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# Pittsburgh Economic Quarterly

University Center for Social and Urban Research

INSIDE THIS ISSUE:



## Thornburgh Archives at the University of Pittsburgh

By Nancy Watson

Dick Thornburgh donated his archives to the University of Pittsburgh in 1998. The collection is large (1,008 cubic feet of documents alone) and both deep and colorful in content. Having grown up in the Pittsburgh area and having attended the University of Pittsburgh's School of Law, it seemed natural to locate his archives here.

Before continuing, it must be mentioned that Thornburgh's autobiography, *Where the Evidence Leads*, was published in 2003 by the University of Pittsburgh Press. For those working with Thornburgh's archives and interested in his career, the insights and information in the book are invaluable. There are few archival collections of the dimensions of this one that are fortunate enough to enjoy the insights and perspectives of its creator.

Thornburgh's legal career led to 25 years of public service which included serving as Governor of Pennsylvania (1979-1987), five campaigns, service as Attorney General of the United States (1988-1991), Under-Secretary-General of the United Nations (1992-1993), and a notable ongoing career. The files from all public service positions are extensive and include, for example: annotated documents and notes by Thornburgh and staff members, research documents, event and issue background papers, achievements, photographs, schedules, videos, speeches and drafts, news releases, correspondence, and cover issues of local, state, national and international import. A Web site is currently being developed that will have 37,000 text pages online and full searchable box and folder content.

For those interested in economic issues, the collection is rich and deep with original documents relating to the economy during Thornburg's tenure as Governor of Pennsylvania.

*continued on page 2*

## Prime Opportunites for Minority Contracting

by Ralph Bangs, Audrey Murrell, Monique Constance-Huggins

Contracting with local government is an important market and represents an opportunity for minority owned businesses. Millions of dollars of goods and services are purchased each year from businesses by local governments just in Allegheny County.

Nationally, minority-owned business enterprises (MBEs) receive only half of local government contract spending that would be expected based on the MBE's share of firms available. A similar disparity exists in the Pittsburgh region. For example, African American-owned firms had the following shares of available firms and shares of contract spending for prime contracts less than $500,000 by the City of Pittsburgh in 1996-98 (Mason-Tillman Disparity Study, 2001): Construction -13.4% availability and 4.1% utilization; Engineering - 7.4% availability and 0% utilization; Professional Services - 3.1% availability and 8.5% utilization.

Researchers have had two major explanations for the gap between MBE availability rates and utilization rates. On the one hand, researchers have found that minority firms on average have less capability than majority firms. MBEs are often smaller, younger, and less experienced, which makes them less competitive. On the other hand, researchers have found that discrimination in contracting processes by local governments and their prime contractors have reduced the number and capabilities of MBEs and continue to exclude qualified MBEs.

In early 2004, we conducted a study to determine whether lack of qualified MBEs was a major reason for lack of

*continued on page 7*

*Congratulations to Monique Constance-Huggins, a PEQ co-editor and contributor, and Leonard Huggins on the birth of their daughter Anya Khloe, born March 24, 2005.*

# THORNBURGH ARCHIVES (CONT.)

*continued from page 1*

The nuclear accident at Three Mile Island occurred a mere 71 days after his inauguration and was a major early challenge. In his book Thornburgh says, "Next it was time to focus on Pennsylvania's long-term economic problems. Dr. Samuel Johnson's observation that 'nothing so concentrates the mind as the prospect of imminent hanging' accurately summarized our mental state as we turned to this issue, on which assessments of our stewardship would rise or fall" (*Evidence*, p. 126).

The Office of Policy Development (OPD) was established in September 1979. Among others, its role included assisting in establishing policies relating to economic development and the files and documents relating to the subject are extensive. Walt Plosila (Director OPD 1979-1983) was assigned by the Governor to frame a plan to help create new jobs and provide for economic growth. Over two and one-half years he and a board systematically gathered data and ultimately submitted its report entitled "Choices for Pennsylvanians" in September 1981. Although the administration had already begun to implement some of the board's conclusions, a definitive statement of its economic development policy was finalized in March 1983. All such reports are, of course, included in the collection, and will be online in the future.

