



Pittsburgh-area jobs struggle to return to pre-pandemic level

Introduction: Recently released September jobs data show the seven-county (Allegheny, Armstrong, Beaver, Butler, Fayette, Washington, Westmoreland) Pittsburgh Metropolitan Statistical Area's (MSA) recovery from the pandemic continues to be painfully slow. Through September, the monthly average number of nonfarm jobs stood at 1,165,900 and remained 1.95 percent lower than the monthly average of 1,189,200 posted in the first nine months of 2019. The 12-month average in 2019 climbed to 1,192,900 due to a stronger fourth quarter with each month tallying more than 1.2 million nonfarm jobs. While 2023 might finish with stronger gains, it is highly likely the monthly average will still be lower than 2019's pre-pandemic reading.

Nationally, the employment recovery to the pre-pandemic level was completed in 2022 as the average monthly number of nonfarm jobs surpassed the 2019 posting by 1.1 percent. Through the first three quarters of 2023 the monthly average was better than 2019 by 3.5 percent and is also on pace to top both the 2019 and 2022 levels.

The Pittsburgh MSA's job composition by industry has changed over the last few decades as the service sector has been the primary driver of employment gains. In 2000, 16.8 percent of all nonfarm jobs were goods-producing with the remaining 83.2 percent in service-providing. By 2022 only 13 percent of jobs were goods-producing with the other 87 percent in the service sector.

In a somewhat stunning statistic, it's worth noting that the annual monthly average for total nonfarm jobs in the Pittsburgh MSA in 2022 is nearly identical to what it was in 2000—1,147,500 to 1,147,100. Interestingly, the number of total private jobs, which includes farming jobs but not those at entities owned or operated by the government, are 17,600 higher in 2022 than 2000, a nominal 1.72 percent increase.

Goods-producing jobs

The Bureau of Labor Statistics divides jobs into two categories: goods-producing and service-providing. Goods-producing industries include mining and logging, manufacturing and construction. These jobs are prized because they produce goods that

can be exported to other regions and tend to have a much larger multiplier effect in the economy than service jobs. And, typically, goods-producing employees have greater value added per hour. Indeed, much of the wealth and prosperity that the Pittsburgh area had in the 19th and early 20th century was a result of having a wealth of goods-producing jobs. The area still benefits through the large foundations that were created out of the fortunes produced by goods-producing companies long after the benefactors and their factories have gone.

Through September the Pittsburgh MSA recorded a monthly average of 150,600 goods-producing jobs. In 2019 that number was 161,800. The 2023 three-quarter average job count is the lowest since 2016 (149,000). This is an area where the region has struggled mightily since the turn of the century when the monthly average for the entirety of 2000 was 192,800. The 2019 annual monthly average of 161,700 was the highest since 2004. The three years from 2016 to 2019 saw the largest three-year job gain thus far in the 21st century. Unfortunately, it appears the earlier lackluster job market returned during and after the pandemic.

Manufacturing in the Pittsburgh MSA has been on a steady decline for decades. In 2000, the monthly average job count was 129,800. The decrease continued over the years until it hit a low of 85,700 in 2017 before bumping up a bit in 2019 when it reached 87,000. The count then dropped another 7.3 percent in 2020 to a new low of 80,700. There has been a slight increase through the first three quarters in 2023 where the monthly average stands at 85,500—a 5.6 percent increase over the pandemic year but still on pace to be the lowest total since 2017 and far below the 2000 reading.

Nationally, goods-producing jobs share a similar story. The monthly average in 2000 was 24.65 million. The national decline was much slower than in the Pittsburgh MSA and bottomed out in the recession of 2010 at 17.75 million—a loss of 28 percent. However, unlike the Pittsburgh area, the national economy began to see an increase in goods-producing jobs rising to a pre-pandemic 2019 level of 21.04 million. In 2022, the loss from the pandemic had been recovered (up 0.7 percent) and through September 2023 the national economy had a monthly average of 21.54 million goods-producing jobs.

