



Pennsylvania Economy League
of Greater Pittsburgh

An affiliate of the Allegheny Conference

Pittsburgh Region Employment Update Annual and December 2022

Released March 27, 2023

Key Findings

NOTE: The Employment Update uses the U.S. Bureau of Labor Statistics' Local Area Unemployment Statistics (LAUS) and Current Employment Statistics (CES) data series as its primary source. While it offers the advantage of providing current monthly data, as a survey-based tool, it is also subject to revision as additional information is collected in subsequent surveys.

- From a low of 3.9% in October, the unemployment rate in Southwestern Pennsylvania increased slightly through the end of 2022 and in January 2023 was 4.3%, the same as Pennsylvania. Conversely, the national unemployment rate continued to fall through the remainder of 2022 and by January 2023 was just 3.4%. The regional increase was a result of a 9.4% increase in unemployed individuals in the region between October 2022 and January 2023.
 - All counties had unemployment rates higher than the nation in January 2023 with Butler County (3.7%) being closest to the national average. Likely due to the completion of the Shell petrochemical plant, Beaver County was the only county in the region to have a higher unemployment rate in January 2023 than in February 2020.
- While the national labor force has returned to pre-pandemic levels, the region continues to lag. The region's labor force bottomed out in October 2021 at 94% of the February 2020 labor force but steadily rebounded reaching 97% of pre-pandemic levels in May 2022. It has since fluctuated in the 96% to 97% range.
- In addition to its monthly measures, Current Employment Statistics (CES) provides annual averages of employment. Over the course of 2022, employment in the seven county Pittsburgh MSA averaged 1.15 million. Average annual employment in the Pittsburgh MSA increased by 2.9% in 2022, placing it above four of its benchmark regions.
 - While the Pittsburgh MSA trailed both the nation and the benchmark average in annual employment growth by greater than one percentage point, the region's 2.9% growth rate was the highest since before the 1990s.
- On an annual basis, only two industries showed employment decreases in 2022 – Construction, which is being impacted by the completion of the Shell petrochemical complex, and Utilities. While all of the remaining industries showed increases in annual employment, only two grew faster than the nation – Leisure and Hospitality and Educational Services – both of which has lagged the nation and region through much of 2021.
- During December 2022, the Pittsburgh MSA had a 2.1% increase in employment over December 2021 as the region gained 24,400 jobs. While this trailed the U.S. and benchmark average increases, it outpaced seven of the region's 15 benchmark cities.
 - Throughout 2022, the Pittsburgh MSA has been experiencing year-over-year employment growth ranging from 2.1% to 3.9%, well above historical levels. While the 2.1% growth rate in December was among the lowest of the year and an indication that job growth could be slowing in the region, the gap between the region and the national and benchmark average employment growth rates was the smallest it had been in all of 2022.
- In December 2022, employment in the Pittsburgh MSA was 97.1% of what it was three years ago. While it represents an increase from 95.1% in January 2022, and the 92% to 94% levels recorded through much of 2021, the region still trails all benchmark regions but Cleveland.
 - The nation and benchmark regions exceeded their respective pre-pandemic levels as of the first quarter of 2022, but the Pittsburgh MSA remains below 2019 levels although it has narrowed the shortfall to 2.9%. Unfortunately, the region has had less success narrowing the gap between the U.S. and benchmark regions. In fact, the gap increased from between three and four percentage points in 2021 to between four and five percentage points in 2022.

Key Findings (cont'd)

- In December 2022, Educational Services, which has long been lagging, was the Pittsburgh MSA's strongest industry, increasing 7.3% over December 2021, compared to a 3.7% increase nationally. Information also registered a strong employment increase, outpacing the nation by 1.8 percentage points. Wholesale Trade, which had also been one of the region's laggings sectors also slightly outpaced the nation, while the remaining industries all trailed the national growth rates, with Construction and Retail losing employment.
- While Transportation and Warehousing, Information, Professional and Business Services and Utilities are the only industries whose employment exceeds pre-pandemic levels, most others are within five percentage points of 2019. Wholesale Trade, after struggling for much of 2021 now equals pre-pandemic employment. Mining and Logging continues to rank among the biggest laggards, while Construction has fallen to 89.0% of pre-pandemic employment levels as construction of the Shell petrochemical plant has come to an end and construction costs rise. Educational Services, after significantly lagging pre-pandemic employment through much of 2021 and 2022 is starting to close the employment gap.
- Employment in the Pittsburgh MSA in December 2022 was 34,600 less than in December 2019. Over 90% of the shortfall can be attributed to just four industries with Healthcare and Social Assistance accounting for the largest percentage of the employment shortfall (35%).
 - Of the 14,000 job shortfall in Healthcare and Social Assistance, the bulk of the employment loss since 2019 is attributable to Hospitals (7,200) and Nursing and Residential Care (5,000). Within Leisure and Hospitality, 5,700 of the 7,300 employee shortfall can be attributed to Food Services and Eating and Drinking Places. Employment within Arts, Entertainment and Recreation exceeds pre-pandemic levels.

Outlook – While the Pittsburgh MSA experienced historically robust employment growth during 2022, there are signs that it is slowing and will likely return to more stable historic patterns. The region's unemployment rate increased slightly from a near record low of 3.9% in October 2022 to 4.3% in January 2023 as the number of unemployed individuals increased by 9% and the labor force remained at between 96 and 97% of pre-pandemic levels. The MSA averaged a 2.9% increase in average annual employment in 2022, the highest on record, but as the region moved further from the post-pandemic rebound, the monthly growth rates slowed from 3.9% in January to 2.1% in December. These trends were also evident for both the nation and benchmark regions.

