Pennsylvania Economy League
of Greater Pittsburgh

An affiliate of the Allegheny Conference

Pittsburgh Region Employment Update
Mid-Year 2023
Released August 23, 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.

- The unemployment rate in Southwestern Pennsylvania has steadily improved from 4.4% in January 2023 to just 3.5% in June 2023, lower than Pennsylvania or the United States. A major contributor was an 18.6% drop in the number of unemployed individuals from January, compared to a 4.6% increase nationally. The total number of unemployed people in the region (44,600) was the lowest is has been since at least the 1980s. Employment in the region increased 0.2% over that period, less than half the national rate (0.5%), while the labor force shrunk by 0.6%, while growing 0.7% nationally.
  - While the national unemployment rate in June 2023 was comparable to February 2020, the region's June 2023 unemployment rate is 1.3 percentage points lower. However, Fayette and Lawrence have the highest unemployment rates in the region. Butler (3.2%), Allegheny (3.3%), Washington (3.5%) and Westmoreland (3.5%) all have lower unemployment rates than the nation.

- While the national labor force continues to exceed pre-pandemic levels, the region lags. 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.

- During June 2023, the Pittsburgh MSA had a 2.9% year-over-year increase in employment over June 2022, as the region gained 33,100 jobs. The region outpaced not only the U.S. and benchmark average increases, but outperformed eight benchmark regions including two aspirational regions and four out of five peer regions.
  - Throughout 2022 and into 2023, the Pittsburgh MSA has been experiencing year-over-year employment growth ranging from 2.0% to 3.9%, well above historical levels. While the 2.9% growth rate in June the highest since May 2022, it represents a jump from what had been a slowing trend in year over year growth.

- Despite comparatively robust year-over-year growth, employment in the Pittsburgh MSA is 98.5% of what it was four years ago. While it represents an increase from 95.8% in June 2022 and 97.3% in January 2023, the region still trails all benchmark regions but Cleveland and Milwaukee. In addition to the nation as a whole, ten of the 15 benchmark regions now exceed pre-pandemic employment levels.
  - 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 1.5 percentage points. 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 and 2023.

Key Findings (cont'd)

- In June 2023, Transportation and Warehousing was the region's strongest industry growing 8.3% over June 2022, well ahead of the increase of just 0.7% nationally. Educational Services continued its strong growth, increasing 6.4% over the previous year, compared to a 3.8% increase nationally. Leisure and Hospitality also registered a strong employment increase, outpacing the nation by 1.3 percentage points. Manufacturing, Financial Activities and Professional and Business Services all outpaced the national growth rate by approximately two percentage points. Construction and Information were the only industries to see employment drop.

- While Information, Transportation and Warehousing, Professional and Business Services and Educational Services are the only industries in the region whose employment exceeds pre-pandemic levels, most others are within four percentage points of 2019. Mining and Logging continues to rank among the biggest laggards, while Construction has fallen to 90.3% of pre-pandemic employment levels as construction of the Shell petrochemical plant has come to an end and rising costs are impacting new development.

- Hospitals are currently the biggest contributor to the region's employment shortfall, with 7,400 fewer workers in June 2023 than in June 2019, followed by Construction, Nursing and Residential Care, Food Services and Mining and Logging. Based on these patterns, it is evident that the pandemic-related labor shocks are no longer the primary driver of the region's employment shortfall, rather chronic labor shortages are impacting Hospitals and Nursing and Residential Care, while Construction and Mining and Logging are being impacted by larger market issues. In Mining and Logging's case, those issues pre-date the pandemic.

Outlook – By many measures, the employment market in the region was very strong in June 2023. The unemployment rate of 3.5% is one of the lowest on record, largely driven by a 18.6% drop in the number of unemployed individuals since January 2023. In June 2023, employment increased by 2.9% over June 2022, faster than the nation or the Benchmark average. Several industries outperformed the nation in employment growth including Transportation and Warehousing, Educational Services, Leisure and Hospitality, Manufacturing, Financial Activities and Professional and Business Services. However, the region is hampered with by a labor force that is stuck at about 96% of pre-pandemic levels, driven by a shrinking population, an older workforce and the smallest number of unemployed people in the region since at least the 1980s, if ever. While the 25 to 54 year old labor force participation rate has recovered to pre-pandemic levels nationwide, the 55 and over participation continues to lag, which is likely impacting the region.

The region is succeeding in slowly closing the pre-pandemic employment shortfall, with it shrinking from 95.8% to 98.5% between June 2022 and June 2023. 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. 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. Meanwhile Hospitals and Nursing and Residential Care are the largest contributors to the shortfall in Healthcare and Social Assistance. It remains to be seen if the robust growth rate in June can be maintained, or whether labor shortages will lead to reduction in employment growth as the pool of unemployed workers shrinks to record lows and population growth remains elusive.

