

Southwestern Pennsylvania Industry Cluster Snapshot

FINANCIAL SERVICES

Three Rivers Workforce Investment Board
August 2003

ABOUT THIS BRIEF

Southwestern Pennsylvania Industry Cluster Snapshot: Financial Services is part of a series of publications intended to inform discussions about workforce development efforts in the region¹. It is a product of the Community Audit project, a collaborative effort by the Three Rivers Workforce Investment Board (TRWIB) and its partners² to improve the quality of local workforce information. The target audience includes local elected officials, cluster coordinators and members, education and training providers, employers, job seekers and other stakeholders. Other cluster briefs deal with information technology, healthcare, manufacturing and hospitality and tourism. The briefs serve as companion pieces to a more comprehensive report entitled "A Regional Audit of Workforce Supply and Demand." To obtain additional copies of this brief, contact the TRWIB at 412-552-7090. The complete series is also available online at www.trwib.org/reports.htm.

The Community Audit project is supported by a demonstration grant from the U.S. Department of Labor.

¹ In this series, the Southwestern Pennsylvania region is defined by four contiguous workforce areas: Southwest Corner (Washington, Greene and Beaver counties); Three Rivers (Allegheny County, including the City of Pittsburgh); Tri-County (Indiana, Armstrong and Butler counties); and Westmoreland-Fayette (Fayette and Westmoreland counties).

² Partners include Workforce Connections (a project of the Pennsylvania Economy League), the Pittsburgh Technology Council, the Steel Valley Authority, the Westmoreland-Fayette Workforce Investment Board, the Tri-County Workforce Investment Board, and the Southwest Corner Workforce Investment Board.

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WHAT ARE INDUSTRY CLUSTERS?

According to the National Governors Association, most experts define an industry cluster as a "geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue, that share specialized infrastructure, labor markets and services, and that are faced with common opportunities and threats."³

Businesses typically benefit from clustering through better access to suppliers, skilled labor pools, and transfers of knowledge. Collectively, cluster companies can enhance a region's economy by increasing productivity and fostering entrepreneurship.

The Five "Priority" Clusters

In 2001, the Three Rivers Workforce Investment Board, Workforce Connections (a project of the Pennsylvania Economy League) and other major players in regional workforce development selected five industry clusters on which to concentrate their collective efforts. The five clusters, chosen because of their importance to the regional economy, are:

- financial services;
- healthcare;
- hospitality and tourism;
- information technology; and
- manufacturing.

Collective efforts to date have included convening four industry-focused workforce summits, hiring "cluster coordinators" to work with employers to develop and implement targeted strategies to address critical labor shortages, and undertaking action-oriented research.

³ *A Governor's Guide to Cluster-Based Economic Development*, National Governors Association (2002).

SUMMARY OF MAJOR FINDINGS

- Financial services is the fourth largest cluster, in terms of employment, among the five priority clusters. The average wage for the cluster in the region is lower than it is in Pennsylvania or the U.S. Furthermore, while the number of new businesses has grown faster in the region than it has across the state or the nation, the job growth rate has not kept pace.
- "National Commercial Banks" is the largest industry in the cluster, in terms of employment, with more than 23,000 positions in the region.
- The industry with the most business establishments is "Insurance Agents" (1,955). The runner up - "State Commercial Banks" - has less than one quarter as many firms (424).
- Bookkeeping, accounting, and auditing clerks make up the largest group of employees in the cluster. In general, the top occupations in the cluster require higher levels of education and training and offer better pay than in most other clusters.
- Career clusters within the industry cluster include banking and related services, business financial management, financial and investment planning, and insurance services.
- The career mobility track within the cluster is based on acquisition of key skills and educational advancement. Accountants and auditors, for example, need more advanced skills in critical thinking, operational analysis, and systems perception than do bookkeeping, accounting, and auditing clerks. Accountants and auditors also require an additional four years of formal education, i.e. a bachelor degree.

