

Center City District Reports

Lowering the Barriers to Full, Inclusive Recovery

December 2023



Lowering the Barriers to Full, Inclusive Recovery

Philadelphia Employment Trends, December 2023

“Before the pandemic, about 540,000 workers commuted to the City. Now more jobs are based in the district — about 617,000 — but fewer people go into the office. The number of people entering and exiting **London** Underground stations in the Square Mile is, on average, about three-quarters of pre-pandemic levels.”

In Central London, a Big Bet on a Return to the Office, New York Times, Dec. 13, 2023

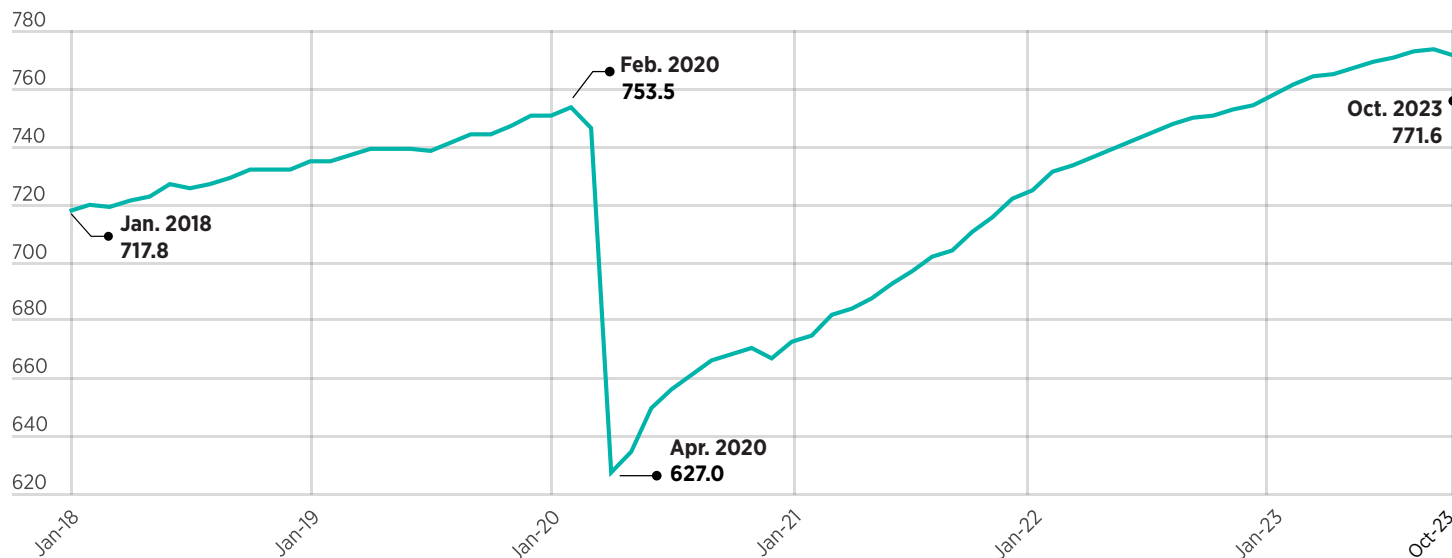
The statistics from London, England suggest there are at least two dimensions to downtown recovery: the return of employees to payrolls and the return of vitality to city centers. Philadelphia’s experience is similar: **citywide employment has fully rebounded from the spring 2020 shutdown with 18,100 (2.4%) more jobs in October 2023 than in February 2020 and 5.5% more than five years ago.** But the number of non-resident workers present in Center City in November was just 73% of November 2019 levels, analogous to London, though our overall recovery rate, including a greater diversity of residents and visitors, reached 83%.

While Philadelphia’s recovery lagged the region in the initial months of the pandemic, the gap steadily narrowed. As of October, total nonfarm employment in the city was 3.4% higher than October 2019 compared to an increase of 4.4% in the 11-county region (Figure 2).

Traditional office sector employment has steadily rebounded: professional and business services added 6,500 jobs, financial services added 4,400 and information services added 1,400 jobs through October. But cellphone data suggests that only 64% of office workers on West Market and JFK Boulevard are routinely at their desks. Health care and social assistance experienced a big jump — 19,400 jobs citywide — and these employees, along with those in hospitality, are more likely to be on site, as return to work varies significantly by sector.

However, even the good news of payroll recovery should be put in context. As Figure 3 suggests, since the Great Recession of 2008–2009, Philadelphia has been one of the slowest growing large urban areas in the United States.¹ **To create sufficient opportunity for all residents and to reduce our high poverty rate, Philadelphia needs growth more robust than just a return to the 2019 status quo.**