The unemployment rate in Southwestern Pennsylvania has steadily improved from 4.4% in January to just 3.5% in June, lower than Pennsylvania or the United States. A major contributor was an 18.6% decrease in the number of unemployed individuals from January, compared to a 4.6% increase nationally. The number of unemployed individuals in Southwestern Pennsylvania (44,600) it the lowest it has been since at least the 1980s. Household employment in the region increased 0.2% over that period, less than half the national rate (0.5%), while the labor force shrunk by 0.6%, while growing 0.7% nationally. This indicates that workforce shortages in Southwestern Pennsylvania remain a challenge.

Monthly Unemployment - 2020 to 2023
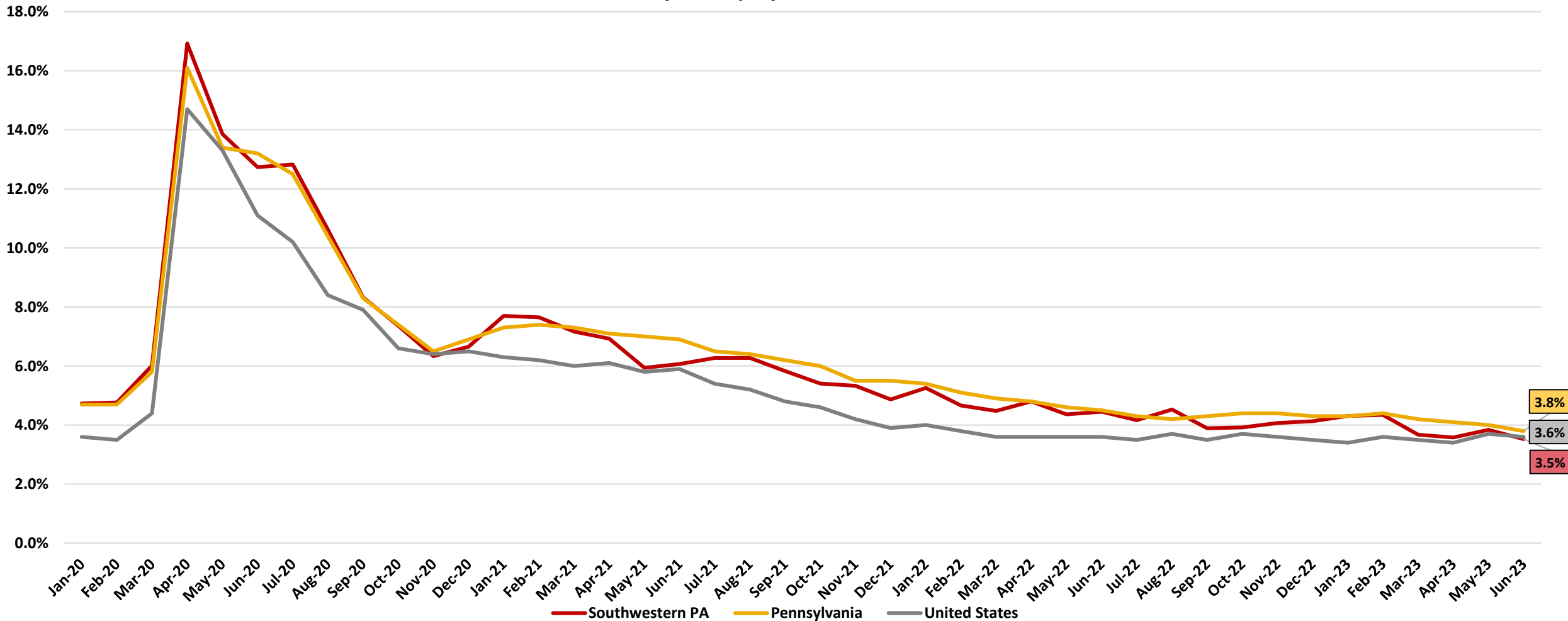
Legend: Southwestern PA | Pennsylvania | United States

Callout values: 3.8% | 3.6% | 3.5%

August 2023

While the national unemployment rate in June 2023 was comparable to February 2020, the region's unemployment rate is 1.3 percentage points lower. Greene, Armstrong, Fayette and Lawrence Counties had the largest drop from February 2020 levels, falling 2.1, 1.9, 1.8 and 1.8 percentage points, respectively. However, Fayette and Lawrence have the highest unemployment rates in the region. Butler (3.2%), Allegheny (3.3%), Washington (3.5%) and Westmoreland (3.5%) all have lower unemployment rates than the nation.

