







University of Pittsburgh

# Economic Restructuring in the Pittsburgh Region

Christopher Briem

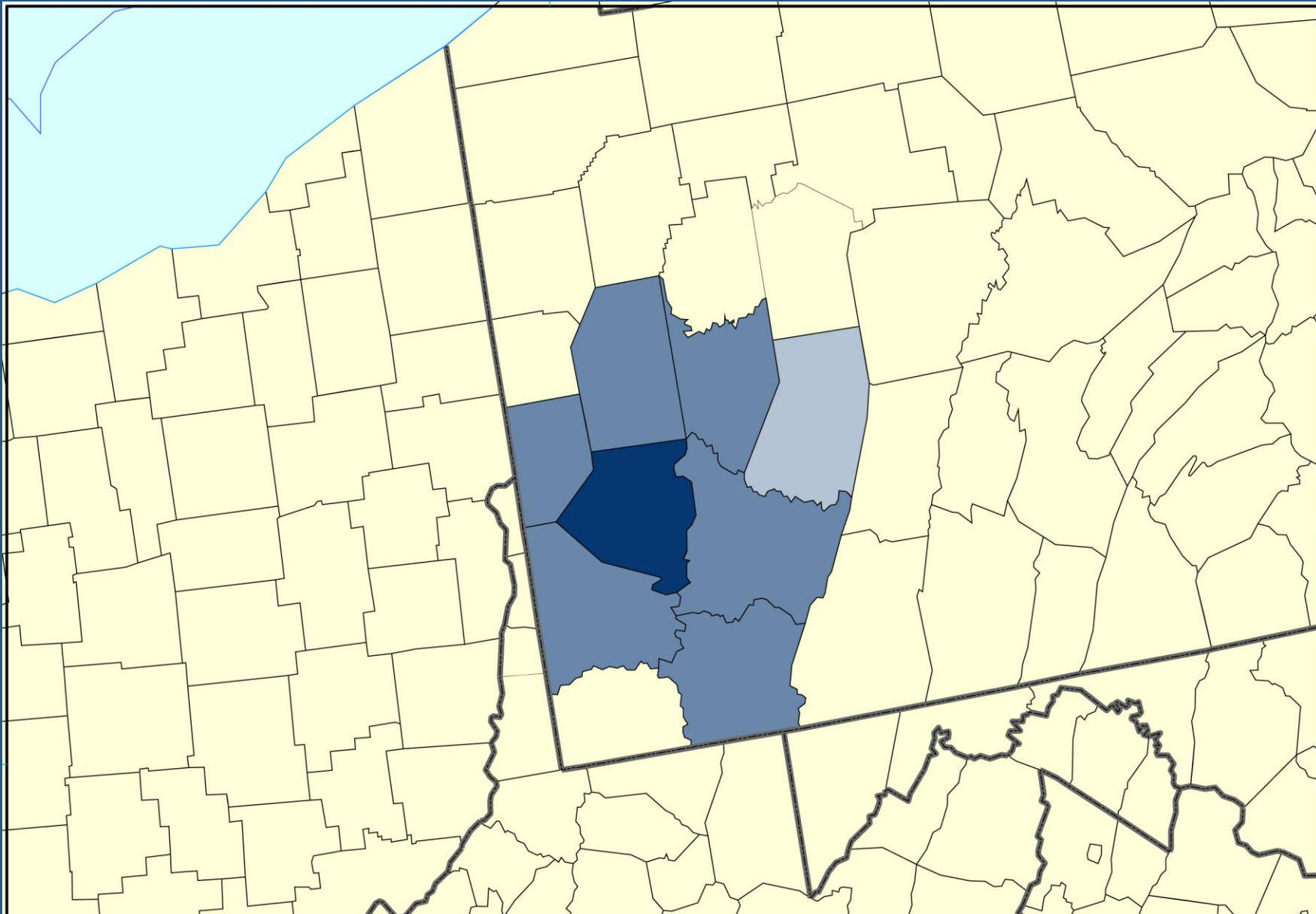
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# This presentation

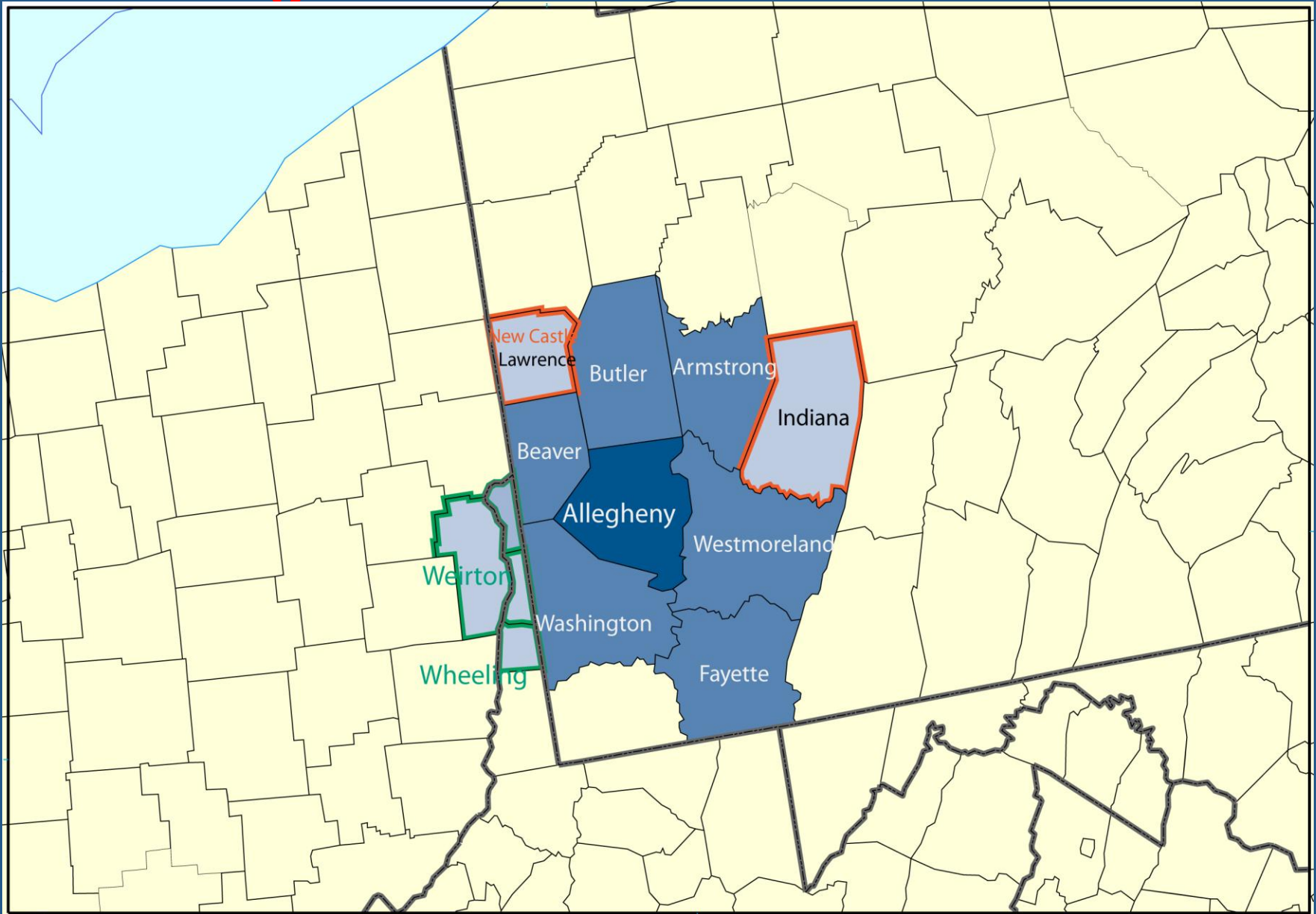
- Legacy of Industrial Transformation
- Adjustment and Change Since the 1980's
- Current/Future Regional Economic Trends

... but what is *Pittsburgh*?



