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## Pittsburgh metro-area job growth still struggles

**Introduction:** When the jobs data for the seven-county Pittsburgh Metropolitan Statistical Area (MSA)—which is made up of Allegheny; Armstrong; Beaver; Butler; Fayette; Washington and Westmoreland Counties—was released for May 2024, it was disappointing that the level of either total nonfarm or total private jobs has yet to reach the pre-pandemic level of May 2019. Both fell to about 1.2 percent shy.

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This *Brief* looks at the performance of the major sectors of the economy to see which, if any, have performed well over the years and how they compare to the national growth rates. All data are from the U.S. Bureau of Labor Statistics' employer payroll survey.

### *Overall performance*

In each month of 2019 jobs totals were the highest reading since at least 2000. However, the MSA is still struggling to return to that peak. On an annual average basis, the level of total nonfarm jobs in the Pittsburgh MSA grew just 1.2 percent from 2000 through 2023. By comparison, national total nonfarm jobs climbed 18.2 percent over the period—far outpacing the Pittsburgh MSA.

The preliminary MSA May 2024 reading of 1.182 million jobs is better than the May 2023 reading of 1.164 million (1.6 percent) but is still 1.25 percent below the pre-COVID reading of May 2019. The Pittsburgh MSA is still struggling to recover from the pandemic's job losses.

### *Goods-producing sectors*

The economy is divided into two main industry groups, goods-producing sectors and service-providing sectors. The goods-producing sectors include mining and logging, construction and manufacturing. Data for mining and logging and construction in the Pittsburgh MSA only goes back to 2005. Data for manufacturing, once the backbone of the area, goes back much farther.

Goods-producing jobs are prized for higher wages than service-sector jobs. While wage data are not available at the MSA level, statewide the average hourly earnings in the goods-producing sectors in May 2024 was \$34.44 while the average earnings in the private service-providing sectors was \$30.97—a difference of 11.2 percent.

Overall, the goods-producing sectors, either in the Pittsburgh MSA or nationally, did not fare particularly well from 2000 through 2023. The 23-year growth in goods-producing jobs was negative for both. For the Pittsburgh MSA employment fell 22.6 percent over the period while for the nation the decline was 12.4 percent. The May 2024 goods-producing jobs count in the MSA was 8.4 percent lower than in May 2019. Nationally, employment has recovered from the COVID loss and now exceeds the 2019 level by 3.7 percent.

Manufacturing has been particularly hard-hit with jobs falling nearly 35 percent in the Pittsburgh MSA and 25 percent nationwide from 2000 to 2023. The May-to-May figure from 2019 to 2024 saw a drop at the MSA level of 1.8 percent while nationally there is a small uptick of 1.1 percent.

The one sector where the Pittsburgh MSA outperforms the nation is in mining and logging, thanks to the extraction of natural gas from the shale formations beneath the commonwealth. From 2005 through 2023, the annual average number of jobs increased by 59 percent. Nationally, over the same period, the growth was 21.4 percent. Part of the reason is that the natural gas industry was not very large in the MSA and grew rapidly in the early years as firms ramped up activity. The annual average number of jobs in 2005 was just 5,100 before growing to a peak of 11,800 in 2014 and then falling back to 8,100 jobs in 2023. The May 2024 MSA value of 8,500 represents an uptick of 2.4 percent over May 2023, which is better than the national drop of 1.3 percent.

The construction sector in the MSA grew 6.3 percent from 2005 until 2023 which slightly lagged the national gain of 7.4 percent. Over the last year, from May 2023 to May 2024, construction jobs in the MSA fell by 13.3 percent while nationwide they were up 3 percent.

### *Service-providing sectors*

Service-providing sectors include trade, transportation and utilities; financial activities; professional and business services; education and health services and leisure and hospitality. While government services are also included, this section will look at the overall segment along with a select few sectors.

From 2000 through 2023, the annual average number of jobs in the MSA's service-providing sectors increased by 6 percent. Nationally the increase was four times as much at 25 percent. At the MSA level, the May 2024 reading is above that of May 2023, just slightly (1.8 percent), which matches the national growth.

Since 2000, the service-providing sector that has grown the most is professional and business services, which has added more than 35 percent more jobs through 2023. It is the only sector that has kept pace with the national economy (36 percent). The May 2024 MSA reading slid 1.7 percent from May 2023 while the national rate is flat.

The Pittsburgh MSA has had a reputation for its educational and health sector, the so called "eds and meds." To clarify, this sector includes private education but not public education, which falls under the government sector. And while the eds and meds sector did well from 2000 through 2023, with a growth rate of 25 percent, it was well off the national pace of 66 percent. The MSA's eds and meds sector employment count grew by 4.6 percent from May 2023 to May 2024, just edging the national growth of 4.1 percent.

The leisure and hospitality sector had done reasonably well from 2000 through 2023 with jobs growth of 19.4 percent but trailed far behind the national gain of 40 percent. During the

pandemic this sector was hard hit as it was subjected to mandatory closures and strict regulations. The MSA count in May 2024, which had finally surpassed the May 2019 number, is above the May 2023 count (3.8 percent), topping the national growth of 2.4 percent.

The one service-providing sector that has struggled compared to others in the 2000 through 2023 is the trade, transportation and utilities sector. This sector includes the retail subsector which has been adversely affected by internet shopping. From 2000 through 2023 the annual average employment level fell by 15.6 percent in the Pittsburgh MSA. Nationally it rose 10 percent. The May 2024 reading was 0.8 percent better than the previous May's reading while nationally it was 0.7 percent better.

### *Conclusion*

Past Institute *Policy Briefs* have documented the slow growth of Pittsburgh MSA jobs. The area does not compare well with the nation or even comparable areas from around the country. Unfortunately, policymakers at the state and local level do not encourage businesses and, thus, job growth suffers.

There is a fealty to unions that hinders new companies from locating within the commonwealth or existing companies from expanding—without hefty taxpayers' subsidies and incentives. And at that, policymakers have shown a remarkably bad record of picking winners and losers.

Instead, as we have long advocated, there should be a push to improve the business climate. Enacting Right-to-Work would be a great starting point. As would mandating frequent property assessments. The state has already embarked on reducing the corporate net income tax but more needs to be done to make Pennsylvania competitive with the rest of the nation, especially the faster growing areas of the south.

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