

Worker sprawl in the Washington metropolitan area

Is D.C. still the region's job hub?



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The pandemic accelerated labor market shifts that present new challenges and risks to large metropolitan areas like ours:

Workers and businesses alike are increasingly mobile.

In attracting talent, D.C. not only competes with its neighbors in the immediate region, but also large and small cities across the country.

This has always been the case, but telework gives workers greater flexibility in choosing where they live regardless of where they work.

This can obscure whether labor market recovery is taking place.

Typically, jobs data are reported by employer location. But if office workers switch to remote work arrangements, employer-based data only capture where these workers are when they are in-office. Accordingly, with the rise of remote work, a city can lose workers without losing jobs.

With prolonged telework, we expect spillover effects across D.C.'s economy.

D.C. has a higher density of jobs and better networking opportunities than the suburbs. But it risks losing workers and economic growth in the long term. Businesses may not be able to justify the costs of being in D.C. if their workers are elsewhere, further depressing office demand.

Traditional measures cannot account for this shift in where workers are working. A new measure, 'job activity,' captures it more fully.

We coined the term 'job activity' to capture the spread of regional jobs based on where workers are actually working. This is an increasingly important measure. It offers a worker-oriented perspective on how the regional labor market has changed since the onset of the pandemic, which is necessary to avoid an incomplete assessment of the economy and workforce.

The Washington metropolitan area's competitive advantages

Of the region's top 5 largest occupation groups, it has a competitive edge in three: *business and finance*, *management*, and *computer and math* occupations. Together, these occupations account for 30% of regional jobs. The region is also highly specialized in two smaller groups: *legal*, and *life, physical, and social science* occupations:

	Business and finance	Management	Computer and math	Legal	Life, physical, and social science
Share of regional jobs	12%	9%	8%	2%	2%
Competitive advantage	Jobs are 1.9x more concentrated locally than nationally	Jobs are 1.5x more concentrated locally than nationally	Jobs are 2.5x more concentrated locally than nationally	Jobs are 2.7x more concentrated locally than nationally	Jobs are 2.3x more concentrated locally than nationally

Source: U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2021

Note: 'Other large metropolitan areas' refers to a group of the top 20 largest metropolitan areas by total employment. A high LQ can also indicate that an economy is less economically diverse.



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In the pandemic, the share of the region's workers reporting their job location as D.C. declined. Thus, job activity in D.C. declined.

And, while D.C. remains one of the largest job markets within the region, neighboring jurisdictions have a strong competitive edge (or in some cases, stronger) in these groups. A continued loss of job activity could erode the city's competitive advantages relative to the region:

	Business and finance	Management	Computer and math	Legal	Life, physical, and social science
D.C.'s share of regional jobs (2019 → 2021)	Declining 30% → 19%	Declining 28% → 20%	Declining 23% → 13%	Declining 54% → 37%	Declining 34% → 24%
D.C.'s competitive positioning within the region	Not special Job activity is 1.1x more concentrated in D.C. than the region, but this is about equal to Northern Virginia	Not special Job activity is 1.2x more concentrated in D.C. than the region, but this is about equal to Northern Virginia	Weak Job activity is less concentrated in D.C. than the region, and Northern Virginia stands out as specialized	Competitive Job activity is 2.2x more concentrated in D.C. than the region, and D.C. is the most specialized in this field within the region.	Competitive Job activity is 1.4x concentrated in D.C. than the region, which is relatively high, but Montgomery County has a slight edge.

Source: U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2021

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The District is no longer benefiting from the shared comparative advantages of the regional labor market.

D.C.'s share of regional job activity is declining. This is not because job activity in those occupations is growing more slowly in D.C. than the rest of the region, but rather because job activity in those occupations is **declining** in D.C. and **growing** in the rest of the region, likely driven by remote work.

This trend is not entirely new.

In 1990, nearly 30 percent of regional jobs were based in D.C. Even pre-pandemic, this share had dropped below 25 percent.

Between 1990 and 2019, the District gained jobs (+16 percent). Yet during this time, suburbs gained population and improved at attracting large businesses—and an increasing share of the region's new jobs followed.

Now, the pandemic has created an even more competitive inter-jurisdictional environment, and D.C. is experiencing a decline in job activity.

Policy implications

A jurisdiction's policies, investments, and actions can influence where businesses, workers, and residents choose to locate:

Risks to D.C.

- Remote work shifting jobs and residents away from the city
- D.C.'s economic incentives are not matching what is offered in the region, further limiting the city's ability to pull from regional strengths.

Opportunities for D.C.

- Adapt to new trends by doubling down on efforts to attract and retain residents, workers, and businesses. This is the best way for the city to maintain and grow its tax base.