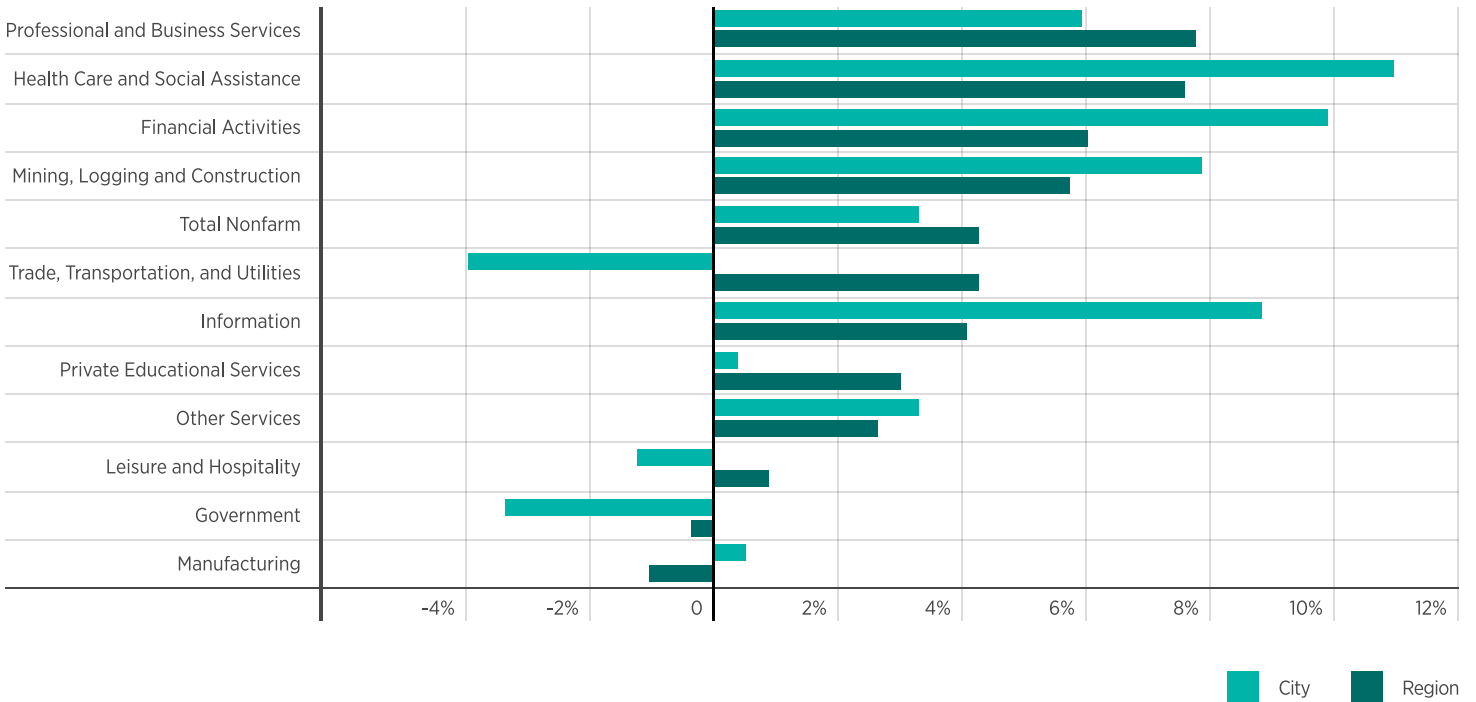
Figure 1: The Good News: City of Philadelphia Total Nonfarm Employment, Seasonally Adjusted (Thousands)



Source: Bureau of Labor Statistics, Current Employment Statistics

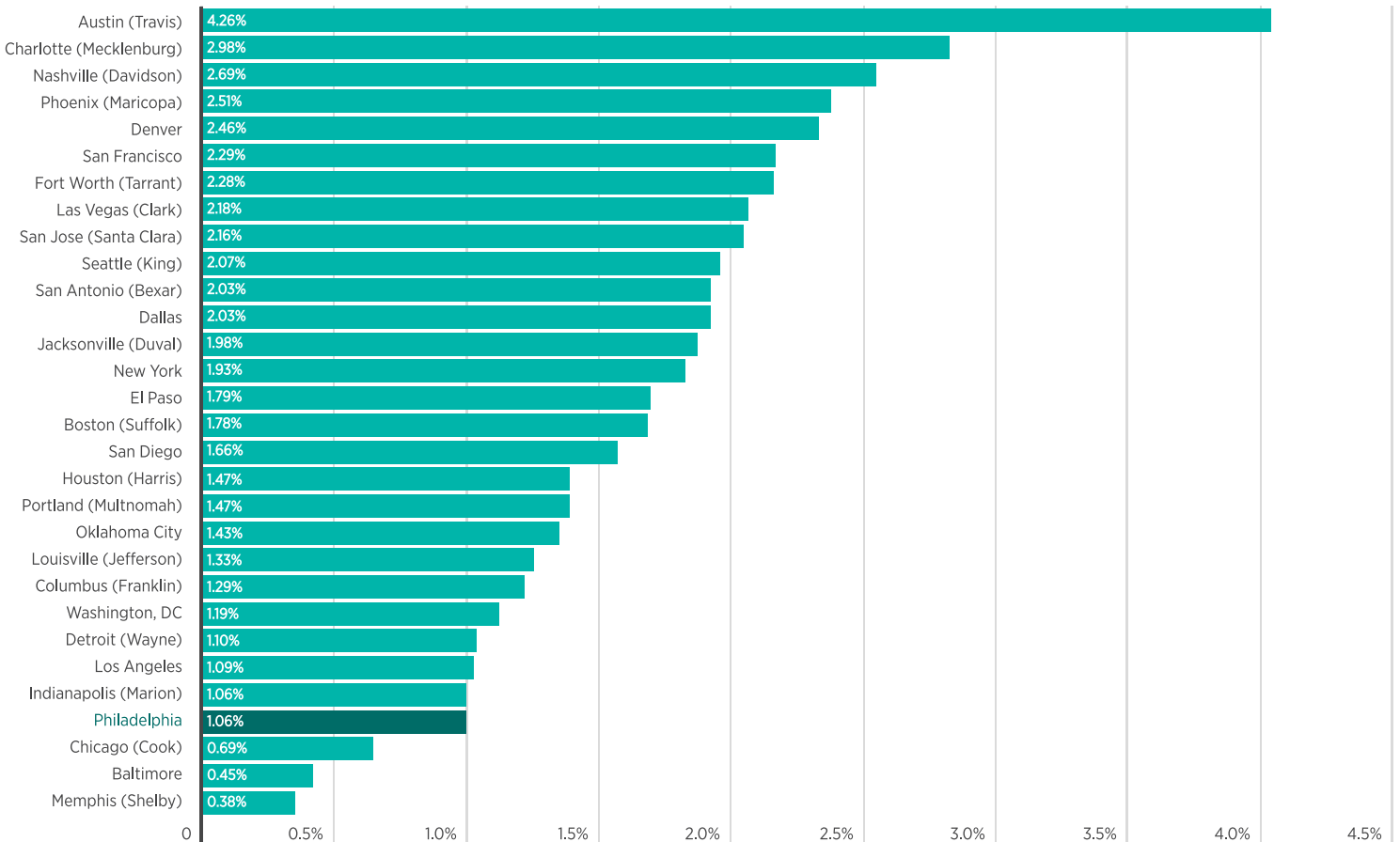
1. Figure 3 data shows average annual private sector job growth from June 2009 to June 2023 in the counties that overlap the 30 most populous U.S. cities.