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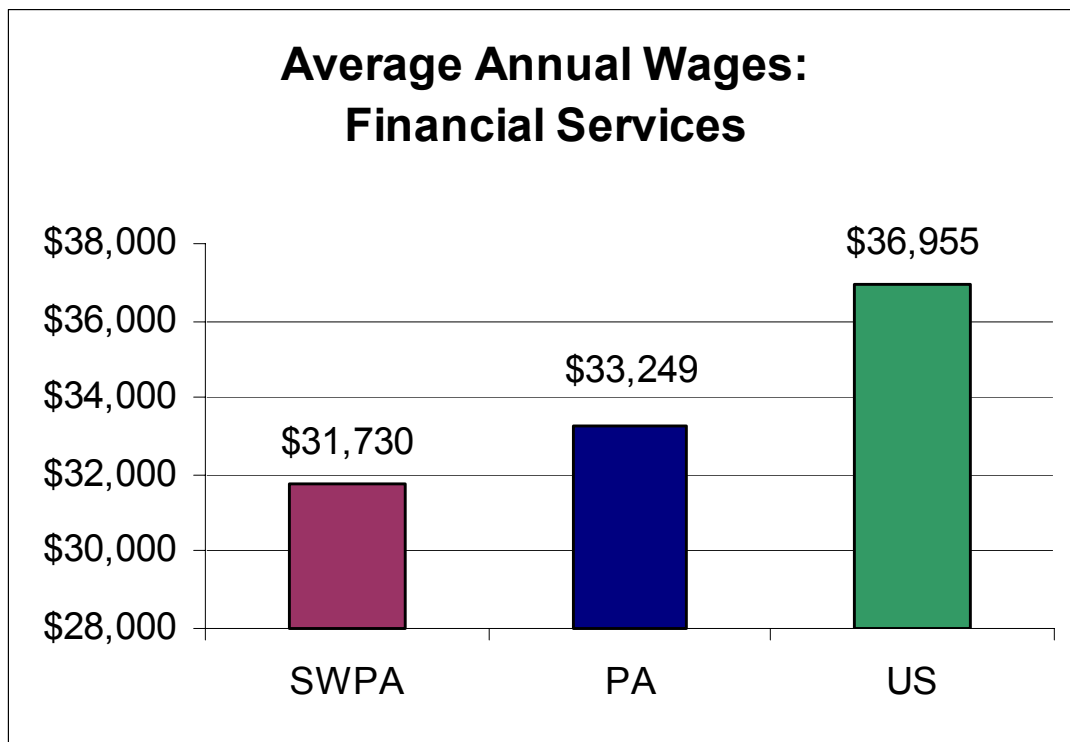
CLUSTER TRENDS

This section provides an overview of the financial services cluster in Southwestern Pennsylvania ("SWPA") in terms of employment, wages, and labor market trends.

Employment

Financial services employed a total of 87,148 workers in 2000, the second lowest level among the five priority clusters.⁴

Wages



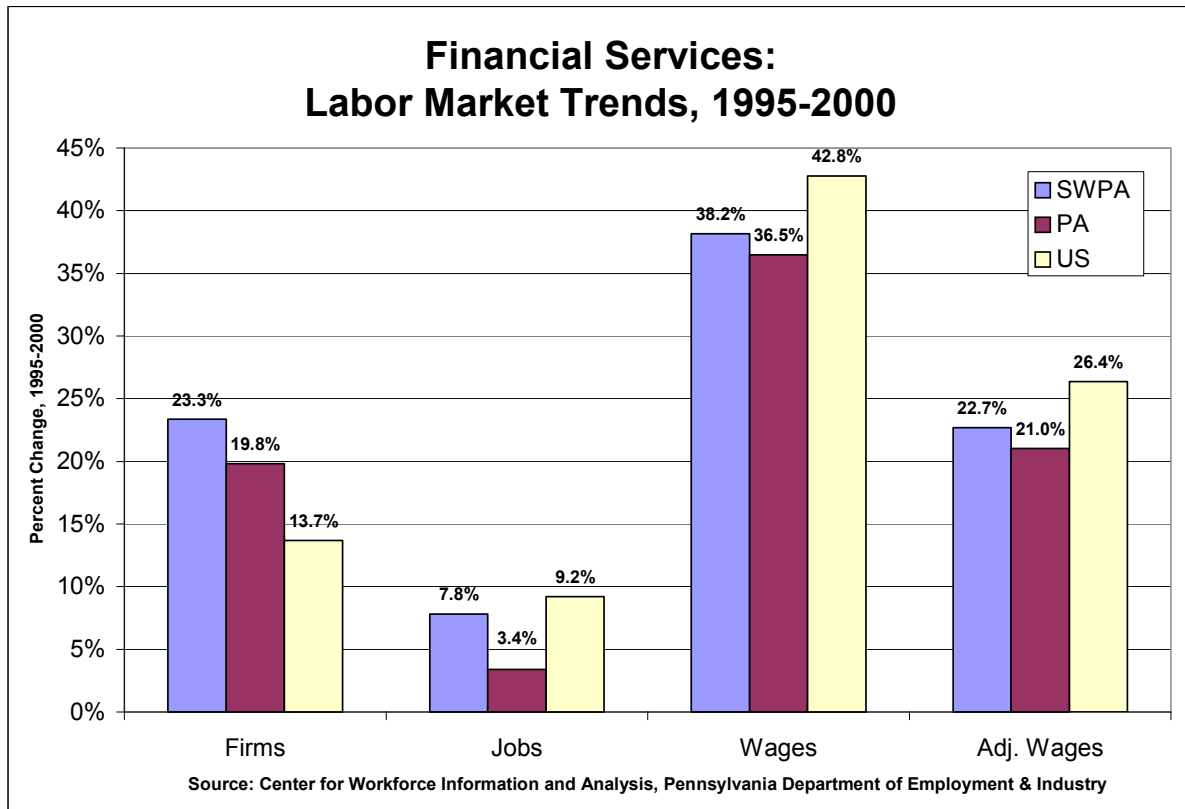
Source: Center for Workforce Information and Analysis, PA Department of Labor & Industry (2000)