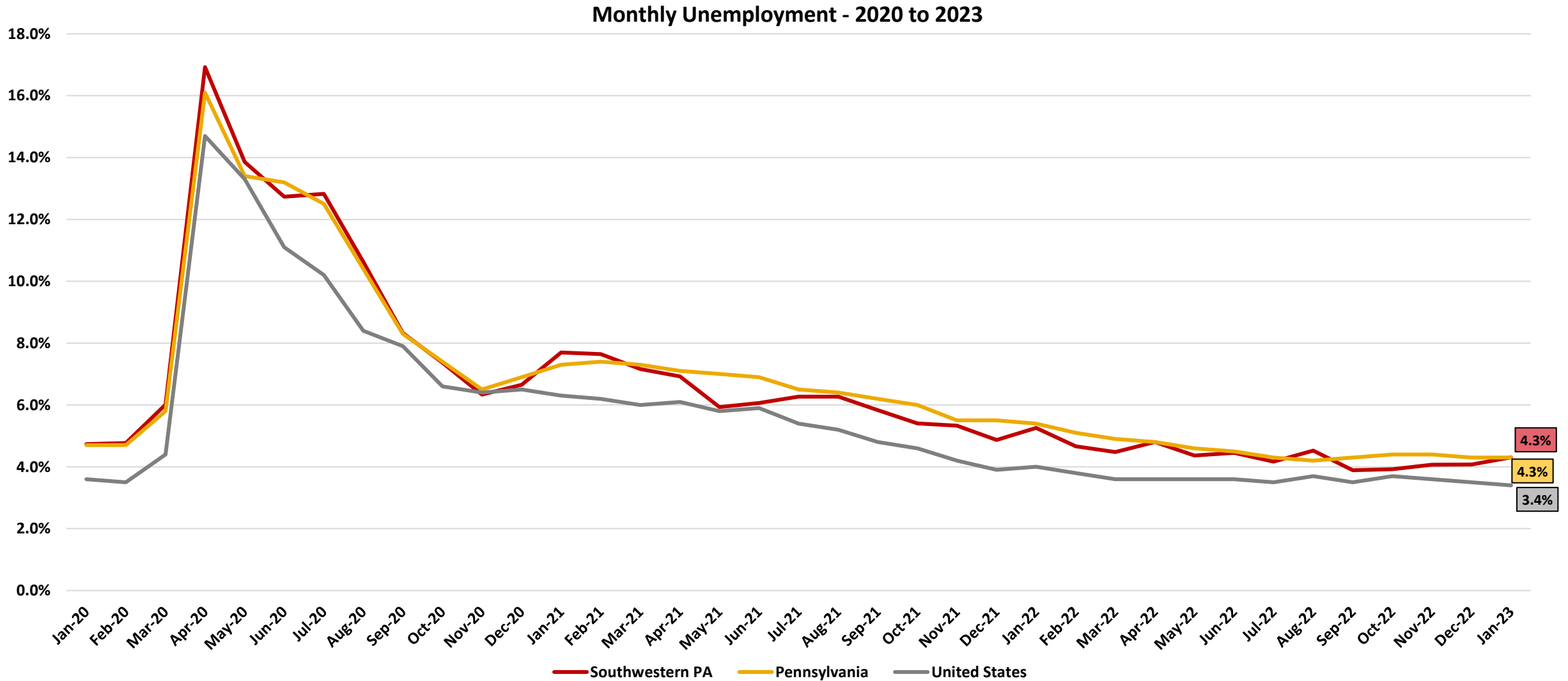
Educational Services and Leisure and Hospitality, which were among the region's weakest performing industries in 2021, had annual growth rates in 2022 that exceeded the nation, although they have yet to reach pre-pandemic employment levels. Wholesale Trade, another laggard in 2021 equaled the nation's growth rate in 2022 and by December, returned to pre-pandemic employment levels. Several industries also ended 2022 above December 2019 employment levels including Transportation and Warehousing, Information, Professional and Business Services and Utilities.

Construction, which had been one of the region's strongest performers emerging from the pandemic, saw employment fall in 2022 as construction has ended on the Shell petrochemical plant and rising construction costs hampered development. Meanwhile, Mining and Logging continues to be the region's weakest performing industry from an employment perspective despite growing production of both coal and natural gas.

As the region moves into 2023, barring a severe economic downturn, monthly growth is expected to continue to slow and return to pre-pandemic levels of around 1% per month. Regional employment will continue to be held back by slow population and employment growth, along with staffing issues in Healthcare and Eating and Drinking Places. While the region has made notable progress in closing the pandemic employment gap, at current growth rates the region would not return to pre-pandemic employment levels until 2024.

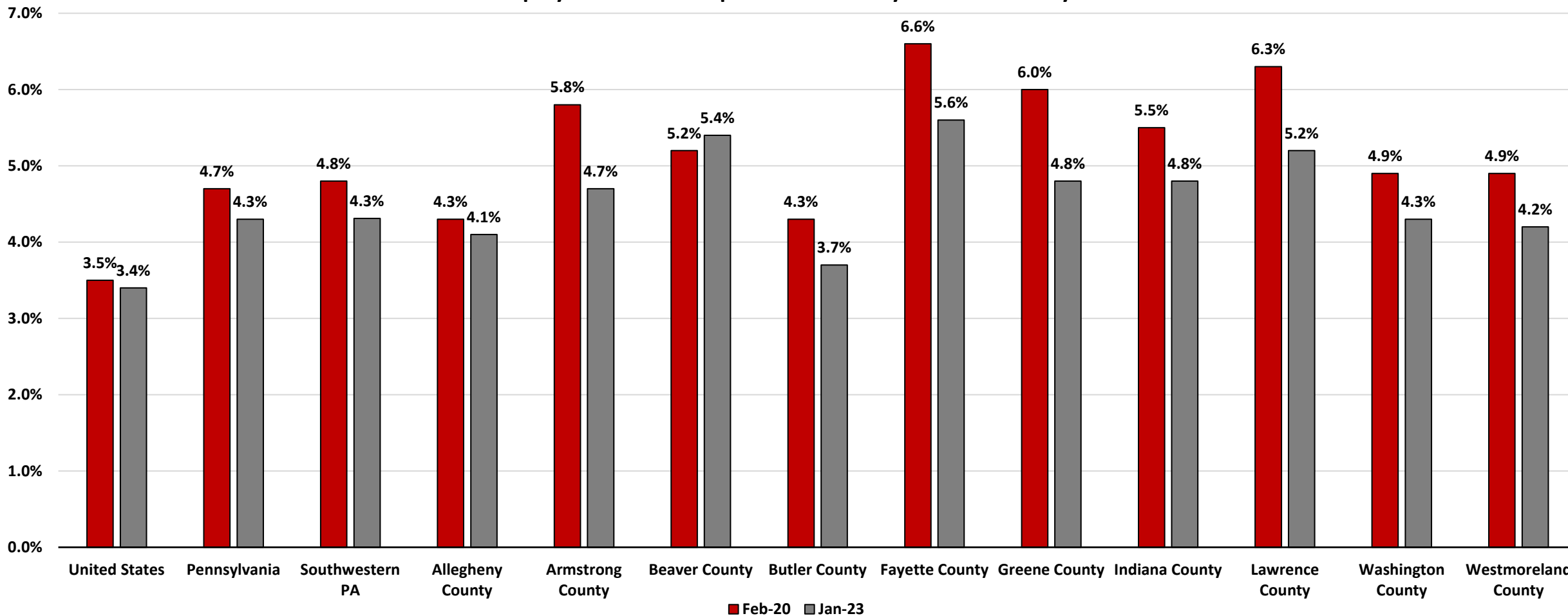
Unemployment Rate

From a low of 3.9% in October, the unemployment rate in Southwestern Pennsylvania increased slightly through the end of 2022 and in January 2023 was 4.3%, the same as the state. Conversely, the national unemployment rate continued to fall through the remainder of 2022 and by January 2023 was just 3.4%. The regional growth was a result of a 9.4% increase in unemployed individuals in the region over the three-month period.