Figure 2: Percentage Change in Employment by Sector, October 2019 to October 2023, Philadelphia City and Region, Not Seasonally Adjusted



Source: Bureau of Labor Statistics, Current Employment Statistics

Figure 3: Average Annual Growth in Private Employment, June 2009–June 2023



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

The Hidden Costs of Remote Work

Bureau of Labor Statistics' Current Employment Statistics (CES) data is based on a national survey and routinely revised. More detailed, reliable industry-specific numbers are available from the Quarterly Census of Employment and Wages (QCEW), which draws from the state-administered unemployment system, but is currently available only through June 2023 (Figure 4).

It documents growth in office-based industries like professional and business services, management consulting, biotech research, accounting, architecture and engineering, and management. These gains were offset by declines in legal services, finance and insurance. **The impact of hybrid work, however, is evident when comparing office job payroll recovery trends with declines in sectors impacted by reduced commuting and diminished building occupancy: janitorial service jobs have declined by 775 (21%); services to buildings of all kinds have shed 844 jobs (19%); the parking sector is down by 694 jobs (23%); SEPTA ridership is off by about 40%. Courier and messenger jobs have declined by 911 (24%).**

Remote work also impacts the City of Philadelphia's budget since suburban residents who work from home are eligible for an exemption from the City's wage tax. **More than \$94 million was refunded to remote working suburban residents in 2021 and \$85 million was refunded in 2022.** This suggests the discussion about the locale for work ought to be broader than just a dialogue between employers and their employees. It also goes beyond whether the next Administration should direct municipal employees to return to their offices. Reducing the barriers to returning to work should be a central policy focus for incoming Mayor Cherelle Parker's administration.

In our interconnected economy, high-skilled jobs only maximize the opportunities for mid-wage and lower-skilled workers when the former jobs are performed on site. Barriers to recovery — like an antiquated tax structure that has depressed growth, and the quality-of-life challenges that impact perceptions of safety — should be front and center in order for Philadelphia to achieve a fuller and more inclusive recovery.

On the tax front, a significant source of citywide employment growth since 2019 has been in health care and social assistance. This should not be surprising given Philadelphia's strong concentration of medical and educational institutions. But it is also true that only one of the city's top 10 employers — Comcast — is a for-profit employer, contributing both real-estate and business taxes. Five are tax-exempt institutions and four are exempt government entities. Among the next 10 largest employers, only four are for-profit entities.² Still, the city's academic medical centers and universities are driving growth in research and development jobs, which are up 1,020 since 2019 (17%), and pharmaceutical manufacturing, which increased by 871 jobs (121%). More predictable and competitive tax policies, however, will keep our burgeoning life-sciences industries rooted in the city and encourage growing businesses and start-ups of all kinds to remain in every section of the city.

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Still, safety remains the most-cited barrier in the CCD's recent customer satisfaction survey. Long before 2020, comfort levels with downtown were declining, as retail theft and some forms of social disorder increased. But the top concern was consistent across all age categories: *panhandlers, mentally ill or addicted individuals who confront pedestrians*. Groups of *noisy ATVs* ranked second. Of the top six issues that produce anxiety and fear among respondents, only *active drug dealing* involved actual criminal behavior. The rest were quality of life challenges, the sense that things are out of control.³

Mayor-elect Parker rose to prominence by placing public safety at the top of her agenda, prioritizing a return to community policing and a focus on quality-of-life challenges, by promising to draw new officers from the communities they serve and by blending prevention and treatment with sensitive enforcement. These steps will be essential in 2024 to restoring confidence citywide.

