

**CURRENT PATTERNS OF EMPLOYMENT LOCATION IN THE
WASHINGTON METROPOLITAN AREA**

by

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and

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Job growth is booming in the Washington metropolitan area. Between 1990 and 1998, employment increased by over 276 thousand, or 12.3 percent. And although the District of Columbia continues to lose jobs, the rate of decline appears to be leveling off, with some sectors showing signs of resurgence. Moreover, the highest concentrations of employment are still located inside the city, and — as the nation's capital — the District of Columbia remains the essential core of the regional economy. But as the Washington region expands, patterns of employment growth vary significantly by location. Different industries dominate the employment picture in different parts of the metropolitan area, leading to significant variations in the distribution of job opportunities and wages across the region. As the District of Columbia seeks to revitalize its economy, as jurisdictions throughout the area link welfare recipients to work, and as the region as a whole attempts to manage its sprawling growth, policy makers need to know where the jobs are and where employment growth is occurring.

This report explores changing patterns of job location and job growth across the Washington metropolitan area during the 1990s. It focuses in particular on changes occurring between spring 1997 and spring 1998, in order to provide a current picture of changing opportunities and their geographic distribution. Data for this analysis were drawn from the Current Employment Survey from the Bureau of Labor Statistics (BLS) and Dun and Bradstreet's MarketPlace CD for April-June 1997 and April-June 1998. More specifically, we used non-seasonally adjusted data from the Bureau of Labor



Statistics' Current Employment Survey to provide control totals for the number of jobs (by industry) in the region. These control totals were used to scale the number of jobs (by industry and by zip code) reported in Dun & Bradstreet's MarketPlace CD for June 1998, so that the geographic distribution of jobs throughout the region could be mapped.¹ The Dun and Bradstreet database contains information on 10 million business establishments nationwide, and can be used to group businesses into categories according to their Standard Industrial Classification and report characteristics (including number of employees) at the zip code level.

This report is part of a series of studies that analyze demographic and socio-economic conditions in the Washington metropolitan area from a detailed, spatial perspective. The Urban Institute's ongoing analysis of neighborhoods in the Washington region focuses on spatial patterns in employment opportunities, affordable housing, non-profit organizations, access to capital, crime prevention, neighborhood quality, health, and welfare reform. All of these analyses explore conditions and trends at a detailed, neighborhood level for the metropolitan area as a whole.² Their purpose is to inform efforts aimed at revitalizing distressed neighborhoods in the District of Columbia and its suburbs, expanding opportunities for the region's poor and minority

¹ For this analysis, jobs are defined as positions currently filled by workers; unfilled job openings are *excluded* from our totals.

² This work is being conducted in collaboration with D.C. Agenda, which is building a centralized data base of current and reliable information about neighborhoods in the District of Columbia and its suburbs.



residents; and breaking down barriers of race, language, wealth, and location that undermine the vitality of the Washington region.

Summary of Findings

The data and analysis reported here clearly cannot answer all our questions about employment growth in the Washington region. But they do provide a fact-base of current information about how the geography of economic growth across different sectors is evolving in our region. This fact-base offers a common starting point for ongoing debate and discussion about economic development, workforce development, access to economic opportunity, and growth management in the District and in the region as a whole. Specifically, this report presents five central findings about current patterns of employment growth in the Washington metropolitan area:

- 1. The District of Columbia remains the economic hub of the Washington region.** Unlike many other U.S. cities, the District of Columbia continues to play a central role in the region's economy; as the nation's capital, it is indisputably the metropolitan area's reason for being. Public administration accounts for almost one quarter of all jobs in the Washington region, and a wide variety of private sector enterprises spin-off from the presence of the federal government.
- 2. A growing share of the region's jobs are located outside the District of Columbia.** Over the past three decades, suburban population growth has fueled suburban employment growth. As of 1998, only one in four Washington-area jobs is located within D.C., and two thirds of all suburban jobs are located outside the Capital Beltway. Nevertheless, the highest concentrations of employment are located inside the District of Columbia.
- 3. As the service sector grows in its share of the region's total employment, job growth is becoming increasingly decentralized.** Over the last decade, service jobs have increased as a share of all employment opportunities in the



Washington region. Between 1997 and 1998, the total number of public administration jobs increased only slightly, while service employment grew dramatically. Service jobs are much more dispersed geographically than jobs in the public administration sector, contributing to rapid growth of employment in the outer suburbs.

