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Labor Market Weakness Persists in the Pittsburgh Region

Despite the wishful thinking of some civic leaders and pundits, recessionary labor market conditions persist in the Pittsburgh area. The latest household survey data from the Bureau of Labor Statistics shows another loss in the number of people working as well as a decline in the labor force (workers plus those looking for work). The ongoing drop for both indicators is worrisome and the recent increase in the size of the year-to-year slide points to the difficulty of turning the economy around.

The seasonally unadjusted unemployment rate for October in the Pittsburgh metropolitan statistical area (MSA) at 7.7 percent remains below the national figure of 9.5 percent. On its face, this may cause some to breathe a sigh of relief, but a closer look at the numbers shows the area still faces considerable problems.

In October 2009, the number of people employed in the Pittsburgh MSA fell by nearly 53,000 compared to the October 2008 count and dipped to the lowest reading posted in more than a decade. Meanwhile, the number of people out of work rose about 31,500. The difference of roughly 22,000 between the decline in employed and the drop in the number out of work shows up as a decrease in the labor force. A reduction in labor force is generally associated with; (1) workers and potential new labor force entrants becoming discouraged in their efforts to find employment and (2) a working age population decline due to out migration, retirements or shrinking numbers of young people caused by low birth rates in earlier years. Most likely over the short run, the discouraged worker phenomenon accounts for the bulk of the labor force drop.

The Pittsburgh MSA's falling labor force plays a significant role in holding the region's unemployment rate below state and national levels. The unemployment rate is calculated by dividing the number unemployed by the labor force. For example, if we divide the number of unemployed people in the MSA (92,420) by the MSA labor force (1,205,476) we obtain an unemployment rate of 7.7 percent. And since these data have not been adjusted for seasonality, the 7.7 percent figure is also seasonally unadjusted. Now, if we assume the people who left the labor force (21,192) were too discouraged to continue looking and include them in the ranks of the unemployed (which also adds them back to the labor force) it produces a much higher unemployment rate of 9.3 percent. The same methodology applied to the national situation increases the unadjusted unemployment rate for October to 10.3 percent—up from 9.5 percent. Thus the gap between the regional and national unemployment rate shrinks significantly when labor force declines are taken into account.

As mentioned above, the number of people employed in the Pittsburgh MSA decreased by nearly 53,000 year-over-year in October—a decline of 4.5 percent. Nationally, the number of employed decreased by 4.4 percent. So, while the region's unemployment rate may be lower than the nation's rate, the number of employed has fallen about the same in percentage terms.

So far in 2009, the region has seen the most important labor market measure—the numbers of people employed—fall on a year-to-year basis each month through October. The same holds for Allegheny County and the City of Pittsburgh. Household survey labor data show that in October, Allegheny County employment was down 27,750 from October 2008—a decrease of 4.5 percent, matching the MSA's drop. Meanwhile, the City of Pittsburgh also experienced the same 4.5 percent loss in employed persons.

On a year-over-year basis, the loss in the number employed in the MSA has been getting steadily worse each month during 2009. In January, for example, the drop from a year earlier stood at about 7,000. By June, the falloff reached 26,250 and by September the loss had swelled to 47,300. October's slump of nearly 53,000 from October 2008 is the worst year-over-year plunge in more than a decade.

The employment picture points to difficulties ahead as the region attempts to recover from the recession. The recovery may be quite slow and recessionary labor market conditions could extend well into 2010 despite the Federal government's misguided attempts stimulate growth by spending ever more borrowed money—especially to prop up government jobs.

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