Unemployment Rate Comparison - February 2020 vs. June 2023

Legend: ■ Feb-20 ■ Jun-23

August 2023
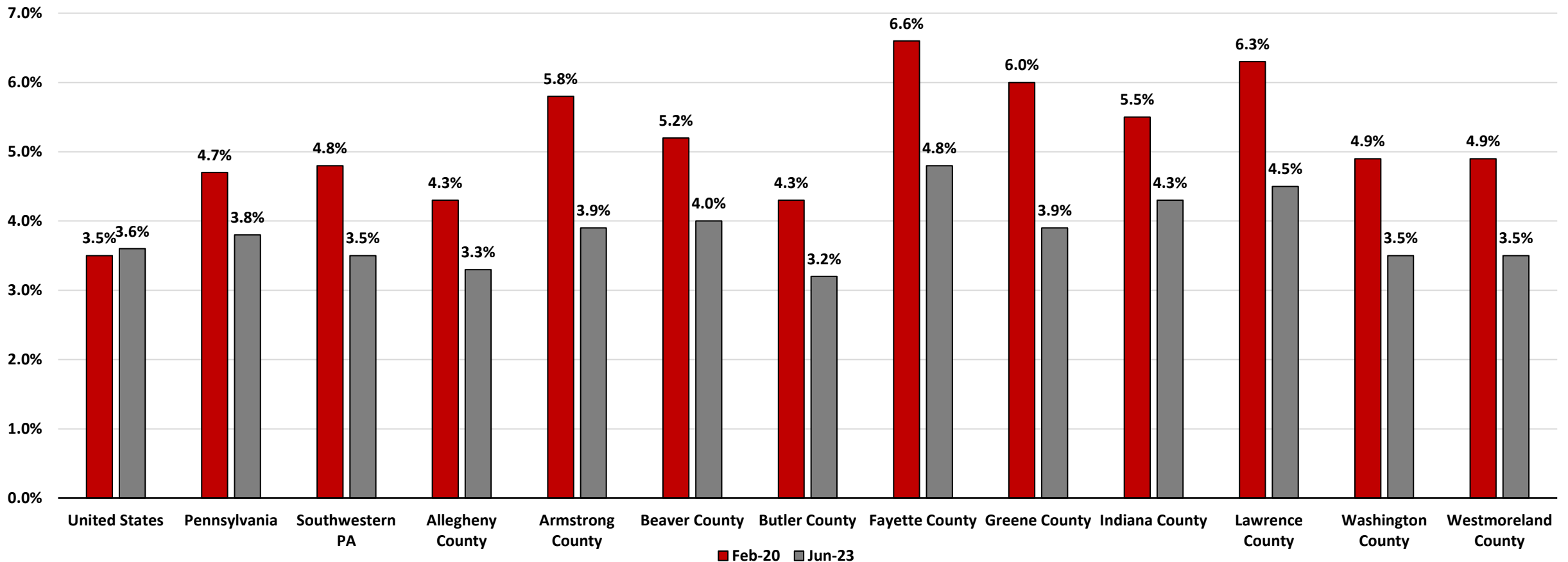
While the national labor force continues to exceed pre-pandemic levels, the region continues to lag. Southwest Pennsylvania's labor force bottomed out in October 2021 at 94% of the February 2020 labor force but steadily rebounded reaching 97% of pre-pandemic levels in May 2022. It has since fluctuated in the 96% to 97% range.

Labor Force Index - February 2020 to June 2023 (Feb. 2020=100)