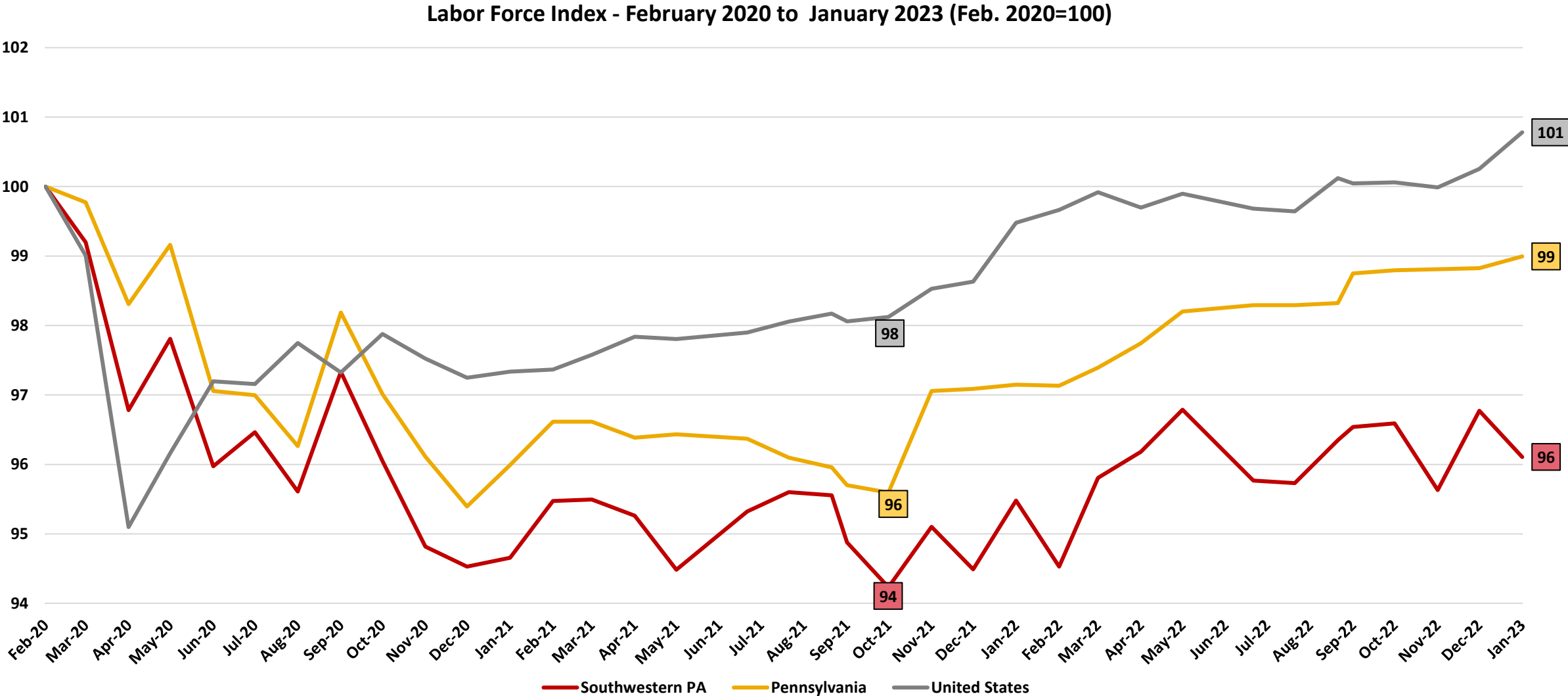
While the national unemployment rate in January was comparable to February 2020, the region's unemployment rate is 0.5 percentage points lower. Greene, Lawrence and Armstrong Counties had the largest drop from February 2020 levels, falling 1.2, 1.1 and 1.1 percentage points, respectively. All counties had unemployment rates higher than the nation with Butler County (3.7%) being closest to the national average. Likely due to the completion of the Shell petrochemical plant, Beaver County was the only county in the region to have a higher unemployment rate in January 2023 than in February 2020.

Unemployment Rate Comparison - February 2020 vs. January 2023



Source: Local Area Unemployment Statistics; Pennsylvania Department of Labor and Industry – Seasonally Adjusted

While the national labor force returned to pre-pandemic levels during the second half of 2022, the region continues to lag. Southwest Pennsylvania’s labor force bottomed out in October 2021 at 94% of the February 2020 labor force but steadily rebounded reaching 97% of pre-pandemic levels in May 2022. It has since fluctuated in the 96% to 97% range.

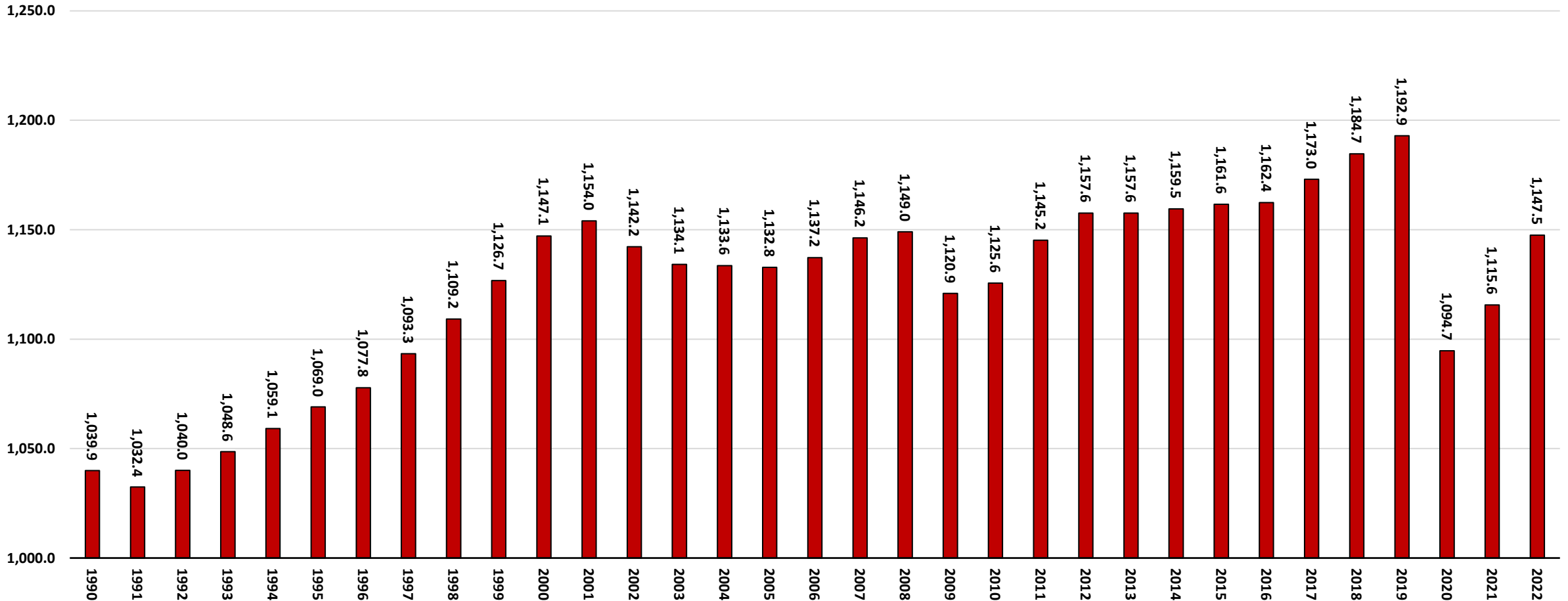


Source: BLS Local Area Unemployment Statistics; Pennsylvania Department of Labor and Industry – Seasonally Adjusted