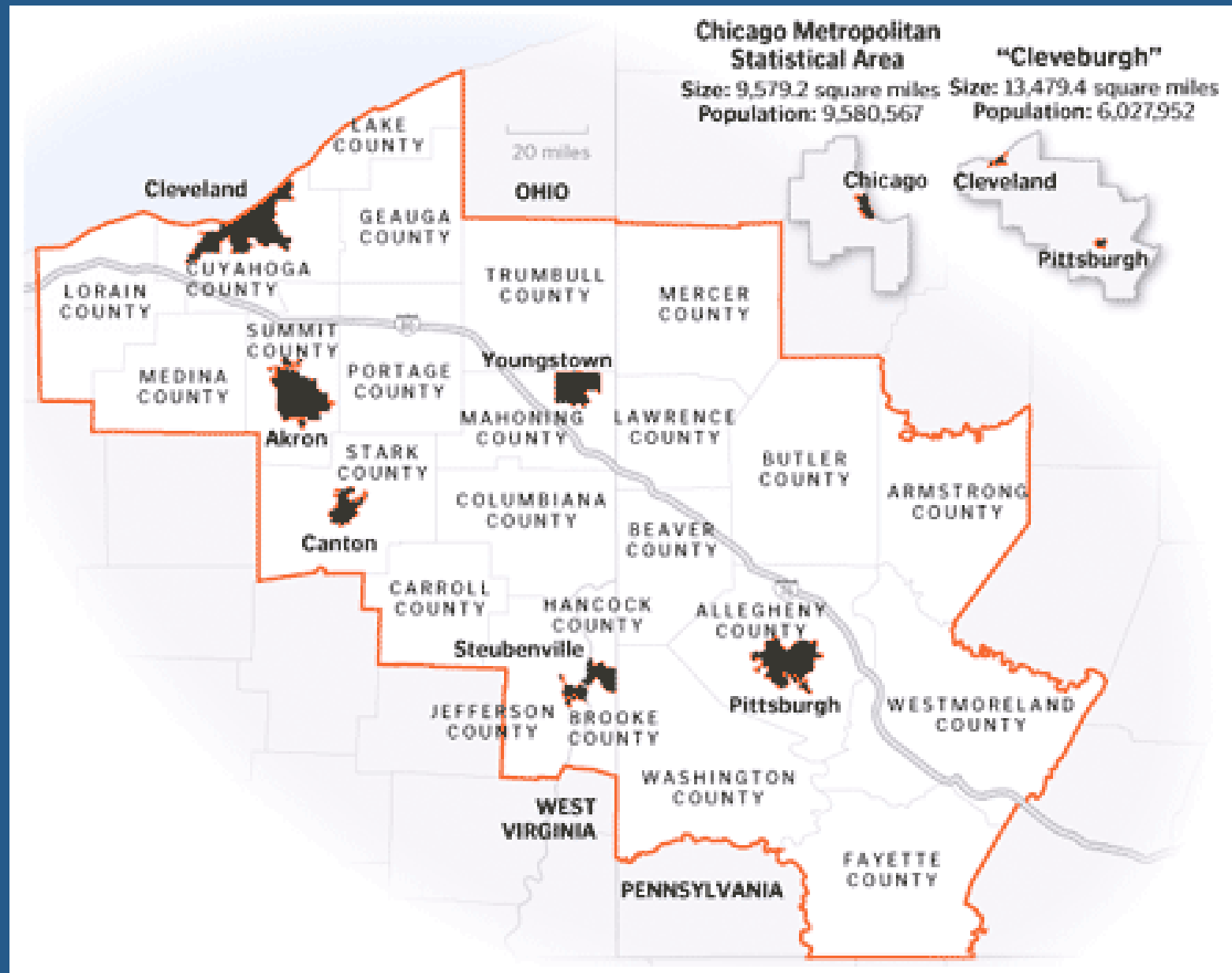
# Pittsburgh Combined Statistical Area (CSA)

## Circa 2013





# A Turnpike Runs Through It...



# No longer 'hell with the lid off'

## INDUSTRY

**Francesco Guerrera** says traditional sectors still have an important role to play

**W**hen Roger Scarlett-Smith was first posted to Pittsburgh in the mid-1990s, his UK colleagues were quick to offer their condolences.

"When I came out here, people in London felt it was like a [prison] sentence," says the British-born president at GlaxoSmith-Kline, the pharmaceutical giant.

His story is a familiar one.

In corporate circles, Pittsburgh has long been known as a hub for large companies. But ever since the 19th-century author James Parton described the city as "hell with the lid off", Pittsburgh has struggled to rid itself of its image as a cauldron of smoke-stack industries centred around steel.

Even after that sector imploded in the 1970s and early 1980s and the city embarked on a tortuous path of economic diversification, the stereotype has stuck.

The fact that Pittsburgh's best-known brand is its American football team – the Steelers – has not

public relations blitz in the run-up to the summit has focused on the city's rise from the ashes of the steel industry to a new economy of high-tech industries and top universities. Yet, the oft-repeated tale of "eds and meds" does not paint a full picture.

Pittsburgh's transformation has been underpinned by sectors that 19th-century local denizens like Andrew Carnegie and Thomas Mellon, would recognise: manufacturing and financial services.

Despite losing hundreds of thousands of manufacturing jobs two decades ago when the US steel industry was savaged by cheaper imports, inefficient production and a bloated cost base, Pittsburgh remains an industrial hub.

Blessed with natural resources and waterways – it sits at the confluence of three rivers – as well as a strategic position between the east and west of the country, Pittsburgh is still an attractive location for industry.

More than 100,000 people still work in manufacturing in the Pittsburgh region and many are still employed in metal production, according to official figures.

But the smoky furnaces that polluted the rivers and clouded the sky have gone, replaced by sleeker, modern-looking plants.

But many of the companies –



City of steel: a view of Pittsburgh's modern skyline through one of its steel bridges

thing can become anything else," he says.

The research centre set up by the aluminium giant Alcoa a short drive from the centre of town confirms that impression.

