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Clarifying Pittsburgh's Employment Picture

Pittsburgh's mayoral race has produced some heated rhetoric about the jobs situation in the City. One candidate has criticized the Mayor's characterization of the unemployment situation as being better than the state and nation, saying that it's offensive to those out of work and that the region's September unemployment rate stood at a 23-year high. The Mayor's spokesman replied that the candidate doesn't understand statistics and repeated the claim that the City unemployment rate is lower than the rate for the country, state and region. A third candidate argues there are pockets of economic hardships throughout the City's neighborhoods where people cannot find jobs.

Cutting through the campaign rhetoric, what is the true employment/unemployment situation in the City? Newspaper accounts say the City unemployment rate in September was 7.6 percent, lower than the region's 8.1 percent, the state's 8.8 percent and the nation's 9.8 percent. This would seem to confirm the Mayor's claim. But, it is not that simple. A closer look is warranted.

First, the City unemployment rate is not seasonally adjusted as are the rates for the region, state and nation. It so happens that the unadjusted unemployment rate for the region—the 7 county metropolitan statistical area (MSA)—also stood at 7.6 percent. It was boosted to 8.1 percent through an adjustment to take into account seasonal factors. There are no reported seasonality factors for the City so it is not possible to say for certain what its adjusted rate would be. However, based on the adjustments for the counties in the MSA, it would be reasonable to argue that the City's seasonally adjusted rate is somewhat higher than 7.6 percent.

Second, the unemployment rate calculation, while conceptually simple, does not always give us a complete picture of what is happening in the labor market. The rate is defined as the number of people out of work who are actively looking for work (the unemployed) as a percentage of the labor force, which is defined as the sum of the unemployed and the employed.

Suppose that in September 2008, a city had 96,000 employed and 4,000 unemployed. The unemployment rate would be 4 percent (4,000 divided by the labor force of 100,000). Further, suppose that 12 months later the city had seen unemployment rise to 7,000 while employment fell to 93,000. The unemployment rate would now be 7 percent (7,000

divided by 100,000). Now consider another scenario. Suppose that in September 2009, the city's employment had fallen to 93,000 while the labor force dropped by 2,000 to 98,000. This would mean the number unemployed for the official unemployment rate calculation had dipped to 5,000. In this situation, the unemployment rate would be 5,000 divided by 98,000 or 5.1 percent. The point is that the same 7,000 drop in employment produces a very different jobless rate depending on what happens to the labor force.

In times of sharp economic downturn, some people will quit looking for work—the so called discouraged worker. Likewise potential new entrants into the work force could decide to delay entry perhaps to continue their education or training until the economy picks up. As retirements and other normal labor force attrition takes place and there are insufficient new entrants to replace them, the labor force will decline. And, as labor force shrinks with falling numbers of jobholders, the unemployment rate does not rise commensurately with job losses.

Thus, a more thorough examination of Pittsburgh's unemployment rate requires that changes in employment and labor force be taken into account and compared to the regional and state performance. Over the last 12 months for which data are available, September 2008 to September 2009, Pittsburgh's employment fell from 146,200 to 140,400, a decline of 4 percent. Meanwhile, the MSA employment decline for the same period was also 4 percent, the state fell 4.2 percent and the nation 4.3 percent. So, in terms of job losses, the City, the region, the state and the nation suffered very similar decreases.

However, the City's unemployment rate did not rise as sharply as in the region, state and nation because Pittsburgh's labor force reduction over the last 12 months occurred at a faster pace, dipping 1.5 percent in contrast with the MSA at 1.1 percent, 0.9 percent for the state and merely 0.4 percent for the country. The significantly larger percentage decline in the City's labor force, by holding down the number unemployed, restrained the rise in Pittsburgh's unemployment rate compared to the MSA, state and nation. Note that if the City's labor force had slipped only 0.4 percent as happened nationally, the Pittsburgh unemployment rate in September 2009 would have been 8.7 percent seasonally unadjusted—and probably close to 9.0 percent if seasonal adjustment could be factored in.

In short, job losses are a more accurate gauge of economic performance and therefore Pittsburgh's labor market performance over the past 12 months has not been superior to the MSA and only marginally better than the state and nation. This is certainly not much to brag about, especially in light of the lackluster performance over the past ten years.

Back in September 1999, Pittsburgh's employment stood at 155,643. By September 2008, just before the full effects of the recession began to hit, City employment was 146,205, a slide of over 9,000 people having jobs. The sharp downward move early in the decade was softened somewhat by modest gains in 2007 and 2008. Unfortunately, those gains have been completely overwhelmed by the 5,800 drop in employment over the last

12 months—taking the count down to 140,357 to stand 15,000 or 10 percent below the 1999 level.

Meanwhile, over the last 10 years, the labor force has been shrinking, slipping from 162,725 in September 1999 to 154,270 in September 2008 with losses through 2006 partially offset by gains in 2007 and 2008. Over the last 12 months, the recent rise has been wiped out.

On the positive side, Pittsburgh is fortunate to have large concentrations of employment in health care, higher education, and government (City, state, Federal, County as well as many authorities including Port Authority, Water and Sewer, Parking, etc.). These sectors tend to have relatively recession-resistant employment and provide economic stability to the City. On the other hand, the City is not completely immunized against employment losses by virtue of having high concentrations of downturn resistant employers as evidenced by the experience of the last 12 months.

Having largely been by-passed by the national employment growth of the last decade, Pittsburgh did not have the private sector housing and commercial building booms that have turned into major economic setbacks for some areas of the country.

That does not mean the City should try to avoid strong growth in the future. But given its governance and school problems along with an uninviting business climate, continued anemic gains in the future are very likely.

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