Nationally, manufacturing jobs have followed a similar pattern to the overall goods-producing sector. In 2000, the monthly average number of manufacturing jobs was 17.26 million and began a steady decline until 2010 (11.53 million). There was a slow climb back to 12.82 million in 2019. The post-pandemic recovery was also complete in 2022 (up 0.1 percent). Through the three-quarter mark of 2023, the average monthly total is running 1.2 percent higher than the same time in 2019.

Service-providing jobs

As mentioned earlier, service-providing jobs in the Pittsburgh MSA make up a far larger percentage of all jobs than goods-producing employment. In 2000, the average monthly number of service-providing jobs in the area stood at 954,300. The 23-year peak in the 21st century occurred in 2019 with 1,031,100 jobs. The local economy has yet to recover

from the loss of these jobs from the pandemic as the 2022 total was only 998,600—3.2 percent below 2019. Through September 2023, that total has risen a bit to 1,015,300. With a typically strong seasonal boost in the fourth quarter, it's likely that the final monthly average for 2023 will be higher. For example, jobs averaged 1,027,400 through September 2019 before reaching its yearly average of 1,031,100. However, the 2023 yearly average is unlikely to reach pre-pandemic levels.

Nationally, service-providing jobs have also grown from 2000 through 2019 (107.36 million to 129.87 million) at a rate of 21 percent and 2.5 times greater than the Pittsburgh MSA's 8 percent growth over that same period. After a 6 percent dip during the pandemic, the national economy rebounded by 2022 when the monthly average reached nearly 131.40 million jobs. Through the first nine months of 2023, the national economy is on pace to finish well above 2022.

The popular notion is that with the plethora of colleges, universities and hospitals, the Pittsburgh MSA is strong with education and medical jobs, otherwise known as “eds and meds.”

The education-services sector comprises establishments that provide instruction and training in a wide range of subjects. They can be publicly or privately owned but does exclude local government schools (k-12, included under the government sector).

In 2000, the annual average monthly count of education services jobs was 46,200 and reached a 23-year peak in 2011 when 54,700 jobs per month was reached (a gain of 18.4 percent). By 2019 the total had fallen to 52,400 and recovered to only 49,300 in 2022. Through September 2023 the monthly average sits slightly higher at 49,700.

The national picture provides a stark contrast. The number of education services jobs steadily progressed from 2000 through 2019 and grew at a rate of 56.5 percent (2.39 million to 3.74 million). While there was a dip due to the pandemic, the 2022 level easily surpassed that of 2019 (3.79 million). Through the first nine months of 2023, the monthly average sits at 3.88 million.

For the health care and social-assistance sector the story is a bit different. The Pittsburgh MSA had strong growth of 36 percent from 2000 to 2019 (206,500 vs. 151,900). The fall from 2020 through 2021 was 7.5 percent to an annual monthly average of 191,000. There wasn't much of a rebound in 2022 as the reading is virtually the same (191,300). And through the first three quarters of 2023 employment is only slightly higher at 194,200. In short, the recovery in this sector is really dragging.

Again, the national picture is much different. From 2000 through 2019 the annual average monthly number of health care and social-assistance jobs rose 44 percent (20.42 million vs. 14.14 million). The pandemic dip was a slight 3 percent drop before it rebounded and surpassed the pre-pandemic level in 2022 (20.55 million). Through the first three quarters of 2023 the annual average has already set a new high of 21.30 million.

Conclusion

The Pittsburgh MSA continues to struggle to add jobs coming out of the pandemic. But this is an ongoing problem. Growth in both nonfarm jobs and private-sector jobs since 2000 has been very weak. The much sought after goods-producing jobs are becoming an even smaller share of the economy and that doesn't bode well for the future growth of the region.

For years we have advocated a lower-tax environment with fewer governmental regulations on businesses and breaking the fealty to unions, both private sector and public sector, that has long been ingrained in this area. However, with the election of a new chief executive for Allegheny County—the largest county in the area—who is unabashedly a union supporter, it is unlikely the lagging job gains will be ending anytime soon.

Frank Gamrat, Ph.D., Executive Director

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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](https://twitter.com/AlleghenyInsti1)