

ECONOMIC BENCHMARKS (10/94)

ECONOMIC INDICES FOR THE CITY OF PITTSBURGH AND ALLEGHENY COUNTY **Ralph L. Bangs, Ph.D. and Jun Hyun Hong, Ph.D.**

INTRODUCTION

In order to make wise decisions about the economic future of the City of Pittsburgh and Allegheny County, it is important for officials of government, business, labor, non-profits, universities, and foundations as well as the general public to have a sound understanding of local economic conditions and trends. This report provides basic information on the economic performance of the City of Pittsburgh and Allegheny County and on local factors, which are believed to have a major impact on economic performance.

Since the primary economic goals for people generally are to have good jobs and rising real incomes, this report assesses economic performance in relation to important aspects of jobs and income. The other factors which are reviewed in this report and which can contribute to economic performance are categorized as business vitality, population, human resources, technology, financial resources, physical resources, and taxes.

About 40 indicators are presented and analyzed. Historical trends, current conditions, comparisons with U.S. averages, and comparisons with the 50 largest cities and counties in the nation are provided for each indicator depending upon data availability. When city and/or county data are not available, metro area data are provided if possible.

The findings of this study can be used by elected officials, economic development professionals, planners, analysts, researchers, and others to assess the health of the local economy, identify local economic advantages and disadvantages, monitor trends, formulate policy, initiate action, and identify issues for further study.

MAJOR FINDINGS

The purpose of this report is to assess current and recent economic conditions and trends in the City of Pittsburgh and Allegheny County. Overall findings are summarized below followed by findings from each of the sections of the report, lists of the best and worst rankings of the City and County among large cities and counties in the U.S., and further issues to be studied.

Overall Findings

Since 1987 the City of Pittsburgh and Allegheny County have experienced improvement in many economic conditions. Instead of crisis and decline as in many prior years, the City and County have had low overall unemployment rates, significant job growth, a high standard of living, rapid real per capita personal income growth, above average real wage growth, and fast real wage growth in services.

However, several economic performance problems persist in the City and County in the 1990s. The most serious problem by far is the extremely poor economic conditions of blacks, which are worse here than in nearly all of the other 50 largest cities and counties in the U.S. According to 1990 census data, the City and County have the fourth highest black poverty rates, the fifth highest black unemployment rates, the fourth largest difference between black and white poverty rates, and the fourth and fifth (respectively) largest differences between black and white

unemployment rates. Further, the City of Pittsburgh has the sixth lowest black standard of living among large cities in the U.S.

The other economic performance problems facing the City and County are continuing losses of manufacturing jobs, insufficient growth industries beyond health services, higher job growth in below average wage industries than in above average wage industries, and decline of real manufacturing wages by about one percent per year.

In terms of factors which contribute to economic performance, the City and County's greatest assets or advantages in recent years have been a large and rapidly growing health care industry, growing numbers of domestic and foreign new business incorporations, the slowing of population loss, low school dropout rates, high levels of white collar workers, small numbers of workers involved in labor-management disputes, high levels of university R&D expenditures, a large number of research centers, a high number of patents, an extremely high concentration of bank deposits, a large number of domestic aircraft flights and passengers, the low cost of manufacturing space, and low state tax rates for small business.

The major disadvantages of the City and County have been low levels of manufacturing output relative to past and to U.S. output, low levels of reading and math skills among students in Pittsburgh public schools, high electric rates, and high state corporate net income taxes.

Economic Performance

Overall unemployment rates in the City and County were below or equal to U.S. rates from 1987-1993. However, black and youth unemployment rates are presently several times overall white rates. Further, black economic conditions in the City of Pittsburgh and Allegheny County are among the worst in large U.S. cities and counties in terms of both black unemployment and the gap between black and white unemployment rates.

Total non-farm jobs as well as service industry jobs grew faster in Allegheny County than in the U.S. from 1987-1992. Service industry jobs were gained mostly in health, social and educational services. However, manufacturing jobs were lost at much faster rates in the County and the Pittsburgh region than in the U.S. and in most other large metro areas.

Total jobs in above average wage industries declined while jobs in below average wage industries increased from 1990 to 1993 in both Allegheny County and the U.S. Health services was the only above average wage industry to gain large numbers of jobs in Allegheny County from 1990 to 1993.