- 4. Low-wage job opportunities are expanding faster than high-wage jobs.** Because the region's growth sectors (services) pay lower than average wages, lower-wage jobs are increasing as a proportion of regional employment totals. Between 1997 and 1998, the number of low-wage jobs (paying less than \$8 per hour) grew by 3.1 percent, while the number of high-wage jobs (paying more than \$20 per hour) grew by only 1.4 percent.

- 5. Jobs in the central city increasingly pay low wages, while most high-wage job growth is occurring the suburbs.** Between 1997 and 1998, the number of low-wage jobs inside the District of Columbia actually increased, despite the decline in D.C. jobs overall. At the same time, the number of high-wage jobs inside D.C. fell by 3.5 percent, and all of the region's high-wage employment growth occurred in the suburbs.

These findings highlight the opportunities created by the recent period of robust job growth, but also the challenges facing policymakers in jurisdictions across the region. If the decentralization of economic activity and employment continues unabated, we can only expect to see worsening traffic congestion, longer commuting times, greater air pollution, and the elimination of open space. Moreover, the challenges of linking poor people and welfare recipients to jobs is heightened when employment is so widely scattered. In particular, poor people who live in the District of Columbia, many of whom rely upon public transportation, face significant barriers when they try to find and keep jobs in the suburbs. This does not mean that everyone can or should live near their jobs, or that economic growth in the suburbs should be reversed.



But it does suggest that policymakers throughout the region should see the merits of consolidating economic development in higher density clusters.

Despite the continued decentralization of employment in our region, the District continues to play a major role in the regional economy, both as a center of economic activity and as a source of employment opportunities. Economic development activities in the central city should build upon these strengths, enhancing the District's position as a contributor to the region's identity and economic vitality.³ If job growth in city continues to shift away from public administration, it will be particularly important to focus on strategies for developing high-wage jobs in other sectors, in order to sustain a diversity of employment opportunities inside the District of Columbia and in the region as a whole.

³ See *The Economic Resurgence of Washington, D.C.: Citizens Plan for Prosperity in the 21st Century*, D.C. Department of Housing and Community Development: Washington, D.C. November 1998 for a discussion of the role of jobs in the economic and fiscal health of the city and for an emerging strategy for building upon the District of Columbia's economic assets.

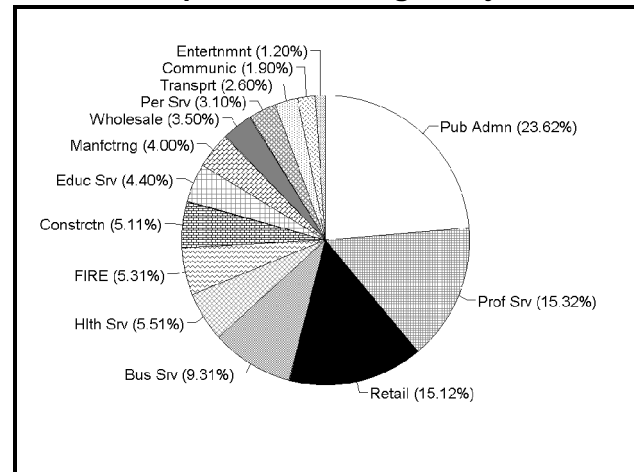


1. The District of Columbia remains the economic hub of the Washington region.

In many U.S. metro areas, the central city's role as the hub of industry and commerce has waned, and in some it may never be regained. But in the Washington region, the core role of the District of Columbia — as the nation's capital — remains unchanged. Public administration

provides the single biggest source of jobs in the Washington region. It directly accounts for almost one quarter of all jobs in the region (23.6 percent), and indirectly generates jobs in many of the region's other major sectors, including professional services (legal, social, and management services) and business services, which account for another quarter of the region's jobs.