The average annual wage within the financial services cluster was lower in the SWPA region (\$31,730) in 2000 than it was in the state (\$33,249) or the nation (\$36,955).

⁴ Center for Workforce Information and Analysis, PA Department of Labor & Industry

CLUSTER TRENDS (CONT.)*Job Growth*

The rate of job growth in the region's financial services cluster was 7.8% from 1995-2000, lagging behind the nation's rate of 9.2% for the same period.⁵

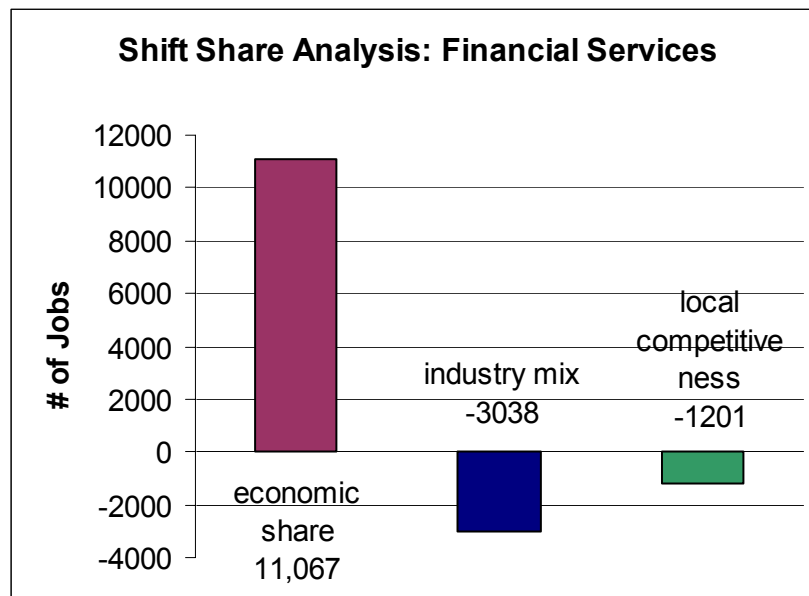
Labor Market Trends

The rate of growth in new business locations ("firms") for financial services exceeded that of Pennsylvania and the U.S. from 1995-2000. The rate of job growth in the region exceeded Pennsylvania's rate as well, but not the U.S. rate, and that was also the case for both wages and adjusted-inflation wages. This would suggest that the region is attracting smaller companies that employ fewer people and pay lower wages compared to other companies that are locating outside of the region and the state.

