The Roadmap for the Washington Region’s Future Economy

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The Washington Region’s Standard Economic Forecast
Source: IHS Economics, GMU Center for Regional Analysis, Forecast: January 2016

Source: GMU Center for Regional Analysis, Forecast: January 2016
### Employment Change in the WMSA by Sub-State Area (000s)

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>D.C.</td>
<td>13.0</td>
<td>6.5</td>
<td>12.4</td>
<td>14.1</td>
<td>9.7</td>
<td>10.6</td>
<td>8.9</td>
<td>8.2</td>
</tr>
<tr>
<td>Sub. MD</td>
<td>6.1</td>
<td>11.1</td>
<td>21.6</td>
<td>20.2</td>
<td>17.7</td>
<td>14.1</td>
<td>12.0</td>
<td>11.0</td>
</tr>
<tr>
<td>No. VA</td>
<td>8.9</td>
<td>1.3</td>
<td>26.5</td>
<td>25.5</td>
<td>23.6</td>
<td>15.9</td>
<td>13.7</td>
<td>12.6</td>
</tr>
<tr>
<td>REGION</td>
<td>28.0</td>
<td>18.9</td>
<td>60.5</td>
<td>59.8</td>
<td>51.0</td>
<td>40.6</td>
<td>34.6</td>
<td>31.8</td>
</tr>
</tbody>
</table>

Average Annual Change 1990-2010 = 36,000

Source: BLS, IHS Economics, GMU Center for Regional Analysis (January 2016); *estimated based on 11 month’s performance.

NOTE: The regional totals do not include Jefferson, WV.

### Structure of the Greater Washington Economy

- **Non-Local Serving Business**: 12.0%
- **Local Serving Activities**: 34.8%
- **Other Federal**: 10.7%
- **Fed Wages & Salaries**: 10.0%
- **Procurement**: 19.1%

**Total Federal**: 39.8%

**2010**

- **Total Federal**: 27.2%
- **Non-Local Serving Business**: 19.1%
- **Local Serving Activities**: 38.3%
- **Other Federal**: 7.7%
- **Fed Wages & Salaries**: 6.7%
- **Procurement**: 12.8%

Source: GMU Center for Regional Analysis; Forecast January 2016
What Will Drive Growth In the Washington Area Going Forward?

Objectives of the Roadmap

• Re-position the economy away from Federal markets to national and global markets;

• Build on the region’s competitive advantages;

• Focus on export-based, high-value added, high-growth potential businesses;

• Identify what these types of businesses need—their requirements—to grow in the Washington area;

• Formulate a call-to-action to address the region’s “requirements” for future growth.
Roadmap Research Sponsors

The 2030 Group
George Mason University
Adventist HealthCare
Northern Virginia Chamber of Commerce
Montgomery County Chamber of Commerce
Federal City Council
Metropolitan Washington Council of Governments
Urban Land Institute-Washington Chapter
MITRE
Tech Council of Maryland
Greater Washington Board of Trade
Washington Regional Association of Grantmakers
Washington Airports Task Force

Roadmap Research Team

Center for Regional Analysis, George Mason University

Inforum, University of Maryland

Metropolitan Policy Center
American University
The Consequences of the Region’s Economic Dependency on Federal Spending

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.</th>
<th>Maryland</th>
<th>DC</th>
<th>Virginia</th>
<th>WMSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.5</td>
<td>2.5</td>
<td>2.8</td>
<td>2.4</td>
<td>3.2</td>
</tr>
<tr>
<td>2011</td>
<td>1.6</td>
<td>1.3</td>
<td>1.9</td>
<td>0.6</td>
<td>1.4</td>
</tr>
<tr>
<td>2012</td>
<td>2.2</td>
<td>0.4</td>
<td>0.0</td>
<td>0.7</td>
<td>0.2</td>
</tr>
<tr>
<td>2013</td>
<td>1.5</td>
<td>0.7</td>
<td>-0.6</td>
<td>0.4</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Ranking:  
2010: 40th  
2011: 47th  
2012: 43rd  
2013: 37th  
2014: 25th

