

# ***POLICY BRIEF***

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## **Eating and Drinking in the Pittsburgh Region**

It is a matter of casual observation that a lot of new restaurants have opened in the Pittsburgh area recently. What impact are they having on the region's economy?

In the last two years, employment at eating and drinking establishments has shown a modest 2.6 pickup. Not a great growth rate, but it was more than twice the pace posted by the private sector as a whole. Eating and drinking jobs account for about 7 percent of the region's total private employment but during the 2003 to 2005 period they accounted for 20 percent of the region's increase in private sector jobs. In sum, the eating and drinking sector has helped provide job opportunities for the Pittsburgh metro area.

Meanwhile, over the last two years sales taxes collected by eating and drinking establishments in the seven-county metro area show a 6 percent rise with Allegheny County—at 7.9 percent—posting the largest gain. In fiscal year 2003, metro area establishments remitted \$82.6 million to the state. Two years later, remittances had climbed to \$87.6 million.

As shown in the table, growth in sales tax remittances from Allegheny, Butler, and Washington exceeded the metro area average for the 2003 to 2005 period.

**Metro Area Sales Tax Remittances from  
Food and Drinking Establishments, 2003-2005**

County	2003 (000s)	2005 (000s)	% Change 2003 to 2005	% of Metro Population	% of Sales Tax Remittance
Allegheny*	51,351	55,410	7.9	52	63
Armstrong	1,186	1,157	-2.5	3	1
Beaver	3,740	3,909	4.5	7	5
Butler	8,846	9,518	7.6	8	11
Fayette	2,979	2,980	0.0	6	3
Washington	5,007	5,350	6.9	8	6
Westmoreland	9,571	9,337	-2.4	16	11
<i>Metro</i>	<i>82,683</i>	<i>87,665</i>	<i>6.0</i>	<i>100</i>	<i>100</i>

\*Due to the fact that Allegheny County has the extra 1 percent RAD tax, collections for the county were adjusted to 6 percent to align with the other counties in the metro.

Tax remittances in Allegheny County (and sales) account for 63 percent of the seven county total even though the County population is only 52 percent of the region. By the same token, all other counties, except Butler, remitted a smaller share of the metro area sales taxes than their share of population. It is likely that quite a few residents from other counties are coming into Allegheny County to dine in its restaurants. Then too, Allegheny County is the home of much of the region's

commercial, recreational and cultural activities and has accompanying restaurant sales to go along with those other activities. Finally, it is important to bear in mind that the state assigns sales tax remittances to the county from which they are remitted as opposed to the county where the collecting establishment is physically located. Thus, if there were a chain of restaurants in the region with headquarters in Allegheny County and the headquarters remits the sales tax, then the County would be credited with all the collections from all the stores even though not all are in the County.

Now comes the obvious question: how does the area compare to national figures for inflation-adjusted sales and job gains during the period?

### **Metro Compared to National Eating and Drinking Sales and Jobs**

<b>Variable</b>	<b>2003</b>	<b>2005</b>	<b>% Change</b>
Inflation adjusted Metro Food/Drink Sales	\$790,628,000	\$786,822,000	-0.5
Inflation adjusted National Food/Drink Sales	\$341,999,000,000	\$375,205,000,000	9.7
Metro Food/Drink Job Growth	77,200	79,240	2.6
National Food/Drink Job Growth	8,584,400	9,099,400	5.9
Metro CPI, Food Away from Home	174.3	185.8	6.6
National CPI, Food Away from Home	182.1	193.4	6.2

Amazingly, national inflation-adjusted sales are up a stunning 9.7 percent in the last two years while the Pittsburgh metro inflation-adjusted sales are basically flat. Interestingly, nationwide jobs rose 5.9 percent, which suggests real productivity gains for the workers in the industry.

At the same time, Pittsburgh metro area eating and drinking jobs rose 2.6 percent. However, with inflation adjusted sales flat over the period, the job growth appears to point to lower productivity for regional workers in the industry. Of course, the jobs gain could have been partially offset by shorter hours. Still, it would appear that the metro area's job growth in the eating and drinking category is outpacing real activity and points to a possible slowdown or cut backs in the future. It could well be that with all the new restaurants opening and the hiring they are doing, the existing eating places have not yet had time to adjust employment levels to the weaker sales they are experiencing.

And, realizing that many of the jobs are low-wage and low value-added makes the efforts of state and local governments to woo these types of developments through subsidies to retail developments all the more surprising. It creates unfair competition for existing business and has not produced appreciable real gains in sales for Allegheny County or the region. One more lesson elected officials simply refuse to learn.

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