Legend: Southwestern PA · Pennsylvania · United States

August 2023
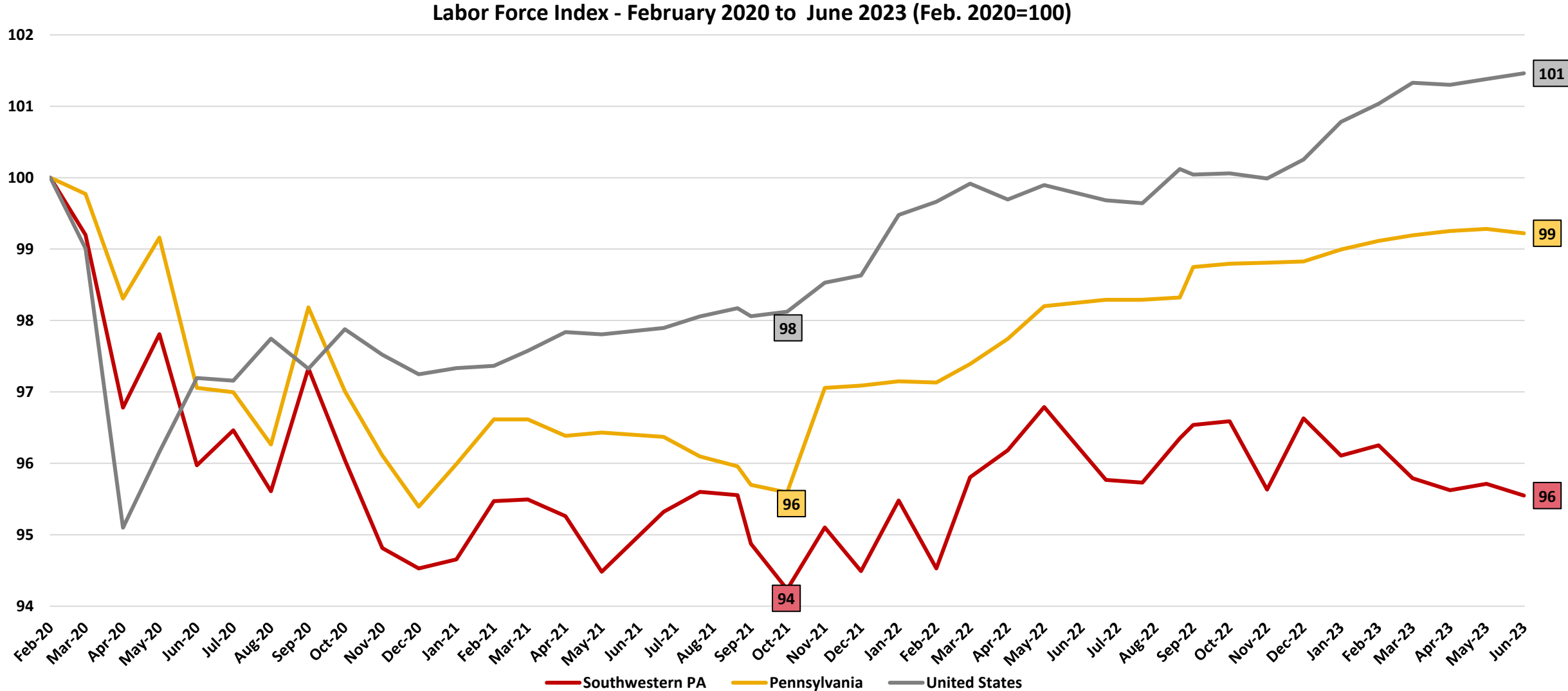
During June 2023, the Pittsburgh MSA had a 2.9% year-over-year increase in employment over June 2022, as the region gained 33,100 jobs. The region outpaced not only the U.S. and benchmark average increases, but eight benchmark regions including two aspirational and four out of five peer regions.

Employment Change - June 2022 to June 2023
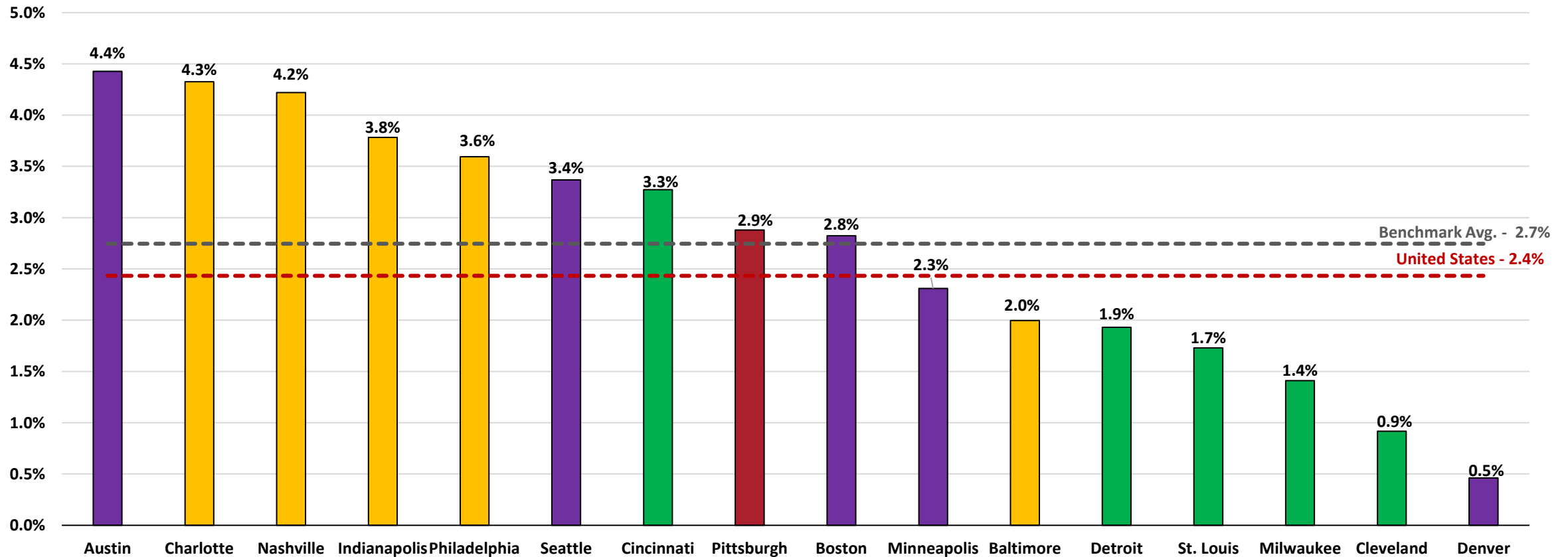
Benchmark Avg. - 2.7%
United States - 2.4%