Politically attractive quick fixes were certainly tempting, especially during the early 1980s when Pennsylvania faced the loss of its steel industry, national economic concerns existed, and changing federal policies such as "New Federalism" were initiated. "In the final analysis, it would be private-sector decisions to invest, expand or relocate that would dictate our economic success or failure. And to a great extent, growth would depend upon national and international economic forces beyond our control. Nevertheless, there was much we could do to encourage new and existing business" (*Evidence*, p. 128). Thornburgh describes the first priority to improve Pennsylvania's overall business climate, the second to enhance the traditional industrial base and relieve pressure on the communities that had suffered as a result of the decline, and the third to encourage growth in advanced technology. This latter was promoted by the "Ben Franklin Partnership" which sought to create new business and job opportunities in advanced technology and served as a model for other states.

Files relating to this period are extensive, not only those of Walt Plosila, but other persons in the administration at the time: Rick Stafford, Harold Miller, and the Governor himself, just for example.

In addition, the Weekly Reports by each department are useful, and articles, speeches, and news releases are complete in the collection, and will be later online and searchable. Governor Thornburgh was active in the National Governors Association, the Republican Governors Association, and Coalition of Northeastern Governors (CONEG). He in fact headed one of the committees on economic development. The archive also includes the background preparation for those meetings, and materials distributed at the meetings themselves.

To return to the overall collection organization, there are 21 separate sections of the collection, beginning with youth and education, proceeding through Thornburgh's legal career and civic activities in Pittsburgh in the 1960s and into the mid-1970s. His delegacy to Pennsylvania's Constitutional Convention in 1968 has attracted attention recently due to enabling of home rule at that time. Ever since, Thornburgh has been active in promoting home rule. The collection includes his service as U.S. Attorney for Western Pennsylvania, his leadership of the Criminal Division at the Department of Justice, followed by his Campaigns for Governor, and Governorship files. He then was Director of the Institute of Politics at Harvard University prior to being called to serve as Attorney General of the United States in 1988. Thereafter was a failed campaign for U.S. Senate and a compelling year as Under-Secretary-General of the United Nations. His subsequent and ongoing career continues to be active and notable, including his WorldCom investigation at the request of the courts, and most recently, the CBS report on "Rathergate."

*Nancy Watson is the curator of the Thornburgh Archives. Researchers interested in more information on the Thornburgh Archives may contact Ms. Watson via e-mail at nwatson@pitt.edu*

**Record Groups in the Thornburgh Archives:**

- Early years from grammar school through law school (1933-1957)
- Delegate to Pennsylvania's historic Constitutional Convention (1967-1968)
- Political activities in Pittsburgh and Allegheny County (1960s and 1970s)
- Campaign for U.S. Congress (1966)
- United States Attorney for Western Pennsylvania(1969-1975)
- Assistant Attorney General, Criminal Division, Dept of Justice (1975-1977)
- Campaign for Governor of Pennsylvania (1977-1979)
- Governor of Pennsylvania (1979-1987)
- Re-election campaign for Governor (1982)
- Director, Institute of Politics, Harvard University (1987-1988)
- Attorney General of the United States (1988-1991)
- Campaign for the U.S. Senate (1991)
- Under-Secretary-General of the United Nations (1992-1993)
- Years following United Nations (1992-)

# Elderly Workers in the Pittsburgh Region

by Christopher Briem

Elderly workers age 65 and over are a small but growing part of the Pittsburgh region's workforce; 36,741 workers in the Pittsburgh region were age 65 and over in 2003. The impact of elderly in the labor force has increased as both the size and labor force participation rate of the elderly population has increased.

Labor force participation rates among the elderly have risen over the last two decades both nationally and in the Pittsburgh region. One result is that the number of elderly and pre-elderly (age 55-64) workers in the region has increased, while the number of workers age 25-54 in the Pittsburgh labor force has decreased. Labor force participation rates for older workers are projected to continue increasing. Non-retired, or semi-retired, older workers will affect labor force trends into the foreseeable future.

Older workers include both those who have continued to work without retiring, often in the same position they have held for years, and those who re-enter the workforce after retirement. There are many reasons some elderly continue to work past typical retirement age or re-enter the workforce. Employment may bring additional income, but it may also be a desire to remain active that is the incentive to continue working.