⁵ Center for Workforce Information and Analysis, PA Department of Labor & Industry

FINANCIAL SERVICES**CLUSTER TRENDS (CONT.)***Location Quotient⁶*

The region's concentration of employment in the financial services cluster was slightly above average, with location quotients of 1.08 compared to Pennsylvania and 1.12 compared to the U.S. in 2000.⁷

Shift Share Analysis⁸

Source: Center for Workforce Information and Analysis, PA Department of Labor & Industry (1995-2000)

According to shift-share analysis for the region's financial services cluster, the cluster's employment growth between 1995 and 2000 can be attributed solely to expansion of the state and national economies ("economic share"). The negative measure for "industry mix" indicates that across the U.S. the financial services industries experienced slower-

⁶ A location quotient indicates the extent to which a single industry's concentration of employment in one region compares to the concentration in another region. A value greater than one signifies an above-average concentration of employment in the first region relative to the second; a value of less than one signifies a below-average concentration of employment in the first region relative to the second.

⁷ Center for Workforce Information and Analysis, PA Department of Labor & Industry

⁸ Shift Share Analysis breaks regional job growth or decline down by three factors: "economic share" (the increase or decrease in employment that can be attributed to growth or decline in the national or state economy); "industry mix" (the increase or decrease in employment that can be attributed to faster-than-average or slower-than-average growth in the industry cluster, compared with the average for all industries in the state or nation); and "local competitiveness" (the increase or decrease in employment that can be attributed to advantageous or disadvantageous conditions in the local area that make the industries in the cluster either more competitive or less competitive than their counterparts nationally or statewide).

CLUSTER TRENDS (CONT.)

the smaller negative measure for “local competitiveness” indicates that the financial services industries in SWPA were somewhat less competitive, compared with their counterparts in other parts of the nation.

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This section provides a more up-to-date and more detailed picture of the cluster by looking at standard industrial classification (“SIC”) codes. (Note: the data come from a private third party – Dun and Bradstreet – so they may not correlate with other data that appear in this report.)

Industry Employment in SWPA Financial Services Cluster (March 2003)

SIC Number	SIC Name	Employment	Businesses	Average Employment per Business
6021	National commercial banks	23,046	309	98
6411	Insurance agents, brokers, and service	11,112	1,955	6
6162	Mortgage bankers and loan correspondents	9,456	233	47
6022	State commercial banks	4,989	424	14
6722	Management investment, open-end	3,706	32	124
6794	Patent owners and lessors	2,809	35	80
6211	Security brokers and dealers	2,744	309	9
6035	Federal savings institutions	2,499	144	21
6324	Hospital and medical insurance service plans	2,288	28	127
6311	Life insurance	2,112	111	22
6331	Fire, marine, and casualty insurance	1,665	49	43
6163	Loan brokers	1,623	293	6
Total/ Average ⁹ for all 4-Digit Industries		105,073	8,865	13

Source: MarketPlace (Dun and Bradstreet)

More than 105,000 financial services jobs existed in the nine-county region in March 2003. About 25% of these jobs were with national commercial banks and state commercial banks. Insurance-related industries, such as insurance agents and life insurance companies, employed almost 10% of all workers.

With an average of only 13 employees per business, the size of firms in this cluster is relatively small. Manufacturing firms, in comparison, employ an average of 30 employees.

⁹ These aggregate figures reflect the entire cluster (all 4-digit industries), not just the top twelve 4-digit industries listed in the table.

STAFFING PATTERNS

This section looks at occupations for which there is high demand from employers in the industry and provides information about the number of jobs available, the average salary, the type of work schedule offered, the stability of the job, and the education level required.

Dynamite Dozen: Top 12 Financial Services Occupations by Employment, Pittsburgh Metropolitan Statistical Area¹⁰ (2001)

Occupation	2001 Employment	Mean Annual Wage	Likelihood of Part-Time Employment ¹¹	Susceptibility to Unemployment ⁵	Education and Training
1. Bookkeeping, Accounting, and Auditing Clerks	12,860	\$24,460	Very High	Low	Moderate-term on-the-job training
2. First-Line Supervisors/Managers of Office and Administrative Support Workers	11,850	\$37,310	Very Low	Very Low	Work experience in a related occupation
3. Financial Managers	6,910	\$58,610	Very Low	Very Low	Degree plus work experience
4. Tellers	6,450	\$21,790	Very High	Low	Short-term on-the-job training
5. Accountants and Auditors	6,180	\$42,710	Low	Low	Bachelor Degree
6. Billing and Posting Clerks and Machine Operators	3,950	\$25,730	High	High	Short-term on-the-job training
7. Securities, Commodities, and Financial Services Sales Agents	3,370	\$56,150	Low	Low	Bachelor's Degree
8. Bill and Account Collectors	2,940	\$25,310	Low	Low	Short-term on-the-job training
9. Management Analysts	2,820	\$57,870	High	Low	Degree plus work experience
10. Insurance Sales Agents	2,160	\$45,960	Low	Very Low	Bachelor degree
11. Cost Estimators	1,780	\$49,210	Low	Very Low	Bachelor degree
12. Loan Officers	1,490	\$37,530	Low	Very Low	Bachelor degree