Figure 1: Public administration accounts for almost one quarter of the region's jobs

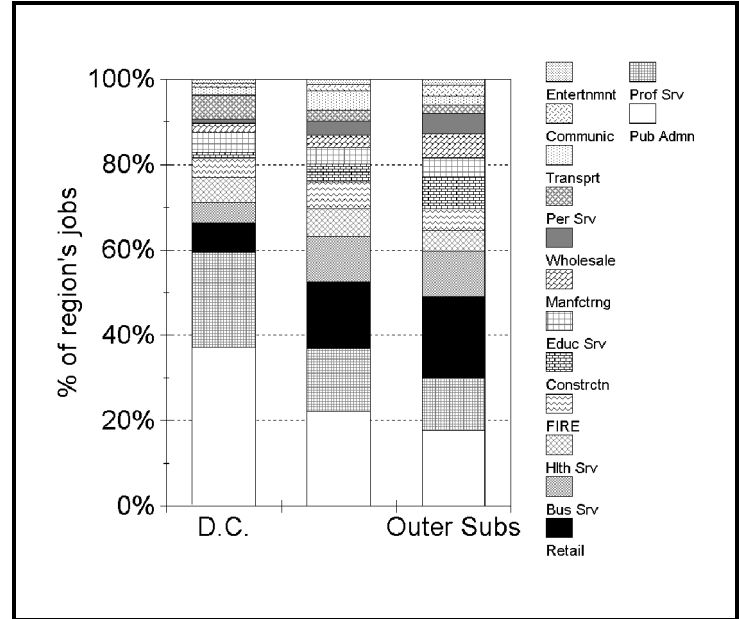


Public administration accounts for a larger share of employment in the District than in the suburbs, but even outside the Beltway, public administration represents an important source of jobs. Within the District of Columbia, public administration accounts for almost four of every ten jobs (37.2 percent), followed by professional services at 22.2 percent. No other industry in the District accounts for more than ten percent of employment opportunities. Public administration is also the largest



employment sector in the inner suburbs (22.2 percent of jobs), followed by retail trade (15.5 percent), professional services (14.8 percent) and business services (10.7). Outside the beltway, retail trade (18.9 percent) is the largest employment sector, followed by public administration (17.7 percent), professional services (12.3 percent), and business services(10.8 percent).

Figure 2: Public administration is an important source of jobs in the suburbs as well as D.C.



The region's three dominant industry sectors (public administration, services, and retail trade), are distributed very differently geographically. Map 1 compares the number of jobs per square mile in each of these sectors by zip code (as of 1998). Jobs in public administration are highly concentrated inside the District and in a small number of suburban locations, including Alexandria, the I-270 corridor in Montgomery County, and the Suitland area in Prince Georges County. In contrast, large numbers of service jobs are found almost everywhere in the region, although particularly dense concentrations occur in the District and ringing the Capital Beltway. Finally, retail jobs are more sparsely distributed, since many retail activities (grocery stores, gas stations, pharmacies, and restaurants) follow population growth. Nevertheless, significant concentrations of retail employment are located in D.C. and Alexandria, with somewhat



lower concentrations ringing the Beltway.

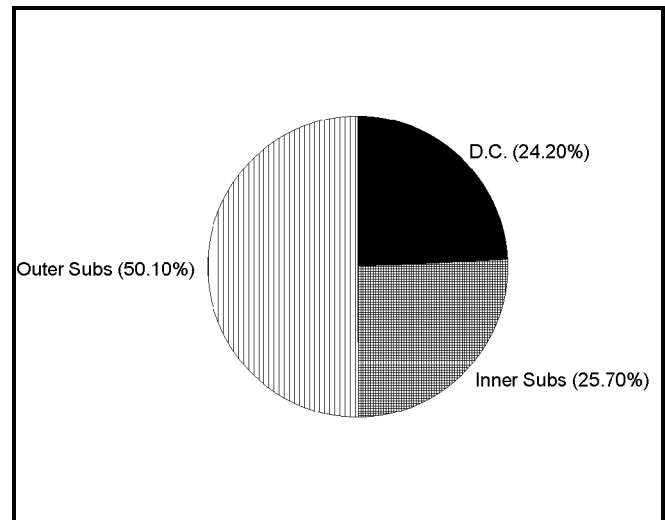
The category of service employment is a broad one, encompassing a very wide range of economic activities, and as illustrated by Map 2, different types of service employment exhibit quite different spatial patterns. Jobs in health services are tightly clustered in a relatively small number of zip codes, including several in the city as well as the suburbs. Most zip codes, however, have no health service jobs. Professional and business service employment is far more likely to be concentrated in the suburbs than in the central city. In particular, heavy concentrations of these jobs are located outside the beltway in Northern Virginia. Concentrations of education service jobs are found in all parts of the region, with very high concentrations of education employment in the District of Columbia. Moreover, low levels of education employment occur in a large share of zip code in the region. Finally, personal service employment is both highly concentrated and widely dispersed. Very high concentrations of personal service jobs are located in the District of Columbia, but clusters of personal service employment are also found in zip codes all along the beltway, in both Maryland and Virginia.



