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# The Impact of COVID-19 on Geographic and Industry Mobility

## INTRODUCTION

The COVID-19 pandemic has precipitated an unprecedented health and economic crisis, creating unique challenges for households and businesses. A critical question is how this may change the way Americans make important economic decisions. Morning Consult and Moody's Analytics have teamed up, conducting an in-depth survey of 5,000 adults in mid-September, to examine how the pandemic is impacting decisions over household finances, parenting, entrepreneurship, employment and moving.

# The Impact of COVID-19 on Geographic and Industry Mobility

BY JOHN LEER AND ADAM KAMINS

The COVID-19 pandemic has precipitated an unprecedented health and economic crisis, creating unique challenges for households and businesses. A critical question is how this may change the way Americans make important economic decisions. Morning Consult and Moody's Analytics have teamed up, conducting an in-depth survey[1] of 5,000 adults in mid-September, to examine how the pandemic is impacting decisions over household finances, parenting, entrepreneurship, employment and moving.

In this paper, we explore how the pandemic has affected movement across geographies, jobs and industries.

- Americans view cities less favorably as a result of the pandemic, consistent with a shift out of urban areas in recent months, but changing perceptions are mostly driven by people who currently live in suburban or rural areas.

- Highly educated young workers, particularly those that are politically liberal, still strongly prefer cities to the country, which aligns closely with those employed by the tech sector. This signals that the most influential industry of the past decade will remain foundational to regional growth.

- Respondents still tend to hold a favorable view of the geography in which they live, signaling that a continued decline in mobility is more likely than a major shift in the years ahead.

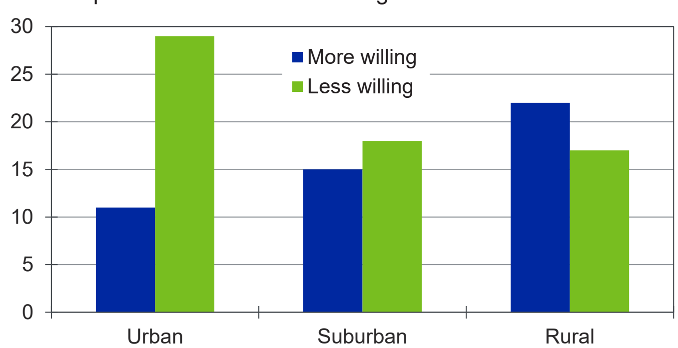
- A majority of survey respondents are unwilling to make an interstate move for a new job, a trend that coincides with the rise of remote-work arrangements.

- Unemployed workers remain confident in their prospects to find a new job and willing to switch industries, which bodes well for their prospects in the post-pandemic economy.

- Training and education are unlikely to reduce labor market mismatches or mitigate unequal employment outcomes across the skills and education spectrum since lower-skilled workers remain less willing to increase their skills.

### Chart 1: Appeal of Cities Is Diminished

% of respondents more or less willing to move to areas that are…




Sources: Morning Consult, Moody's Analytics

## Urban migration

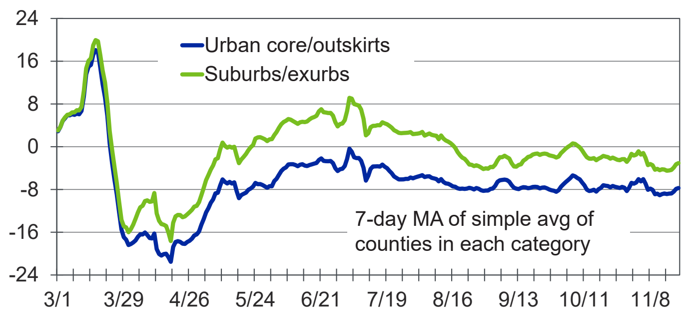
The survey collaboration between Moody's Analytics and Morning Consult provides important insights into what is taking place in cities and why. The share of respondents who indicated that the pandemic made them more likely to live in a city was 18% lower than the share who said that they were less likely to move into an urban setting. The gap was only 3% for suburban areas, while more people indicated an increased willingness to relocate to rural areas than a decrease in their openness to such a move (see Chart 1).