Source: U.S. Department of Commerce
### U.S. GDP and Washington Area GRP

**2007 – 2014**

(Annual % Change)

- **Washington**
- **U.S.**

Source: IHS Economics, GMU Center for Regional Analysis


- **TOTAL = $1,235.9 Billion**
  - 1980: 79.9
  - 1982: 76.3
  - 1990: 71.1

Source: US Census, Consolidated Federal Funds Report and USAspending.gov
Professional & Business Services
Washington MSA

Annual Data

(000s)

Mar
Jun
Sep
Dec

2009
2010
2011
2012
2013
2014

Annual Month over Year

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Dec-14 Total: 707.5

Professional & Business Services jobs in the Washington MSA

Annual Month Over the Year

(000s)

Prof., Sci. & Tech. Svcs & Mgt.
Admin. & Waste Mgt.

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Federal Government
Washington MSA

Annual Data
Annual Month over Year

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Dec-14 Total: 364.5

15 Largest Job Markets

Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Diversifying the Region’s Economy: What Does This Mean?

Washington Region’s Knowledge-Based Economy

Built on the creation and dissemination of knowledge: the sources of information, the analysis of information, the transmission of information, policy formulation, advanced education and research, the advancement of ideas and application of new technologies to the solution of global problems.

Future growth opportunities will be found in building out the region’s knowledge- and information-based platforms to extend their business-to-business transactions into national and global markets.
The Washington Region’s Competitive Advantages

- Capital City/Federal Government Center
- International Governments and Institutions
- Connectivity to the World
- Concentration of Government and Business Leaders
- High Quality-of-Life
- Diverse Population
- Breadth of Higher Educational Services
- Educated Work Force
- High Level of Labor Force Participation
- Advanced Occupational Specializations
The Federal Government

Core
- Independent Agencies
- Federal Departments
- Congressional Offices
- U.S. Courts System

Mandated
- Federal Departments
- Independent Agencies
- Federal Laboratories
- Fed. Funded R&D Centers (FFRDCs)
- Federal Contractors
- Federally Funded Research & Development Centers (FFRDCs)

Dependent
- Federal Contractors
  - $1.2 trillion awarded regionally by place of performance since 1980
- Government Sponsored Enterprises
  - FHLBanks support 80% of US lending institutions
  - Fannie Mae & Freddie Mac
  - Sallie Mae
  - Financing Corporation
  - Agriculture & Farm Credit Banks
- Federally Funded Research & Development Centers (FFRDCs)
  - 13 of the 41 in WMA Perform only Federal R&D

Spillovers
- Private R&D
- Universities
- Investment Trusts
- Federal Credit Banks
- Federal Contractors
- Government Sponsored Enterprises (GSEs)
- Govt. Affairs of Business
- International Banks
- Insurance Services
- Campaign Operations
- National Media Outlets
- Philanthropic Organizations
- Grant Making Organizations
- Non-Government Organizations

Locational Assets: Funding & Influence
- Federal funds spent regionally
- Financial services of the Government
- High-tech R&D investment
- Political & Diplomatic Influence
- Business – Government relations
- Cultural Influence & Attraction

Locational Assets: Knowledge & Networks
- Diverse knowledge production activities
- Density of knowledge spillovers
- Collaborations across multiple actors
- Regional networks of stakeholders
Defining the Washington Region’s Advanced Industrial Clusters

The Washington Region’s Advanced Industrial Clusters
### The Washington Region’s Advanced Industrial Clusters: 2014 Employment