Allegheny County ranks in the top third of 41 of the largest counties in the U.S. for standard of living (average per capita personal income/cost of living).

Per capita personal income (in constant dollars) increased at a much stronger pace in Allegheny County and the Pittsburgh region than in the U.S. in the recent period, 1987-1992. During this period the County ranked second in per capita income growth among the nation's 50 largest counties. However, per capita personal income for blacks is only half that of whites in the City of Pittsburgh and Allegheny County.

Of the 14.4 percent increase in real per capita personal income in Allegheny County from 1987 to 1992, 9.0 percent came from earnings growth, 3.8 percent came from transfer payments growth, and 1.6 percent came from growth in dividends, interest, and rent. Earnings are composed of wages and salaries, fringe benefits, and proprietors' income. Earnings growth was generated primarily in services industries.

In the last ten years in Allegheny County and the Pittsburgh region, real average annual wages in services greatly increased while real average annual wages in manufacturing declined significantly. These shifts reflect growing demand for labor in services and declining demand in manufacturing.

The poverty rate in the City of Pittsburgh is higher than in most other large cities while the rate in Allegheny County is about average for large counties. Black poverty rates in the City and County are much higher than those of whites and are among the highest of any large city or county in the U.S.

Business Vitality

The number of domestic and foreign for-profit incorporations have increased dramatically in the last ten years in Allegheny County. However, compared to the U.S. and Pennsylvania, Allegheny County continues to have lower rates of new business incorporations.

In 1993 the City of Pittsburgh had an average level of business failures compared to that of other large cities in the U.S.

Growth in total, services, and manufacturing output in Allegheny County has not kept pace with growth rates in the U.S. for at least the last 25 years.

Population

The City of Pittsburgh is the 40th largest city in the U.S., Allegheny County is the 19th largest county, and the Pittsburgh MSA (metropolitan statistical area) is the 18th largest metro area according to population counts in the 1990 Census.

Population decline slowed in the City of Pittsburgh and Allegheny County in the early 1990s according to Census estimates.

Human Resources

The City of Pittsburgh and Allegheny County have slightly below average rates of college graduates in the adult population compared to other large cities and counties, although this is most likely due to the high percentage of elderly in the local population.

The City of Pittsburgh has a low rate and Allegheny County has a high rate of high school graduates enrolling in college.

Both the City of Pittsburgh and Allegheny County have relatively low secondary school dropout rates.

Both the City of Pittsburgh and Allegheny County have above average levels of managerial and professional workers compared to national averages but moderate levels compared to those of other large cities and counties.

Both the City of Pittsburgh and Allegheny County have above average levels of technicians, sales, and administrative support workers.

Both the City of Pittsburgh and Allegheny County have below average levels of skilled production workers.

The number of public and private-sector workers involved in labor-management disputes has

greatly declined in the Pittsburgh region in the last 15 years and is now approximately equal to state and U.S. rates.

Technology Resources

The City of Pittsburgh is below average for large cities while Allegheny County is average for large counties in terms of number of scientists and engineers as a share of the population.

The City of Pittsburgh, Allegheny County, and the Pittsburgh region have a high level of university R&D expenditures.

The Pittsburgh region has a large number of government and industry research centers.

The Pittsburgh region has the 7th highest number of patents issued in the recent five-year period, 1988-92, among the 49 largest metro areas in the U.S.

Financial Resources

Allegheny County and the Pittsburgh region have extremely high levels of bank deposits per capita and rank second among large counties and metro areas.

Physical Resources

The Pittsburgh International Airport has a large number of domestic flights each week, a small number of foreign flights, and a small amount of shipped cargo compared to that of most other large city airports.

Among large metro areas the Pittsburgh region has average vacancy rates for downtown class A office space, overall office space, and manufacturing space as well as average lease prices for overall office space and low prices for manufacturing space.

Electric costs for residential, commercial, and industrial customers are high in the City of Pittsburgh and Allegheny County relative to costs in most other large cities and counties.

Taxes

The maximum corporate income tax rate in Pennsylvania, 11.99 percent, continues to be one of the highest in the nation despite a recent reduction from 12.25 percent.