2. Pennsylvania Department of Labor and Industry https://www.workstats.dli.pa.gov/Documents/Top%2050/Philadelphia_County_Top_50.pdf

3. The results of the CCD's most recent Customer Satisfaction Survey and perceptions of safety can be found here <https://centercityphila.org/research-reports/center-city-digest-winter-2023>

Figure 4: Philadelphia Private Employment by Industry, June 2019 and June 2023

	June 2019	June 2023	Change
ALL INDUSTRIES	595,344	598,933	3,589
Retail trade	48,517	45,117	(3,400)
Information	11,237	12,310	1,073
Finance and insurance	29,916	27,047	(2,869)
Real estate and rental and leasing	10,490	10,551	61
Professional, scientific, and technical services	55,853	59,696	3,843
Management of companies and enterprises	12,054	13,216	1,162
Administrative and support and waste management and remediation services	27,576	27,620	44
Administrative and support services	26,643	26,641	(2)
Services to buildings and dwellings	4,405	3,561	(844)
Janitorial services	3,666	2,891	(775)
Educational services	55,831	55,021	(810)
Health care and social assistance	169,475	181,034	11,559
Ambulatory health care services	42,087	47,527	5,440
Home health care services	11,908	15,391	3,483
Hospitals	60,341	58,849	(1,492)
Nursing and residential care facilities	17,504	15,076	(2,428)
Social assistance	49,543	59,582	10,039
Arts, entertainment, and recreation	13,819	14,090	271
Performing arts, spectator sports, and related industries	5,791	5,922	131
Performing arts companies	1,222	1,051	(171)
Spectator sports	2,208	3,121	913
Museums, historical sites, and similar institutions	2,515	2,222	(293)
Amusement, gambling, and recreation industries	5,513	5,946	433
Accommodation and food services	63,228	59,764	(3,464)
Accommodation	7,213	7,796	583
Food services and drinking places	56,015	51,968	(4,047)
Drinking places (alcoholic beverages)	3,044	2,865	(179)
Restaurants and other eating places	44,713	42,211	(2,502)
Other services (except public administration)	24,446	23,956	(490)
Personal and laundry service	10,098	9,084	(1,014)
Other personal services	3,920	3,308	(612)
Parking lots and garages	3,045	2,351	(694)

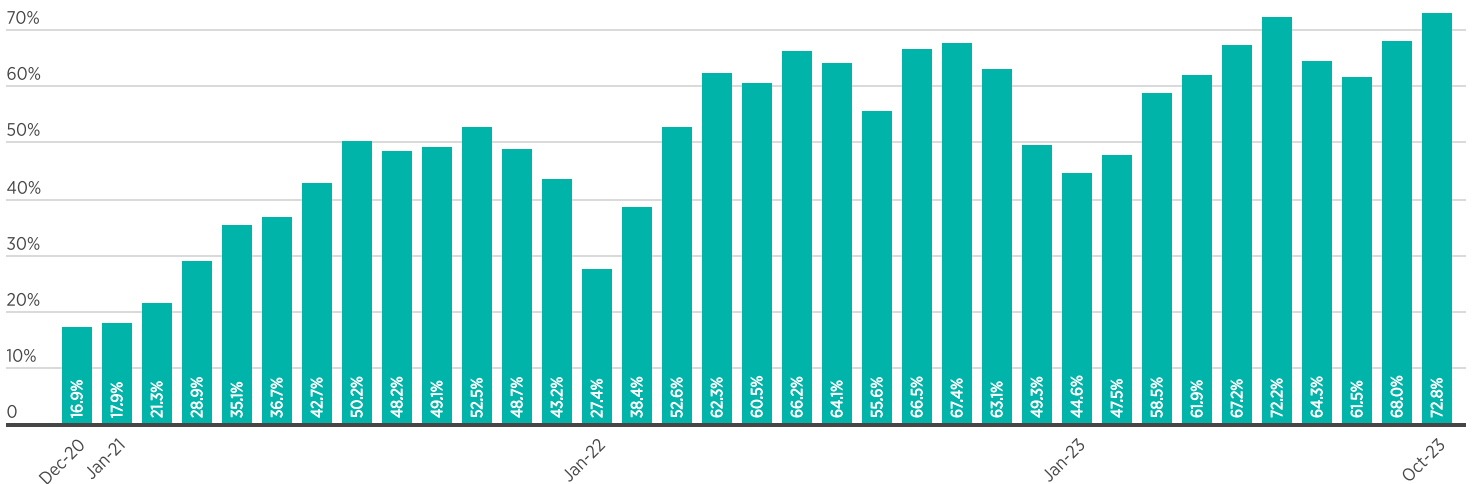
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Hospitality Recovery

The QCEW data show dramatic declines within the leisure and hospitality sector in 2020, followed by gradual, though uneven recovery. As of June 2023, performing arts employment in the city was still down 171 jobs (14%) from the June 2019 level, while spectator sports, aided by winning teams and located in a remote, auto-dependent area of the city, had increased by 913 (41%). Employment at museums and historical sites declined by 293 (12%) over the same period. Hotel employment, including jobs at casino hotels, had increased by 583 (8%), while restaurant and bar employment was down by 6%, likely impacted by the decrease in business and take-out lunches.

