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Pittsburgh Jobs Picture a Little Better but Not Good

June's employment numbers for the Pittsburgh Metropolitan Statistical Area (MSA) were released to great fanfare in the media where it was declared that the region was enjoying the best job growth in six years. True that may be, but the disturbing reality is that total private sector jobs still have not returned to the pre-recession high of June 2001.

Over the last 12 months private employment in the MSA rose by 10,000 to reach 1,031,000. By way of comparison, total private jobs stood at a peak of 1,044,000 in June 2001, 13,000 above the June 2006 level. Nationally, private employment rose by three million jobs during the five-year period ending this June.

Despite the overall five-year weakness in the labor market, a couple of sectors in the Pittsburgh region have managed to post respectable job growth since 2001, namely, the leisure and hospitality sector along with the health and education group. Leisure and hospitality jobs recorded a sizable gain over the last year following steady but modest improvement over the previous four years. There were 108,300 people employed in this sector as of June of 2001. By June 2006 that number had climbed to 117,200—an increase of 8.2 percent. Most of the growth is accounted for by eating and drinking places where jobs rose by 8.7 percent during the five-year period.

Meanwhile, jobs in educational and health services have been on a strong upward trend for the last ten years. By June of 2001 the number of people employed in these occupations had reached 200,100. Five years later in June 2006, employment had climbed to over 221,000—an increase of 10.5 percent. Colleges, universities, and professional schools registered the fastest pace of jobs gains, growing at a very strong 19.5 percent rate from June 2001 to June 2006 while adding about 6,000 jobs.

Interestingly, retail jobs have experienced significant weakness since 2001 after posting modest gains in the previous five-year period. It is interesting because of the amount of taxpayer subsidies that have been poured into new retail developments in the region over the last half dozen or so years. Following the Lazarus project, we have seen the Lord and Taylor project, the Southside Works, the Mall at Robinson, Pittsburgh Mills, the Point at North Strabane, Nebo Point, and the Waterfront as the major recipients of taxpayer assistance.

One can only marvel that even though taxpayers have been tapped for millions and millions of dollars to subsidize Pittsburgh area retail projects in recent years, employment is actually down by 5,500 jobs from the June 2001 reading. Even more amazing, the lesson of the irrationality and futility of subsidizing retail development has not been learned as the exorbitant plans for the Victory Centre in Washington County and the approval of the TIF plan for Deer Creek Crossing amply illustrate.

In the meantime, manufacturing jobs continue to disappear. The most recent high point in manufacturing jobs was 131,100, reached in June 1998 following small gains in the prior couple of years. That growth proved temporary as the number of manufacturing jobs fell to 124,700 in June 2001. The latest report shows just 99,900 jobs—a decrease of nearly 20 percent in five years. Manufacturing jobs statewide have shown a similar pattern, dropping more than 18 percent since 2001.

All told, the jobs picture in the region is far from satisfactory. Even with a modest one percent gain over the last 12-month period, private jobs remain well below the five year ago level. Moreover, the job growth has been very narrow with most of the expansion concentrated in three sectors, eating and drinking places, health care and education. And while any job increase is certainly welcome, the disproportionate growth in these sectors is not encouraging in that they are not reflective of any underlying dynamism in the local economy but rather reflect more intensive use of these services by the existing population.

To be sure, the out migration of people from Allegheny County is consistent with the weakness in retail jobs and the slow housing starts that have been discussed in earlier *Policy Briefs*. Unfortunately, the causal factors that continue to restrain the Pittsburgh region's economy are very firmly entrenched. High property taxes, governments and schools dominated by unions, and a propensity for governments to try to promote growth by picking winners to subsidize (thinking they actually know how to do it) all undermine the free market system that could be working to our advantage.

To quote Peter, Paul and Mary: "When will they ever learn? When will they ever learn?"

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