Region	Value
Austin	4.4%
Charlotte	4.3%
Nashville	4.2%
Indianapolis	3.8%
Philadelphia	3.6%
Seattle	3.4%
Cincinnati	3.3%
Pittsburgh	2.9%
Boston	2.8%
Minneapolis	2.3%
Baltimore	2.0%
Detroit	1.9%
St. Louis	1.7%
Milwaukee	1.4%
Cleveland	0.9%
Denver	0.5%

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

Source: BLS Current Employment Statistics, August 2023

August 2023

Throughout 2022 and into 2023, the Pittsburgh MSA has been experiencing year-over-year employment growth ranging from 2.0% to 3.9%, well above historical levels. While the 2.9% growth rate in June, the highest since May 2022, represents a jump from what had been a slowing trend in year over year growth. It remains to be seen whether this was a temporary increase based on a robust summer hiring environment, or growing momentum. Given the region's labor force shortages, it is more likely the former.

Year over Year Employment Change - January 2008 to June 2023
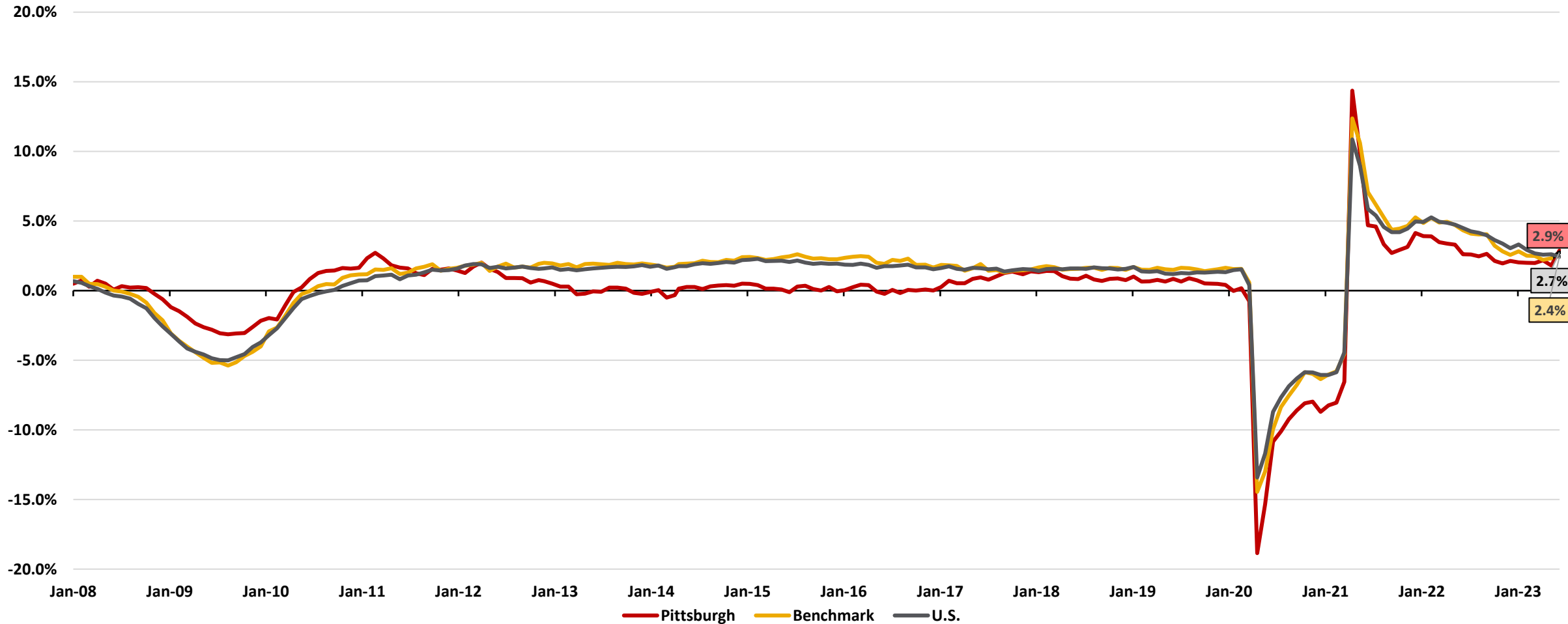
Legend: Pittsburgh (red), Benchmark (yellow), U.S. (grey)

Labeled values: 2.9%, 2.7%, 2.4%

Despite comparatively robust year-over-year growth, employment in the Pittsburgh MSA is 98.5% of what it was four years ago. While it represents an increase from 95.8% in June 2022 and 97.3% in January 2023, the region still trails all benchmark regions but Cleveland and Milwaukee. In addition to the nation as a whole, ten of the 15 benchmark regions now exceed pre-pandemic employment levels.