Occupancy data for Center City hotels helps extend trend lines in this sector into the fall (Figure 5). **For the 57 properties located between Vine and Pine streets, river to river, the occupancy rate for their total 13,200 rooms reached 72.8% in October, a post-2020 peak**, and five percentage points above October 2022 with the average daily room rate in October at \$255, a 5% year-over-year increase, as the convention and tourism business has steadily rebounded.

Figure 5: Center City Hotels Occupancy Rate



Source: STR

Figure 6: Employment Change by Industry in Center City and Neighborhoods, 2019–2021

	Center City	Outside Center City	Citywide
Office Sector			
2019	109,085	52,435	161,520
2021	107,590	52,455	160,045
Change	-1,495	20	-1,475
% Change	-1%	0%	-1%
Education and Health Services			
2019	40,973	199,819	240,792
2021	39,052	194,692	233,744
Change	-1,921	-5,127	-7,048
% Change	-5%	-3%	-3%
Retail Trade			
2019	6,940	39,857	46,797
2021	5,442	38,786	44,228
Change	-1,498	-1,071	-2,569
% Change	-22%	-3%	-5%
Accommodation and Food Services			
2019	18,959	35,311	54,270
2021	9,105	25,350	34,455
Change	-9,854	-9,961	-19,815
% Change	-52%	-28%	-37%
Arts, Entertainment, and Recreation			
2019	3,119	7,577	10,696
2021	1,832	5,754	7,586
Change	-1,287	-1,823	-3,110
% Change	-41%	-24%	-29%
All Other			
2019	56,376	96,836	153,212
2021	52,618	90,799	143,417
Change	-3,758	-6,037	-9,795
% Change	-7%	-6%	-6%
All Industries			
2019	235,452	431,835	667,287
2021	215,639	407,836	623,475
Change	-19,813	-23,999	-43,812
% Change	-8%	-6%	-7%

Source: Census Bureau, Longitudinal Employer-Household Dynamics

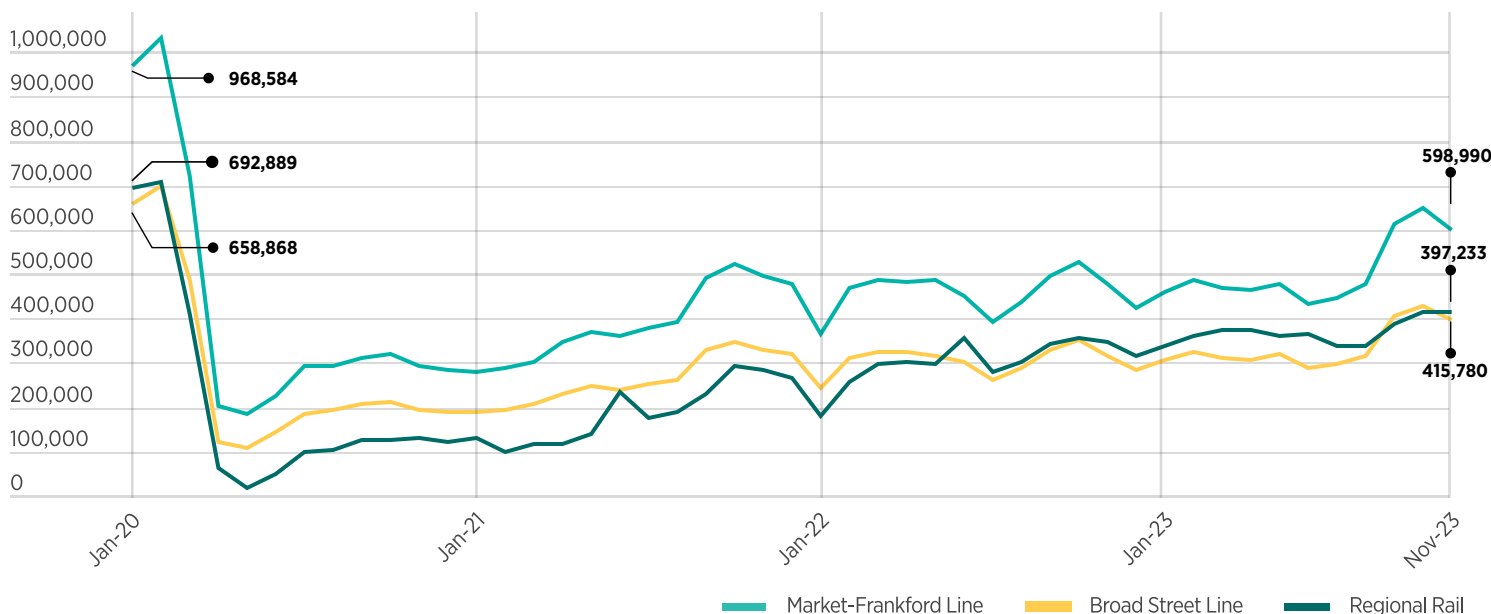
Difference Between Downtown and Neighborhoods

The Census Bureau’s Longitudinal Employer-Household Dynamics (LEHD) program enables the mapping of the location of jobs, though this data is available only through 2021. But it confirms the concentration of 35% of all Philadelphia jobs within core Center City at the epicenter of the region’s transit system and 42% of all city jobs in Greater Center City.⁴ It also documents that 24% of working city residents across all neighborhoods rely on Greater Center City for their livelihoods. At the same time however, slow job growth in the city leads **42% of all working city residents to reverse commute out of the city to secure their income.** These working residents would **see their wage tax drop from 3.75% to just 1% or 1.5%** if they find a home near their current job.