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Jobs</th>
<th>%Change&lt;sup&gt;1&lt;/sup&gt;</th>
<th>LQ&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Wage&lt;sup&gt;3&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advocacy Services</td>
<td>115,731</td>
<td>19.0</td>
<td>3.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Info &amp; Comm. Tech</td>
<td>204,489</td>
<td>5.5</td>
<td>2.7</td>
<td>1.4</td>
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<tr>
<td>Sci &amp; Security Tech</td>
<td>123,785</td>
<td>18.6</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Bio &amp; Health Tech</td>
<td>55,396</td>
<td>25.1</td>
<td>2.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Business &amp; Fin. Serv.</td>
<td>190,128</td>
<td>38.9</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Media &amp; Info Services</td>
<td>35,745</td>
<td>-20.1</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Business &amp; Leisure T.</td>
<td>85,919</td>
<td>-1.3</td>
<td>1.1</td>
<td>1.3</td>
</tr>
<tr>
<td>All Clusters</td>
<td>811,193</td>
<td>14.5*</td>
<td>2.0</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Sources: U.S. Bureau of Labor Statistics, JobsEQ, University of MD’s Inforum

<sup>1</sup>2003-2014 Percent Change; <sup>2</sup>percentage of local employment in a cluster divided by its respective percentage nationally; <sup>3</sup>WMSA/US wage ratio; <sup>*</sup>total job change for WMSA, 9.3%.

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### The Washington Region’s Advanced Industrial Clusters: 2014 Employment

![Graph showing employment in different clusters in the Washington Region](image_url)

Sources: U.S. Bureau of Labor Statistics, JobsEQ, American Community Survey, University of MD’s Inforum and GMU CRA
The Washington Region’s Advanced Industrial Clusters: 2014 Employment

Sources: U.S. Bureau of Labor Statistics, JobsEQ, American Community Survey, University of MD’s Inforum and GMU CRA
The Washington Region’s Advanced Industrial Clusters: 2014 Employment

Sources: U.S. Bureau of Labor Statistics, JobsEQ, American Community Survey, University of MD’s Inforum and GMU CRA

The Washington Region’s Advanced Industrial Clusters: Job Growth Forecast

<table>
<thead>
<tr>
<th>Cluster</th>
<th>2014-2025 Job Forecast</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>%</td>
<td>High</td>
</tr>
<tr>
<td>Advocacy Services</td>
<td>122,303</td>
<td>5.7</td>
<td>138,868</td>
</tr>
<tr>
<td>Info &amp; Comm. Tech</td>
<td>213,621</td>
<td>4.5</td>
<td>224,872</td>
</tr>
<tr>
<td>Sci &amp; Security Tech</td>
<td>135,707</td>
<td>9.6</td>
<td>147,104</td>
</tr>
<tr>
<td>Bio &amp; Health Tech</td>
<td>58,388</td>
<td>5.4</td>
<td>67,929</td>
</tr>
<tr>
<td>Business &amp; Fin. Serv.</td>
<td>218,851</td>
<td>15.1</td>
<td>269,053</td>
</tr>
<tr>
<td>Media &amp; Info Services</td>
<td>36,292</td>
<td>1.5</td>
<td>41,667</td>
</tr>
<tr>
<td>Business &amp; Leisure T.</td>
<td>87,807</td>
<td>2.2</td>
<td>91,512</td>
</tr>
<tr>
<td>All Clusters</td>
<td>872,969</td>
<td>7.6</td>
<td>981,005</td>
</tr>
<tr>
<td>All Jobs in WMA</td>
<td>3,092,270</td>
<td>4.0</td>
<td>3,402,570</td>
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The Washington Region’s Advanced Industrial Clusters: Job Growth Forecasts
((percent change over the period indicated)

<table>
<thead>
<tr>
<th></th>
<th>2003-2014</th>
<th>2014-2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum of Clusters</td>
<td>14.6%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Total Metro Job Growth</td>
<td>9.3%</td>
<td>4.0%</td>
</tr>
<tr>
<td>US. Job Growth</td>
<td>5.1%</td>
<td>9.5%</td>
</tr>
<tr>
<td><strong>High</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum of Clusters</td>
<td></td>
<td>20.9%</td>
</tr>
<tr>
<td>Total Metro Job Growth</td>
<td></td>
<td>14.4%</td>
</tr>
<tr>
<td>US. Job Growth</td>
<td></td>
<td>9.5%</td>
</tr>
</tbody>
</table>