2022 Annual Employment

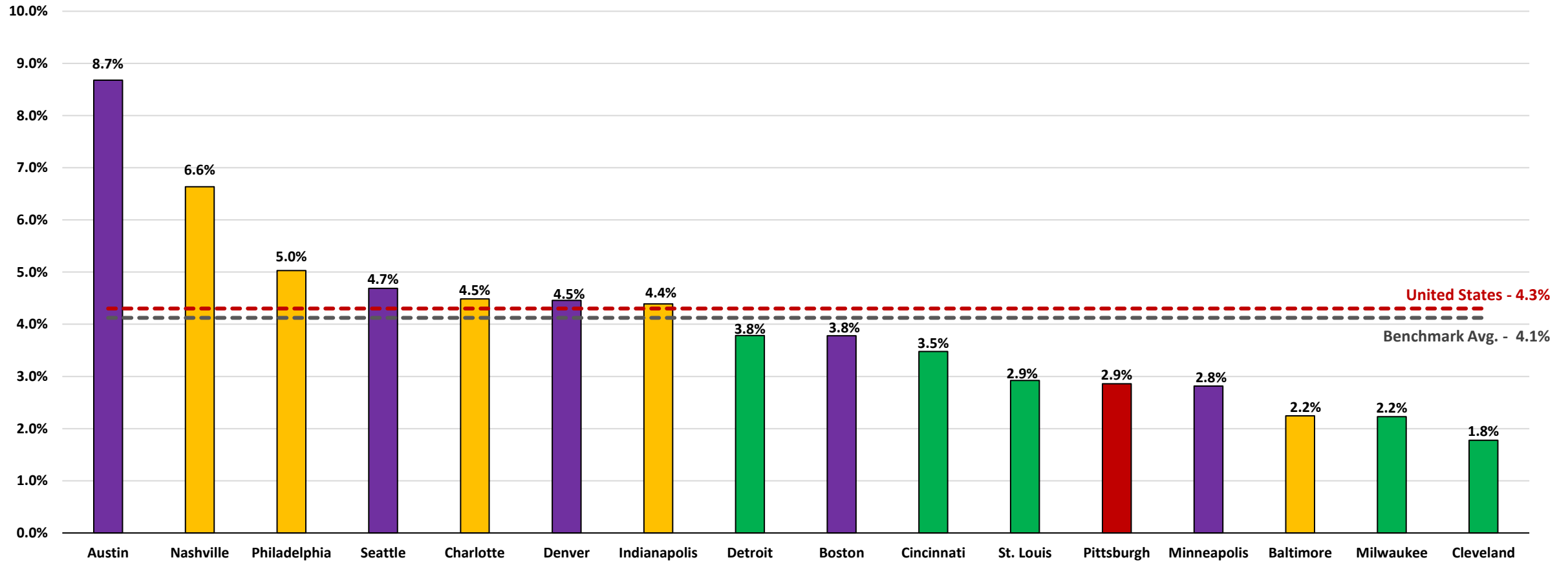
In addition to monthly data, the Current Employment Statistics series also calculates an annual average employment that levels out seasonal fluctuations. Over the course of 2022, employment in the seven county Pittsburgh MSA averaged nearly 1.15 million. While this is nearly 36,000 individuals higher than in 2021, the last time employment was this low in the metropolitan area prior to 2020 was in 2011. Employment also remains roughly 45,000 jobs below the 2019 annual average, although the gap was smaller by the time 2022 ended.

Average Annual Employment (000s) - Pittsburgh MSA - 1990 to 2022



Average annual employment in the Pittsburgh MSA increased year-over-year by 2.9% in 2022, placing it above four of its benchmark regions. While there is a strong correlation between population growth and employment growth, Philadelphia ranked third among the regions in annual employment growth, outpacing fast growing regions like Seattle, Charlotte and Denver.

