

Pittsburgh Area Job Gains Good—But a Mystery

Over the last twelve months—July 2012 to July 2013 (the latest available figures)—private sector employment in the Pittsburgh seven county metro area climbed by 18,700 jobs, a gain of nearly 2 percent. While slower than the 3 percent annual growth registered during the fall of last year, Pittsburgh regional employment improvement far outpaced the sluggish pace recorded in the Commonwealth. That means much of the state was experiencing very slow growth, and in the case of the City of Philadelphia, an actual decline.

Although the solid increase in employment in Southwest Pennsylvania is somewhat remarkable in the face of statewide weakness and is good news for the region, there is something of a mystery about what is driving the job gains. In the broad categories, gains in financial activities, professional and technical services and leisure and hospitality accounted for 16,000 net new jobs over the last twelve months. Note that both wholesale trade and retail trade along with private colleges posted lower employment figures. Health care and specialty construction enjoyed significant gains as well.

But back to the mystery. Within the financial activities grouping, finance and insurance firms that represented 57,800 of the jobs in this group posted a measured and reported employment rise of 1,600 over the last twelve months. The business categories other than finance and insurance within the broad financial activities group include real estate rental and property management agencies, and firms renting other assets such as cars, equipment and consumer items. Thus, of the 4,300 total job increase in the financial activities sector, 2,700 were accounted for by the smaller financial activities sector components that, taken together, had total employment of just 14,500 a year ago. That means these businesses had an employment jump of almost 20 percent.

This is not to argue that the spectacular growth did not happen but it would be reassuring to know which of the smaller sectors enjoyed such massive gains. Otherwise there is a fear that benchmarking changes next year will find the originally reported numbers were too high.

A similar pattern exists in leisure and hospitality. Of the 5,700 employment rise over the last twelve months 1,700 net new jobs were added in accommodations and food services.

Note that accommodation and food services accounted for 92,800 of the leisure and hospitality category in July of 2012, 80 percent of all leisure and hospitality employment. Thus, the arts, entertainment and recreation components—the other categories within leisure and hospitality—with combined employment of 24,300 in July 2012 accounted for 4,000 of the leisure and hospitality gain of 5,700. The arts, entertainment and recreation jobs increase amounts to 16.4 percent annual growth.

Again, this not to say the jobs are not really there. It could be earlier measurements were too low and we are now getting more accurate readings. But it would be nice to know which firms or sub-sectors were adding jobs at such a tremendous rate. It would also be nice to know whether the job growth reflects the weekly hours worked reduction phenomenon brought about the Obamacare provisions whereby firms hire more people but at reduced hours in order to get the work done. Such behavior could go a long way to explain what is happening. Time will tell.

Finally, professional and technical services employment continued its far above average growth by recording a rise of 6,100 jobs over the last twelve months—an 8 percent jump. Unfortunately, the Labor Department reports jobs numbers for only two sub-sectors—architecture and engineering along with scientific research and development services. Together these two categories accounted for only 900 of the total professional and technical services sector gain of 6,100. So, here we are again wondering where the job strength is coming from. The professional and technical services sector covers a wide variety of services including legal, accounting, advertising, computer services, design, consulting, photography, and veterinary services and others.

Since this vast array of services produced 5,200 net new jobs (almost 30 percent of all the net increase in private sector employment) over the last twelve months it would be very helpful to have some idea where the strength lies. Is it broad based or are there sub-sectors showing tremendous growth? Are there federal, state or local policies boosting the robust growth and is it sustainable? If so, that would be very useful to know.

In total, some 12,000 of the 18,700 private sector job gain over the last twelve months occurred in categories that are not individually measured leaving us to scratch our heads trying to figure out where those jobs actually are and why the growth is so rapid.

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