Instead of plumes of smoke and

Instead of plumes of smoke and metal-bashing equipment,

to the city such as the food group Heinz and GSK, the other pillar of Pittsburgh's corporate edifice is financial services.

PNC and Bank of New York Mellon – two of the largest financial groups in the US – dominate the city's financial landscape.

And although the 2007 merger between Mellon Financial and Bank of New York saw Pittsburgh lose out to the Big Apple as the headquarters of the combined

options at the difference between wealth and poverty.

Still, no one is an angel. One executive "having" a hard time with the hassles of

And more plain about flights to and the way the firm

PROFILE:

# *Pittsburgh*



## **COMEBACK CITY**

*The reinvented steel town has jobs,  
a healthy real estate market, lots of public  
and private innovation—and billions of  
dollars of natural gas.*



# Pittsburgh MSA Unemployment Rate 1970-2010



Nailed!



# Homestead Steel Works - 1946





# Former Homestead Steel Works - 1998



# Scale of Economic Change

- 120,000 net manufacturing employment loss between 1981-84. (~50%)
- Loss concentrated in mfg industries.
- Particular sub-regions hit even harder.
- Local industries unable to adjust
- Significant unemployment and out-migration of workforce

# Demographic Impact and Legacy

- Net out-migration of working age population: **50,000+** per year in mid-1980's.
- Out-migration was very age selective (younger left, older stayed).
- Workforce migration left region skill-deficient for new/emerging industries.
- Demographic loss bigger impact than job loss



## ***Draft - Net migration of 20-something population during the 1980s***

Steubenville-Weirton	-35.1%
Wheeling	-34.2%
Johnstown	-30.5%
Youngstown	-26.4%
Altoona	-24.5%
Canton	-22.0%
Erie	-14.5%

# Women in the Pittsburgh Workforce

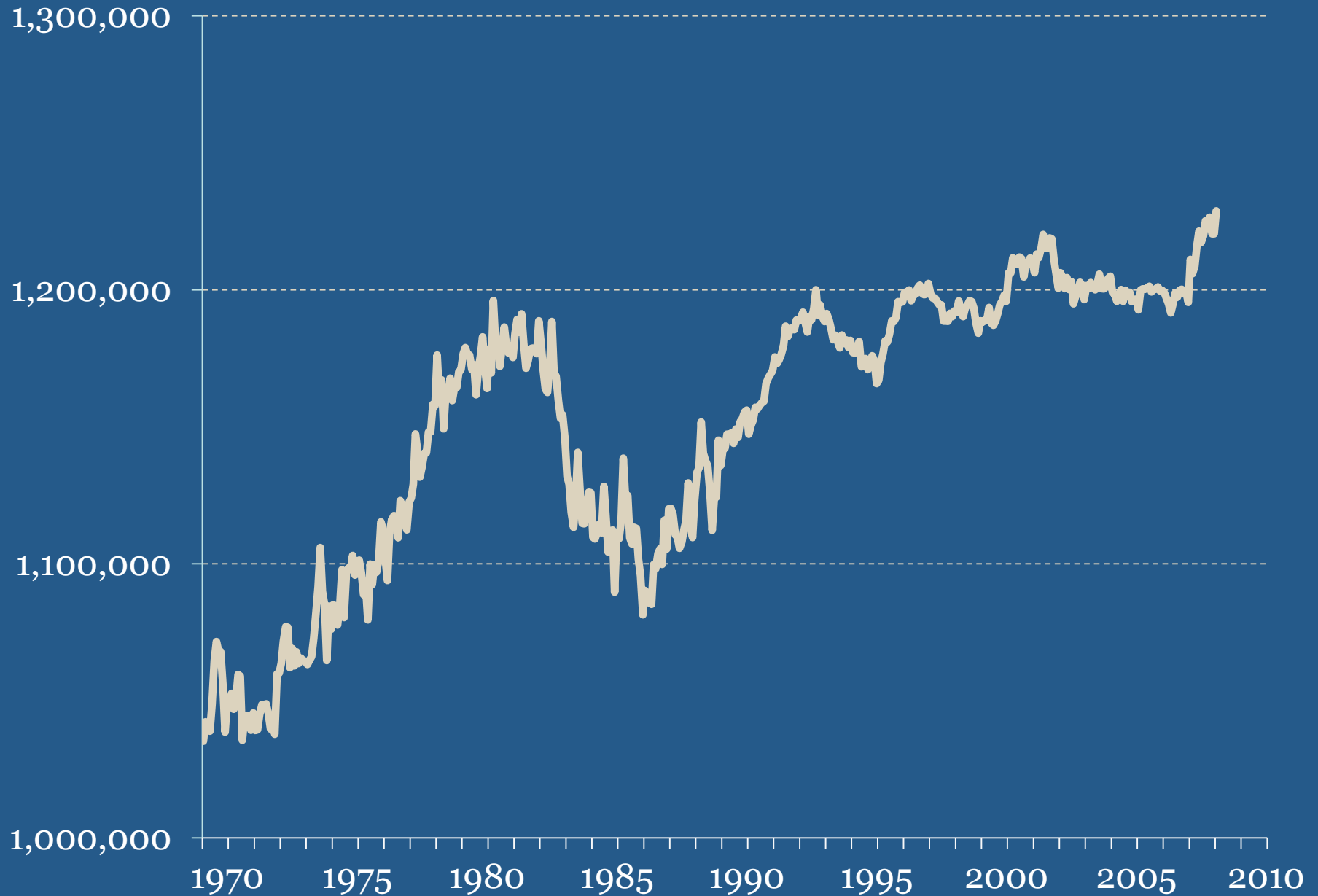
- Industrial Pittsburgh lagged female labor force participation nationally.
- Fewer women working even in traditional fields.
- Reasons include: male dominated workplaces in heavy industry, shift work, other factors.
- Only in recent decade that female labor force participation has caught up to local levels.

- *...(Pittsburgh) will, however, slowly decline unless new industries employing women and those engaged in the production of consumer goods are attracted to the area.*

- Econometric Institute (1947)