2. A growing share of the region's jobs are located outside the District of Columbia.

Like most metropolitan regions in the U.S., the Washington area has experienced a steady trend toward suburbanization of both population and employment over the last three decades. As of June 1998, only one in four Washington-area jobs (24.3 percent) was located within the District of Columbia. And of jobs in the suburbs, two thirds (66.1

Figure 3: Most jobs in the Washington region are located outside D.C.



percent) were located outside the Capital Beltway. As of June 1998, there were over 2.5 million jobs in the Washington metropolitan region. About 610 thousand (24.3 percent) were located inside the District of Columbia; almost 650 thousand (25.7 percent) were located in the inner suburbs, and the remaining 1.26 million (50.1 percent) were located outside the Capital Beltway.

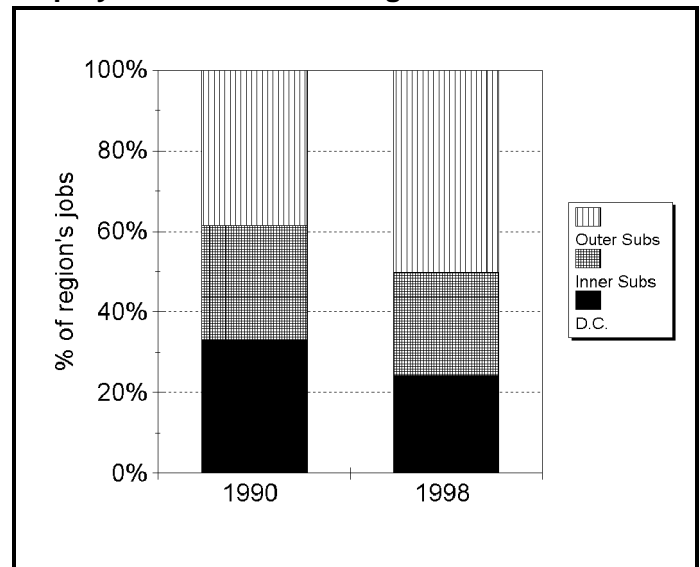
Although most of the region's jobs are scattered throughout the suburbs, the highest concentrations of employment are still located inside the District. Map 3 illustrates the spatial dispersal of employment, regionwide, showing jobs per square mile in each zip code. Employment is most densely concentrated north of the mall and in the downtown areas of the District — where the number of jobs per square mile



climbs as high as 1,498,144. Portions of Montgomery county, Arlington, and Alexandria also have high concentrations of employment, but not as high as the District of Columbia. In these inner-Beltway job clusters, the number of jobs per square mile reaches 23,992. Beyond the Beltway, jobs are more widely scattered, although significant concentrations of employment can be found in Northern Fairfax County, along the I-270 Corridor in Montgomery County, where the number of jobs per square mile reaches 5,335.

The District's share of all regional employment has declined significantly since 1990. At that time, one third (33.1 percent) of all Washington-area jobs were located in the city. And only 38.7 percent of the region's jobs were beyond the Capital Beltway. Thus, during the 1990s, a period of dramatic job growth for the region as a whole, the number and share of jobs outside the Beltway has expanded substantially.

Figure 4: The District's share of regional employment declined during the 1990s.



