

# ***POLICY BRIEF***

An electronic publication of  
The Allegheny Institute for Public Policy

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January 30, 2009

Volume 9, Number 6

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## **Recession Hits Region's Employment**

While jobs news from across the country has been horrible for several months, until very recently the Pittsburgh region was able to resist the weakness, showing small year over year gains. Now it appears the impact of the national and global slowdown has begun to impact the local jobs picture as well, this according to data posted on the Bureau of Labor Statistics web site.

In December, private sector jobs in the seven county Pittsburgh metropolitan statistical area (MSA) fell 7,100 or 0.7 percent below the year earlier reading. This marked the second consecutive month of year over year decline. Among the industry sectors in the Pittsburgh MSA posting job losses were manufacturing, retail, transportation and utilities, finance, and leisure and hospitality. At the same time, health and education, and professional and business services saw some uptick in employment while government jobs were unchanged.

Job loss in retail creates concern for what it says about the recent surge of retail space construction. Declines in retail employment have pushed the payroll count in that sector down to a level not seen since before 1990. In December 2008 there were 132,900 jobs in the retail sector. The previous December low during the last 18 years was posted in 1992 (135,100). Nationally, retail sector employment has been hard hit recently as well but national retail jobs have not dipped below 2003 levels—as of yet anyway.

The enormous amount of subsidized retail shopping in the last decade has displaced older shopping centers in many instances and has been an abject failure in other instances such as Lazarus and Lord and Taylor's. A local economist noted the country, as well as the region, was "over retailed". As we have commented over and over, subsidizing retail is poor policy. Just how poor, is becoming evident now that "for rent" signs in retail space are popping up in Allegheny County.

Construction jobs are also beneficiaries of government spending. With the North Shore Connector project, the PNC tower, and numerous road and bridge projects, local construction employment is holding steady rather than falling sharply as seen in many parts of the country that actually had private sector construction booms. It remains to be seen whether "stimulus package" money can arrive in time to keep the local employment level from dropping.

Other bright spots for the region continue to be the health and education sector (+5,500 December 2007 to December 2008) and the professional and business services sector (+1,100). These sectors continue to show gains although the pace slowed in the final months of 2008. Again, the health and education spending in the proposed stimulus package might keep these sectors moving ahead.

In addition to retail, the leisure and hospitality sector posted a substantial loss (-4,500) with a large portion coming from eating and drinking places (-1,600) which, in Allegheny County, had to deal with the new drink tax. Manufacturing employment also continued its steady decline by losing 2,200 jobs and for the first time in decades fell below 98,000.

While much has been made about the Pittsburgh region doing better than the nation during last year's recessionary environment, it is important to keep in mind that the region did not share in the robust jobs growth enjoyed by much of the country over the last few years. Indeed, December's jobs were still below the level reached in December 2000. Not much to brag about for eight years of nearly continuous doling out of huge subsidies and "economic development" grants.

Worse news for the region is undoubtedly yet to come as national and international economic data point to further job and income losses for the next few months at least. Health and education along with government jobs will provide the region some stability. However, an economy cannot grow and prosper with just education and health. Eventually, the rest of the private sector must participate in job growth as well. And that will necessitate not only a strengthening national economy but a far more business friendly climate than the region has exhibited in recent years.

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