Annual Employment Change - 2021 to 2022

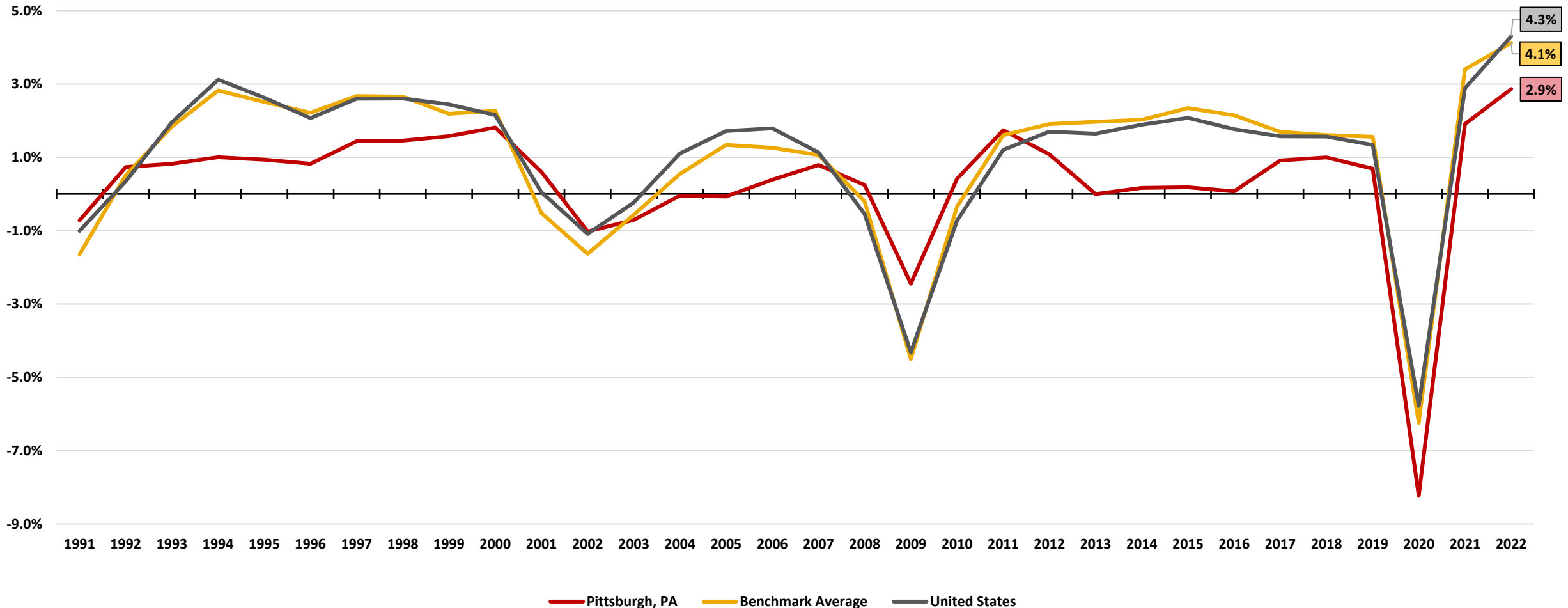


Green=Peer Markets
Purple=Aspirational Markets
Orange=Competitive Markets

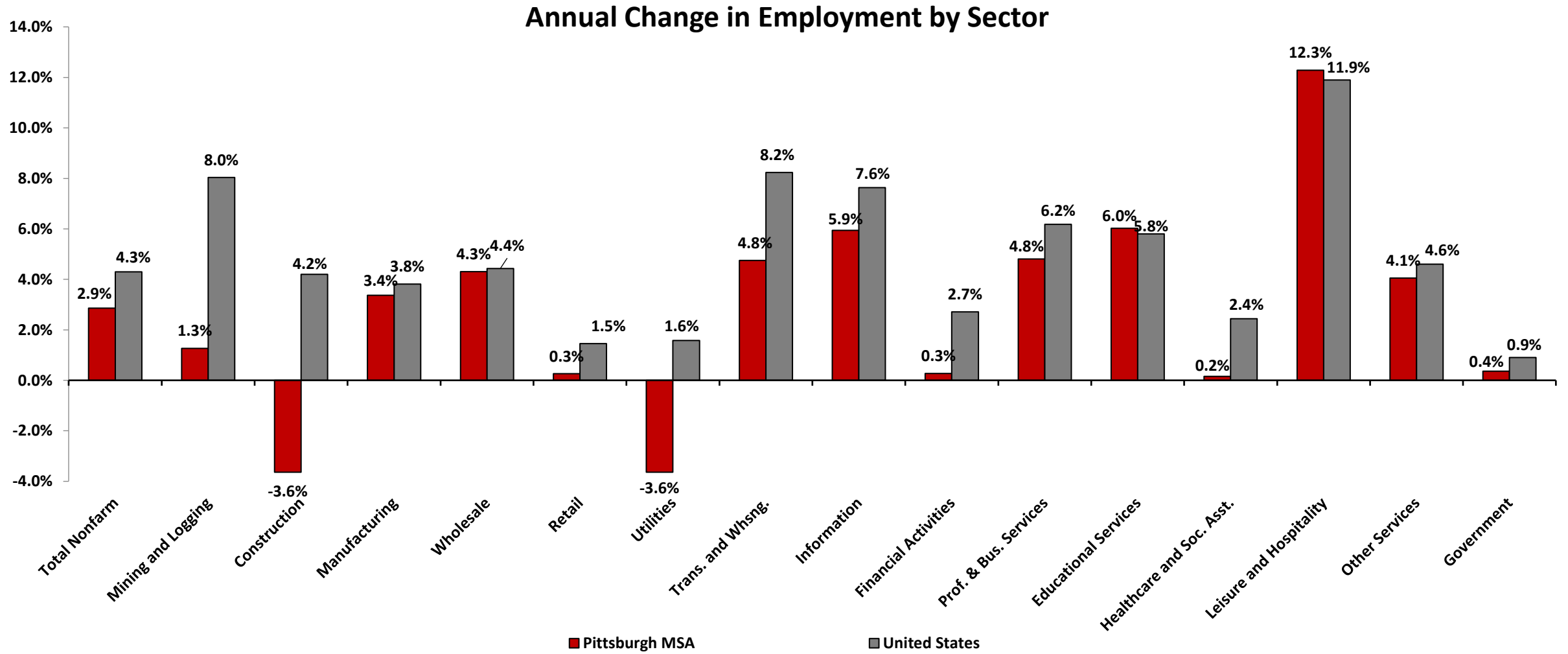
Source: BLS Current Employment Statistics, 2022 Annual Average

While the Pittsburgh MSA trailed both the nation and the benchmark average in annual employment growth by greater than one percentage point, the region's 2.9% increase in 2022 was the highest rate since before the 1990s. While any growth of this magnitude is certainly encouraging it still represents "catching up" from the COVID downsizing more so than net new growth in the region.

Year Over Year Employment Growth - 1991 to 2022



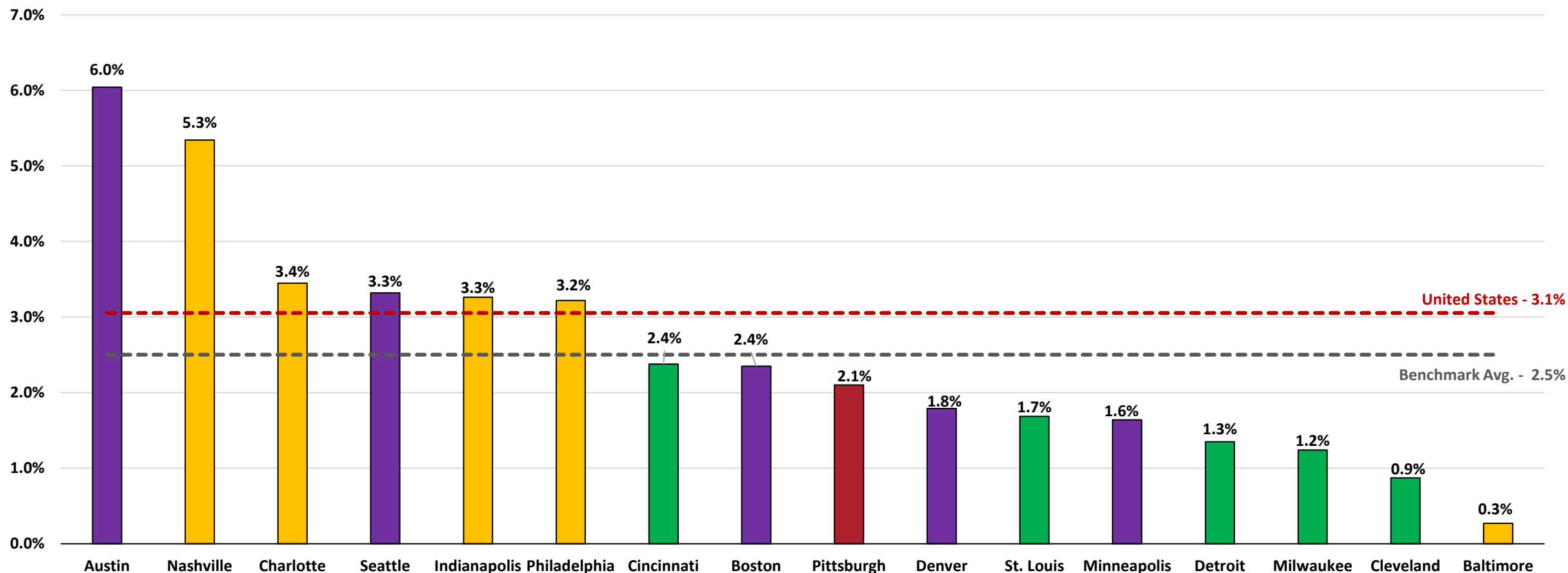
On an annual basis, only two industries showed decreases in employment – Construction, which is being impacted by the completion of the Shell petrochemical complex, and Utilities. While all of the remaining industries showed increases in annual employment, only two regional industries grew faster than the nation – Leisure and Hospitality and Educational Services – both of which has lagged the nation and region through much of 2021.



December 2022 Employment

During December 2022, the Pittsburgh MSA had a 2.1% increase in employment over December 2021, as the region gained 24,400 jobs. While this trailed the U.S. and benchmark average increases, it outpaced seven of the region's 15 benchmark cities, outperforming four of its five of its peer benchmark regions and two aspirational regions.