June 2023 Pct. Of June 2019
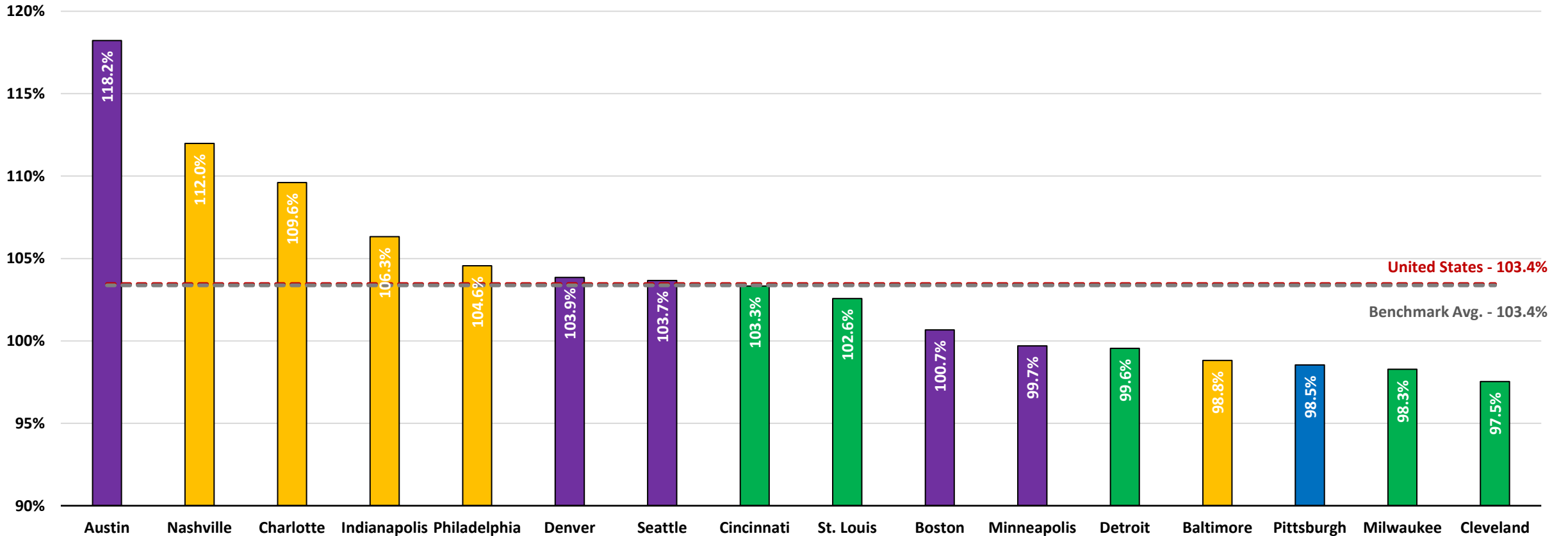
| Region	Pct.
Austin	118.2%
Nashville	112.0%
Charlotte	109.6%
Indianapolis	106.3%
Philadelphia	104.6%
Denver	103.9%
Seattle	103.7%
Cincinnati	103.3%
St. Louis	102.6%
Boston	100.7%
Minneapolis	99.7%
Detroit	99.6%
Baltimore	98.8%
Pittsburgh	98.5%
Milwaukee	98.3%
Cleveland	97.5%

United States - 103.4%

Benchmark Avg. - 103.4%

Green=Peer Markets
Purple=Aspirational Markets
Orange=Competitive Markets
Source: BLS Current Employment Statistics

August 2023

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 1.5 percentage points. 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 and 2023.

Pct. of Total Employment - Comparable Month 2019

Legend: Pittsburgh MSA, Benchmark Avg., United States

Source: BLS Current Employment Statistics

August 2023

In June 2023, Transportation and Warehousing was the region's strongest industry growing 8.3% over June 2022, well ahead of the 0.7% increase nationally. Educational Services continued its strong growth, increasing 6.4% over June, compared to a 3.8% increase nationally. Leisure and Hospitality also registered a strong employment increase, outpacing the nation by 1.3 percentage points. Manufacturing, Financial Activities and Professional and Business Services all outpaced the national growth rate by approximately two percentage points. Construction and Information were the only industries to see employment drop.