Source: U.S. Bureau of Labor Statistics

¹⁰ The Pittsburgh Metropolitan Statistical Area ("MSA") consists of Allegheny, Beaver, Butler, Fayette, Washington, and Westmoreland counties.

¹¹ The "likelihood of part-time employment" and "susceptibility to unemployment" represent quartile ranges as defined and provided by the U.S. Bureau of Labor Statistics. For example, very high likelihood of part-time employment means that the occupation is in the very highest quartile (76%-100%) of likelihood; high (51%-75%), low (26%-50%), and very low (less than 25%) are the other quartile ranges.

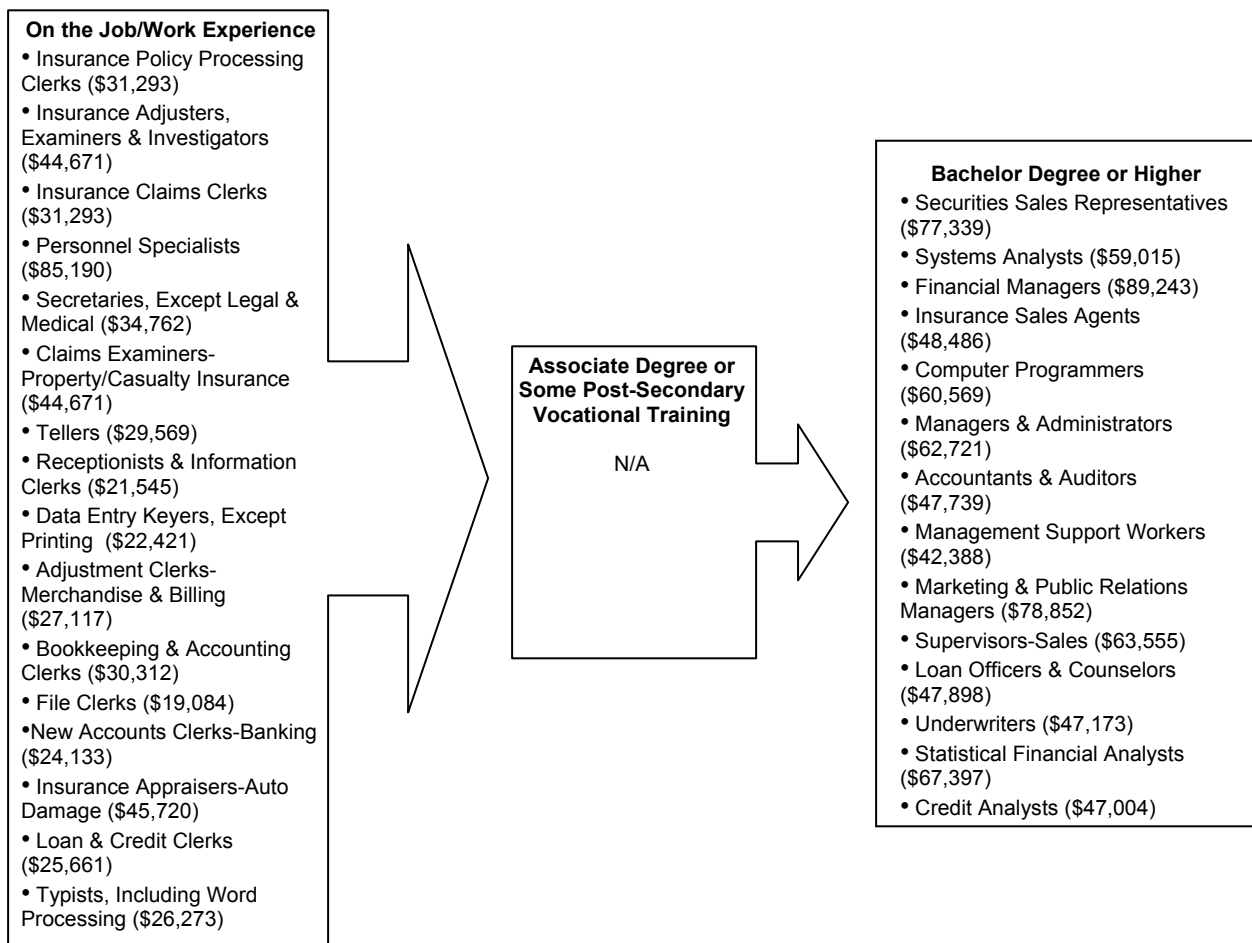
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STAFFING PATTERNS (CONT.)