# Employment in Pittsburgh 1970-2010



# Post Steel Changes 1985-1990

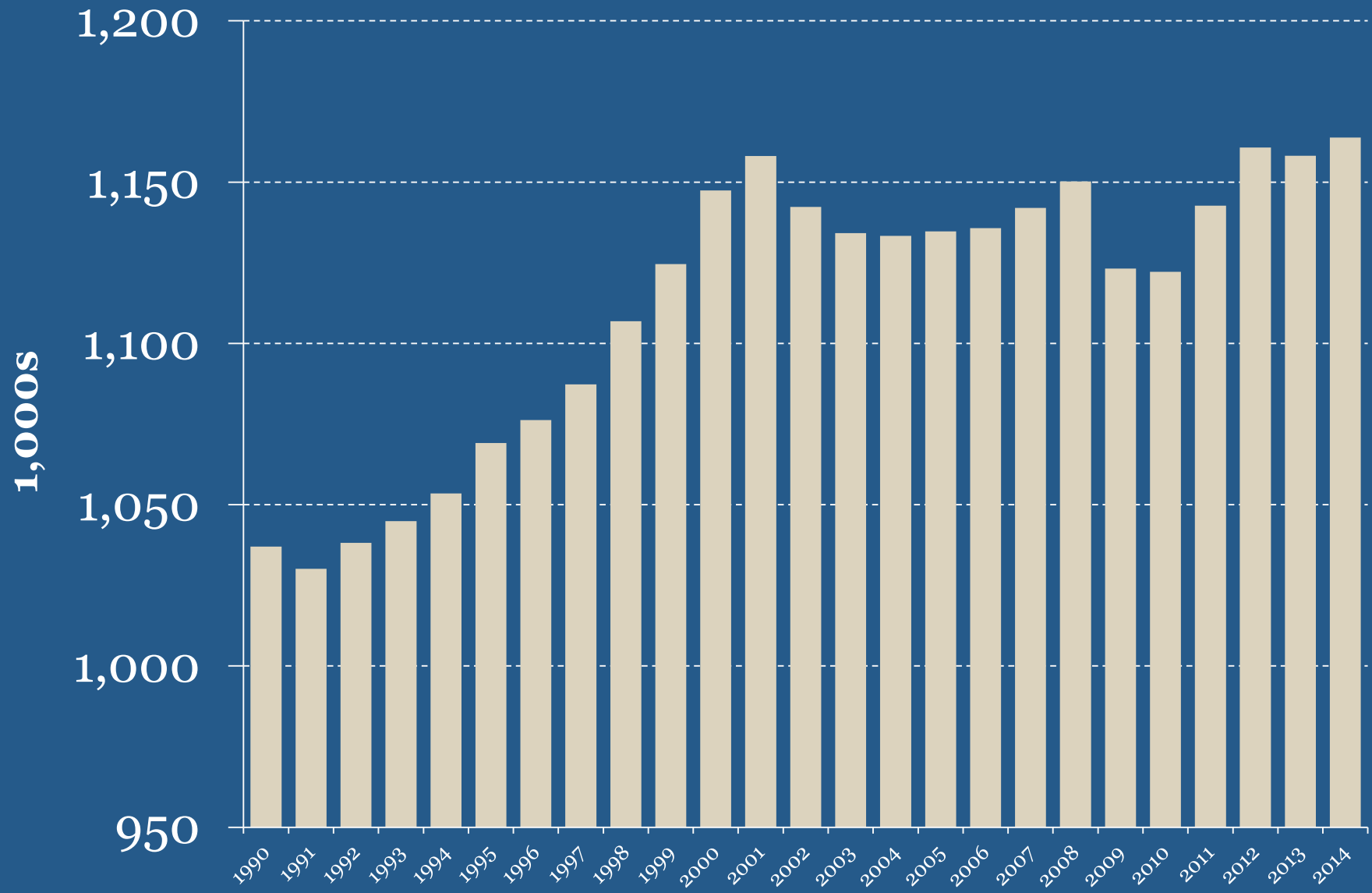
- Local unemployment and rate of out-migration decreased significantly between 1985-1990.
- Employment growth in service sectors. financial service/ education industries began to make up for manufacturing losses.
- Female labor force participation increased.
- Rate of manufacturing job loss decreased.

# 1990's

- Manufacturing employment stabilized.
- “Heavy” industries continuing to decline, but some success at attracting new firms (Sony Plant in Westmoreland County for example)
- Continuing shift of employment into service sectors
- National economic expansion has positive impacts, but region lagged rest of country.
- Minimal “Dot.com” boom.
- Economic Development Focus: Building regional airline hub

