

POLICY BRIEF

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Pittsburgh's Future: The Real Story

The Pittsburgh region has been experiencing very sluggish employment growth over the past six years. Manufacturing jobs, which once defined the area, are still disappearing. Sectors with any significant job growth are confined to service industries such as leisure and hospitality, education, and health care. Apologists have tried to play down the region's woeful jobs performance by claiming it is not as bad as it appears.

Here are the numbers. The Pittsburgh metropolitan statistical area's (MSA) job count rose by less than 1 percent from 1999 to 2005. However, the true picture is even worse than that. Consider that private sector jobs in February 2006 remain 20,000 below the February 2001 reading. There cannot be much to feel good about in these numbers.

There are analysts who point out that other metro areas such as Boston and San Jose (Silicon Valley) have endured much bigger percentage declines. But these are areas that had very strong growth leading up to the dot.com bust of 2000. Not losing jobs as fast as those areas is no reason to feel smug. Relatively speaking, the tech boom in Pittsburgh was quite subdued.

And how are Pittsburgh's tech jobs doing? There was some growth in tech industries in the late 1990s and early 2000s, but as the Pittsburgh Technology Council noted in its recent state of the industry report, many of the region's tech sectors have seen employment declines since 2002.

It is often claimed that Pittsburgh's job growth has been slower than the national average for two reasons: a lack of population growth and the sharp downsizing of USAirways. Obviously, the loss of USAirways jobs impacted the region's job picture, but as the airline lessened its monopoly grip on Pittsburgh International Airport, new airlines have moved in and local travelers are seeing lower fares. These new airlines are also hiring people, offsetting some of the USAirways cuts. In any event, the airline's reduction of 8,000 jobs does not begin to account for the region's 30,000 jobs lost between 2001 and 2004.

The absence of population growth has long been offered as an excuse for anemic job gains. And, to counter this weakness, many argue that more immigrants to the region are needed. Here's the problem with that rationale. The reason the Pittsburgh area attracts so

few immigrants is the same reason that natives keep leaving—the languid growth rate of high quality jobs. Still, it is conventional wisdom among many civic leaders in the region that if we can somehow get immigrants to come, jobs will magically appear. This logic has never worked and never will. Migrants, both international and domestic, move to where there are job opportunities.

There have been some marginal gains in employment over the last 12 months but the Pittsburgh MSA still lags well behind the nation. Moreover, the recent pickup in jobs has been confined to two narrow service sectors. It is certainly not reassuring to realize that 60 percent of the net gain over the last year is accounted for by employment in the low paying leisure and hospital sector.

In sum, the efforts by some analysts to make us feel better by telling us things are not as bad as we think misses the mark badly. The inability to produce significant job gains in the higher paying sectors and the never ending government-driven and funded economic development schemes are real causes for concern. In fact, the argument that things are not so bad only lessens the pressure to deal with the real obstacles to growth that are holding the region back. It is fine to be optimistic. But denying reality and pretending things are okay will not return the region to a healthy economic performance. No amount of spin will begin to address the issues of taxes, poor labor climate and a political mentality that is decidedly pro-government and anti-business.

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