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INTRODUCTION

COVID-19 has wreaked havoc across the globe. The Pittsburgh region has not gone untouched – and in some cases we have been more sharply impacted.

In our 10-county region, as of September 30, more than 20,500 of our neighbors, friends and families fell ill and sadly, over 655 have died. Since the outbreak of the pandemic in mid-March, employment, business activities and the functioning of essential institutions have all been severely disrupted, confronting our communities and neighbors with unparalleled challenges.

The stakes are high and the cost of inaction is dear. If left unresolved, the compound effect of these challenges is likely to result in:

- **Delaying regional economic recovery until late 2023**
- **Doubling annual population decline**
- **Exposing more than 60,000 of our region's residents to long-term unemployment**
- **Tripling of poverty rates**

All of this is in addition to many other social and economic costs.

Over the summer of 2020, at the height of the COVID-19 crisis, more than 300 private and public sector partners came together to identify pandemic-induced disruptions and areas of opportunity. There is no one action, solution or organization that can address the instability that has been created and deliver the region we aspire to become. These impacts are interwoven and interconnected and need to be addressed together. To succeed in one way or another means we must tackle them all.

To address the most critical disruptions as well as to continue to effectively attend to the broad range of parallel crises fueled by the ongoing pandemic – we must galvanize and unite our public, private and civic efforts, and work together as a region. **And we must ensure that all the steps we take toward the recovery are anchored in a genuine commitment to racial equity and all aspects of regional sustainability.**

We must undertake this work even while the COVID-19 public health crisis continues, as we follow the lead of our public health experts, who are working tirelessly to keep us safe and healthy.

Last year, we developed a shared vision for regional vitality - as outlined in our [10-Year Vision of Vitality](#) for the Pittsburgh Region report. This plan was drawn from an unprecedented level of contribution from every corner of the Pittsburgh region's 10 counties. Despite the challenges we face today, our long-term goal remains one of regional vitality, marked by thriving people in a strong, inclusive economy, living in the highest quality place known for its sustainability. Our collective goal must be nothing less than to restore employment levels, economic productivity and opportunity across all relevant sectors to pre-pandemic levels, promote a more equitable region by addressing historic disparities and institutional racism and provide a thriving, vital region with opportunity for everyone who lives here.

CRITICAL DISRUPTIONS

The six key recovery actions areas outlined in this report are based on an in-depth analysis of the pandemic-induced disruptions and their specific impacts on the Pittsburgh region. The analysis was informed by the expertise and insights of more than 300 public and private sector partners, including strategic research performed by the Conference in partnership with others.

From this effort, the following critical disruptions were identified. A more detailed analysis of each of the disruptions is contained in the appendix of this report.



Disrupted Employment Opportunities and Widening Social Disparities

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Redefined Growth Outlook for Key Sectors and Near-term Solvency Risks for Small Businesses

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Threats to Higher Education Capacity and Gaps in Digital Connectivity

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Economic Shutdown Effects on Municipal Government Revenue

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Risks to the Region's Distinctive Amenities and Livability

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SIX KEY RECOVERY ACTION AREAS

The future of our region is at risk if we don't come together to address the challenges we are facing as a result of the parallel crises. Based on research conducted this summer and community input, we've framed the challenge we face and have identified six key areas that we need to focus on to ensure a just and equitable recovery and long-term competitive positioning of the region.

Rooted in research, these six areas are intended to serve as a guide for our region as we develop a detailed plan for recovery. While a critical initial step, this framework alone is not sufficient and requires an engaged community to come together to build the plan, coalitions and partnerships that will move our region forward.

To mitigate the effects of the most significant COVID-19 disruptions and to accelerate our recovery, we need to focus our attention on these following six areas. Two areas that may seem absent from our recovery framework are racial equity and sustainability. In fact, these items do not stand alone as recovery action areas, rather they must be woven throughout. Each of these areas must be considered - and solutions and action plans developed and adopted - through the dual lens of racial equity and regional sustainability.



1. Unlock the full recovery potential of the regional economy by enhancing our region's economic competitiveness, the tax and regulatory policies and infrastructure investments essential to retain existing and attract new employers across industries.



2. Accelerate inclusive economic growth in innovation and research-driven sectors likely to expand the fastest in the near term such as: *A.I., Robotics, A.V., Life Sciences, Advanced Manufacturing and Cybersecurity* through enhanced outreach to attract and retain talent and business investment, and strategies to promote reshoring, remote work and cluster development.



3. Prevent local government insolvency and propel recovery investments in underfunded communities.



4. Establish a regional reskilling strategy with corporate and public partners to transition at-risk workers from structurally-challenged industries and businesses and reduce long-term unemployment.



