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Unheralded Source of Jobs Strength in the Pittsburgh Region

There's a new jobs producing hero in town. Actually it has been around for a while but has stepped to the front of late. Professional and Technical Services now lays claim to being the biggest jobs producing sector even though at 76,600 in total employment it represents just under 8 percent of all private sector jobs. Over the last twelve months, this sector grew by 6.2 percent adding 4,500 jobs and accounting for nearly half of the total private employment gain during the period. To put this in perspective consider that the once mighty private Education and Health Services sector saw a contraction in employment over the twelve months ending in November. Eds and Meds as they are known were for many months during the long economic slowdown that began in 2008 the major source of jobs stability in the region.

Professional and Technical Services are made up of some high fliers and some also-rans. For example, the Architectural and Engineering Service component posted employment growth of 5 percent while Scientific Research and Development jobs climbed 4.6 percent. Unfortunately, those are the only two sub-component sectors reported for the Pittsburgh MSA and they account for only a fourth of the total Professional and Technical service employment pickup. So, what else could be driving the strong gains in the sector?

Because the Professional and Technical Services sector has been a major contributor to employment gains in Pennsylvania and the nation over the twelve months ending last November, it is reasonable to assume that the faster growing components of the sector in the state and nation are also enjoying stronger gains in the Pittsburgh region.

For example, nationally Computer and System Design employment has been moving up rapidly in recent years, gaining 5 percent over the twelve months ending last November and is up almost 15 percent since 2009. This sector, which represents about 1.5 percent of all establishment payroll jobs, has increased its jobs count by over 200,000 since 2009 continuing a phenomenal period of growth leading up to the recession. And during the recession it saw only one year of decline (2008). That drop was erased dramatically in 2009 and the sector has been moving up rapidly since. Thus, it seems very plausible that Computer and Systems Design employment is a significant contributor to gains in the region's private sector employment.

Similarly, Management and Technical Consulting services have enjoyed tremendous jobs growth nationally for the past decade and in Pennsylvania the pace has quickened since the recession. Thus, this subsector would appear to be a logical candidate to explain some of the strong rebound in jobs in Professional and Technical Services in the Pittsburgh MSA. Meanwhile, Accounting, Bookkeeping and Tax Preparation have rebounded from recession declines to reach levels above the pre-recession high points. This subsector has enjoyed solid gains through most of the last decade except for the sharp recession pullback. In all likelihood, this relatively small subsector has played a solid role in lifting regional jobs in the Professional category.

On the other hand, and perhaps somewhat surprisingly, based on the Pennsylvania numbers and the long term trend in the national data, Legal Services do not seem to be a reasonable explanation for job gains in the Professional category. In both the state and the nation Legal Services employment is virtually unchanged from the decade earlier levels after rising slightly to a peak in 2007-08.

For quite some time the Pittsburgh MSA jobs story has been focused on the robust growth in the Education and Health Services sector and the substantial and broad ranging impact of the Marcellus shale activities. We have commented on the earlier strength in trucking and warehousing as a likely consequence of the buildup of gas drilling and producing activity. Likewise accommodations and food services undoubtedly experienced a boost in sales and employment as a result of the surge in Marcellus Shale activity. Recently, however, the strongest increases in jobs have been in the Professional and Business Services and Financial Services. It is noteworthy that Financial Services until very recently had been a no growth sector for the last decade.

This shift in sector momentum is quite remarkable and will bear watching to see if it represents a fundamental change or if there is just some catching up by some sectors as others take a breather. If it is a permanent shift, it will become important to assess the implications as to the effects on income growth and possibly the impact on the geographic distribution of the new jobs.

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