The Demand for Workforce Housing in Greater Boston

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Alliance for Business Leadership
Housing Boot Camp
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Questions for discussion:

- What is the most important source of new talent for your business?
- How might this change in the future?
- What role does housing play in recruitment and retention?
- How can employers help address the need for affordable housing?
Unemployment

Currently, unemployment in Massachusetts is below 4% with the addition of over 400,000 jobs since the end of the Great Recession.

Source: Massachusetts Executive Office of Labor and Workforce Development, Local Area Unemployment Statistics
Massachusetts’ High-tech Rank

Currently, Massachusetts ranks second among other high tech states for the strength of its technology and science workforce.

<table>
<thead>
<tr>
<th>2016 Rank</th>
<th>Research and Development Inputs</th>
<th>Technology Concentration and Dynamism</th>
<th>Technology and Science Workforce</th>
<th>Composite Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Massachusetts</td>
<td>Maryland</td>
<td>Maryland</td>
<td>Massachusetts</td>
</tr>
<tr>
<td>2</td>
<td>Maryland</td>
<td>California</td>
<td>Massachusetts</td>
<td>Colorado</td>
</tr>
<tr>
<td>3</td>
<td>Colorado</td>
<td>Colorado</td>
<td>Colorado</td>
<td>Maryland</td>
</tr>
<tr>
<td>4</td>
<td>New Hampshire</td>
<td>Texas</td>
<td>Minnesota</td>
<td>California</td>
</tr>
<tr>
<td>5</td>
<td>California</td>
<td>Massachusetts</td>
<td>Washington</td>
<td>Washington</td>
</tr>
<tr>
<td>6</td>
<td>Delaware</td>
<td>North Carolina*</td>
<td>Utah</td>
<td>Connecticut</td>
</tr>
<tr>
<td>7</td>
<td>Washington</td>
<td>Virginia</td>
<td>California</td>
<td>Minnesota</td>
</tr>
<tr>
<td>8</td>
<td>Connecticut</td>
<td>Washington</td>
<td>Virginia</td>
<td>Utah</td>
</tr>
<tr>
<td>9</td>
<td>Pennsylvania</td>
<td>Georgia</td>
<td>Alaska</td>
<td>Virginia</td>
</tr>
<tr>
<td>10</td>
<td>Rhode Island</td>
<td>Connecticut</td>
<td>Connecticut</td>
<td>Delaware</td>
</tr>
</tbody>
</table>


*North Carolina and Massachusetts were tied for fifth place in Technology Concentration and Dynamism.
Sector Concentrations in Massachusetts

Compared to the nation, Massachusetts has a greater share of employment in growing sectors such as education, healthcare, tech, and professional services.

Source: U.S. Census, County Business Patterns; UMDI analysis
Sector Concentrations in Massachusetts

In most sectors, the state’s advantage in these sectors is largely driven by employment growth in the Boston-Cambridge region.

Location Quotients of Top Industries in Massachusetts, 2000-2015

Source: U.S. Census, County Business Patterns; UMDI analysis
Educational Attainment

Greater Boston has a highly educated population that continues to outperform the rest of the state and the nation.

Source: U.S. Census Bureau, American Community Survey, S1501 (Educational Attainment), 1-year estimates; UMDI analysis

Note: The Boston-Cambridge Region consists of Middlesex and Suffolk counties.
Personal Income

Since the Mass Miracle of the 1980s, growth in personal incomes in Greater Boston have outpaced the rest of the state and the nation.

Source: U.S. Bureau of Economic Analysis, CA1/SA1 (Personal Income); UMDI analysis
Note: The Boston-Cambridge Region consists of Middlesex and Suffolk counties.
Gains in family income have not been shared equally across the distribution with most of the growth going to the top 20% of households.

Source: American Community Survey 2015 1-year estimates; Decennial Census 1980, 1990, 2000; UMDI analysis
Note: Data have been adjusted for inflation ($2016).
Unemployment by Educational Attainment

While the “Innovation Economy” has been a boon to those with a college degree, many individuals without a college degree continue to be left behind.

Population Growth

The greatest increases in population have been in cities and towns just outside the Greater Boston region where housing is less expensive.

Cumulative Change in Population by Municipality, 2000-2016

Housing Affordability

More than half of renter-occupied households and more than one-third of owner-occupied households spend more than 30% of their income on housing.

Housing Cost Burden, Greater Boston

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<tbody>
<tr>
<td>Renter-Occupied Households Paying More than 30% of Income on Rent</td>
<td>41.7%</td>
<td>39.2%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Owner-Occupied Households with Mortgages Paying More than 30% of Income on Housing</td>
<td>28.3%</td>
<td>26.7%</td>
<td>35.0%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau
Population Projections

While the Commonwealth’s population is projected to increase over time, the size of the labor force is projected to shrink as the Baby Boomers retire.

Population and Labor Force Growth, Massachusetts, 2011-2020

Migration

Although the Commonwealth is a net importer of college students, many leave after graduation so that immigration remains an important source of labor.

Source: U.S. Census, American Community Survey, PUMS; calculations by the author
Summary Economic Outlook

Despite strong economic growth, prosperity has not been shared equally across Greater Boston and the Commonwealth.

• Strong Economic Growth in Greater Boston and the Commonwealth
  o Low unemployment
  o Growth in key industry sectors
  o High educational attainment
  o High personal income

• Yet prosperity is not shared equally
  o Boston ranked as one of the most unequal cities in the nation
  o Housing is unaffordable for many workers and their families

• The lack of affordable housing has real economic consequences
  o Limits the growth of the workforce for middle and low-skill jobs
  o Increases the difficulty of attracting and retaining workers
  o Restricts economic development if employers choose to relocate
“Housing as a Factor for Recruitment and Retention for Boston Employers”

Capstone Report Prepared for the Massachusetts Housing Partnership by
Lilo Altali, Jon Hillman, Sara Tekleab
School of Public Policy and Urban Affairs
Northeastern University
Capstone Project

Does housing affordability and supply impact an employer's ability to attract and/or retain desired talent in the Greater Boston area?