5. Develop Small and Mid-Sized Business (SMB) relief resources to mitigate the impacts of economic shutdowns and facilitate a digital transformation to prevent the permanent closure of viable employers.



6. Ensure the survival of critical institutions and retention of the distinctive amenities that contribute to the quality of life and attractiveness of the region.

TAKING ACTION

No one actor, entity or action can tame the ongoing pandemic and restore the region's vitality, much less position us for a dynamic, globally competitive future. We need to act simultaneously across all six action areas to build momentum through the remainder of the public health crisis and recession - and beyond.

Public, private and non-profit leaders across the region must come together, take ownership of the challenges and opportunities brought by the pandemic and implement actions to address them. By working together, we can position the Pittsburgh region as a leader in restoring public confidence, opportunity and economic vibrancy to a post-pandemic world.

The Allegheny Conference, uniquely positioned to convene and mobilize business and civic leaders from across the 10-county region, is already working with our partners to:

- **enhance economic growth and competitiveness**
- **propel sectoral innovation, and**
- **collaborate with the public sector to address municipal solvency and community investments.**

We will join with others to align our collective efforts around our common goals and to develop a plan for execution in these areas.

We recognize that tremendous expertise and leadership exists throughout the region to tackle the remaining three key actions areas focused on:

- **establishing regional reskilling**
- **developing a SMB relief system, and**
- **ensuring survival of critical institutions.**

For these efforts, we are seeking others who share these interests and offer relevant expertise to join forces toward these common goals.

Together, we can not only continue to effectively mitigate the effects of the ongoing pandemic, but more importantly start galvanizing ideas, resources and partnerships to allow everyone to thrive in the post-pandemic world.

There is no reason to believe we cannot overcome these challenges and position our region for leadership in the years to come. We have done it before. And with the collaboration and hard work that are hallmarks of our region, we can do it again.

To learn more about how you can be part of the Pittsburgh region's recovery, **please fill out this form.**

APPENDIX

This appendix includes detailed summaries of the each of the critical disruptions identified as part of the research and analysis conducted in the summer of 2020.

Disrupted Employment Opportunities and Widening Social Disparities

Unprecedented Job Loss

One of the most critical disruptions caused by the pandemic is the record loss of jobs. The region shed **202,300** jobs between February and April, 2020. And while many jobs have been recovered, there were still **100,400 fewer jobs** in August than a year ago. This means the region lost **8.4%** of its employment base.

The region's unemployment rate continues to be **high** and well **above the national levels**, it peaked in April at **17%** then dropped to **12.8%** in June but increased again in July to **14.3%**. Close to **120,000** people in the southwestern Pennsylvania region were continuing to file for unemployment claims as of mid-September.

Aside from significantly reduced hiring activity among regional businesses, the ability of people who have lost their jobs to find new opportunities has been complicated by several additional factors including access to **reliable and safe transportation, child care** and **broadband access**. A large share of our workforce (estimated 60,000K people) is therefore likely to experience **persistent unemployment**. This is likely to create significant economic and social costs, including substantially increased poverty, foreclosure, eviction and homelessness.

Widening Social Disparities

People of color are more significantly impacted by the disruptions of the region's labor market. The wave of protests following the killing of George Floyd has surfaced robust evidence of historic economic, health and social disparities. COVID-19 only served to exacerbate these disparities. Before the pandemic, Black and Brown residents were three times more likely to be unemployed. Through the pandemic, a greater percentage of Black and Brown workers than White workers became newly unemployed because they disproportionately held the jobs in occupations most immediately impacted by the pandemic and subsequent restrictions. The fact that these disrupted occupations tended to be lower-wage has only increased economic vulnerability and limited the recovery potential of Black and Brown residents. As confirmed by previous post-recession trends, Black and Brown workers are likely to experience a much slower recovery.

Widening disparities are not only of concern to people of color, they are likely to occur across the wealth spectrum and the region at-large, significantly worsening existing poverty issues and economic vulnerability. People and communities that went into the pandemic with more resources are better able to weather the resulting economic pressures while many others face greater vulnerability and the risk of a rapid deterioration of pre-pandemic stability. This "K-shaped" trend is already becoming apparent and is projected to continue throughout the recovery.

Redefined Growth Outlook for Key Sectors and Near-term Solvency Risks for Small Businesses

Disrupted Economy

The COVID-19 pandemic has significantly disrupted economic activity across the country. Nationally, real GDP and employment numbers are back down to 2014 levels.

Employment and **productivity** decreased across the board. Through the pandemic, the [region has lost over 200,000 jobs](#) and has yet to recover 45% of them, a deeper setback than we experienced during the Great Recession and even during the collapse of Pittsburgh's industrial economy in the early '80s. Some sectors have been impacted more severely than others. Even as the economy reopened, industries such as leisure & hospitality, manufacturing, retail, social and government services have continued to struggle and are expected to experience a slower recovery. On the other hand, sectors such as healthcare & life sciences and tech-related business services are recovering more quickly and may even see gains from the pandemic.