# Total Nonfarm Jobs – Pittsburgh MSA

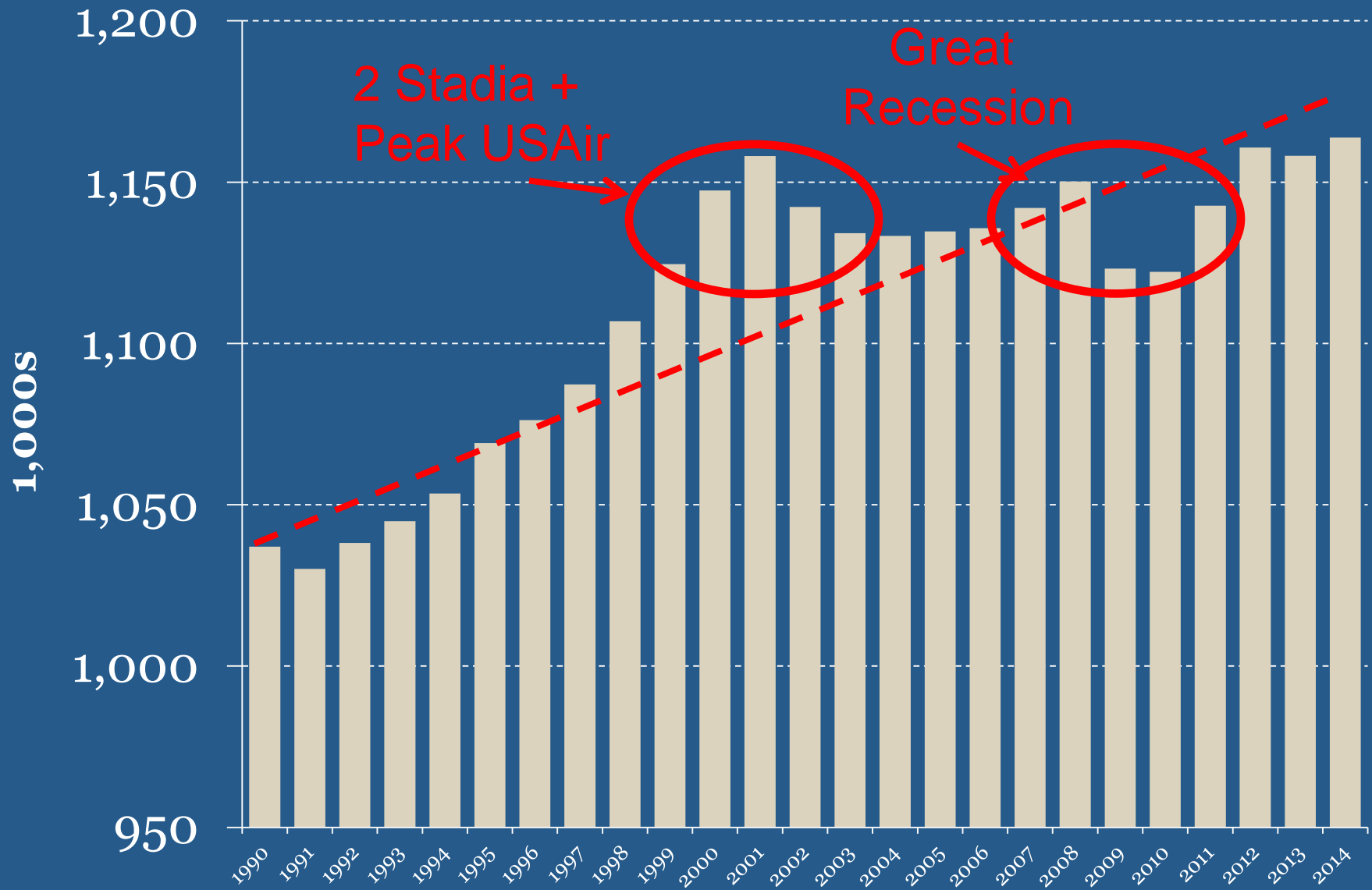
## 1990 to 2014 - April of each year



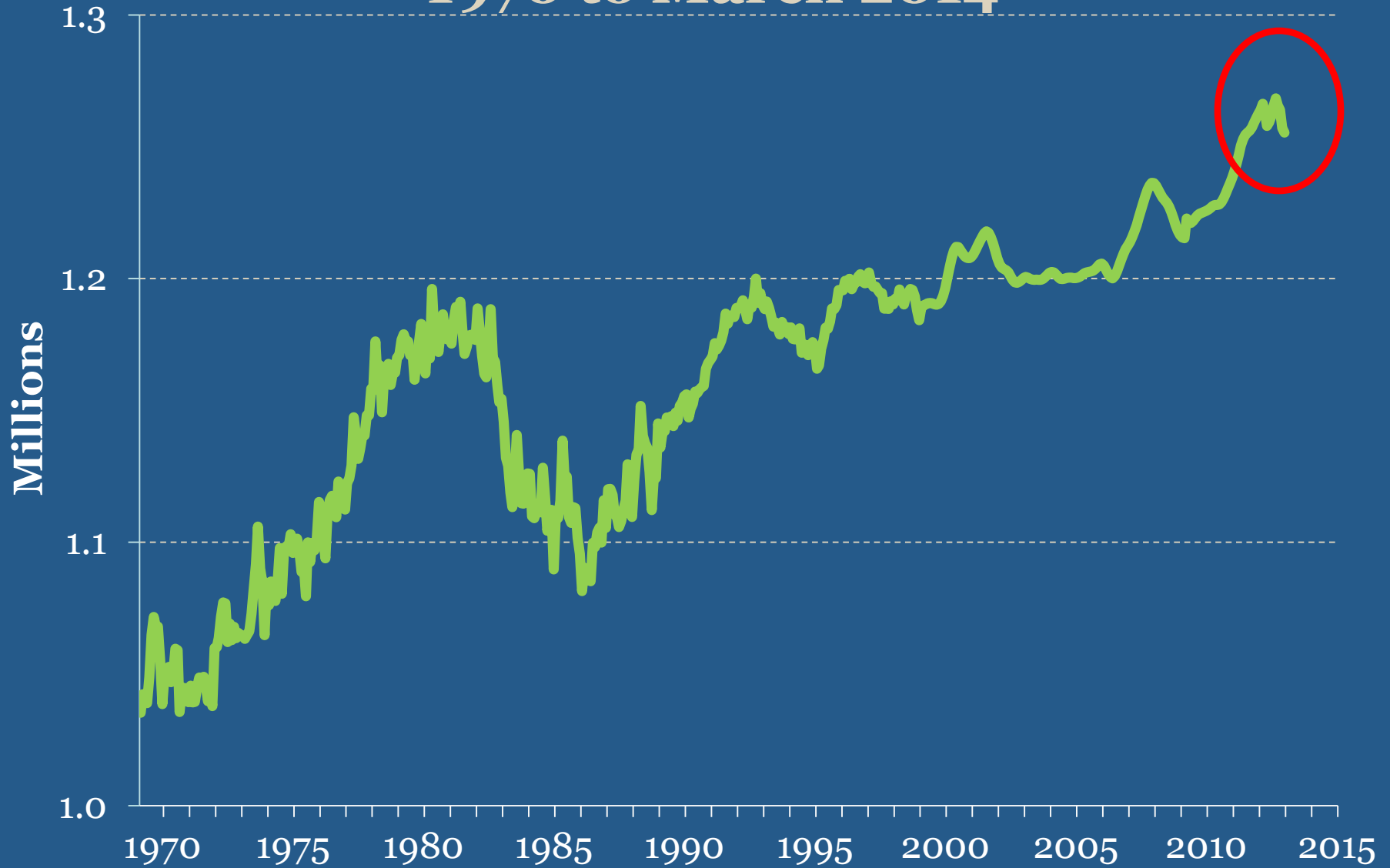


# Total Nonfarm Jobs – Pittsburgh MSA

## 1990 to 2014 - April of each year

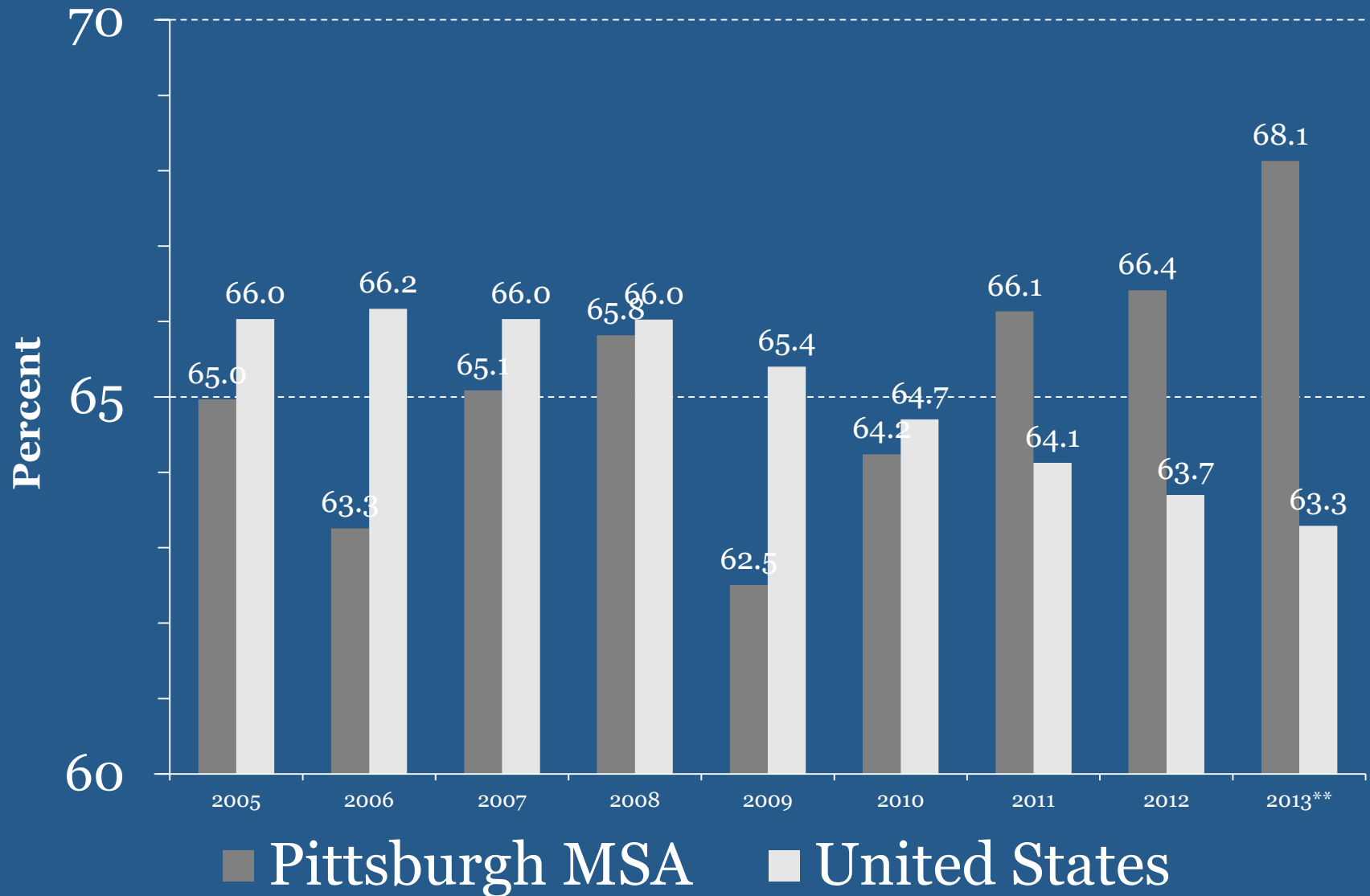


# Pittsburgh MSA Labor Force 1970 to March 2014



# Labor Force Participation (LFP) Trends

## Pittsburgh MSA vs. US – 2005 to 2013



# Pittsburgh: 2000-2010

- No Dot.Com boom - No Dot.Com bust
- Local unemployment rate *below* national unemployment rate between 2001-2004 and then from December 2006 until ???