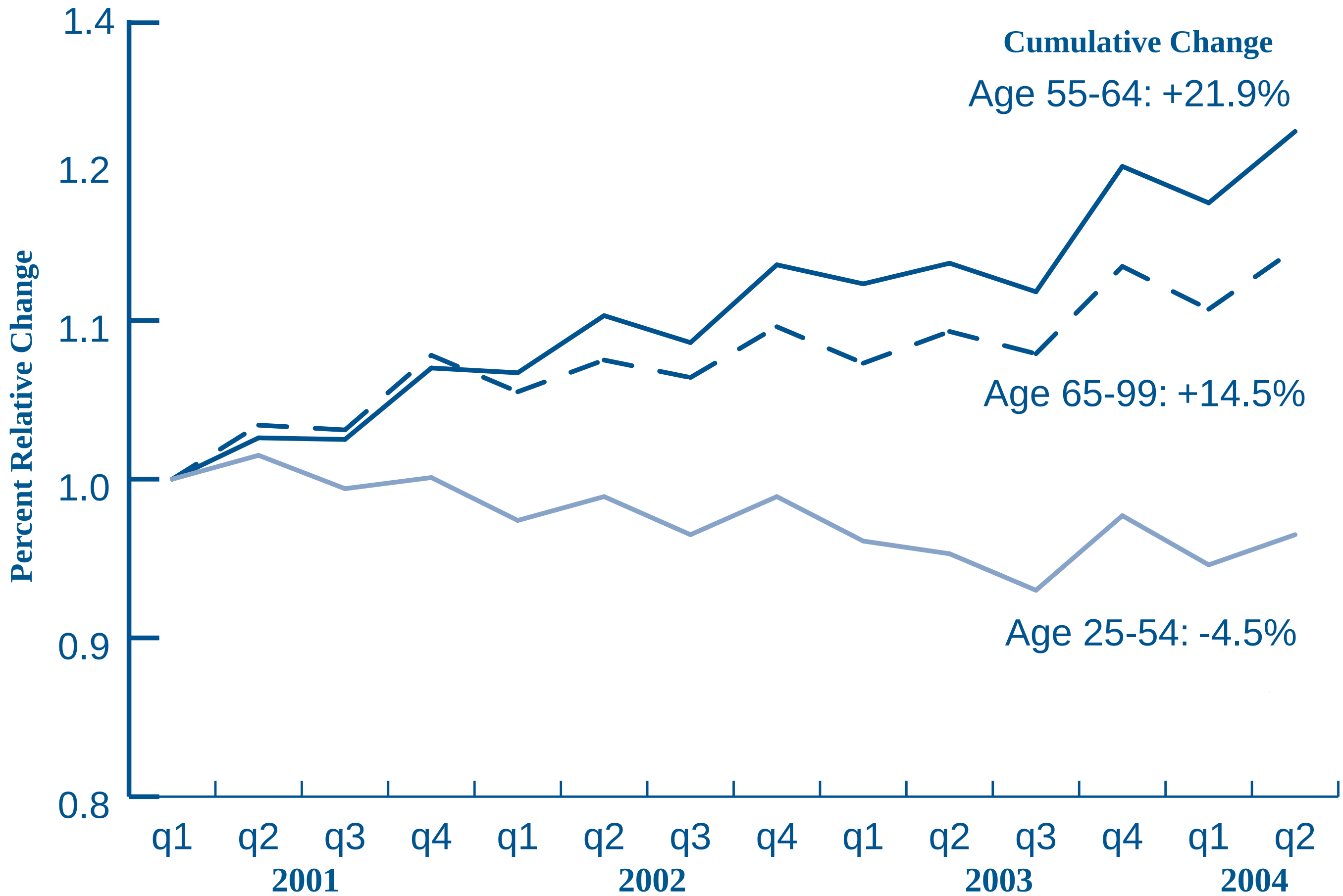
In 2003, elderly workers in Pittsburgh were most likely to be employed in Retail Trade industries, which employed 18.2% of all elderly workers. High concentrations of elderly workers were also in the Regional Health Care industry (12% of all elderly workers) and Educational Services (8.9%). Among industries in the Pittsburgh region, elderly workers employed in local headquarters establishments had the highest average monthly earnings of $4,500.

