ALLEGHENY INSTITUTE FOR PUBLIC POLICY

May 4, 2022 **Policy Brief: Volume 22, Number 17**

Pittsburgh region jobs struggling to recover

Background: Recently released jobs data for March 2022 show private-sector employment in the Pittsburgh Metropolitan Statistical Area (MSA) the seven-county area of Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland, has failed to recover to the level reached three years earlier in March 2019. The March job count remains 53,800 (5.1 percent) below the three-year-ago reading.

U.S. jobs performance

Note that the national jobs performance, while not sterling, was much better than the Pittsburgh MSA with private employment in March rising 0.8 percent above the three-year-earlier posting. As previous *Policy Briefs* have pointed out, simply returning to pre-pandemic employment levels fails to take into account the job growth that likely would have occurred if COVID-19 had not devastated the strong economy underway in early 2020 with the impact extending well into 2021. In the three years from 2016 to 2019, private employment rose 5.2 percent.

Assuming, conservatively, that the 2019 to 2022 growth would have been a more modest 3 percent, the March 2022 job total would have reached 130.3 million, which is 2.8 million higher than the number actually reported. In short, while there is some satisfaction in recovering to pre-pandemic levels, there remains a lot of catching up to get the economy back on track.

Comparisons to other MSAs

To understand the Pittsburgh jobs situation more clearly and the context of what is happening in other metro areas, this *Policy Brief* reviews and compares private-sector job gains in nine other metro areas, five with much stronger employment gains and four others with poor performances.

The five MSAs with strong post-pandemic gains chosen for comparison include Austin, Texas; Nashville, Tenn.; Tampa Bay, Fla.; and Charlotte and Raleigh, N.C. The four poor performance MSAs to go along with Pittsburgh include Nassau-Suffolk Counties, N.Y.; Buffalo, N.Y.; Cleveland, Ohio; and Hartford, Conn. The selections were chosen to keep the sizes relatively close to Pittsburgh. Thus, very large metros such as Atlanta, New York City, Chicago or Los Angeles or much smaller areas such as Schenectady, N.Y., Charleston, W.Va. or Dayton, Ohio, or Erie, Pa., were not considered.

In aggregate, the five strong performing MSAs posted an average private jobs gain from March 2019 to March 2022 of 7.7 percent. Among this group, Austin was the strongest at 13 percent growth while Charlotte was slowest with a 4.7 percent gain from 2019.

Meanwhile, for the five poor performing MSAs, employment, on average, remained 3.9 percent below the March 2019 readings. Pittsburgh was the worst performer with jobs still 5.1 percent below the March 2019 level. Cleveland had the best of the five with employment 2.3 percent lower than three years earlier. Buffalo and Nassau remained 4.7 and 4.1 percent lower, respectively. Hartford remained 3.5 percent lower.

Austin is truly remarkable with employment nearly doubling since 2000 and is up 57 percent in the last 10 years. Indeed, the five fast-growing MSA-average added 39.2 percent more jobs over the 10 years, March 2012 to March 2022. During the same period the five slow-growing MSAs posted an average gain of just 2 percent with the Pittsburgh MSA the only one of the 10 reviewed that had fewer jobs in March 2022 than in March 2012.

The relatively strong years in the Pittsburgh MSA from 2016 to 2019 were basically reversed during the pandemic and the bounce back has far to go to achieve full recovery and even further to go to regain the momentum of the 2016 to 2019 period.

Possible explanatory factors for MSA growth rate differences

	% Change in Jobs: Mar. 2019-Mar.2022	% Public Sector Union
Avg. of Five strong performing MSAs	7.7	14.5
Avg. of Five poor performing MSAs	-3.9	61.2

Two related factors are apparently important in explaining growth rate differences. The first is the presence of a right-to-work (RTW) law in the state where the MSA is located or the absence of right-to-work (NRTW). Second, and closely related, is the percentage of public-sector workers who are labor union members.

All five of the poor performing, slower growth MSAs in this *Policy Brief* comparison are in NRTW states (N.Y., Pa., Ohio, Conn.). Moreover, all poor-performing MSAs have high percentages of public-sector employee union membership. The five MSA average union membership was an estimated 61 percent based on *unionstasts.com* data for 2021(the latest year available). Union membership in the five MSAs ranged from a low of 49 percent in Cleveland (a drop from 55 percent in 2017) to a high of 78 percent in Buffalo. Indeed, most New York MSAs have quite high membership percentages. Pittsburgh MSA public-sector union membership stood at 50 percent in 2021, a decline from 58 percent in 2012 and 57.3 percent in 2019. And it has been well over 55 percent for the last several years. Hartford public-sector union membership stood at 69 percent in 2021. The recent declines in some areas could be related to the *Janus* Supreme Court ruling that public-sector union members cannot be forced to pay union dues.

Meantime, 2021 public-sector union membership in the five fast-growing MSAs averaged 14.5 percent, with a range of 10.1 percent in Raleigh to 21.5 percent in Nashville. Austin's rate stood at 11 percent. Austin saw the rate drop from 17.5 percent in 2012 while Raleigh's rose from 7.8 percent in 2012 to 10.1 percent. Charlotte's rate in 2021 was 10.5 percent and Tampa Bay came in at 19.5 percent.

All told, the five faster job growth MSAs had on average a 46.7 lower percentage of unionized public sector employees than the slow growth MSAs in 2021. Coincidence? Seems to be highly unlikely. The states and MSAs with high levels of public-sector union membership are far more likely to be areas with substantial union influence on government policies regarding economics, taxes and spending than the low union membership areas. Unions can have substantial influence on elections through voting and fund raising. And public-sector unions certainly have a major impact on compensation packages and work rules.

As can be seen in these high union member areas, there are more laws and regulations regarding such things as wage rates and sick leave pay, mandatory time off provisions and other rules governing the private sector and general efforts to operate a top-down, government-involvement approach to managing the economy.

Effects of high rates of public union membership

Moreover, public-sector union benefits such as pensions, work rules, time-off provisions tend to be very generous and, once granted, never are withdrawn and become legacy burdens. All this leads to more expensive government provisions of service which, in turn, requires higher tax revenues.

Higher taxes, work-place interference with burdensome regulations on the private-sector and development restraints all work to discourage entrepreneurism and business growth and expansion. High tax rates and regulations that are costly to comply with are burdens that can lead to bankruptcies or business leaving since firms cannot continually pass on ever higher costs to their customers.

Obviously, there are special local situations around the country that can lead to a departure from the findings based on the 10 MSAs in this study. External or exogenous factors such as massive shifts in consumption patterns, foreign competition and technological innovations can offset somewhat the benefits of RTW and low public unionization on one hand or the hindrances of NRTW and high public unionization on the other.

However, from a public policy standpoint, special factors should not override the basic facts: High rates of public-sector unionization lead to more and unnecessary government involvement in the lives of citizens and businesses. We see in country after country the negative effects of the heavy hand of government. Little wonder Franklin Roosevelt did not support the creation of government unions.

Jake Haulk, Ph.D., President-emeritus

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: AlleghenyInsti1