- Demographic changes in region (elderly population decline, slower out-migration of working age population)
- Employment/Labor Force now *larger* than before decline in the Steel Industry
- Recession impacts different from the past.



# New Thinking in Economic Development

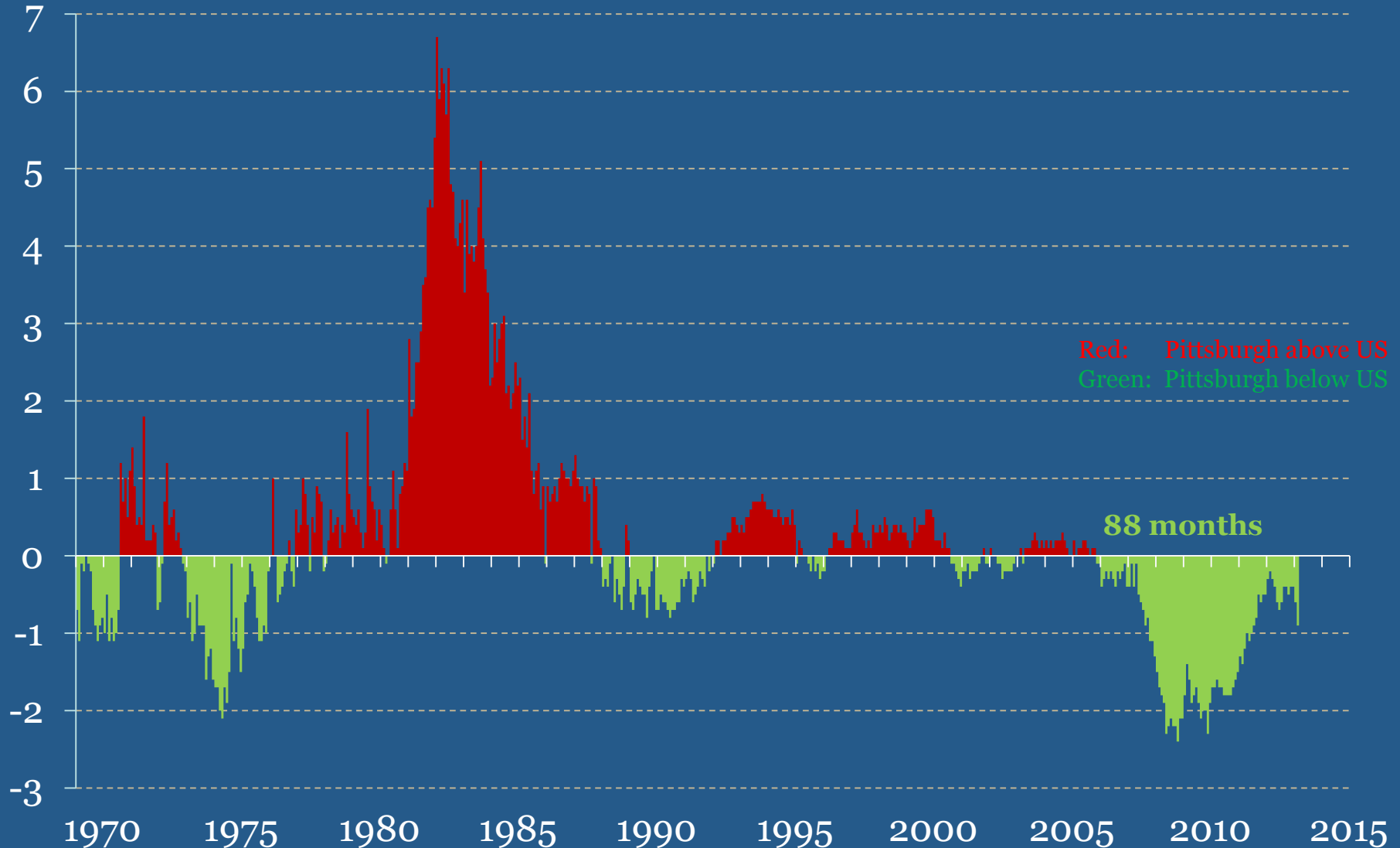
- Aversion to “Smokestack Chasing”
- History of promoting ‘high tech’ for local economic development since 1980’s.
- Recognition of need for brownfield redevelopment throughout region
- Worker retraining