While the modest employment losses in education and health care through 2021 were evenly distributed across the city, the sectors most severely impacted by the pandemic — hotels, restaurants, stores, and cultural institutions — experienced

job losses downtown that were far more pronounced than in other parts of Philadelphia. Retail jobs within Center City (Figure 6) declined 22% from 2019 to 2021, compared to just 3% in other parts of Philadelphia, as many residents made retail purchases closer to where they were working from home. Jobs within accommodation and food services declined 52% downtown, significantly greater than the 28% loss in other neighborhoods. Employment within arts, entertainment and recreation declined 41% in Center City compared to 24% in other parts of the city. The impact of these losses downtown were also far more visible in diminished foot traffic, since visitors (convention attendees, tourists, patrons of cultural and entertainment venues, shoppers and diners) constituted 59% of all individuals in Center City in November 2019; non-resident workers made up 30% of the those present downtown, whereas residents made up only 11% (Figure 8).

Figure 7: Average Weekly SEPTA Riders: Subway & Regional Rail



Source: SEPTA Passenger Revenue and Ridership Report

SEPTA Ridership

Data from SEPTA documents plummeting ridership in spring 2020 and a steady rate of recovery since 2021 with ridership on the Market-Frankford line in November 2023 at 58% of the February 2020 level, Broad Street Line riders at 57%, and riders on the Regional Rail lines reaching 59%, quite similar to the Placer.ai data for the worker recovery rate on West Market Street and JFK Boulevard (see Figure 10).

The Market-Frankford and Broad Street lines experienced a 28% ridership increase between August and September, while Regional Rail riders increased 15%. On each of these modes, ridership has typically increased in September, but this year’s increase was unusually high. Ridership continued its upward trend in October on both subway lines and the Regional Rail system. In November, weekly average subway riders declined 8%, while Regional Rail Riders increased 0.3% to 415,780, the highest level since February 2020.

4. CCD defines the downtown core as zip codes 19102, 19103, 19106 and 19107, roughly the area from Vine to Pine, river to river, and Greater Center City as the core plus zip codes 19123, 19130, 19146 and 19147, which extend north to Girard Avenue and south to Tasker Street.

Pedestrian Vitality

Placer.ai anonymized mobile phone location data enables estimates of the average daily number of residents, workers and visitors within core Center City: Vine Street to South Street, river to river. Workers and visitors fell precipitously in March 2020, but have since recovered, with seasonal variations (Figure 8).

As of November, the average daily volume of people within Center City reached 371,900, 83% of the November 2019 level. Residents averaged 68,190, 34% above the 2019 level, reflecting both new in-movers and reduced levels of travel by Center City residents for business and leisure. Non-resident workers who were physically present within Center City averaged 97,012 per day in November, 73% of the 2019 level, while visitors, the largest component of the downtown population, reached 206,714, 79% of the November 2019 estimate.

