

STATE OF THE CAPITAL REGION: WHERE WORKERS LIVE AND LABOR

While the long-term economic impacts of the COVID-19 pandemic are still uncertain, the sharp increase in remote work raises some fundamental questions about the geography of jobs. What will happen to downtown business districts, which were previously dense clusters of office jobs? How will changes in office work affect supporting businesses, like coffee shops, restaurants, and dry cleaners? What are the implications for lower-wage workers in those industries?

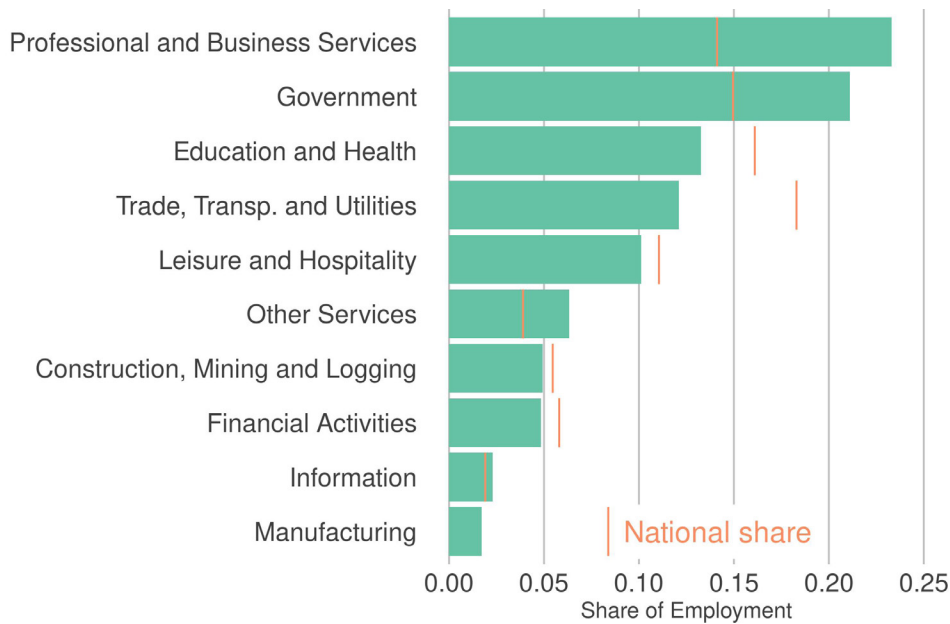
In our new [report](#), we examine the geography of jobs in the Capital Region prior to COVID-19, with an eye to understanding how this could change employment and commercial real estate throughout the region.

The Capital Region is heavily concentrated in white-collar professional and business service jobs. Figure 1 below shows that DC has almost more than twice the national share of these white-collar workers. In contrast, the manufacturing industry is almost entirely absent from the Capital Region. It employs less than two percent of the region’s workers, despite accounting for over eight percent of nationwide employment.

While the Capital Region is the seat of the federal government, federal employees do not dominate the region’s labor market. At the start of 2020, all government employment—federal, state, and local—accounted for only 21 percent of total regional employment, compared to 15 percent nationwide.

Figure 1: Capital Region Workers Are Disproportionately Employed in Government and Professional and Business Services

Share of workers by sector in the Capital Region, December 2020



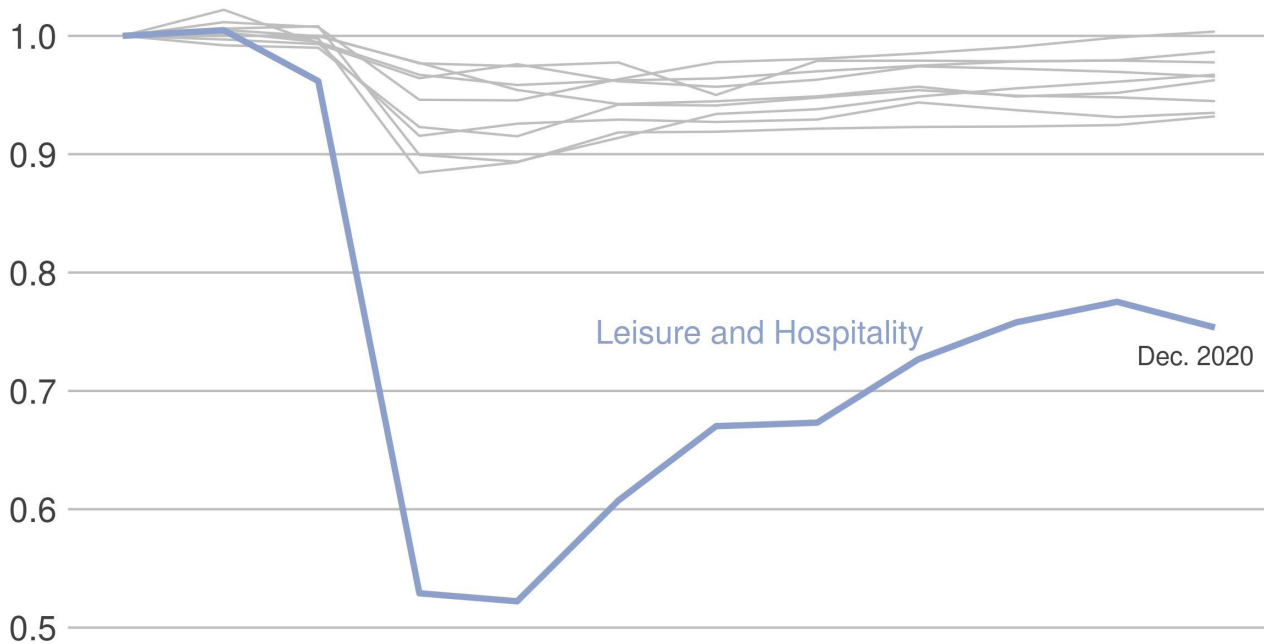
Source: Bureau of Labor Statistics 2020. Current Employment Statistics: Employment, Hours and Earnings—National; and State and Area Employment, Hours and Earnings.

