

***POLICY BRIEF***  
An electronic publication of  
The Allegheny Institute for Public Policy

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April 24, 2007

Volume 7, Number 22

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### **The Mystery of Downtown Job Totals**

The Pittsburgh Downtown Partnership (PDP) acts as the administrative agency for the Downtown Improvement District and as a booster of the Downtown area and its attributes to workers, visitors, and residents. By all accounts, it is doing a good job in both roles.

But things might have become a bit overzealous in the booster department. The PDP recently released a study showing that the number of people working in Downtown Pittsburgh (considered as the Golden Triangle, the North Shore, South Shore, Strip District, and Uptown) has increased 23 percent between 1996 and 2006 to stand at 136,928. The study also notes that this number is a substantial portion of the region's overall workforce and that much of the growth came from the sectors of finance (up 10,000 jobs) and services (up 5,000 jobs).

The study used a mixture of 2000 Census data and surveys conducted by private firms to build a model that estimates the counts in years before (1996) and after (2006) the latest Census information. It is interesting to note that for all of the fanfare and coverage surrounding the report, the job count is different from the number listed on the PDP's website which places Downtown employment at 140,000. That number has been around for several years.

Nevertheless, there is a troubling aspect of the growth reported by the study: how are we to believe that there has been a 23 percent increase in Downtown employment when almost every economic indicator connected to Downtown as well as the County and region is moving in the opposite direction or holding flat?

For instance, let's look at vacancy rates, transit trips, tax collections, regional job growth and population changes in the City and County.

- *Downtown Vacancy rate*—Our 2005 report showed that the vacancy rate for office space in the Golden Triangle (where there is 20 million square feet of office space, about 50 percent of the region's total) was around 18 to 20 percent for Class A office space. The overall vacancy rate had increased 37 percent from the third quarter of 2001 through the third quarter of 2004. Recently released numbers show that the vacancy rate has risen to 20.7 percent at the end of March,

2007. Obviously, the rising office vacancy rate does not support the notion that jobs are growing let alone at a pace of over two percent per year.

- *Public Transit Ridership*—As measured by the National Transit Database indicator “average weekday unlinked trips”, it is hard to see how there could be such a significant uptick in Downtown employment. Since the majority of trips carried by the Port Authority are commuters (the study mentions that 4 in 10 Downtown workers use PAT), how do we reconcile the reported Downtown job growth with an 8 percent drop in trips during the ten-year period? The Database shows there were 253,000 weekday-unlinked trips in 1996. By 2006, daily trips had fallen to 233,000. Note that the peak year was 2001 when there were 258,000 daily trips, a modest rise from the 1996 level. Are substantially more people driving and parking in the City? Possibly. But it would seem highly unlikely given the big jump in gasoline prices since 2004 and the very high cost of parking Downtown.
- *Tax Collections*—A fairly good indicator of the number of people working in the City as a whole is to look at the collections of the \$52 Emergency and Municipal Services Tax, which falls on every worker regardless of their place of residence. Collections from the tax and its predecessor, the occupation privilege tax (\$52 now, \$10 from 1996 through 2004), indicate that about 316,000 people are working in the City. That’s up 9 percent from the 1996 total of 289,000, but down since the peak year reading of 324,000 in 2000. In fact, 1996 and 1997 were the two lowest years of collections in the past thirteen years. It certainly does not seem reasonable to argue that Downtown employment would far outstrip the rate of job growth Citywide as measured by the revenues from this tax.
- *Regional Growth Levels*—The PDP study states that the 23 percent growth came in large part from just two sectors: finance, up by 10,890 (34%) jobs over the ten years, and services, up by 4,734 (12%). Compare these growth figures to the official data for the seven-county metropolitan area as reported by the Bureau of Labor Statistics: A 7 percent growth rate in financial activities (4,700 jobs) and an 11 percent increase (33,000) in service jobs. In short, the study is essentially arguing that the increase in Downtown financial jobs has exceeded gains in the region as a whole. If true, that would mean that the region outside Downtown Pittsburgh has lost 6,000 financial jobs. Meanwhile, the study’s services job increase is fairly close to the regional gain and credible. Finally, bear in mind that there has been no net gain in private sector jobs in the Pittsburgh Metro area between February 2000 and February 2007.
- *City and County Population Changes*—Over the past 12 years or so Allegheny County has seen its labor force and number of jobholders shrink by 30,000. Meanwhile, the City of Pittsburgh’s population has shrunk by more than 30,000 since 1996 and its labor force has undoubtedly fallen, although proportionately less than the population. Since Allegheny County residents make up an overwhelming majority of jobholders in the City, it is hard to imagine that with

the amount of County shrinkage we have seen that Downtown payrolls would have jumped 23 percent.

It could be that since the PDP study is only concerned with five Census tract neighborhoods at two points in time that a major portion of the Downtown job growth is the result of jobs moving from other parts of the City or region into Downtown. But there has been little in the way of news of such moves until the recent UPMC announcement. And those jobs were obviously not in Downtown in 2006.

The real problem is that we cannot be totally sure what the actual current job number is. We can, however, reasonably argue that in light of all the factors described above, there has not been a 23 percent gain in Downtown jobs since 1996. There was some growth between 1996 and 2001 from the 1996 low point. On the other hand, all signs point to a lower job total since 2001.

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