• Research Methodology

  o Qualitative interviews with select employers representing diverse industries

  o Developed and field tested a survey instrument to assess the issue

  o Deployed the survey through the Greater Boston Chamber of Commerce, Alliance for Business Leadership, and Young Non-Profit Professional Network
Qualitative Findings

The lack of affordable housing in Greater Boston affects the ability of most employers to recruit and retain entry and mid-level workers.

"Affordability in Boston (housing and consumer) … restricts the pool of candidates we draw upon and makes it difficult to convince candidates to relocate from other states (Texas, California, New York, Georgia, Illinois)."

• Employers reported losing early and mid-level employees due to lack of affordable housing in the city.

• In particular, nonprofit organizations have found housing to be a barrier to recruiting and retaining volunteers, stipended fellows, and board members.

• However, some employers do not feel that housing is a barrier due to the brand and reputation that their institution holds.
Qualitative Findings

Employers have designed some benefits to offset the lack of affordable housing but would prefer to find a shared solution to the problem.

"We have focused on increasing junior staff salaries as much as possible to keep our young people motivated to stay with our firm and remain in the Boston area."

• Many employers are faced with a double edge sword - they help their employees relocate to the suburbs because it's cheaper but then are faced with challenging commutes.

• In response, employers have designed some benefits to help offset the cost of housing - commuter benefits, remote work options, corporate housing, etc.

• Employers would welcome some type of forum to share ideas and find a solution together.
Quantitative Findings

The survey is based on the responses 87 individual firms, mostly small to mid-size, where the CEO or HR manager was often the respondent.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>N</th>
<th>% of Respondents</th>
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</thead>
<tbody>
<tr>
<td>Respondent is:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO/Owner</td>
<td>27</td>
<td>31%</td>
</tr>
<tr>
<td>Human Resources/Hiring Manager</td>
<td>26</td>
<td>29.9%</td>
</tr>
<tr>
<td>Other</td>
<td>34</td>
<td>39.1%</td>
</tr>
<tr>
<td>Number of Full-time Employees:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 to 10</td>
<td>23</td>
<td>26.4%</td>
</tr>
<tr>
<td>11 to 50</td>
<td>23</td>
<td>26.4%</td>
</tr>
<tr>
<td>51 to 100</td>
<td>11</td>
<td>12.6%</td>
</tr>
<tr>
<td>101 to 500</td>
<td>22</td>
<td>25.3%</td>
</tr>
<tr>
<td>501 to 1,000</td>
<td>1</td>
<td>1.1%</td>
</tr>
<tr>
<td>1,001 to 5,000</td>
<td>6</td>
<td>6.9%</td>
</tr>
<tr>
<td>Greater than 5,000</td>
<td>1</td>
<td>1.1%</td>
</tr>
</tbody>
</table>
Quantitative Findings

Over half of employers reported that it typically takes 1-2 months to fill a vacancy with one quarter indicating that it took more than 2 months.

In general, how long does a job vacancy remain open for positions in Greater Boston before it is filled? (n=87)

Of the 87 firms that were surveyed, 69% currently have an open-for-hire position in Greater Boston
Quantitative Findings

Over 70% of employers report that it is extremely or somewhat difficult to recruit and retain talent in the Greater Boston area.

Over the past five years, have you found it difficult to recruit and/or retain talent in the Greater Boston area? (n=87)

In addition, employers ranked the lack of affordable housing among the top three barriers to recruitment and retention.
Quantitative Findings

More than two-thirds of employers say housing affordability has affected their ability to recruit and retain qualified employees in Greater Boston.

Over the past five years, have home prices and/or rental costs affected your company’s ability to recruit qualified employees in Greater Boston? (n=80)

- Yes: 67.5%
- No: 32.5%

In addition, 43% of employers report that they increased employee salary and/or benefits to account for housing costs.
Quantitative Findings

Housing affordability appears to be a greater barrier to recruitment and retention for employers with 10 or more employees.

Comparison of “YES” Responses to Housing-specific Barrier Questions Based on More or Less than Ten Total Employees (n=80)
Quantitative Findings

Very few Greater Boston businesses offer housing benefits for current employees or forms of assistance for new employees relocating to the area.

- Nearly 74% of respondents said they do not offer any housing benefits to current employees, while over 62% do not provide any specific forms of assistance for newly located employees.

- For current employees, 26.3% of establishments offer the ability to work from home, an incentive for those who live some distance from their place of employment.

- Additionally, 31.3% of establishments offer a relocation bonus for new employees.
Summary of Findings

The majority of employers report that the lack of affordable housing hampers their ability to attract and retain entry and mid-level workers.

- Employers need both high-skill and middle-skill workers to fill positions
  - Middle-skill workers are complementary to high-skill workers
  - A lack of workforce housing can impede growth

- Yet competitive pressures prevent firms from raising pay any further
  - Have turned to stop-gap measures such as remote work
  - Shared appreciation mortgages
  - Assisting employees to rent apartments at below market rates
  - Subsidizing company-owned apartments

- Employers are looking for more sustainable and shared solutions
  - Tech tool to match employers to housing resources for employee's specific needs such as finding roommates/housing/commuting benefits
  - Tax break to incentivize employers to offer commuter/housing benefits
  - Others?
Thank You!

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