readings*

When the August employment data for the Pittsburgh MSA were released, much of the focus was on the 41,000 payroll jobs that had been added compared to August 2020—but not much attention was paid to the sluggish (0.5 percent) change to the labor force. But the labor force will play an important role in the economic growth of the area as many jobs remain unfilled. Indeed, total nonfarm payroll employment in the Pittsburgh MSA is still woefully short (67,300) of the level reached in August 2019. Private employment is 85,000 below what it would have been if the 2020 count had risen from 2019 at the previous 12-month rate of growth.

The U.S. Bureau of Labor Statistics (BLS) conducts a household survey (the Current Population Survey) to estimate labor force, employment and unemployment at the national, state and local level. The BLS defines the civilian labor force as all persons who are either employed or unemployed but actively seeking work. The unemployed who are not actively seeking work are not counted as part of the labor force. Because seasonally adjusted data are not available, this *Brief* looks at non-seasonally adjusted data for the MSA.

#### *Long-term performance*

As mentioned above the August 2021 labor force rose 0.5 percent from 1.171 million in August 2020 to 1.177 million but remained 3.4 percent lower than the 1.219 million in August 2019. Both the 2020 and 2021 readings were the lowest August readings since 1992. The good news is that August 2021 was the first month this year that labor force was above the same month in 2020. Still, the latest count was 41,650 below the August 2019 figure. The 12-month shortfalls ranged from -4.4 percent (January) to -0.4 percent (April).

Note that the 12-month annual averages over the last two decades show a very slow growing labor force in the Pittsburgh MSA. In 2000 the annual average number in the labor force was 1.195 million. In 2019 it had reached only 1.211 million—a miniscule 1.35 percent rise in 19 years. Over the last 21 years there have been 10 years in which the annual average was lower

than the year before (including 2020 and thus far in 2021). The largest year-over-year declines occurred in the pandemic year of 2020 (-2.14 percent) and the recession year of 2010 (-2.11 percent).

For the years when the average monthly levels did increase over the previous year, 11 in total, the largest jump was in 2008 at just 1.48 percent while the smallest increase was a tiny 0.04 percent rise in 2002. The high-water mark for the annual labor force count occurred in 2008 with a 12-month average of 1.226 million.

#### *Comparison with two-decade U.S. performance*

In 2000, the national labor force stood at 142.6 million and by 2019 had reached 163.54 million—a gain of nearly 15 percent in marked contrast to the MSA's 1.35 percent over the same period. And some states no doubt rose much faster than the national rate. In 2020 the U.S. labor force fell 1.7 percent from 2019's level to 160.7 million. Thus far in 2021 the monthly average is 160.8 million, so it, too, has been increasing at a very slow rate during the pandemic.

#### *Labor force participation*

A very important analytical measure of the labor market situation is the labor force participation rate—the number of people in the labor force as a percentage of the civilian non-institutional population 16 years and over. The BLS maintains statistics for the national rate. To calculate the Pittsburgh MSA population, this *Brief* used data from the U.S. Census Bureau.

In 2000, the civilian non-institutional population 16 years and over in the U.S. was 212.58 million. With 142.6 million in the labor force, the labor force participation rate stood at 67.1 percent. While the civilian non-institutional population has continued to climb since 2000, the labor force participation rate has fallen, dropping to 62.7 percent in 2015. It began to tick up over the next few years, climbing to 63.1 percent in 2019 before dropping to a new low of 61.7 percent in 2020. In 2020, the civilian non-institutional population 16 years and over in the U.S. reached 259.18 million—an increase of 22 percent. The growth to this segment of population is outpacing the growth in the labor force. In short, a higher percentage of working age people are choosing not to work, or are not looking for work, compared to two decades ago.

For the Pittsburgh MSA, the civilian population 16 years and over (Census data which includes the institutionalized population) was 1.88 million in 2000. By 2019 it stood at only 1.89 million—virtually no change. The labor force participation rate in 2000 was just 60 percent and increased to only 60.6 percent in 2019. Thus, the MSA participation rate was little changed as the U.S. rate fell, although it has remained significantly below the U.S. rate over the two decades.

It is reasonable to assume that no surge in labor force participation has occurred and it is reasonable to expect the MSA's labor force would have been relatively stagnant even if there had been no pandemic. However, the pandemic, with its mandated business closings—especially in the leisure and hospitality sectors which endured multiple closings or severe limitations on operations over the duration of 2020—exposed the danger of a stagnant labor force.

With the uncertainties created by the virus, it is possible many people, feeling vulnerable, decided to drop out of the labor force out of caution. They may not return for quite a while. Others may find that their families can live on one income and are content to stay home. Perhaps those in the leisure and hospitality sectors grew tired of having their establishments shut down without warning. Whatever the reason, the labor force has been slow to rebound.

It doesn't help that public policy in the Pittsburgh MSA, and in Pennsylvania as a whole, is not business friendly. As we have documented repeatedly over the years, businesses are being treated as cash-cows to be milked for tax dollars which are typically squandered away. The Pittsburgh area was once known as a manufacturing hub and had a large number of goods-producing jobs as a ratio of total private jobs. In 1990, 20.35 percent of the jobs in the MSA were in goods-producing sectors. It had dropped to 30-year low of 14.24 percent in 2016 before ticking up marginally to 15 percent in 2019.

By contrast, the private service-providing sectors rose from 79.65 percent in 1990 to 85.76 percent in 2016 and then slipping to 85 percent in 2019.

One sector that grew steadily over the last three decades has been the leisure and hospitality sector. Leisure and hospitality jobs were just 9.77 percent of all total private jobs in the Pittsburgh MSA in 1990. That number rose to 11.30 percent in 2017 before falling back to 11.18 percent in 2019. During the pandemic it fell to 9 percent of all total private sector jobs—a value not seen since before 1990.

People typically don't migrate to an area for low-paying, service-providing jobs. Those jobs can be found anywhere across the country. That's especially true in the waning days of the pandemic where help-wanted signs are found in every part of the country.

Until policy makers become more welcoming to business—and can do so without throwing taxpayer money at them—the situation will not change. There will be no meaningful employment growth and the region will continue to founder.

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