Employment Change - December 2021 to December 2022

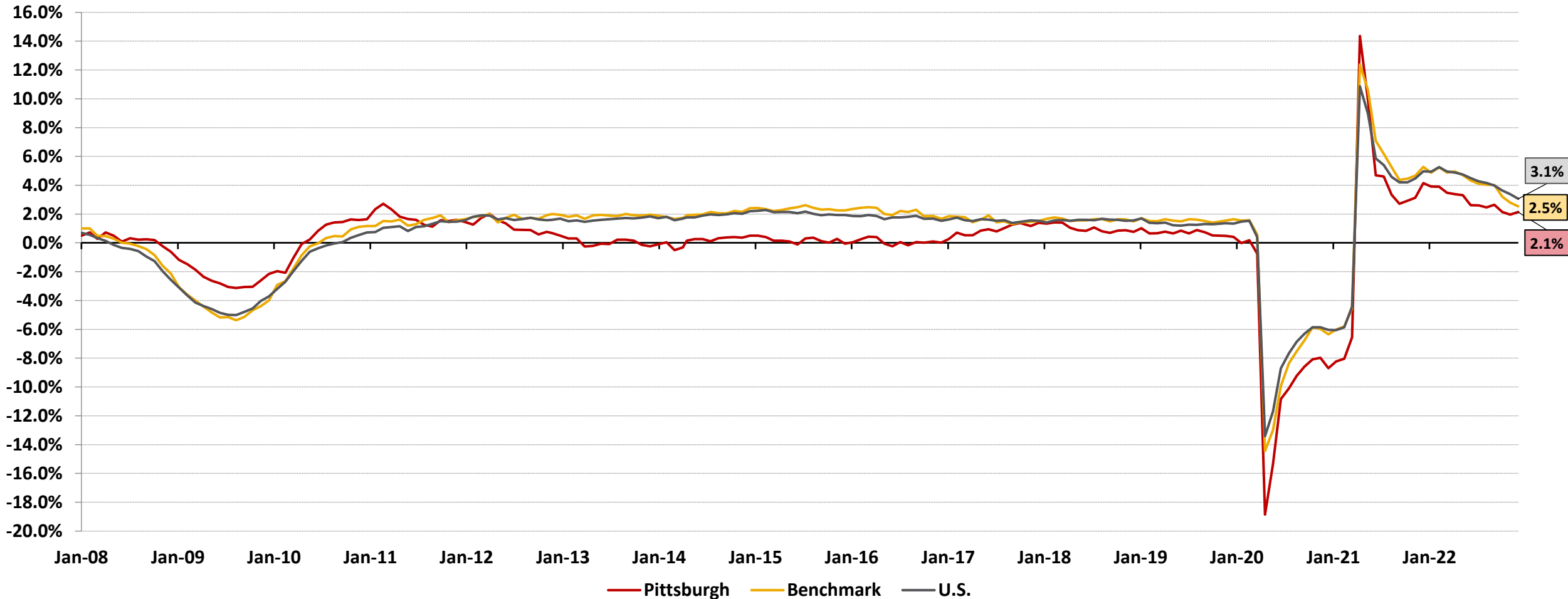


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Source: BLS Current Employment Statistics, December 2022

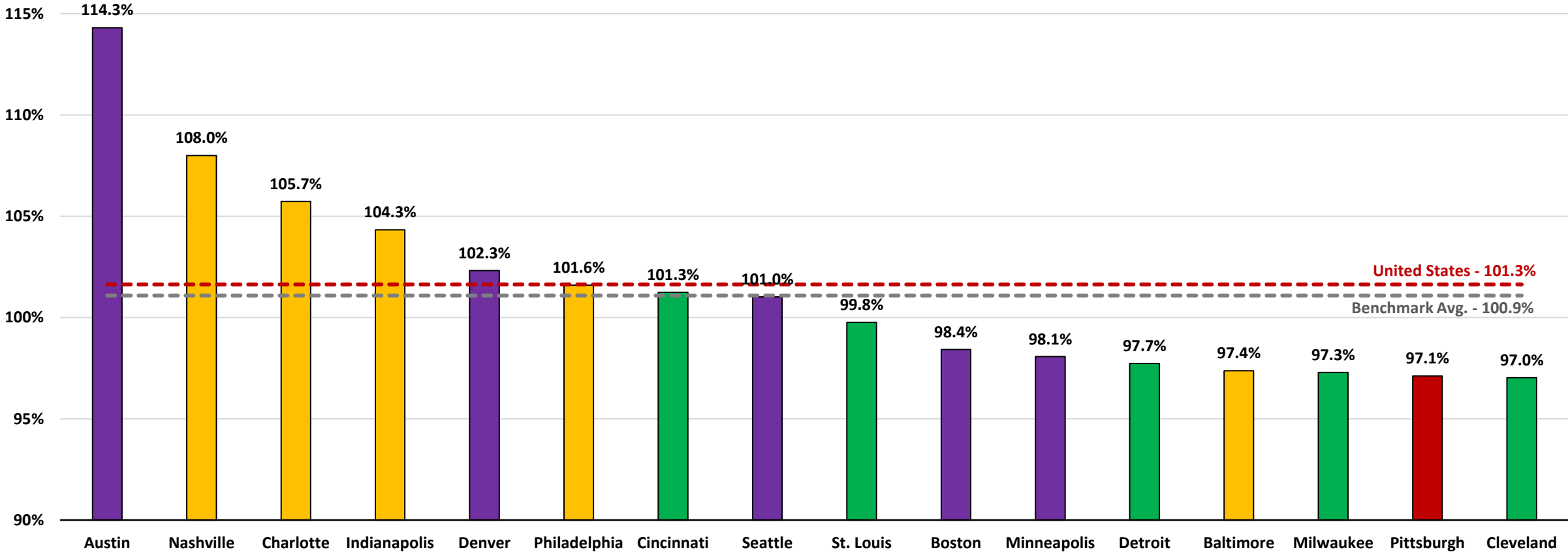
Throughout 2022, the Pittsburgh MSA has been experiencing year-over-year employment growth ranging from 2.1% to 3.9%, well above historical levels. While the 2.1% growth rate in December was among the lowest of the year and an indication that job growth could be slowing in the region, the gap between the region and the national and benchmark average growth rates is the smallest it has been in all of 2022.

Year over Year Employment Change - January 2008 to December 2022



Despite comparatively robust year-over-year growth, employment in the Pittsburgh MSA is 97.1% of what it was three years ago. While it represents an increase from 95.3% in January 2022, the region still trails all benchmark regions but Cleveland. In addition to the nation as a whole, eight of the 15 benchmark regions now exceed pre-pandemic employment levels.