The pandemic hit the leisure and hospitality sector deeply and disproportionately, as Figure 2 shows. This sector accounted for ten percent of all regional employment prior to the pandemic and has had to face stringent public-health restrictions as well as intense consumer concerns about in-person interactions throughout the crisis.

At the nadir of the labor market crisis, April and May of 2020, employment in the leisure and hospitality sector was only just above half of what it had been at the start of the year. Now, more than a year into the crisis, employment in this sector is at three-quarters of its January 2020 level.

Figure 2: The COVID-19 Crisis Dramatically Reduced Employment in the Capital Region's Leisure and Hospitality Industry

Industry employment as a share relative to January 2020



Source: Bureau of Labor Statistics 2020. Current Employment Statistics: Employment, Hours and Earnings—National; and State and Area Employment, Hours and Earnings.

Because of this ongoing job loss, we remain concerned about these leisure and hospitality workers, and concerned about the neighborhoods in which they live. As we show in Figure 3, neighborhoods with greater shares of leisure and hospitality workers are on average lower wage neighborhoods. Even if some of these workers return to jobs in the near future, these are the neighborhoods that will struggle the most with unemployment and unpaid back rent.

Figure 3: Lower-Income Neighborhoods Are Home to a Higher Share of Workers in the Leisure and Hospitality Industry

The share of leisure and hospitality workers residing in a neighborhood versus neighborhood median income



Source: LODES v. 7.5 2018, and American Community Survey 2014-2018. These figures omit two neighborhoods with shares of leisure and hospitality workforce greater than 0.25. For all neighborhoods with median income greater than \$250,000, the census reports \$250,000.

How Will Covid Impact Where Workers Live and Work After the Pandemic?

We have no crystal ball, but offer three big ideas looking forward.

1. Pain in leisure and hospitality may linger

Given the severity of the job loss and ongoing concerns about group gatherings, we do not expect a rapid recovery in leisure and hospitality. This means a continuing income hit for workers who have lost their jobs in this sector and may struggle to move to other sectors. It also means that the low-wage neighborhoods where these workers live may expect continued pain.

Looking forward, cities have hard choices ahead about whether to approve land that is currently used for hotels or restaurants. Is this land better put to residential use, possibly lowering high housing prices? Or, if this land will be in demand for hotels or restaurants in the not-too-distant future, will conversions now put hospitality and the municipal taxes revenues associated with it permanently out of reach?

2. Don't count out downtowns

As we showed in last year's report, those with jobs most able to telework pre-pandemic were strikingly much more likely to live in denser urban areas—despite the fact that their job might allow them to live farther away, likely in a cheaper house. When the pandemic finally winds down, will these workers want to stay in or return to their homes in the denser parts of the Capital Region? While we expect dense urban areas to face headwinds for some time, people's pre-pandemic preferences for the types of things that only these areas offer—such as a variety of restaurants, or a choice of entertainment—should drive resurgence.

3. Cultural institutions and government may continue to serve as anchors

Third, cultural institutions and amenities will still attract residents and tourists to the Capital Region. Even if a substantial share of highly educated professionals adopt a hybrid telework-in-office schedule, people will still want places to socialize and recreate outside their homes.

Attractively maintained outdoor spaces, such as DC's waterfront parks and the C&O trail, have been enormously popular during the pandemic. The Smithsonian Museums aren't likely to move off the Mall anytime soon. Local governments that want to retain residents who may have wider job options would do well to continue investing in high quality public services and amenities that improve daily quality of life.