Best Rankings

Area	Rank	Indicator
Allegheny County & Pittsburgh MSA	2 nd highest (of 50)	Commercial bank deposits per capita
Allegheny County	2 nd highest (of 49)	1987-92 % ch in per capita pers inc
City of Pittsburgh	3 rd lowest (of 50)	School dropout rate
Pittsburgh MSA	7 th highest (of 49)	Patents issued
Pittsburgh MSA	7 th highest (of 49)	Patents per 1 million pop
Allegheny County	8 th lowest (of 50)	Schooldropout rate
Pittsburgh MSA	9 th lowest (of 37)	Manufacturing rental rate/square ft
Pittsburgh MSA	10 th highest (of	University R&D per capita

34)

Worst Rankings

Area	Rank	Indicator
State of Pennsylvania	1 st highest (of 50)	Max corp income tax rate, December 1993
City of Pittsburgh	3 rd highest (of 50)	Residential electric rate in 1991
City of Pittsburgh	4 th highest (of 50)	Racial disparity of unemployment in 1990
City of Pittsburgh & Allegheny County	4 th highest (of 50)	Black poverty rate in 1989
City of Pittsburgh & Allegheny County	4 th highest (of 50)	Racial disparity of poverty 1989
Allegheny County	5 th highest (of 50)	Racial disparity of unemployment in 1990
City of Pittsburgh & Allegheny County	5 th highest (of 50)	Black unemployment rate in 1990
Allegheny County	5 th highest (of 50)	Percent pop loss from 1987-92
City of Pittsburgh	8 th lowest (of 46)	Black standard of living in 1989

Issues To Be Studied

Further analysis is needed to explain and better understand some of the findings of the report. For example:

- What explains good or poor overall performance and black performance in the City of Pittsburgh, Allegheny County, and other large cities and counties in the U.S.?
- To what extent are findings on black economic conditions affected by age distribution, especially, a large share of elderly?
- To what extent has the gap between high and low income residents of the City and County changed in the past decade?
- To what extent has the share of skilled workers changed among all production workers in the City and County?
- To what extent are the extensive deposits of large banks in Allegheny County invested in the region?
- Is the decrease in state corporate income tax rates likely to have much impact on job growth in the City and the County?

DETAILED FINDINGS

In this section of the report each indicator is graphically presented in three ways depending upon data availability:

- Line graphs to compare long-term trends and conditions in the City of Pittsburgh, Allegheny County, and the U.S.

- A bar graph to show the position of the City of Pittsburgh relative to that of other large cities in the U.S. (see Appendix 1 for a list of the 50 largest cities)
- A bar graph to show the position of Allegheny County relative to that of other large counties in the U.S. (see Appendix 2 for a list of the 50 largest counties)

If data for city and/or county comparisons are not available, then Pittsburgh MSA (metropolitan statistical area) data are provided where possible (see Appendix 3 for a list of the 50 largest metro areas in the U.S.). The Pittsburgh MSA consists of Allegheny, Beaver, Butler, Fayette, Washington, and Westmoreland Counties. Where REMI (Regional Economic Models, Inc.) data is used, a slightly different six-county area is being analyzed with Armstrong County instead of Fayette County. Further, Allegheny County data includes the City of Pittsburgh unless labeled "Rest of Allegheny County".

Please note that the line graphs for indicators with both local and national data are set to two scales. The scale on the right for the local area is set to one hundredth of the scale on the left for the U.S. so that the slopes of local area line graphs and national line graphs are comparable for visually determining rates of change. The Pittsburgh regional economy in several ways is approximately one hundredth the size of the U.S. economy.

Multiple-year income data are adjusted for inflation using the appropriate national or regional consumer price index. The term "real" is used to show constant (inflation-adjusted) dollars.

A brief indicator definition, if needed, is given in the narrative section. In addition, each graph contains a brief title for the data source. A complete list of indicator definitions and data sources can be obtained upon request from:

University Center for Social and Urban Research
University of Pittsburgh
121 University Place
Pittsburgh, PA 15260
Phone: (412) 624-3856

For more complete data on labor force, industry employment, and other economic measures please contact:

Bureau of Research and Statistics
PA Department of Labor and Industry
300 Liberty Avenue, Room 1303
Pittsburgh, PA 15222
Phone: (412) 565-5350