# Or maybe not so new?

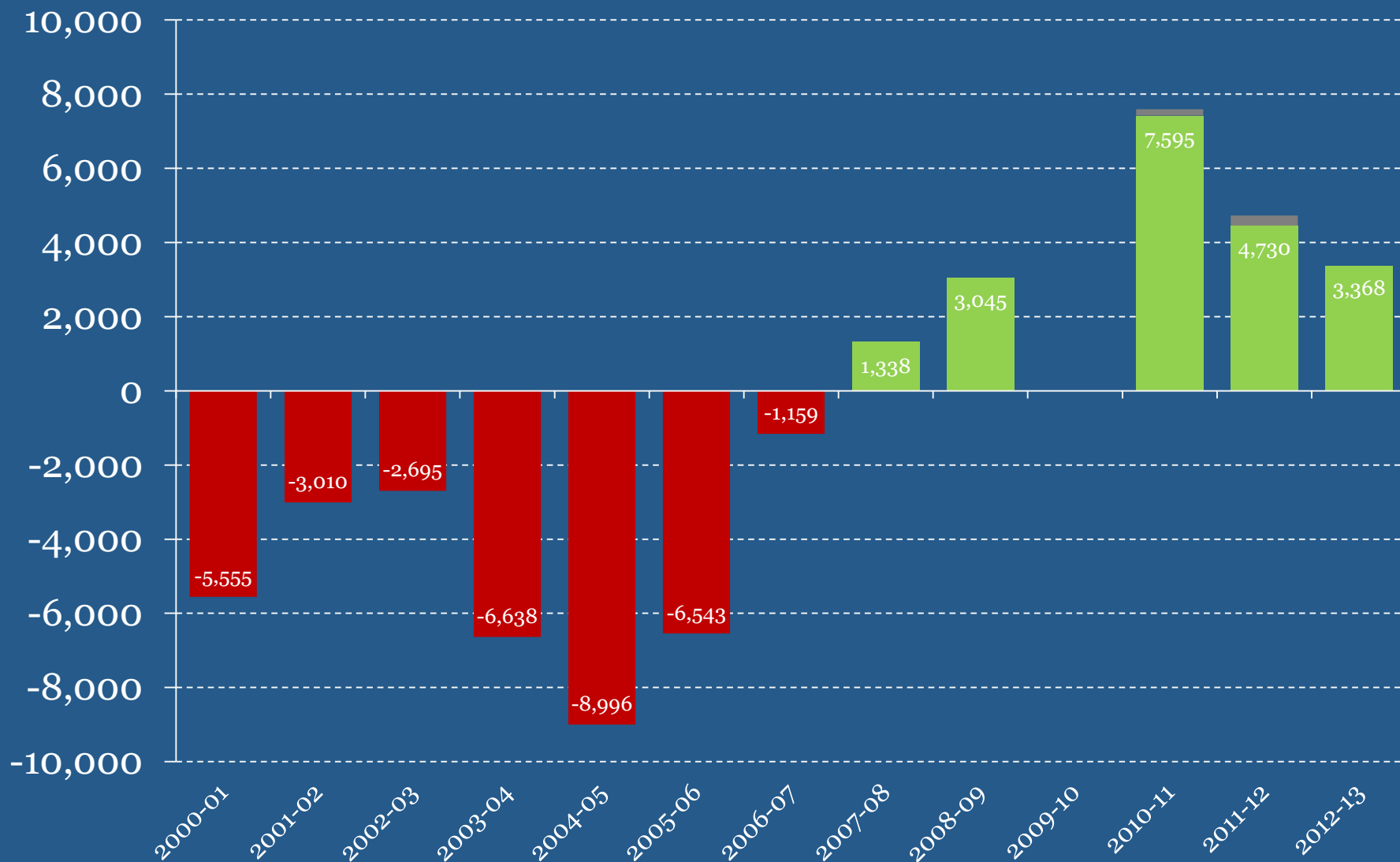
*“...the Pittsburgh region's future depends to such a major extent upon retaining and attracting highly qualified and professional and technical people and business enterprisers, who are in demand everywhere and who command a high standard of residential amenity and cultural and professional opportunities.”*

*From: Region With a Future. Volume 3 of the Economic Study of the Pittsburgh Region. 1964.*

# Difference between Pittsburgh and US unemployment rates: Jan 1970 - Feb 2014



# Estimated Annual Net Population Migration Pittsburgh MSA 2000-2013

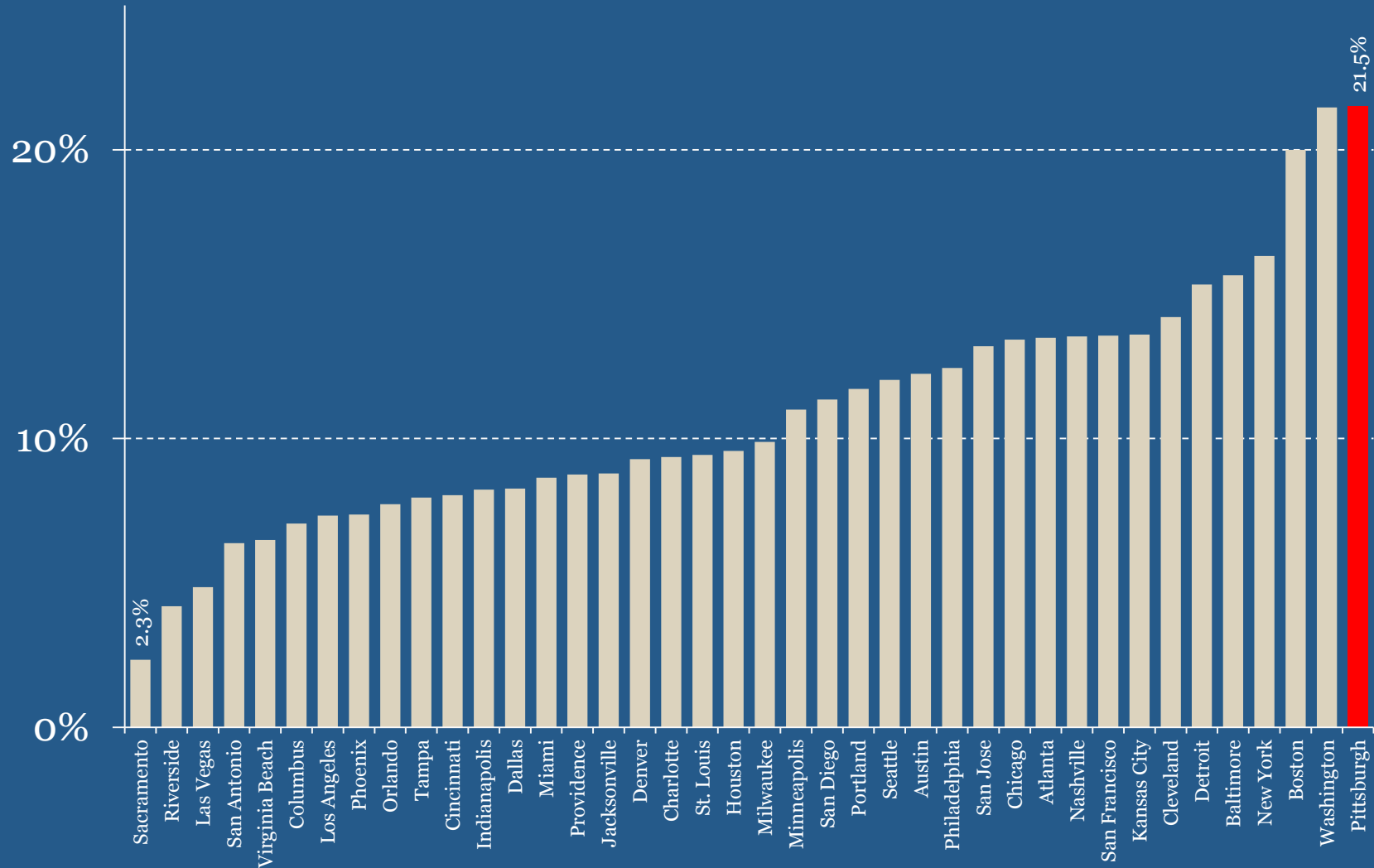




But still, all the young people are  
leaving!!