The financial services cluster accommodates a variety of education and training levels, offering entry-level opportunities as well as highly-skilled positions. Eight of the 12 highest demand jobs pay more than \$35,000 per year. Four occupations have high or very high likelihood of being part-time and only one has a high rating for susceptibility to unemployment.

Top Occupations in SWPA Financial Services Cluster by Education and Training

In addition to identifying occupations in demand, it is useful to look at career mobility – how workers move from one job to another. In the chart below, occupations are ranked according to current employment, projected rate of growth and annual wage, and then categorized according to education and training levels required.



Source: O*NET, U.S. Department of Labor, and Corporation for a Skilled Workforce

STAFFING PATTERNS (CONT.)

According to this model¹², "insurance policy processing clerk" is the "top" job, requiring on-the-job training and/or work experience and paying \$31,293 per year, followed by "insurance adjuster." Interestingly, none of the financial services occupations in demand require an associate degree or post-secondary vocational training.

¹² Current employment, projected growth rates, and average annual wages were ranked, weighted equally, and aggregated.

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CAREER CLUSTERS

The U.S. Department of Education's Office of Vocational and Adult Education (OVAE) has developed 16 career clusters¹³ to help educators organize curricula around employment readiness. For each cluster, OVAE has identified sample career specialties/occupations and a set of common knowledge and skills. Career clusters related to the financial services cluster include:

Banking and Related Services

Sample career specialties/occupations: credit analyst, loan officer, bill and account collector, teller, loan processor, customer service representative, data processor, debt counselor, credit report provider.

Business Financial Management

Sample career specialties/occupations: accountant, financial analyst, treasurer, controller, auditor, economist, tax examiner, collector.

Financial and Investment Planning

Sample career specialties/occupations: personal financial advisor, tax preparer, sales agent for securities and commodities, investment advisor, brokerage clerk.

Insurance Services

Sample career specialties/occupations: claims agent, claims examiner, claims investigator, insurance appraiser, underwriter, customer service agent, sales agent.

¹³ For more information, visit www.careerclusters.org.