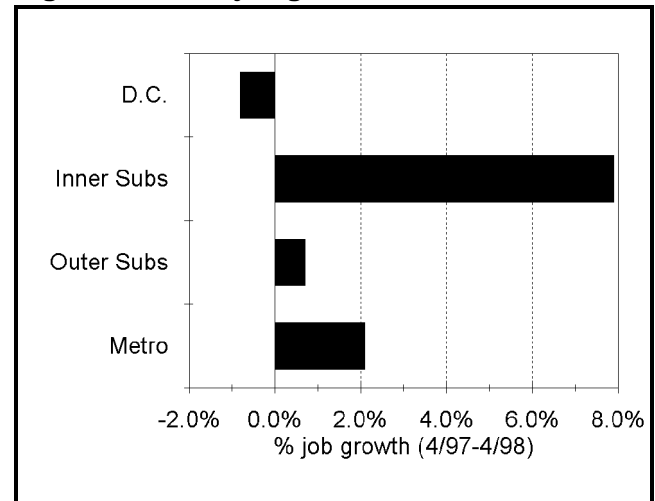
The District's declining share of the region's jobs reflects three important trends. First, many types of economic activity simply follow population, since individual households are their primary customers. Thus, as population grows in the suburbs, the number of suburban grocery stores, dry cleaners, gas stations, schools, and libraries



grow as well, inevitably increasing suburban employment totals. In addition, many of the region's new businesses have located in the suburbs, even if they do not serve a primarily residential customer base. For example, the dramatic growth in high-tech businesses over the last decade has brought a large number of new firms to Northern Virginia, not to the District of Columbia. And finally, many employers have left the District of Columbia for suburban locations over recent decades, some following the "pull" of residential suburbanization and others responding to the perceived "push" of burdensome regulations, high taxes, and ineffective public services within the city.⁴

Between 1997 and 1998, total jobs in the District continued to decline slightly while suburban employment grew. Specifically, total non-farm employment increased by over 55,000 jobs in the Washington metropolitan area during this twelve-month period. However the number of jobs in the District dropped slightly (0.8 percent or 4,900 jobs) while the number in

Figure 5: The inner suburbs experienced the region's fastest job growth in 1997.



suburban jurisdictions increased dramatically. Most of the suburban increase occurred inside the Beltway. Specifically, employment grew by over 47,000 (7.9 percent) inside

⁴ See *The Economic Resurgence of Washington, D.C.: Citizens Plan for Prosperity in the 21st Century*, D.C. Department of Housing and Community Development: Washington, D.C. November 1998.



the beltway compared to only 13,300 in the rest of the suburbs (1.0 percent).

During 1997, particularly high rates of job growth occurred in Northern Virginia (near Dulles Airport) and in Montgomery County along the I-270 corridor (see Map 4). However, many suburban zip codes immediately adjacent to the District lost jobs, especially in Montgomery County. Rates of employment change within the District varied dramatically across zip codes. Many zip codes inside the District lost jobs, especially in the southeast section of the city, where the largest proportion of poor residents live, and in neighborhoods west of 16th St. (excluding the Georgetown area). Zip codes east of 16th St. and in the Georgetown area, however, showed employment growth of up to 15 percent.⁵

⁵ Three D.C. zip codes gained unusually large numbers of jobs between 1997 and 1998. In zip code 20001 (from Irving Street to Constitution Avenue and from 11th Street to North Capital) 5,500 new public administration jobs boosted total employment by 5.65 percent. And in zip code 20003 (from East Capitol Street to M Street SE and from South Capitol Street to Water Street) almost 2,000 new public administration jobs increased total employment by 10.3 percent. Finally, in zip code 20007 (Georgetown) 500 new retail trade jobs and almost 900 new jobs in FIRE boosted total employment by 5.0 percent.



3. As the service sector grows in its share of the region's total employment, job growth is becoming increasingly decentralized.

Over the last decade, service jobs have increased as a share of all employment in the Washington region. Although employment in public administration has grown slightly in absolute numbers (from about 589 thousand in 1988 to 593 thousand in 1998), its share of the region's total employment declined from 26.3 percent to 23.6 percent. Over the same period, the number of jobs in the service sector grew by 265 thousand, expanding from 32.0 percent of regional employment in 1988 to 38.9 percent in 1998. Growth in total service employment accounted for two thirds (68.0 percent) of the region's net employment growth between 1997 and 1998.

Between 1997 and 1998, the total number of public administration jobs in the region increased only slightly (1.1 percent), while service employment grew more rapidly (3.4 percent). Almost two-thirds (62.6 percent) of the Washington region's overall employment growth of about 51 thousand jobs in 1997 was attributable to the service sector. The most important sources of growth in the service sector are personal services and business services. Between 1997 and 1998, the total number of service jobs in the Washington region grew by almost 29,000. Personal services and business services accounted for over 18,000 and over 15,000 jobs, respectively, while the number of jobs in health and education services declined and other service employment increased only slightly.