1continuation of 2011-2014 trends.
2reflecting historic growth patterns plus reversals based on national forecasts for declining clusters.
Source: Inforum, University of Maryland, December 2015

Requirements for and Constraints to Future Economic Growth
Requirements for Future Economic Growth: Major Themes

- Talent development, attraction and retention;
- The region’s quality-of-life;
- Transportation flexibility and adaptability;
- Access to capital;
- Regional branding and national and global marketing;
- Entrepreneurial culture;
- Competition among local jurisdictions; and,
- Public costs and disincentives.

Business Requirements for Growth

- **Talent Development, Attraction and Retention**
  
  Provide the region’s current and future workers with educational and training resources required to succeed in a competitive knowledge-based economy. Strong public school systems and educational institutions that foster continued skills and professional development are needed to advance the region as a desirable place to live with excellent career pathways at all levels and stages of employment.
Business Requirements for Growth

• The Region’s Quality of Life
  Talent is attracted and retained by the region’s quality of life and the vibrancy of its residential communities.

  Competitive qualities include:
  cost-of-living especially housing affordability, quality of public services including public schools and public safety, availability of multi-modal transportation services, attractive neighborhoods and quality of public spaces and cultural facilities, and ethnic mix and diversity of life styles.

• Transportation Flexibility and Adaptability
  Transportation is a fundamental building block of a competitive economy. The cost of moving goods and services as well as workday mobility for business and personal purposes are intrinsically linked to the overall cost of doing business in the region and its quality of life.
Business Requirements for Growth

• **Access to Capital**
  Venture capital (early-stage seed and second-stage) and a strong commercial banking system are essential to generating a vibrant entrepreneurial ecosystem.

Establishing a strong cadre of local entrepreneurs, experienced managerial talent and venture capitalists is necessary to realize the region’s inherent business potentials.

Constraints to Business Growth

• **Regional Branding**
  The Washington region lacks a favorable brand to promote its business base in national and global markets. Federal functions overshadow the region’s competitive advantages for non-federally dependent businesses and media coverage consistently fails to recognize the region as a major business center with significant concentrations of technology-intensive, scientific and professional services.
Constraints to Business Growth

• **Entrepreneurial Culture**
  The region’s roots and traditions as a Federal City have produced a culture described as bureaucratic and better suited to administration and management of programs and regulations than as a culture perceived as entrepreneurial and fertile for innovation and business creation.

Constraints to Business Growth

• **Competition Among Local Jurisdictions**
  The Washington region, as defined by the U.S. Census consists of three state-level governments, six independent cities, and 16 counties. With its federal overlay, the region presents a complex structure that negatively impacts business development by creating costly obstacles, inconsistencies, and jurisdictional competition across political boundaries. While competition may have some benefits (lower taxes), infighting, distrust and poaching undermine the region’s business attractiveness.
Constraints to Business Growth

• Public Costs and Disincentives
  Business thought-leaders cited high publicly imposed fees and costly regulatory processes as barriers to doing business in the Washington area. These added costs associated with land use and business development contribute to higher costs of living and provide business owners and investors reasons for choosing more business-cost friendly locations elsewhere in the U.S.

The Roadmap for the Washington Region’s Future Economy: Call-to-Action
Call-to-Action

• The development, attraction and retention of the talent required to support the workforce of the future, spanning entry level, continuing upskilling, advancement, and extending the work life of older workers, is a foundational requirement for growing a knowledge-based economy.