Some elderly workers are continuing to work in their career jobs. Other elderly workers re-enter the workforce after retirement. The pattern of employment among those who re-enter the workforce is an important trend in the regional labor force.

Re-entrants can be measured by the number of 'new hires' in the regional

*continued on page 6*

**Relative and Cumulative Change in the Pittsburgh Region's Employment by Age Group: 2001-2004 (2001 - 1st Quarter = 1.0)**




*Source: Compiled from U.S. Census Bureau - Quarterly Workforce Indicators*

# Biotechnology in Pittsburgh: Report of a Survey

By Sabina Deitrick

This article reports on results from a biotechnology survey conducted in Southwestern Pennsylvania. This survey was part of a larger study examining the role of the relatively new biotechnology sector in older, restructuring post-industrial regions. Results were presented at International Locations in Biotechnology: Europe and the United States: A Research Workshop, held at the University Center for Social and Urban Research (UCSUR) in October 2004, with the University Center for International Studies.

**Background:** U.S. regions have been interested in the biotechnology sector as a regional economic development engine for over two decades. The success of commercialized biotechnology created a boom of new firms in the early 1980s. Like many other regions, Pittsburgh embarked on a number of public-private-nonprofit partnerships (PPPs) aimed at spurring development – and economic growth – in the biotechnology sector. From the Pittsburgh Biomedical Development Corporation, launched by the Pittsburgh High Technology Council and the CEO Venture Fund in 1988, to today's Pittsburgh Life Sciences Greenhouse, a PPP of the universities, health system, and state, biotechnology has been a major regional economic development focus for over 15 years.

Nonetheless, Pittsburgh has not developed into a major biotechnology center. National studies comparing biotechnology centers maintain that the biotechnology industry remains highly spatially concentrated. One study by Joseph Cortright and Heike Meyer at the Brookings Institution found that just nine of 100 largest metropolitan regions in the U.S. were biotechnology centers in the late 1990s. These areas accounted for over 60% of National Institutes of Health (NIH) spending on research and 2/3 of biotechnology-related patents. In the Brookings study, Pittsburgh fell into the group labeled "Major Metropolitan Areas," regions with median levels of biotech research and commercialization, but far below the top nine regions. Pittsburgh's strength was in NIH funding, an area that continues to rise. On all other measures in the Brookings study, however, Pittsburgh did not stand out.

This survey was developed at the University of Jena, Germany, for a comparative research project on biotechnology in older, industrial regions. In the summer of 2003, a team of researchers at UCSUR compiled a database of biotechnology and related companies in the Southwestern Pennsylvania region. From an initial list of 82 firms in the region, 53 firms had confirmed contacts. Thirty-five firms elected not to participate in the survey; 18 surveys were completed, or 34% of the contacted firms.

**Founding and Employment:** All firms in the survey were life science firms, broadly defined, except two involved in financing biotechnology ventures. Medical devices and cell/DNA therapies were the most common technologies of these firms.

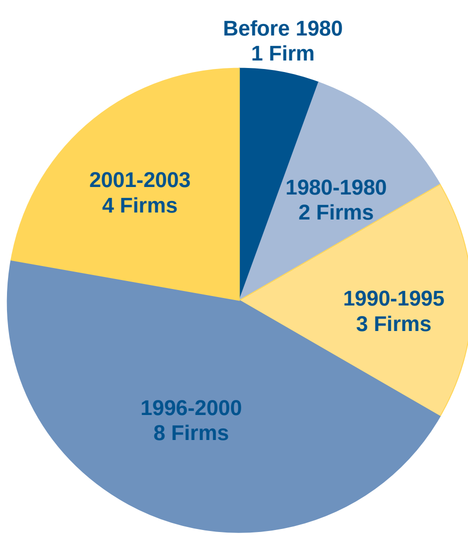
As expected, the firms are relatively young. Only three were started before 1990 and four were started after 2000. Thus, many firms have yet to market a product - five firms, or 27.8%, did not make any products yet because they were still in development phases.