Year-over-Year Change in Employment by Sector
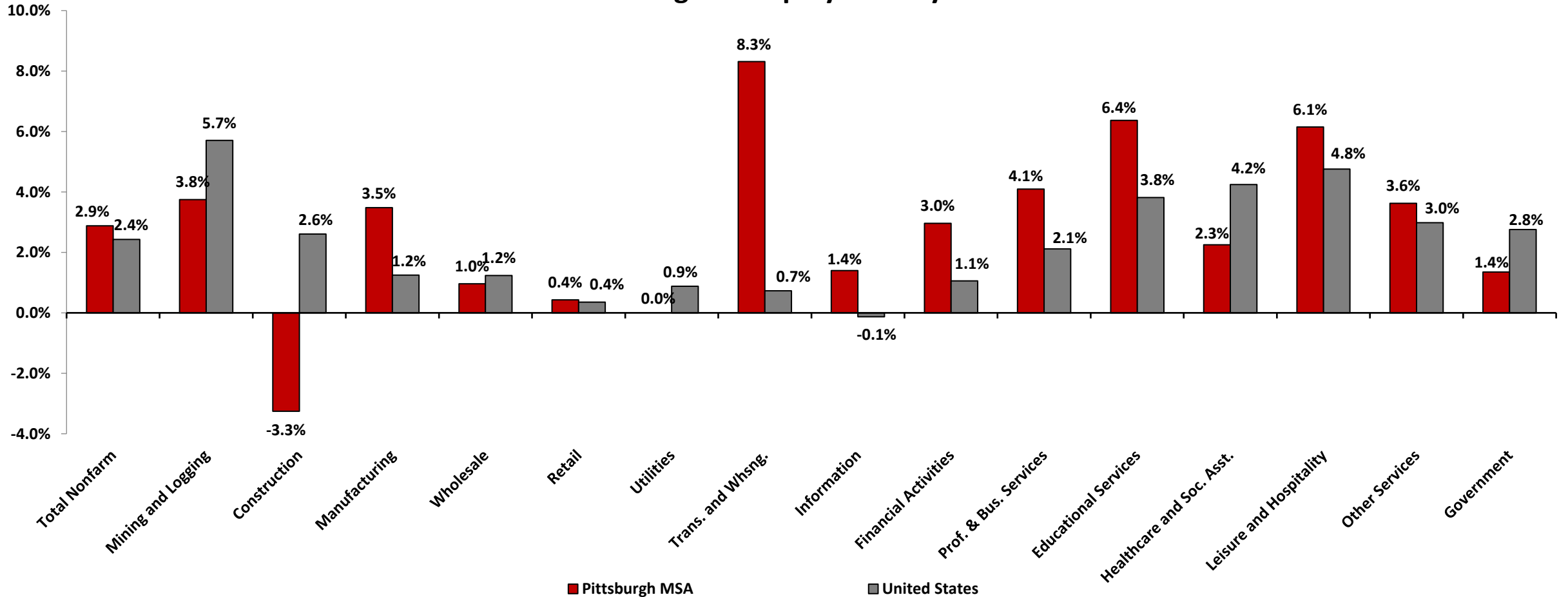
Sector	Pittsburgh MSA	United States
Total Nonfarm	2.9%	2.4%
Mining and Logging	3.8%	5.7%
Construction	-3.3%	2.6%
Manufacturing	3.5%	1.2%
Wholesale	1.0%	1.2%
Retail	0.4%	0.4%
Utilities	0.0%	0.9%
Trans. and Whsng.	8.3%	0.7%
Information	1.4%	-0.1%
Financial Activities	3.0%	1.1%
Prof. & Bus. Services	4.1%	2.1%
Educational Services	6.4%	3.8%
Healthcare and Soc. Asst.	2.3%	4.2%
Leisure and Hospitality	6.1%	4.8%
Other Services	3.6%	3.0%
Government	1.4%	2.8%

Source: BLS Current Employment Statistics

August 2023

While Information, Transportation and Warehousing, Professional and Business Services and Educational Services are the only industries in the region whose employment exceeds pre-pandemic levels, most others are within four percentage points of 2019. Mining and Logging continues to rank among the biggest laggards, while Construction has fallen to 90.3% of pre-pandemic employment levels as construction of the Shell petrochemical plant has come to an end and rising costs are impacting new development.