As the pandemic continues to **alter economic activity differently** across sectors and geographies, most businesses will continue to face a great deal of uncertainty regarding their **supply chains, demand projections** and **productivity recovery**.

The uncertain recovery outlook in a large number of sectors is also likely to result in both a **slow job recovery** and rethinking of staffing levels. This may lead to **persistent unemployment, deterioration of skills** among the local workforce, and **greater gaps in skills and expertise** as a large portion of displaced workers possess talents, skills and experience specific to sectors that are likely to experience a slower recovery, meanwhile, sectors that are already able to grow are experiencing talent shortages despite high unemployment.

Vulnerability of Small Businesses

Small businesses in the Pittsburgh region are important engines of our region's economy, accounting for 99% of all businesses and 75% of all jobs. They play an integral role in every industry. Many of these businesses could not absorb the pandemic-induced economic shock and are struggling to remain open. It is vital that we shore up these lifelines for economies across our region, both related to jobs and tax revenue for our towns and boroughs and to the essential role they play in community vitality and sense of place. Many of these establishments are points of pride in our communities and for our people – and must be supported as we move forward.

The Paycheck Protection Program (PPP) and other federal and state programs played an important role in mitigating the initial pandemic-induced disruptions on small businesses. Even with these emergency programs, approximately 23-36% of small businesses, roughly 13,900-21,300, in our region are at risk of closing permanently with a potential loss of 101,000-188,000 jobs, resulting in \$0.6B-\$1.2B in lost wages. Smaller and minority-owned small businesses - which identify demand generation as their biggest concern- are even more vulnerable.

Threats to Higher Education Capacity and Gaps in Digital Connectivity

A well-educated and adequately skilled workforce is a key engine of any regional economy. Supported by our strong and diverse system of close to 90 post-secondary education and training institutions, our regional capacity to produce a strong talent pipeline has been one of our **core competitive advantages**.

With the unprecedented job loss and subsequent unemployment rates, the regional education and training systems will be more important than ever. Many of the lost jobs may not return. Many may come back with a different focus. And, others may be completely new and demand a very different skillset. Many of the **120,000+ people still out of work** will need to find different career paths, pursue new learning or train for new skills. These workers will need access to robust and flexible higher education and training system.

Vulnerability of Post-Secondary Education System

COVID-19 has accelerated the crisis within the higher education sector. Long-term declines in regional birth rates have resulted in secular enrollment decline in higher education. Since 2008, there have been **30,000 fewer students enrolled in the region's K-12 system**. This 10% decrease in school age children is shrinking the pipeline of post-secondary students. As a result of enrollments growing below the national average, most of the region's higher education institutions were already **financially constrained** before COVID-19. The pandemic **increased these financial pressures** as institutions experienced significant declines in revenues due to restricted campus activities while having to invest heavily in new technologies and systems. In addition, even the already secured student enrollment is at risk as **almost half of freshman** surveyed nationally said they would very likely **defer enrollment or look for a different school during the pandemic**, and about **20% already switched to a less expensive and closer to home school**. At the graduate level, barriers to international students threaten the business model of schools dependent on students who pay full tuition and expenses.

Gaps in Digital Infrastructure

For those seeking a new career path, reskilling opportunities, or even to hold an existing job, digital connectivity will be as important as a well-functioning higher education and training system.

Digital connectivity has been one of the key differentiating factors in a household's ability to cope with the pandemic. People with reliable digital infrastructure were better able to engage in critical remote interactions, including work, learning, healthcare or essential shopping. Black and low-income households are significantly disadvantaged in the remote world. Only **61% of Black households have digital access** (compared to 77% of white households) and **49% of Black households have an annual income of less than \$25K** (compared to 95% of white households with annual income over \$150K).

Digital connectivity is also an issue for **rural communities**. Eight out of the 10 counties in our region have **more than 25% of the households without internet connectivity**, significantly below the national coverage gap at less than 20%. This represents a critical competitive disadvantage for our regional economy.

Economic Shutdown Effects on Municipal Government Revenue

Cities, boroughs and townships provide basic public services that citizens and businesses rely on daily. These services are jeopardized. The pandemic and the subsequent economic shutdown has had a detrimental effect on municipal revenues. Early estimates identified a loss of almost \$1B in tax revenues for southwestern Pennsylvania municipalities and projected that 21% of the region's municipalities may face insolvency by 2021.