Nearly 2/3 of the firms (61%) were founded as wholly new organizations, while five (28%) were spinoffs from other firms. Most firms remained privately held by owners. Only one was publicly traded, and venture capitalists owned three other firms. Two-thirds of all firms were originally capitalized by the founders' own money, and only three received venture or equity capital. Firms' initial capital requirements varied widely. Nine firms required $1 million or more to get started while two were started on $50,000 or less.

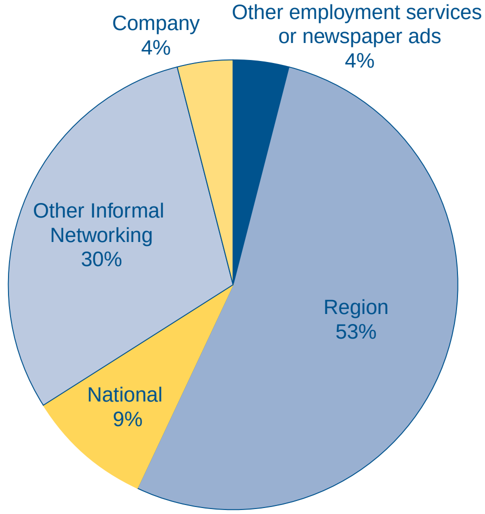
The biotechnology industry in Pittsburgh continues to be dominated by small companies. The region lacks a major employer or "anchor" company developing outside the university/medical complex. Firms have remained small over their mostly short histories. Nine firms employed fewer than ten employees, while only three had 40 or more workers.

One measure of a region's economic depth is its labor market impact and area. Most biotechnology firms in our survey tended to recruit from the regional labor market. The second most common recruitment area was informal networking. Outside of the ma-

**Year of Company Founding - Surveyed Biotechnology Firms**



**Sources of New Personnel Surveyed Biotechnology Firms**




jor research facilities, national and international recruitment was rare. Employee turnover, likewise, was generally low, with only four companies reporting turnover of more than five employees since 2000. Finally, though professionals are recruited from technology fields generally and not specifically from biotechnology, on reemployment, most firms reported that colleagues who had left their firm went onto other biotech industry jobs (56%), with 22% going on to general executive positions. Overall, 13 firms in the survey, or 72%, were generally positive about the company's success since its founding.

**Markets and Production:** Firms in the study viewed their technology as being on the forefront of the industry. Eleven firms or 61% viewed the technology they used as "leading edge" compared to their competitors. The main leading edge technologies mentioned were medical devices and cell/DNA therapies.

Nearly all 15 firms felt that their markets were responsive to technological change, but an almost equal number (14 firms) responded that there were barriers to introducing new technologies. Most prominent among the barriers cited were FDA regulations (5 firms), medical community's reluctance to the product (3 firms), and low interest in market or marketing (3 firms).

For most of our firms, the leading edges of their technology were more likely to be housed in academic or research institutions (7 firms) over private companies (3 firms). When companies face a significant challenge, they are more likely to go to research institutions or companies with whom they have other cooperative arrangements.

New markets were sought out by most of our firms. This was the most international part of our companies' business: international presence was important for 7 firms seeking new markets in Europe and Asia. Most others were attempting to expand to other North American markets. The most common form of establishing a new market was a sales agreement with other companies.

**Assistance Programs:** Government assistance programs were important to our firms. Government programs were viewed as an important source of both financing and technical assistance. Eight firms, or 44%, received technical assistance to apply for public support from state and federal programs.

Fewer firms; however, were actually using government programs: 39% had local and regional government support, while 28% of the firms had some sort of federal government support. Locally, the Life Sciences Greenhouse was mentioned by several respondents for technical assistance. Firms also reported barriers to using certain government programs, including cost and application process.

**Conclusions:** Can biotech become a driver industry for the Pittsburgh regional economy? In the 1980s and 1990s, regional economists and planners argued that mature regions suffering industry decline would be unlikely sites of new innovative industry development. Work of scholars such as Ann Markusen found that firms in older industrial regions worked to maintain a stable (e.g., nonentrepreneurial) environment, while new industries, struggling with product development, were driven out and located in new environments without mature industries. This work followed Ben Chinitz's earlier work and his characterization of Pittsburgh. The oligopolistic industries of mature industrial regions meant that though regional prosperity may have been prolonged, it ultimately suffered through rigidness, as local support, finance, and political institutions functioned to support the dominant industry.