Because service jobs are more spatially dispersed than public administration,



the shifting composition of the regional economy goes hand in hand with its decentralization. Although some zip codes inside the District of Columbia are experiencing significant growth in service jobs, most of the high growth locations for this sector are outside the Capitol Beltway (see Map 5). Interestingly, however, large portions of the region's inner and outer suburbs also experienced rapid rates of growth in public administration jobs between 1997 and 1998.

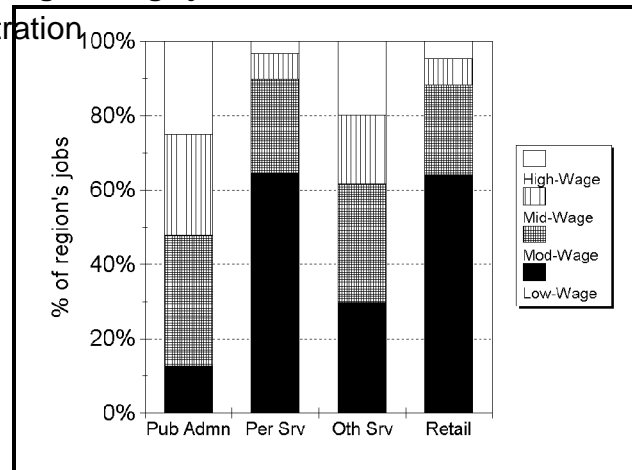


4. Low-wage job opportunities are expanding faster than high-wage jobs.

Public administration generates a larger share of high-wage jobs than does the service sector. Fully one quarter (25.0 percent) of public administration jobs in the Washington region pay more than \$20 per hour, and only 12.6 percent pay less than \$8 per hour. The median wage for public administration workers in the Washington area was \$14.42 per hour as of 1998. Thus, the public administration sector has provided an important source for large numbers of high-wage jobs in the Washington area.

As the share of regional employment generated by public administration declines relative to the service sector, lower-wage jobs are increasing as a proportion of regional totals. Personal service employment — the fastest growing sector in the region’s economy — offers particularly low wage rates.

Figure 6: Public administration generates higher wage jobs than the service sector.

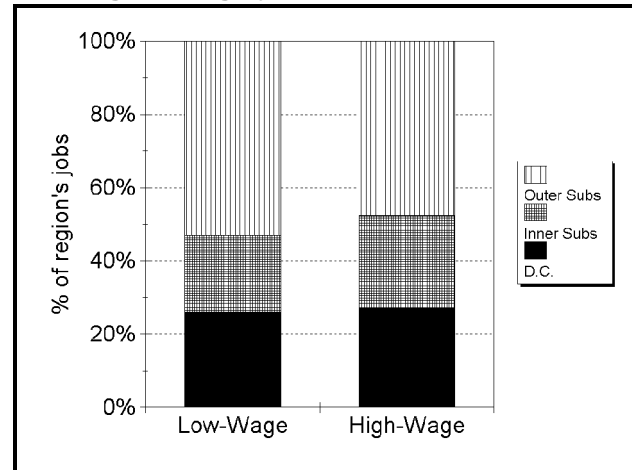


Almost two thirds of personal services jobs pay under \$8 per hour, and less than one in twenty (3.4 percent) pay more than \$20 per hour. Other components of the service sector are somewhat less skewed toward the bottom of the wage distribution. But none of the region’s primary growth sectors generates high wage employment at rates comparable to public administration.



Because of the important role of the public administration sector in the District of Columbia, the city is home to a disproportionate share of the region's high-wage jobs. More than one quarter of the region's high-wage jobs (27.1 percent) are located in D.C., compared to 25.9 percent of low-wage jobs and 24.2

Figure 7: Low-wage jobs are more dispersed than higher-wage jobs.



percent of all jobs. In contrast, the outer suburbs are home to only 47.6 percent of high-wage jobs, compared to 53.0 percent of low-wage jobs, and 50.1 percent of all jobs.

