

Comparing Pittsburgh Metro Job Gains with National Performance

In June, the seven county Pittsburgh metro area (MSA) unemployment rate stood at 6.8 percent. In the same month, the national rate was 7.6 percent. So, does that mean the Pittsburgh area jobs market was significantly better than the national? The unemployment rate is derived from information obtained in a survey of households wherein each month a sample of people are asked to self-report their employment and labor force participation. As a result, this survey does not tell us a great deal about what industries are adding or cutting jobs. Moreover, the survey tells us little about the quality or wages associated with jobs.

Fortunately, there is also a survey of establishments that hire and pay employees from which we learn a lot more about where the jobs are, the hours worked and the pay rates. All of which are vital in assessing the state of the economy in terms of income and output growth.

Returning to the question of how the region is faring compared to the nation, this analysis looks at the regional and national payroll employment changes by important sectors over the last twelve months (June 2012 to June 2013) to ascertain whether there are significant differences in the jobs performance. The analysis focuses on the private sector on the premise that all real prosperity in the U.S. is measured by private sector activity; after all, unless there are producers and taxpayers, the government sector will have no real resources to spend.

Total private employment nationally rose by 2.1 percent from June 2012 to June 2013. Meanwhile, private jobs in the Pittsburgh MSA climbed by 1.6 percent. And, over the last three years the national job growth was 6.2 percent and the region's gain was 5.8 percent. Interestingly, while the national gains for both the three year period and the one year period are slightly above the Pittsburgh area increases, the national employment total remains 1.5 million below the peak level reached in 2007. On the other hand, Pittsburgh metro area jobs, while growing slightly slower, have climbed well above (31,000) the pre-recession peak set in 2008.

Bear in mind that from 2003 to 2007, the nation added 7.2 million private jobs, a rise of 6.6 percent. Employment in the Pittsburgh MSA—during the same four years—expanded by only 2 percent. For the decade, employment gains for the country and region were virtually the same in percentage terms. The explanation? The nation suffered an enormous 7.1 percent employment drop during the recession while Southwest Pennsylvania experienced a much smaller 2.5 percent decline thanks to the absence of a housing and construction boom and a very favorable mix of recession resistant sectors.

Focusing on industry growth over the last year, a few similarities and differences stand out. Manufacturing, for example, has managed small gains of less than a percent nationally and

locally. Likewise, the leisure and hospitality sector, a major source of job strength in both the region and the country, had almost identical employment gains of around 3.3 percent. Health care gains were reasonably close at 2.9 percent in the region and 2 percent nationally.

Sectors exhibiting very different growth rates include professional and technical services, construction, retail trade, finance, mining, and private education.

The U.S. jobs gain in construction was much stronger than the region, rising 3 percent while the Pittsburgh area had a small decline. This undoubtedly reflects to some extent a rebound from the almost 30 percent loss in construction employment the nation felt in the recession. The Pittsburgh loss was far lower at 13 percent.

A similar pattern was seen in retail trade. Nationally, jobs managed a pickup of 2.1 percent over the past year, in sharp contrast to the region's slide of nearly 2 percent. Indeed, the area's retail jobs in June 2013 remained almost 9 percent lower than ten years earlier. In contrast, U.S. retail jobs are above the ten year ago level although still not completely recovered from the recession induced losses.

Private education jobs nationally increased by just under one percent in the last year. Pittsburgh area employment tumbled by 4 percent after a smaller but significant drop the year before.

Obviously, since the region's private job growth was in the ballpark with the national gain, not all local sectors could have had slower rises than the country as a whole. Most prominent among the sectors rising fastest in the region is the industry called professional and technical services, a sector encompassing engineering, accounting, management consulting, scientific research, architecture, public relations, computer systems design, marketing and legal services. Unfortunately, for the Pittsburgh MSA, data is collected for only a few of the sub-sectors in this category so that we cannot say with certainty what is driving the gains.

The good news is that over the last year the MSA has seen a major jump of 8.2 percent (6,100 jobs) in the professional and technical category. That means this fairly small sector—it represents only 7 percent of all employment—has generated a third of all net gains. And interestingly, this sector has added more jobs than health care over the last year even though it's only one third its size in terms of employees on the payrolls. This is a category that bears watching in the future and more research into what is driving it. A reasonable speculation would be that there is considerable outsourcing from other industries. Another would be that the Marcellus Shale gas drilling activity has produced significant demand for scientific and engineering assistance.

Financial services jobs have fared better in Pittsburgh as well, moving up 4.3 percent over the past year. Nationally, the uptick was far more modest at only 1.4 percent. And, countrywide, financial services employment remains well below the 2003 level and a half million under 2007. They were hit very hard by the financial crisis and are having trouble recovering. On the other hand, Pittsburgh MSA financials jobs have moved well above ten year ago levels and are contributing a significant fraction of the net job region's gains.

Finally, it is noteworthy that mining and logging jobs climbed 10 percent in the past year compared to just 2 percent nationally. This undoubtedly reflects the impact of Marcellus Shale on the area. While the MSA mining jobs growth rate is impressive, it must be remembered that the employment base is small so that 10 percent is only 1,000 jobs. Still the overall impact of Marcellus on the area's employment and income are quite substantial and are a boon to the MSA's economy.

In sum, the local and national economies are performing somewhat similarly overall in terms of private employment gains. But in light of the depth of the national recession and the expectation of some rebound, the job growth for the country over the past three years and last year must be considered extraordinarily slow. And it is a great disappointment in light of the employment increase over the years leading up to the recession. Pittsburgh MSA employment expansion since the recession has been strong relative to its pre-recession pattern and in all likelihood reflects some structural industry shift. Whether that shift will continue to add impetus as we have seen in the last three years remains to be seen.

Jake Haulk, Ph.D., President

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<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