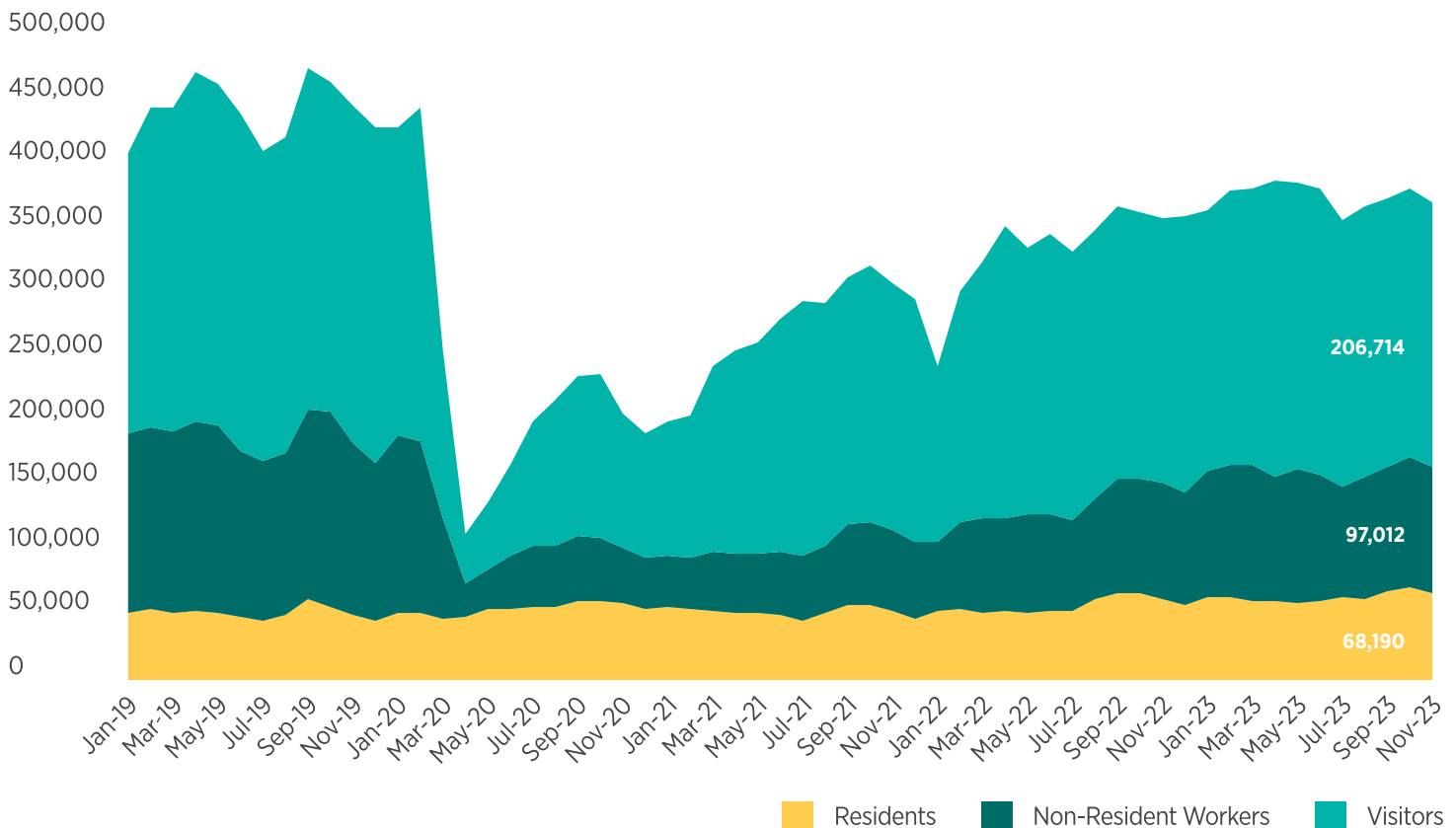
To measure return to office, CCD also monitors Placer.ai estimates of the workers present within the West Market office district, the area from City Hall to the Schuylkill River, from Ludlow Street to JFK Boulevard, with the addition of the triangular area from JFK to the Benjamin Franklin

Parkway between 16th and 19th streets. Within this area, the average number of *non-resident workers* on weekdays averaged 27,700 in November, a 9% decline from October, likely reflecting the impact of the Thanksgiving holiday. But the November average was 59% of pre-pandemic levels and 29% higher than November 2022. If individuals who both live and work within core Center City are added to non-resident workers, the rate of return to office on West Market and JFK rises to 64% (Figure 10).

As of November, the average daily volume of people within Center City reached 371,900, 83% of the November 2019 level.

The differences in return to work by sector are evident in Figure 10, which highlights that the return of primarily retail workers on West Walnut Street rises to 75% while the recovery rate of hospitality, health care and retail workers on East Market Street is also 75%, and the mix of office and arts and culture employees along the Avenue of the Arts is 62%.

Figure 8: Average Daily Visits to Core Center City: Residents, Workers, and Visitors