December 2022 Pct. Of December 2019



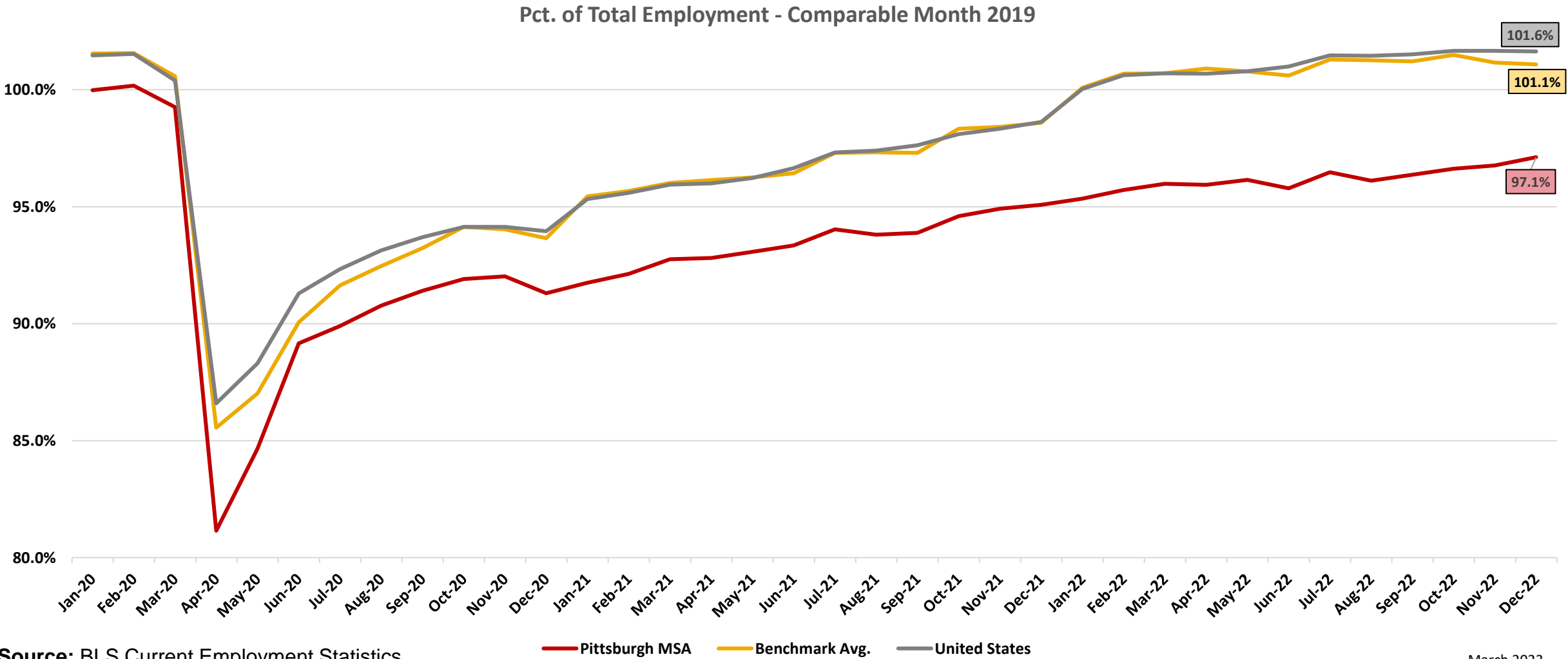
Green=Peer Markets

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Source: BLS Current Employment Statistics

The Pittsburgh MSA lost a larger percentage of its employment in April 2020 than the nation or its benchmark regions and has lagged since then. The nation and benchmark regions exceeded their respective pre-pandemic levels as of the first quarter of 2022, but the Pittsburgh MSA remains below 2019 levels although it has narrowed the shortfall to 2.9%. Unfortunately, the region has had less success narrowing the gap between the U.S. and benchmark regions. In fact, the gap increased from between three and four percentage points in 2021 to between four and five percentage points in 2022.