June 2023 Pct. of June 2019 by Industry
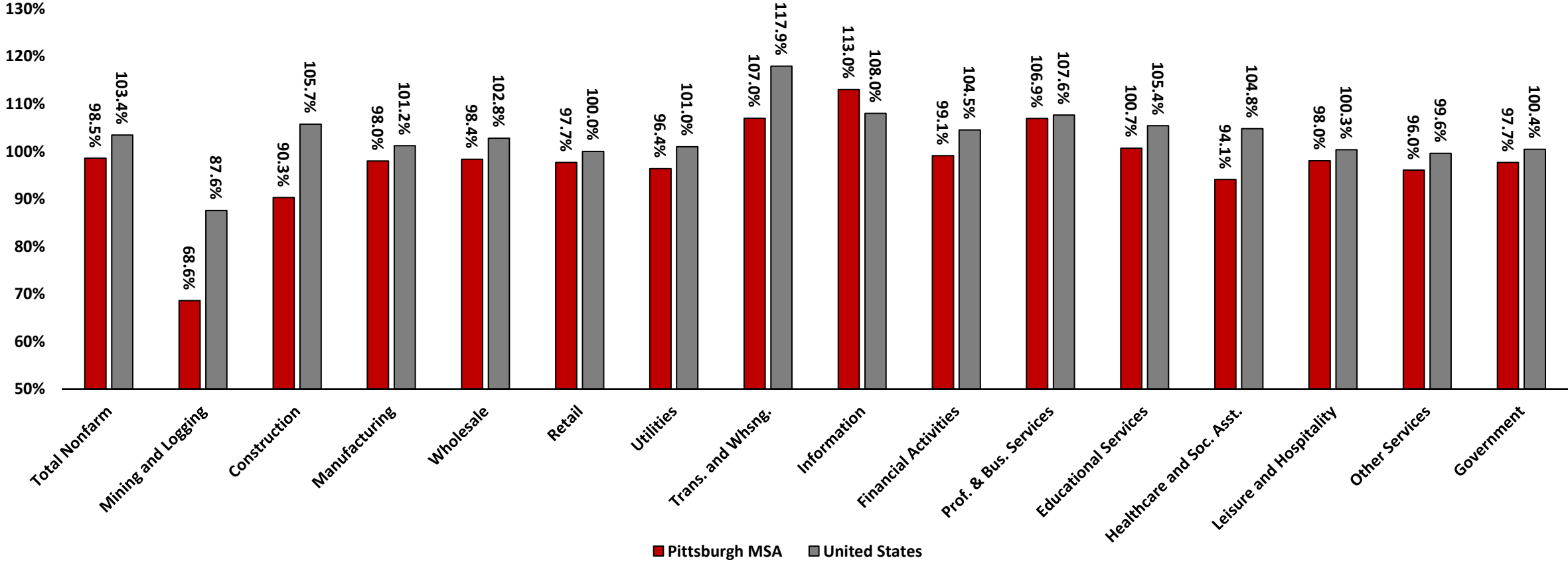
Industry	Pittsburgh MSA	United States
Total Nonfarm	98.5%	103.4%
Mining and Logging	68.6%	87.6%
Construction	90.3%	105.7%
Manufacturing	98.0%	101.2%
Wholesale	98.4%	102.8%
Retail	97.7%	100.0%
Utilities	96.4%	101.0%
Trans. and Whsng.	107.0%	117.9%
Information	113.0%	108.0%
Financial Activities	99.1%	104.5%
Prof. & Bus. Services	106.9%	107.6%
Educational Services	100.7%	105.4%
Healthcare and Soc. Asst.	94.1%	104.8%
Leisure and Hospitality	98.0%	100.3%
Other Services	96.0%	99.6%
Government	97.7%	100.4%

■ Pittsburgh MSA   ■ United States

Source: BLS Current Employment Statistics

August 2023

Hospitals are currently the biggest contributor to the region's employment shortfall, with 7,400 fewer workers than in June 2019, followed by Construction, Nursing and Residential Care, Food Services and Mining and Logging. Based on these patterns, it is evident that the pandemic-related labor shocks are no longer the primary driver of the region's employment shortfall, rather chronic labor shortages are impacting Hospitals and Nursing and Residential Care, while Construction and Mining and Logging are being impacted by larger market issues. In Mining and Logging's case, those issues pre-date the pandemic.

Absolute Change in Employment - June 2019 to June 2023

Industry	Change
Hospitals	-7,400
Construction	-6,400
Nursing and Res. Care	-5,200
Food Services	-4,100
Mining and Logging	-3,800
Retail Trade	-2,800
Government	-2,700
Other Services	-2,000
Manufacturing	-1,800
Accommodation	-1,300
Admin. and Support Svs.	-1,100
Whsle. Trade	-700
Financial Activities	-700
Ambulatory Healthcare	-200
Utilities	-200
Edu. Services	300
Social Asst.	500
Information	2,500
Trans. and Whsng.	2,800
Arts, Ent. and Rec.	2,900
Mgt. of Companies	6,100
Prof., Sci., and Tech. Svs.	7,800

August 2023