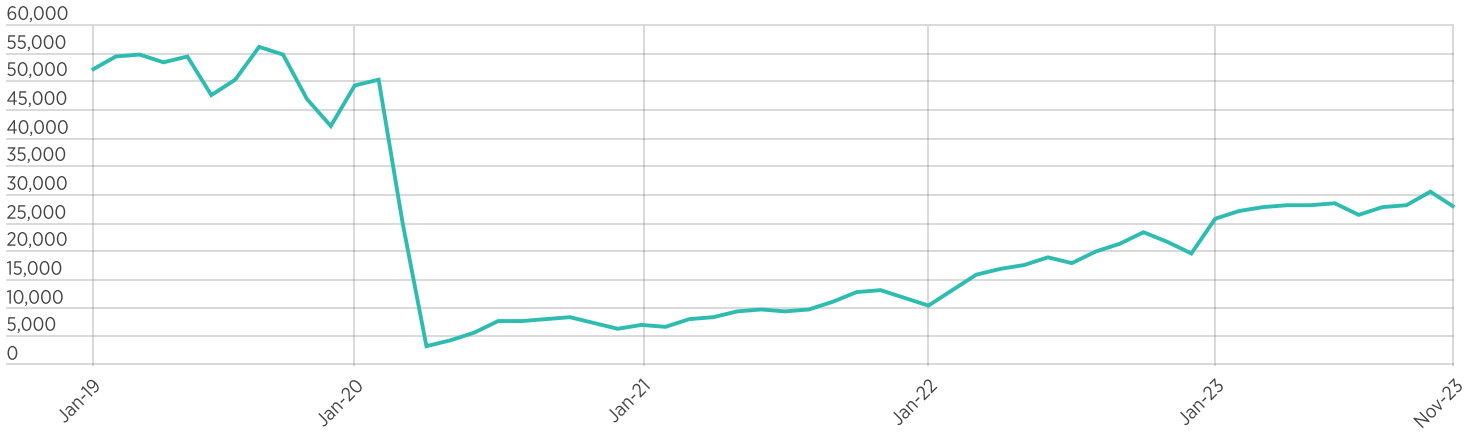


Source: Placer.ai

Conclusion

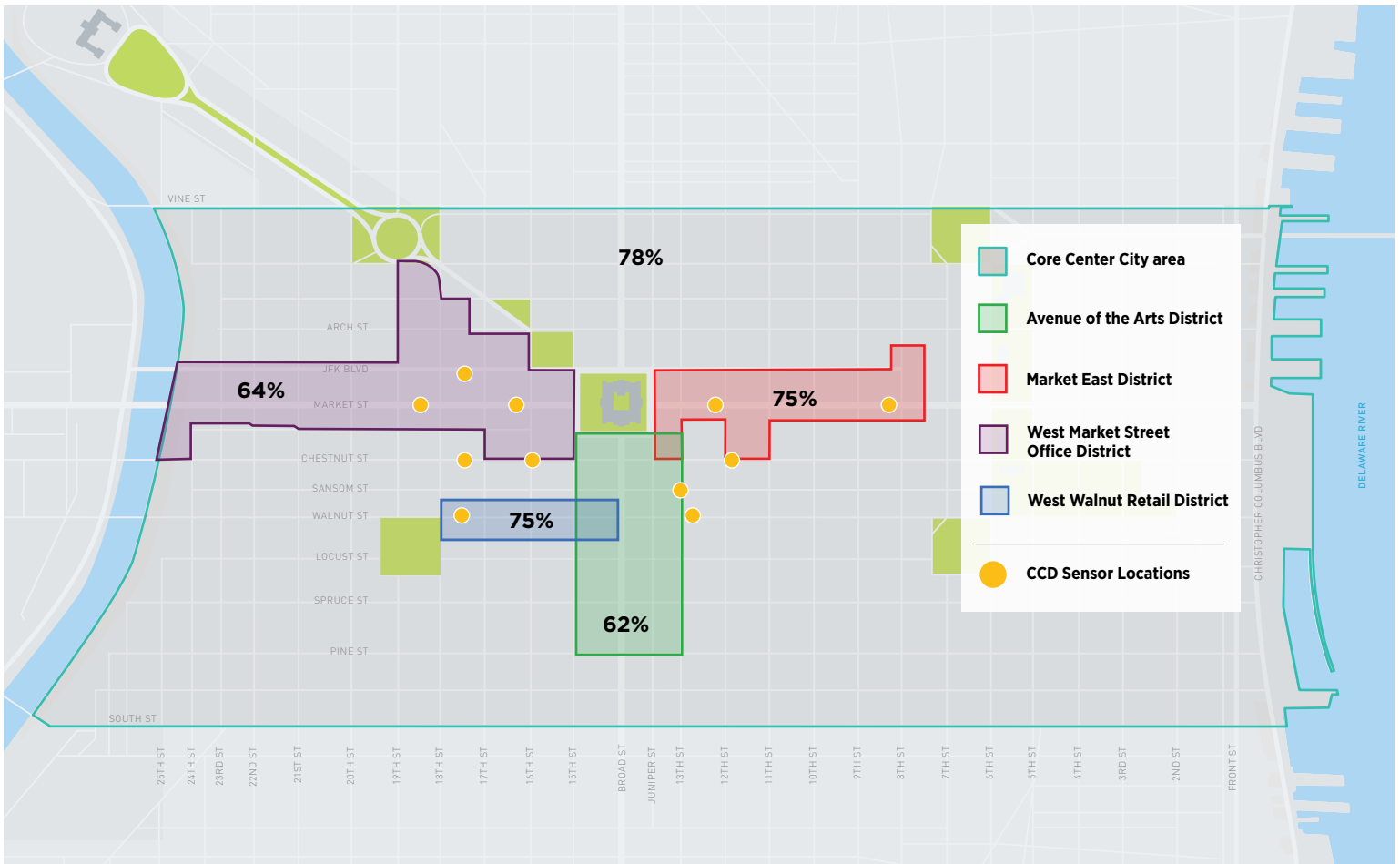
The start of a new City Administration is always an opportunity for Philadelphia to turn a new page. There are immediate challenges and opportunities waiting to be addressed. But a dominant and long-term strategic goal should be to surpass the status quo of 2019, and **by restructuring public safety programs and tax policies and, by aligning educational and vocational programs around family-sustaining career opportunities, to set this city on a new course of robust and inclusive growth.**

Figure 9: Weekday Average Daily Visits by Non-Resident Workers in the West Market-JFK Blvd. Office District



Source: Placer.ai

Figure 10: Worker Recovery Rate in the Core Center City Area



Acknowledgements: This report was researched, designed, and published by staff at the Center City District. The team includes: Paul R. Levy, President & CEO; Stephen Camp-Landis, Vice President of Research and Policy; JoAnn Loviglio, Senior Director of Communications and Publications. This document was designed by Senior Graphic Designer David Orantes.



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