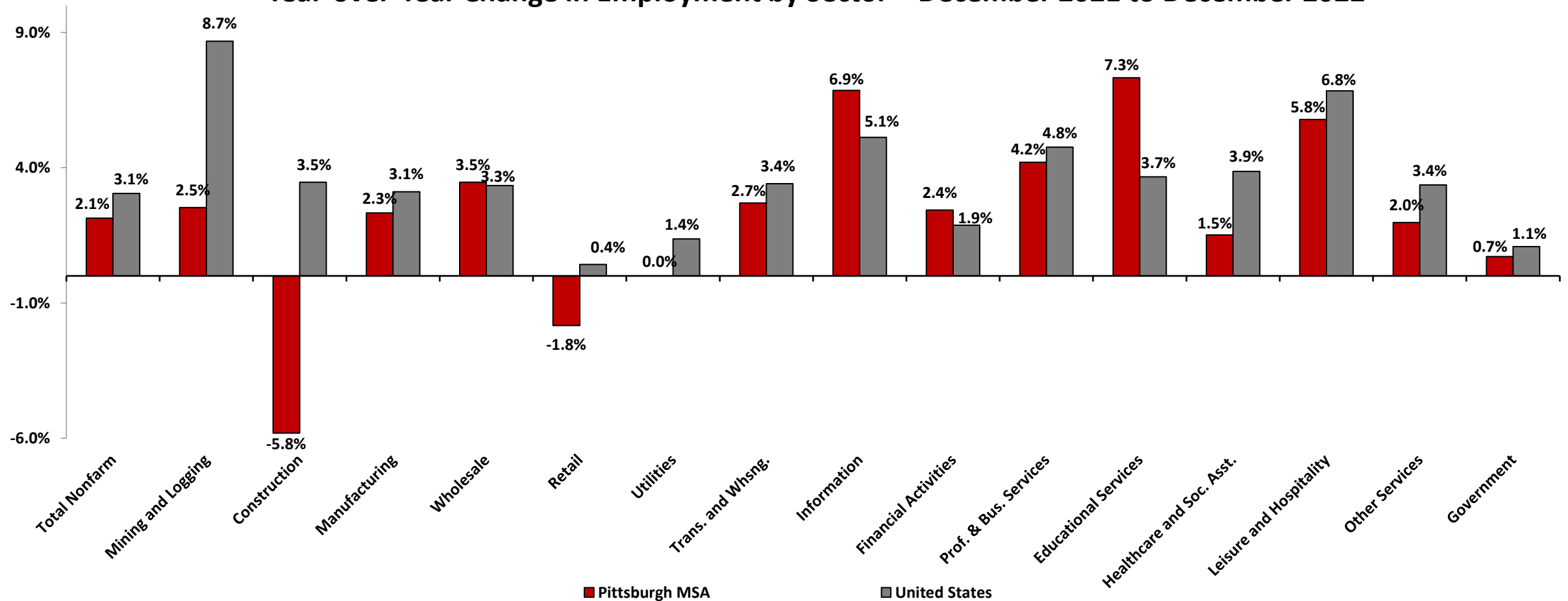


Source: BLS Current Employment Statistics

— Pittsburgh MSA — Benchmark Avg. — United States

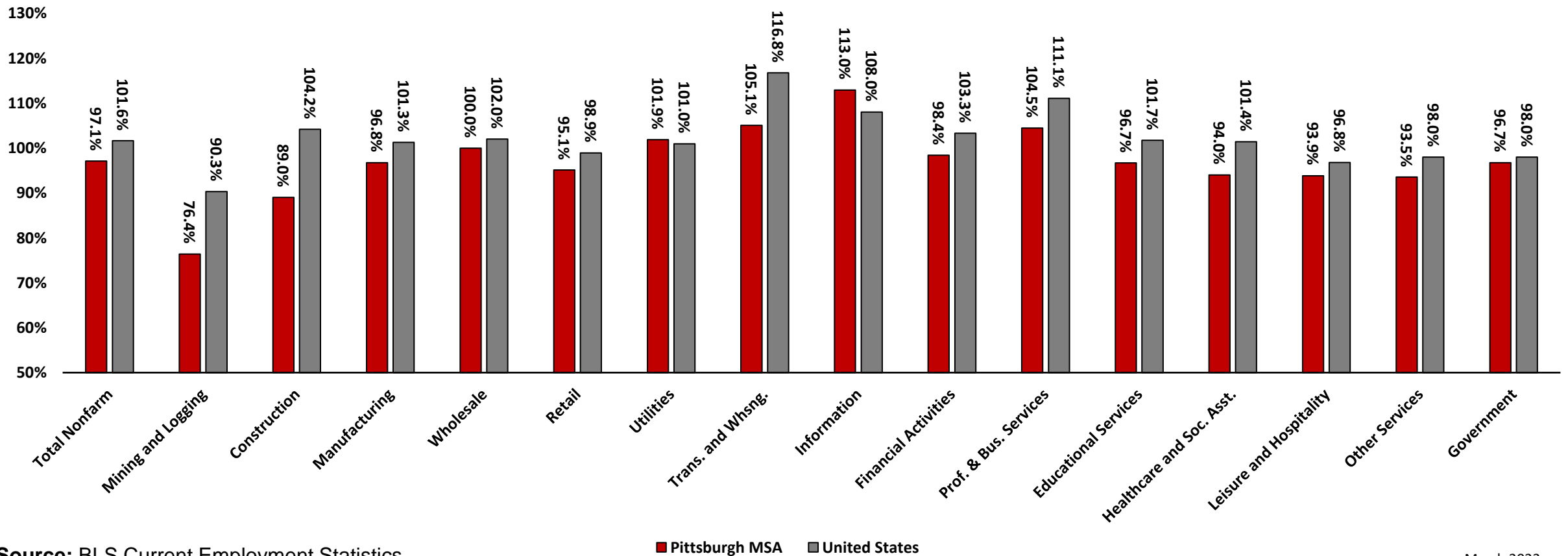
In December 2022, Educational Services, which has long been lagging, was the Pittsburgh MSA's strongest industry, increasing 7.3% over December 2021, compared to a 3.7% increase nationally. Information also registered a strong employment increase, outpacing the nation by 1.8 percentage points. Wholesale Trade, which had also been one of the region's laggings sectors also slightly outpaced the nation, while the remaining remaining industries all trailed the national growth rates, with Construction and Retail losing employment.

Year-over-Year Change in Employment by Sector – December 2021 to December 2022



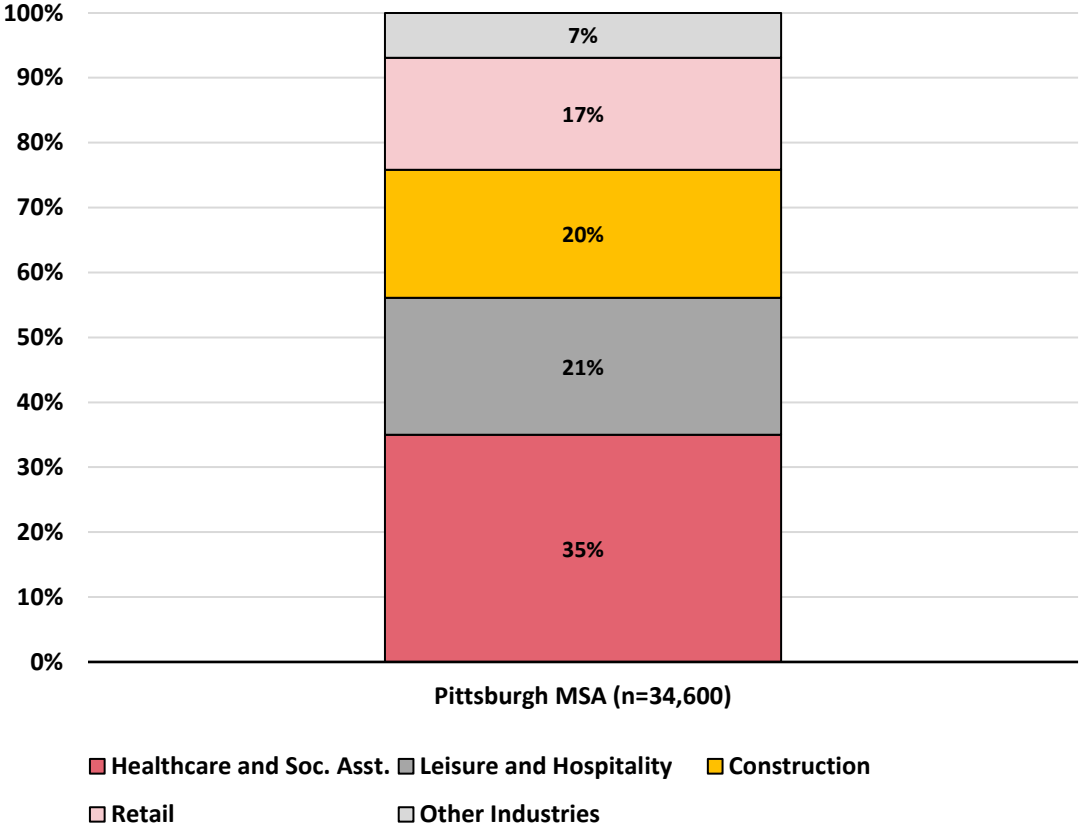
While Transportation and Warehousing, Information, Professional and Business Services and Utilities are the only industries in the region whose employment exceeds pre-pandemic levels, most others are within five percentage points of 2019. Wholesale Trade, after struggling for much of 2021, now equals pre-pandemic employment. Mining and Logging continues to rank among the biggest laggards, while Construction has fallen to 89.0% of pre-pandemic employment levels as construction of the Shell petrochemical plant has come to an end and rising costs are impacting new development. Educational Services, after significantly lagging pre-pandemic employment through much of 2021 and 2022 is starting to close the employment gap.

December 2022 Pct. of December 2019 by Industry



Employment in the Pittsburgh MSA in December 2022 was 34,600 less than in December 2019. With five industries now above pre-pandemic employment levels, over 90% of the shortfall can be attributed to just four industries. Healthcare and Social Assistance accounts for the largest percentage of the employment shortfall (35%). Of the 14,000 job shortfall in Healthcare and Social Assistance, the bulk of the employment loss since 2019 is attributable to Hospitals (7,200) and Nursing and Residential Care (5,000). Within Leisure and Hospitality, 5,700 of the 7,300 employee shortfall can be attributed to Food Services and Eating and Drinking Places. Employment within Arts, Entertainment and Recreation exceeds pre-pandemic levels.

**Current Employment Shortfall By Industry
December 2019 to December 2022**



Source: BLS Current Employment Statistics