Is this the prognosis for biotechnology in Pittsburgh? It is not clear, certainly, since the role of universities and research institutions play so prominently. The region's growth is likely to come in new growth areas in biotechnology, where its scientific and technical expertise lies, along with established sectors in manufacturing. The results here underscore the successes so far in these areas.

*Sabina Deitrick is associate professor at the Graduate School of Public and International Affairs at the University of Pittsburgh and co-director of the Urban and Regional Analysis Program at the University Center for Social and Urban Research.*

*The Brookings Institution study is available at:www.brookings.edu/es/urban/publications/biotech.htm*

# ELDERLY WORKERS IN PITTSBURGH REGION (CONT.)

**Total Number of Elderly Workers (Age 65+) By Industry**
**Pittsburgh MSA - 2003**

| | | |
|---|---|---|
| 1) | Retail Trade | 6,741 |
| 2) | Health Care and Social Assistance | 4,434 |
| 3) | Educational Services | 3,283 |
| 4) | Other Services | 2,576 |
| 5) | Manufacturing | 2,499 |
| 6) | Administrative and Support and Waste Management | 2,346 |
| 7) | Accommodation and Food Services | 1,989 |
| 8) | Wholesale Trade | 1,897 |
| 9) | Transportation and Warehousing | 1,868 |
| 10) | Professional Management Technical | 1,839 |
| 11) | Public Administration | 1,502 |
| 12) | Finance and Insurance | 1,257 |
| 13) | Construction | 1,127 |
| 14) | Arts, Entertainment and Recreation | 1,052 |
| 15) | Real Estate and Rental and Leasing | 940 |
| 16) | Information | 641 |
| 17) | Management of Companies and Enterprises | 244 |
| 18) | Utilities | 159 |

**Average Monthly Earnings of Elderly Workers (Age 65+) By Industry**
**Pittsburgh MSA - 2003**

| | | |
|---|---|---|
| 1) | Management of Companies and Enterprises | $4,513 |
| 2) | Professional Management Technical | $3,586 |
| 3) | Finance and Insurance | $3,174 |
| 4) | Manufacturing | $3,047 |
| 5) | Construction | $2,817 |
| 6) | Educational Services | $2,444 |
| 7) | Wholesale Trade | $2,246 |
| 8) | Information | $2,101 |
| 9) | Health Care and Social Assistance | $2,045 |
| 10) | Utilities | $1,983 |
| 11) | Real Estate and Rental and Leasing | $1,744 |
| 12) | Public Administration | $1,643 |
| 13) | Transportation and Warehousing | $1,391 |
| 14) | Administrative and Support and Waste Management | $1,377 |
| 15) | Retail Trade | $1,198 |
| 16) | Other Services | $1,138 |
| 17) | Arts, Entertainment and Recreation | $1,015 |
| 18) | Accommodation and Food Services | $848 |

*Source: U.S. Census Bureau - Quarterly Workforce Indicators*

*continued from page 3*

labor force. Workers who were not employed by their current employer during the previous year are considered 'new hires'. Industries with a concentration of elderly 'new hires' include Retail Trade industries, Administrative and Support industries, followed by Health Care and Social Assistance industries. Industries with the highest earnings for elderly 'new hires' in the Pittsburgh region include: Finance and Insurance, with an average monthly earnings of $2,898; Manufacturing ($2,560), and Construction ($2,363). For elderly workers in particular the difference in monthly earnings across industries may reflect the different proportion of workers employed either full- or part-time. While most elderly workers are employed on a part-time schedule, some elderly workers continue to work full-time.

The elderly population overall has a measurable impact on the Pittsburgh regional economy because of their positive impact on the local supply of workers and their additional spending within the region. Department of Labor Research has shown that older workers have different expenditure patterns than non-workers. Employed older workers have been shown to spend more, as would be expected of those with additional income.