• The area’s public school systems and local business organizations need to collaborate regionally to increase the quality of program curricula, invest in teacher development, and create internships and job-relevant educational experiences to ensure public school graduates have the necessary capabilities to pursue careers requiring advanced education and skills training.

Call-to-Action

• The Consortium of Universities of the Washington Metropolitan Area needs to expand its mission and membership, and establish a region-wide university/business partnership to provide the talent required for the full career path of the region’s future workforce.

• The quality of the region’s living environment is critical to its ability to attract and retain the talent it needs to support growth of an advanced economy.

• There are two key requirements for achieving and maintaining the region’s QOL that necessitate regional solution: (1) housing affordability and (2) a transportation system that works.
Call-to-Action

• Local governments need to initiate the region-wide analysis of the supply constrains and related costs that have resulted in the region’s high housing costs and large number of non-resident commuters who have been forced to seek affordable housing beyond the region’s boundaries. This analysis should consider (a) publicly imposed costs impacting new residential construction that contribute no real value to the finished product, (b) housing production goals should be considered at the jurisdictional level, and (c) policies affecting land-use mix, densities and redevelopment areas need to be considered. Non-profit organizations and private residential developers should collaborate to develop and adopt solutions to increase the supply of and protect the existing stock of affordable housing in all jurisdictions.

Call-to-Action

• The region’s transportation system is failing. The combination of disinvestment in the system’s maintenance, failure to invest in system-wide capacity expansion in anticipation of future growth and failure to design and institute a regional management organization with financial authority have precipitated the system’s current status, one that must be corrected if the Washington region is to remain competitive.

• In the short term, DC, Virginia and Maryland need to formulate and adopt a dedicated funding source for WMATA.

• In the longer term, the region should consider establishing a tri-state transportation authority to plan, finance, construct and operate the region’s multi-modal transportation system designed to fulfill the region’s mobility requirements of the 21st Century.
Call-to-Action

• The reputation of the Washington region as a good place to do non-federal business is weak; the region’s business image is overshadowed by its image as the seat of the Federal government. The development of a business brand for the region needs to be initiated by the private sector as the public sector is too fragmented and competitive to come to consensus on a singular regional brand.

• The region’s chambers of commerce and business and professional organizations, coming together in a transparent and collaborative process, can succeed in designing and implementing an impactful brand for the region as a global business center. Marketing the region’s business brand to national and international media and business organizations will require long-term financial commitment to this process.

Call-to-Action

• Establishing a culture of collaboration among local jurisdictions should be given high priority as non-collaboration has high costs. MWCOG provides the region’s principal collaborative platform for local governments and should to provide the leadership to foster collaborative solutions to regional problems.

• An important initiative would be to institute region wide collaboration on economic development efforts to present the Washington region as an interdependent economy to non-local business investors as they undertake their initial location analyses.

• Elected officials could play a role in seeking cost savings and improved service quality by teaming in the delivery of public services across jurisdictional boundaries.
Call-to-Action

- The Washington region is an expensive place in which to live and to operate a business. Additionally, there are cost differentials within the region that disadvantage some jurisdictions and favor others. Unless these higher costs can be rationalized, it is in the interest of higher-cost jurisdictions to assess their regulatory and administrative fees and charges to determine whether these are business-location neutral within the region. The existence of these local cost differentials adds complexity and reinforces external investors’ and business leaders’ negative opinions about locating and/or doing business in the Washington market.

- Reducing counter productive fees and administrative costs imposed by the region’s local governments will enhance its attractiveness for business investment. Each jurisdiction should assess its fees and charges to identify opportunities for lowering its costs of doing business.

This Call-to-Action Must Be Regional

- None of these actions can be more effectively achieved at the individual organizational or jurisdictional level than at the regional scale.

- All of these actions have real as well as implied economies of scale.

- The region’s interdependencies will require proactive collaboration among the public and private sectors and strong leadership across multiple local organizations and governments.
Thank You & Questions

2030roadmap.com

cra.gmu.edu