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Pittsburgh's Job Picture: the Sad, the Bad, and the Ugly

The latest reports on jobs in the Pittsburgh metropolitan statistical area (MSA) are not upbeat or promising. While total nonfarm employment rose by 7,500 jobs (well below one percent) from January 2005 to January 2006, the increase is attributable to a couple of service-providing sectors with declines occurring in goods-producing jobs. Despite the tens of millions of dollars the Governor has poured into economic development projects around the region and the "pump priming" done by local officials, job creation still lags not only the state but the rest of the nation as well.

Manufacturing jobs continued their long-term slide, dipping below 100,000 jobs and are now less than 9 percent of total employment. The gains in service-providing jobs are being driven by education and health services, particularly the health care industry which rose by 3,400 jobs, along with a large 5,900 gain in the leisure and hospitality sector. Of that figure, 3,300 jobs were in food and drinking establishments. Thus, two sectors which are virtually unrelated to the Governor's jobs creation programs account for 90 percent of net job growth over the last 12 months.

How is the region's high-tech industry faring? After all, the state and Federal governments have been pouring millions of dollars into developing this industry in an effort to boost the local economy so they should be growing. Unfortunately, according to the Pittsburgh Technology Council's State of the Industry Report, most of the technology industry clusters in the Pittsburgh MSA have seen a decline in both the number of firms and jobs from 2002-2004. Total employment in all five major groups is down 3.5 percent.

The hardest hit sector in terms of job losses was the information technology cluster, which lost more than 3,600 jobs or more than 10 percent of the 2002 total. At the same time, the largest percentage decline was posted by the advanced materials cluster, which lost more than 20 percent of its jobs. The only cluster to record an increase in employment was environmental technology, which added more than 800 jobs, or 3 percent, over the three year period.

Overall, technology firms in the Pittsburgh MSA grew at a rate of less than one percent during these three years thanks largely to increases in the number of firms (life sciences

(3 percent) and environmental technology (1 percent)) combined with a sharp 5 percent drop in the advanced materials sector.

Taken together these recent jobs reports paint a rather sad picture of employment in the Pittsburgh metro area. Compared to the nation as whole, this is a bad situation. But there is more to the story. The latest Technology Council study also reports that the region's new business incorporations per 10,000 trailed the state level badly, 14.7 locally compared to 21.7 across the state. The Pittsburgh MSA also trailed the state in new business or establishment births as a percentage of establishments, 9.9 percent compared to 10.2 percent for the Commonwealth. Unfortunately, Pennsylvania ranked 47th among all the states on this measure.

All of this points to an ugly problem for the region. One of the reasons we are not generating jobs is that we are so anemic in new business starts. Of course, as we saw above, new restaurants are opening at a rapid clip. Too bad we can't match that with comparable gains in companies that provided higher value-added jobs. This weak performance is a severe indictment of the region's business climate.

Pennsylvania's business climate has long been characterized by high taxes on businesses, a tradition of heavy unionization and union political power along with a regulatory environment that dampens economic growth. Rather than trying to remove the constraints, governments in Pennsylvania have pursued a strategy of doling out tax dollars to firms and projects in an effort to offset the negative forces created by the poor business climate. It isn't working.

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