More specifically, through August, Allegheny County sales tax revenue distributions to municipalities were 6% lower than during the same period in 2019. The City of Pittsburgh reported that tax revenues through July were down by about \$20M, or 6% compared to 2019. Payroll, parking and amusement taxes have been the hardest hit. Washington County earned income tax records show that as of July 2020, municipal revenues there were running 3% behind 2019, and earned income tax collections were lower for 43 of the municipalities compared to the 23 where they were higher.

As the crisis lingers, revenue challenges will only increase for local governments. Some homeowners and commercial building owners may find it difficult to pay real estate taxes resulting in future foreclosures and declines in tax revenue. The Commonwealth's program to assist financially distressed municipalities may become overtaxed as more municipalities incur financial shortfalls and the state itself sees tax revenues dwindle. Some municipalities are and will be laying off employees or holding off on filling vacant positions as the financial picture darkens. Municipal purchases of goods and services from local vendors will also decline.

Municipal fragmentation is an embedded challenge. Of the top 50 U.S. metro areas, the Pittsburgh MSA ranks second with the most fragmented local government, leaving the region in many cases, without the tax base or resources to meet the challenges of a prolonged recovery.

As is the case with other aspects of the pandemic, under-resourced communities and communities of color are likely to be hurt disproportionately by municipal financial weakness. Black and Brown residents, and low-income people are more likely to live in municipalities that were already financially compromised before COVID-19 hit. Public safety and social services needs are highest in these communities - so these communities will be hit hardest by cutbacks in such essential services.

Risks to the Region's Distinctive Amenities and Livability

Our region's livability stems from our world-class amenities and vibrant communities. Our restaurant scene, sports and arts and culture organizations have been disproportionately affected by the pandemic due to social distancing requirements and the reduced ability to generate revenue. The non-profit sector more broadly has had to respond to soaring demand for services at a time when revenue sources are constrained, including government, philanthropy and individual giving. Even the availability of volunteers to carry out the work has been impacted by social distancing.

Restaurant scene: In recent years, Pittsburgh has been recognized as a top food city nationally and even globally. However, the restaurant industry is one of the hardest hit by COVID-19 due to public health restrictions. In many restaurants, a near 100% utilization is required in order to make a profit. When social distancing guidelines only allow a capacity of 25% or even 50%, many are not able to cover the costs of operating. Even when restrictions ease, many customers may be reluctant to return to indoor dining due to public health concerns. Restaurant closures have already been accelerating, and more than **one-third of them may not be able to reopen again**, far exceeding the attrition expected annually.

Sports culture: Pittsburgh has been ranked among America's best sports cities by *The Sporting News*, *Forbes*, *Lonely Planet*, *Bleacher Report* and *The New York Times*, with many residents citing sports as one of the region's top attributes. While some sports have been able to resume, most are not allowing fans in their stadiums. This presents financial hit to the organizations and to the restaurants and other small businesses that thrive off of the visiting fans that these large sporting events bring to town.

Arts and culture: Our arts and culture sector is a socio-economic powerhouse relative to competing regions, one that has resulted from strategic investment over the course of a generation.

- #1 city nationally in direct spending on the arts
- \$1B annually in Cultural District economic impact
- 3rd ranked city in the country for arts and culture organizations per 100K residents
- 45% of tourists said cultural experiences were "very influential" in their decision to visit
- 32K full time jobs generated through the arts in southwestern PA in 2017
- \$115M in local and state taxes generated by the arts in 2017
- \$510M in additional arts-related spending from health, lodging, and food industries in 2017

In 2020, 90% of events have been canceled or rescheduled, funding sources are drying up and an increased digital and virtual presence has not been fully effective in sustaining arts engagement. In many communities, especially Downtown Pittsburgh, the arts are magnets for audiences who patronize restaurants and retail establishments and pay parking and amusement taxes. Without these audiences, the demand for these services has evaporated and so has the associated tax revenue to support public safety and other essential government services.

This significantly reduced activity of the core amenities has a strong ripple effect on all aspects of our community vibrancy. Besides the significant jobs and revenue losses, the limited opportunities for in-person interactions and neighborhood events is testing the strength of our social fabric while creating new levels of social isolation among residents.

Thank you to our sponsors whose generous support has made this work possible.



The Allegheny Conference on Community Development and its affiliates – the Greater Pittsburgh Chamber of Commerce, the Pennsylvania Economy League of Greater Pittsburgh and the Pittsburgh Regional Alliance – work in collaboration with public and private sector partners to improve the economy and the quality of life in southwestern Pennsylvania. Learn more at AlleghenyConference.org.

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A copy of the official registration and financial information of the Allegheny Conference on Community Development may be obtained from the Pennsylvania Department of State by calling toll free, within Pennsylvania, 1-800-732-0999. Registration does not imply endorsement.