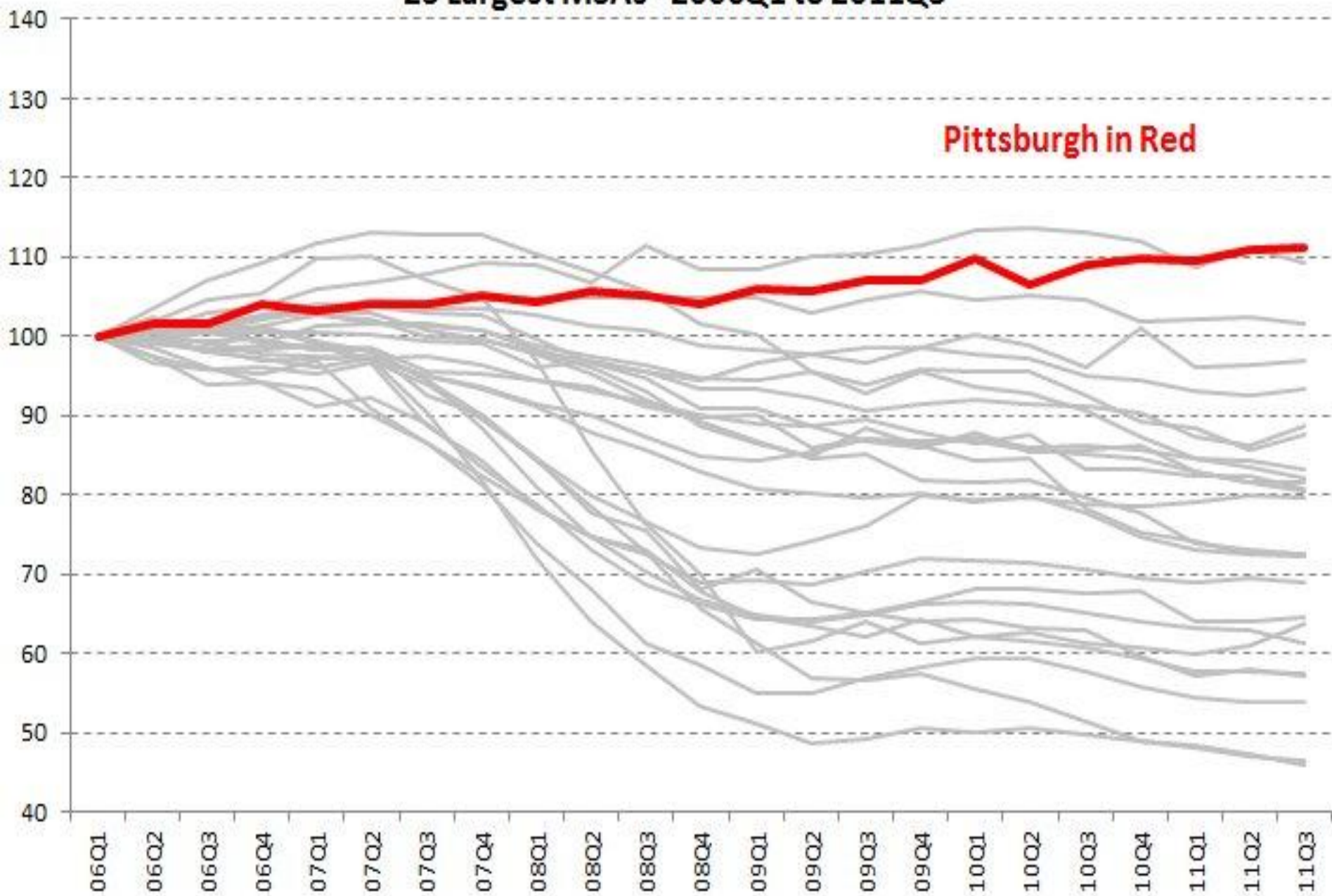


# Educational Attainment: % of Labor Force age 25-34 with a Graduate or Professional Degree, 2009



# FHFA Purchase Only Housing Price Index

## 25 Largest MSAs - 2006Q1 to 2011Q3





# Next 200 Years... Renaissance To Quadricentennial



Perched atop the luxury playground on Mt. Washington, Artist Youngblood emulates General Forbes' scout of 1758 (see Page One of Section I). Mr. Youngblood's ESP affords him a spectacular view of the Point at the Quadricentennial in 2158. Flying saucers have solved 1958's mass transit problem.



# What for the cracker plant?





# What about this cracker plant?



Credit: Joseph a on Flickr

# Cracker Returneth?



# The Pittsburgh Press

### Choosing Market's Partners

## FINAL

● ● ● ● ● ● ● ●  
RICE RICE RICE

## Biggest Story in History of Coal --

# \$120,000,000 PLANT TO TURN COAL INTO GAS AND OIL HERE

### Railroads Now Agree to Back Ban on Snobs

Monday, April 28, 2008

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...the ...

### Smoke Control Is Assured by New Process

For more information, please contact:

E. J. VAN DER LUGT

[illegible]

Study 1 was part of a project that tested whether self-esteem and self-esteem stability were related to self-esteem stability in the workplace. The project was funded by the National Institute of Mental Health (NIMH) and the National Institute of Education (NIE).

The authors are grateful to Dr. J. H. Duerksen for his helpful comments on the manuscript.

This work was supported by the National Institutes of Health, Grant No. R01 AI-07689.



### Gigantic New Concert In Prospect, Bringing New Era for District

Completion on Card To receive Promotional Offer  
Maximum: \$100 per year plus all other promotional funds

Qing Dynasty

[illegible]

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# Lessons for all regions

- *Safe* industries are a myth.
- Perpetual change in industries/firms always the norm.
- Competitiveness factors more mobile than ever.
- Demographic/Workforce impacts long lasting.
- Pitfalls of industry targeting.



# Why Past is not Prologue

- Demographic impacts of past job loss extended decades.... *But not forever!*
- Diversification did happen
- Will health/education trends end? In the long run.. The Keynesian long run?
- Factors of regional competitiveness are changing; less stable and more mobile

# A more positive future? View from 1951...

## The Pittsburgh Press

PAGE 21

THURSDAY, FEBRUARY 15, 1951

SECOND SECTION

<b>JANUARY 1951</b>	<b>FEBRUARY</b>
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	S M T W T F S 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28
<b>MARCH 1951</b>	
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	

### Hills Our A-Bomb Safety Belt

Mountains Shrink Danger;  
But Get Down and Stay There

By JOHN TROAN