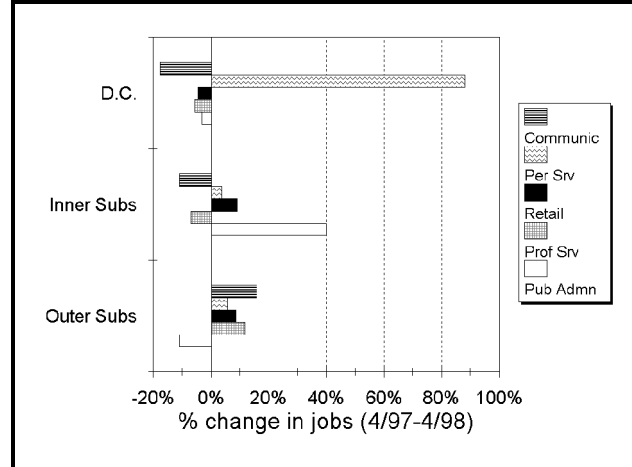
In 1997, low-wage jobs grew more rapidly than high-wage jobs regionwide. Overall low-wage jobs (paying less than \$8 per hour) grew by 3.1 percent, or over 23,000 jobs. High wage jobs (paying over \$20 per hour) grew by only 1.4 percent, adding roughly 5,800 jobs. Nevertheless, the relative numbers of low-wage and high-wage jobs remained essentially the same from 1997 to 1998; low-wage jobs account for 30.9 percent of the region's total employment, while high-wage jobs account for 17.2 percent.



5. Jobs in the central city increasingly pay low wages, while most high-wage job growth is occurring the suburbs.

Although the same major industry sectors dominate the employment picture throughout the Washington region, job growth is driven by very different sources in the District of Columbia than its suburbs. Within the city, the number personal service jobs increased by 88.0 percent (over 16 thousand jobs) between

Figure 8: Different industries are growing in different parts of the Washington region.



1997 and 1998, while public administration, business services, and education services lost nearly 20,000 jobs. The personal service sector was the only sector of the District's economy to generate significant job growth, and without it, the city would have lost roughly three times more jobs than it did.⁶

In contrast, 40.0 percent of employment growth that occurred in the inner suburbs over the same time period came from public administration. Outside the Capital Beltway, employment in public administration declined between 1997 and 1998 (dropping by 11.1 percent). Unlike the District of Columbia, however, these losses were more than counteracted by employment growth, particularly in communication,

⁶ As a consequence, total employment in the District of Columbia shifted slightly away from public administration and toward personal services. In the spring of 1997, 38.1 percent of D.C. jobs were in public administration and 3.0 percent were in personal services. A year later, these proportions had shifted to 37.2 percent and 5.7 percent, respectively.



entertainment, and professional services.

Due to the changing composition of employment by sector, the number of low-wage jobs inside the District of Columbia increased in 1997, despite the decline in D.C. jobs overall. Between 1997 and 1998, the number of low-wage jobs in the District increased by 3.7 percent. Virtually all of this job growth is

attributable to the personal services sector which produced 10,000 new low-wage jobs in D.C. Although this increase was partially off-set by low-wage job losses in other sectors, the total number of low-wage jobs in the District grew by 3.7 percent during 1997. At the same time, the number of high-wage jobs inside D.C. fell by 3.5 percent.

Low-wage jobs also grew in the suburbs. But inside the Beltway, the number of high-wage jobs increased dramatically during 1997, due in large part to growth in public administration. Between 1997 and 1998, the number of suburban low-wage jobs increased by 4.3 percent inside the Beltway and 2.3

Figure 9: Low-wage jobs are growing in D.C. while high-wage jobs decline.