The data highlighted here is the result of a new program called Local Employment Dynamics (LED) that was created in a partnership between the Pennsylvania Center for Workforce Information and Analysis (CWIA) and the Census Bureau. The LED data provides the age composition of the state's work force, including job gains and losses by industry.

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# PRIME OPPORTUNITES FOR MINORITY CONTRACTING (CONT.)

*continued from page 1*

contract awards. We also examined whether lack of bidding was a factor, which had been suggested before as likely, and, if so, why qualified and interested firms were not bidding. We focused on prime contract opportunities of $25,000 or more by the City of Pittsburgh, Allegheny County government, and their authorities since the Disparity Study by Mason Tillman found that MBEs receive many contracts from local government under $25,000 but few of $25,000 or more.

To find out whether qualified firms are available, we reviewed the certification applications for 150 MBEs in Allegheny County. We found that 82% (123 of 150) of local MBEs reported that they had completed a contract of $25,000 or more with any public, private, or nonprofit organization in the U.S. in the last three years. We also compared the industry of local, certified MBEs to the industry of prime contracts of $25,000 or more available from the City of Pittsburgh, Allegheny County government, or their authorities from January through April 2004. We found that 91 MBEs were in the same industry as local government prime contract opportunities. We concluded that many qualified MBEs are available in the county for local government prime contracts. Further, these firms have shown an interest in receiving these contracts by going to the trouble of getting certified as MBEs.

To find out whether there was a lack of bidding, we matched local certified MBEs to prime contract opportunities of $25,000 or more with local government. Out of approximately 150 local MBEs and 131 total prime contract opportunities available of this size in early 2004, we found that 91 MBEs were in the same industry as 65 of the contract opportunities. A total of 384 matches were made, and we provided basic contract announcement information to the 91 firms on these opportunities. We also found that the 131 prime contract opportunities led to 108 actual bid openings through June 2004, 376 bids were submitted, 11 MBEs submitted 12 (3.2%) of the bids, MBEs received 3 (3%) of prime contracts, and MBEs received 2.3% of prime contract spending. In effect, we found that nearly all available and certified MBEs in the County were not bidding.

In addition, some firms said they did not bid because of a lack of working capital, slow pay by local government, lack of time and resources, and the MBEs' loss of income when supplier prices change during contract.

Our conclusions from the study are:

- Lack of MBE bidding is a major reason for lack of MBE prime contracts with local government.
- No support for the notion that there are no "qualified" MBE firms for prime contracts.
- Perceived and actual access to bidding information and key social networks are important.
- Determining pattern of discrimination by local government in prime contract decisions will require increased bidding by qualified MBEs so that there are sufficient cases to study.

The policy implications of the study for local governments are:

- Focus on prime contracts in addition to subcontracting participation.
- Focus on the size of prime contracts where there is low MBE participation.
- Focus on increasing bidding by qualified MBEs.
- Monitor MBE shares of prime contract bids and awards and use both measures to determine program effectiveness.
- Ensure that discrimination in prime contracting is not occurring.
- Expand networking so that MBEs have access to important information and contacts.
- Convince and help qualified and "willing" MBEs to submit more competitive bids.
- Do not rely solely on firms that bid to measure MBE availability since this source underestimates MBE availability due to the lack of bidding.

*Ralph Bangs is co-director of the Urban and Regional Analysis Program in UCSUR and associate director of the Center on Race and Social Problem. Audrey Murrell is associate professor in the Katz Graduate School of Business.*

*Monique Constance-Huggins is a research assistant in UCSUR.* *The research reported here was funded by the Center on Race and Social Problems and UCSUR.*

*Assistance was provided by the Allegheny County Department of Minority, Women and Disadvantaged Business Enterprise (MWDBE).*

**Common Reasons Cited by Minority and Business Enterprises for not Bidding on County Contracts**

55% - do not have the right contacts
49% - difficult getting information
(e.g., bid information is sent too late or not at all)
46% - difficult to get bonding
44% - too expensive to prepare bids
38% - unsuccessful in the past
31% - perceive the process to be unfair
17% - lack technical knowledge to submit bids
16% - were not paid from previous contracts

*Source: Center for Race and Social Problems,University of Pittsburgh*

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