

# ***POLICY BRIEF***

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## **Labor Force Slipping in the Pittsburgh Region**

With the Governor's talk about increasing jobs and lowering the unemployment rate across Pennsylvania, the one piece of the puzzle that is never mentioned is what is happening with the labor force. The civilian labor force is defined as the working age population that is either working or actively seeking work and not a member of the armed forces. Unfortunately for the Pittsburgh area, the labor force has been slipping for the last few years, reflecting the ongoing declines in population in several counties and the anemia that has infected the region's job producing ability.

The labor force in the Pittsburgh Metropolitan Statistical Area (MSA) has been falling since 2002 when it numbered slightly more than 1,216,000 persons. From 2002 through 2005 the labor force dipped by 7,500 (-0.6 percent). By way of comparison, the U.S. labor force grew a strong 3 percent or 4.5 million in the same period. To be sure, the Governor will take credit for the area's decreasing unemployment rate, which fell from 5.7 percent in 2002 to 5.2 percent in 2005. But the decline is probably more a result of labor force loss than his propensity to hand out big checks to favored businesses.

How have the counties that comprise the Pittsburgh MSA fared over the last several years? The table below shows that most did not perform well.

<b>County</b>	<b>2002 CLF</b>	<b>2005 CLF</b>	<b>Percent Change</b>
Allegheny	645,800	637,800	-1.2
Armstrong	33,700	33,400	-0.9
Beaver	90,700	90,200	-0.55
Butler	93,300	94,400	1.2
Fayette	65,600	65,300	-0.5
Washington	101,500	102,300	0.8
Westmoreland	185,500	185,300	-0.1
<i>Pittsburgh MSA</i>	<i>1,216,100</i>	<i>1,208,600</i>	<i>-0.6</i>

Only two counties, Butler and Washington, experienced positive labor force growth (1.2 and 0.8 percent respectively). The rest had declining labor forces with the largest drop occurring in Allegheny County, which lost 8,000 labor force members (-1.2 percent). Contrary to the popular view that people are fleeing Allegheny County to surrounding counties, especially Butler and Washington Counties, this appears not to be the case. In fact, the minor labor force increase in these counties is not nearly enough to absorb Allegheny County's loss.

The data suggests that labor force members are not just leaving Allegheny County, but the Pittsburgh MSA altogether. Our earlier report on out-migration from Allegheny County confirms

that this is in fact the case. The County suffered a net loss of over 40,000 migrants between 2000 and 2005 but only 12,000 or so net new migrants came to Butler and Washington. Thus, even if all the incoming migrants to these Counties were from Allegheny County, the County and MSA lost over 28,000 people to other parts of the state or nation.

The labor force slide in Allegheny County is not a new phenomenon. It has been slumping since 1990. From 1990 to 2000, Allegheny County's labor force fell by 1.18 percent (from 643,400 to 635,800). Actually, the labor force count posted a high mark of 657,400 in 1993 before beginning a long and steady descent, resulting in a low of 635,800 in 2000—then increased to 645,800 in 2002 before falling again to its current reading of 637,800.

It is important to note that the decline in the labor force has not been as steep as the slide in the County's population. This has occurred because the percentage of the working age population that is actually working or looking for work has risen fairly steadily for many years. In 1990, 59.5 percent of the civilian population over 16 was in the labor force and by 2000 that percentage had climbed to 61.1 percent. By 2004 it had reached 62.7 percent.

While these percentage participation rates seem small, bear in mind that a three-percentage point change in a working age population of around a million represents 30,000 more work force members. The increasing labor force participation rate has kept the labor force count from dropping as fast as the County's population.

Still, the labor force has declined as people have moved away, many in pursuit of better employment opportunities elsewhere.

Better job opportunities exist where businesses are expanding and being created. Sadly, new business formations in Western Pennsylvania are well below the national rate and far below the pace being set in the faster growing regions of the country. And for good reason: the area does not stack up well as a place to start or grow a business.

And now the ultimate irony: A delegation of business location experts in town at the request of the Allegheny Conference tells us that one of the main reasons that businesses choose not to come to Pittsburgh is that the region is not growing and is losing labor force. Talk about complete circularity. People are leaving because of a lack of jobs and slow business growth and businesses won't consider moving here for the same reasons, virtually guaranteeing continued slow growth.

Obviously, the circularity can be broken only by addressing the underlying reasons for the poor business climate. Unfortunately, the political will to take on the powerful special interests that are responsible for the poor business climate does not exist in the region or at the state level. But if the state and region are to thrive as they should, the voters must elect people who will stand up for the good of the Commonwealth even if it means making some powerful interests unhappy.

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