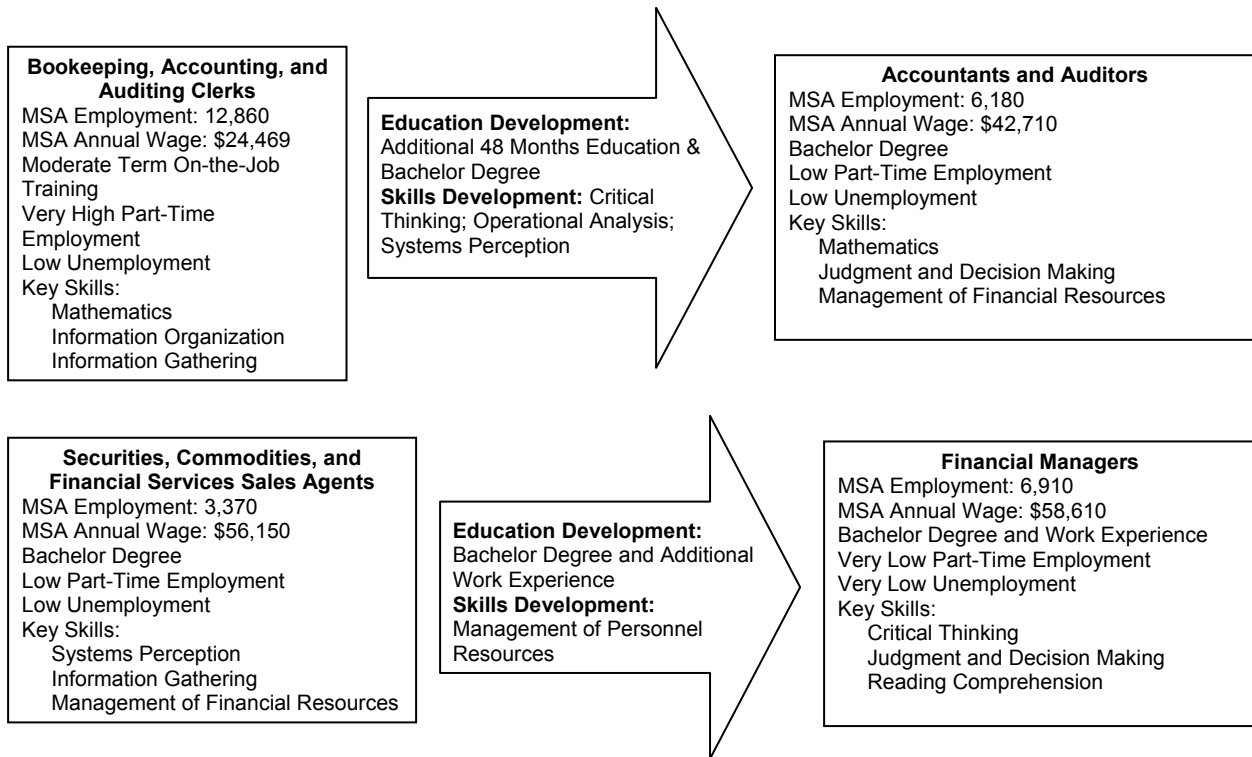
CAREER MOBILITY

The chart on the next page illustrates how workers might progress from one occupation to another within the financial services cluster. Based on 2001 data from O*NET (a project of the U.S. Department of Labor), pairs of occupations were analyzed in terms of employment and wages for the Pittsburgh Metropolitan Statistical Area, the education and training requirements (as identified by the U.S. Bureau of Labor Statistics), the likelihood of part-time employment, the susceptibility to unemployment, and key skills (as defined by O*NET and the U.S. Department of Labor).

Included in the arrow between occupations are the necessary education and training development required, and the three critical skills that must either be developed or enhanced in order to make a successful transition from one job to the next.

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CAREER MOBILITY (CONT.)



Source: O*NET (2001), Department of Labor

SPOTLIGHT: #1 DEMAND-OCCUPATION FOR FINANCIAL SERVICES CLUSTER

There are nearly 13,000 jobs for bookkeeping, accounting, and auditing clerks in the Pittsburgh Metropolitan Statistical Area. Compiling a list of the most often performed tasks for the occupations in highest demand is one approach to ensuring that the region's educational and training curricula are adequate for creating and maintaining a pool of qualified workers.

The following are the tasks most often performed by bookkeeping, accounting, and auditing clerks:

- Records financial transactions and other account information to update and maintain accounting records.
- Compiles reports and tables to show statistics related to cash receipts, expenditures, accounts payable and receivable, and profit and loss.
- Verifies balances and entries, calculations, and postings recorded by other workers.
- Performs financial calculations such as amounts due, balances, discounts, equity, and principal.
- Debits or credits accounts.
- Complies with federal, state, and company policies, procedures, and regulations.
- Processes negotiable instruments such as checks and vouchers.
- Evaluates records for accuracy of balances, postings, calculations, and other records pertaining to business or operating transactions and reconciles, or notes, discrepancies.

Source: O*NET, U.S. Department of Labor

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NEXT STEPS

This brief provides a range of cluster-specific information to orient stakeholders and to foster discussion about opportunities and challenges facing the region. It is intended to be used in conjunction with other products developed within the scope of the Community Audit project – such as the educational index – to identify cluster-specific concerns related to the regional labor market.

Possible next steps include the following:

- Consider focusing efforts more strategically on high performance sub-clusters of the industry cluster rather than the cluster as a whole, recognizing that this approach could be much more challenging from a coordination standpoint.
- Work with education and training providers and other workforce professionals to integrate career clusters, career mobility concepts, and work task information into programs and curricula.
- Develop and/or validate skill standards within the cluster so that education and training providers as well as job seekers better understand the occupations and job duties associated with them from employers' perspectives.

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