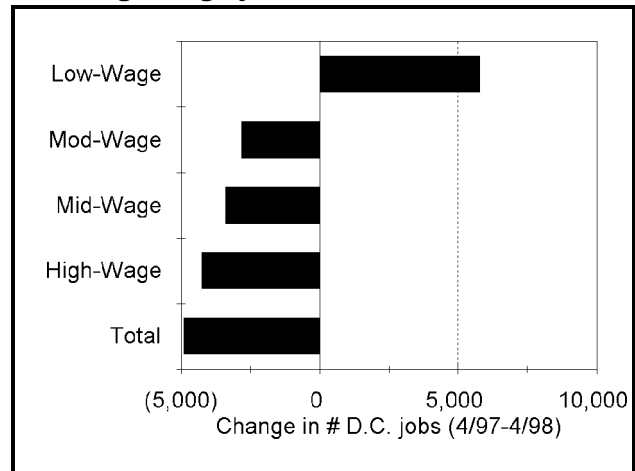
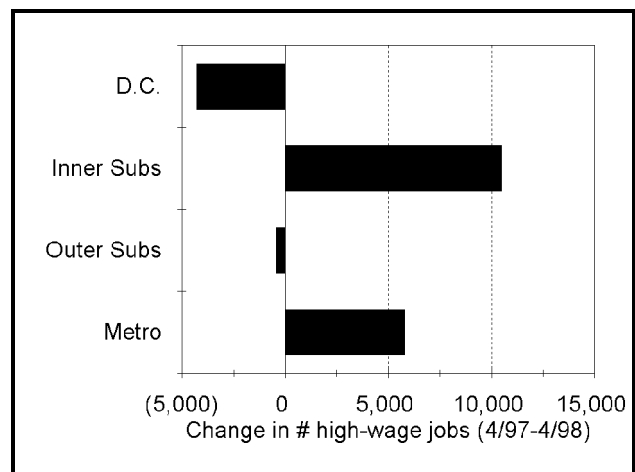


Figure 10: High-wage jobs are growing fastest in the inner suburbs.





percent in the outer suburbs. At the same time, however, all of the region's high-paid job growth occurred in the suburbs. In fact, the number of high-paid jobs grew by 10.8 percent in the inner suburbs, while the outer suburbs experienced a slight decline (-0.2 percent). The dramatic increase in high-wage jobs in the inner suburbs is largely attributable to the public administration sector, which increased employment in the inner suburbs by 10,000 jobs.

Within the District of Columbia, growth in low-wage jobs is more widespread geographically than is growth in high-wage jobs, while the opposite appears to be true in the suburbs (see Map 6). Only a small number of D.C. zip codes experienced growth in high-wage jobs, while many suffered losses. In the suburbs, high-wage job growth is very widespread, with particularly high rates in Virginia, both inside and outside the Beltway.



Summary and Conclusions

Increasingly, the economy of the Washington region is expanding outside the central city, with a growing share of jobs located beyond the Capital Beltway. If this trend continues unabated, the dispersal of economic activity and jobs across the region's suburbs will exacerbate the problems of traffic congestion, long commuting times, air pollution, and the elimination of open space. Moreover, the challenge of linking welfare recipients and other poor people to job opportunities is heightened when employment is so widely scattered. In particular, poor people who live in the District of Columbia, many of whom rely upon public transportation, face significant barriers when they try to find and keep jobs in the suburbs. Clearly, most urban households cannot expect to live in close proximity to their jobs, but policy makers throughout the region can and should look for opportunities to encourage consolidation of economic activities in higher density clusters (both city and suburban).

Despite the continued decentralization of employment in our region, the highest concentrations of jobs are still located inside the District of Columbia. Moreover, high-wage jobs (paying over \$20 per hour) are slightly more likely to be located inside D.C. than are lower-wage jobs. And in the most recent year, the District experienced job growth in several important sectors of the private economy. Thus, the District continues to play a key role in the regional economy, both as a center of economic activity and as a major source of employment opportunities. Economic development activities in the central city should build upon these strengths, enhancing the District's



capacity to attract and nurture businesses that benefit from location at the hub of the region and in the Nation's Capital.

The public administration sector has historically played a central role in the region's economy. But today that role appears to be changing. Public administration accounts for a declining share of jobs in the region as a whole, and in the most recent year, high-wage public administration jobs appear to have shifted out of the central city while expanding rapidly in the inner suburbs. Because public administration generates a disproportionate number of high-wage jobs, the decline of this sector in the District has been accompanied by a significant decline in high-wage employment opportunities. If the economy of Washington area continues to shift away from public administration, it will be important to focus on opportunities for developing high-wage jobs in other sectors to ensure the ongoing health of the region.

This is particularly important for the District of Columbia. Though still losing jobs overall in the most recent year, the District is gaining private sector jobs. This could represent the start of a resurgence in economic development for the central city, but it is critical that the District's economic profile include higher wage jobs as well low-wage service jobs. Currently, the sectors experiencing the most rapid growth inside the city are generating large numbers of low-wage jobs. Although these jobs may represent a significant source of opportunities for entry-level and low-skilled workers, the city needs high-wage jobs as well to ensure its long-term social and economic well-being.