This is consistent with other data indicating the degree to which cities are struggling relative to less densely populated places. Moody's Analytics has previously used real-time mobility data from Google to find that activity has fallen off far more

1 A detailed description of the survey methodology and composition can be found in the appendix of the first paper in this series, "Struggling Through: Household Finances in the Pandemic": https://www.moodysanalytics.com/microsites/pandemic-economics

## Chart 2: Residents Shift Toward Suburbs

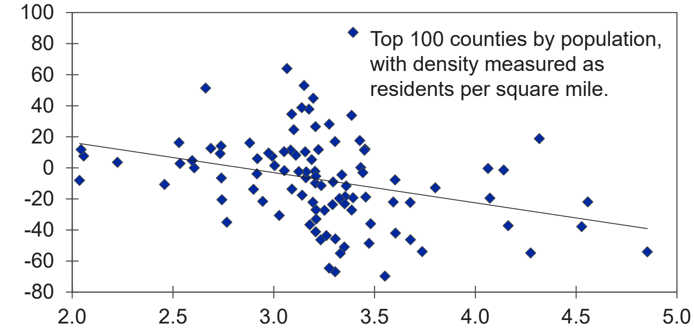
Grocery/pharmacy mobility score, % change since 1/3/20-2/6/20




Sources: Google, Census Bureau, Moody's Analytics

## Chart 3: Urban Housing Markets Take Hit

Log (resid. per sq mi) (X) vs. housing permits, Apr-Oct, % chg yr ago (Y)




Sources: Census Bureau, Moody's Analytics

dramatically in cities than it has in suburbs during the pandemic (see Chart 2).[2] And housing market figures paint a similar picture. Single-family prices keep rising, powered by strong demand and supply constraints, while condos are moving sideways in several large urban centers, especially New York City. A similar pattern is evident when looking at growth in housing permit issuance for the nation's 100 most populous counties, which shows a clear negative relationship with density (see Chart 3).

The diminished appeal of cities reflects a combination of both increased push factors and diminished pull factors. The former includes the spike in COVID-19 cases early in the pandemic and a lifestyle that makes social distancing more challenging, whether traversing crowded sidewalks or relying on public transportation. But a decline in the usual pull factors is likely to have a more lasting impact, as attractions remain closed for a time and the benefits of living close to one's office are diminished by a pickup in remote work.

### Reasons for hope

Although cities face a rough road in the coming years, reports of their demise are greatly exaggerated. For one, even though the willingness to live in urban areas has decreased, much of that decline comes from people who live outside of cities (see Chart 4). Residents of urban areas remain more willing, on net, to live in an urban area following the pandemic. This acts as a counterbalance to anecdotal evidence of urban residents moving en masse to the countryside. In fact, while 18% of urban residents said that they are more willing to live in rural areas, 23% said that they are less willing, a net willingness of -5%.

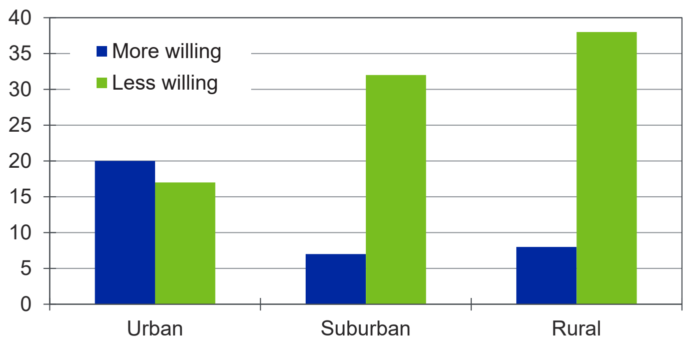
However, urban residents are not nearly as content living in an urban area as suburban and rural residents are with their respective community types. The share of suburban respondents who are more willing to live in a suburban area was 9% higher than the share who said that the pandemic has made them less willing. Rural residents were more than three times as likely to say that they were more willing to live in a rural area because of the pandemic.

In other words, the pandemic has in some ways crystallized existing attitudes about the type of area that people choose to live in. If anything, this signals a decline in mobility in the years ahead, which would be consistent with patterns that have unfolded over the past 3½ decades. According to figures from the American Community Survey, fewer than one in 10 Americans is now moving in a given year, half the rate from 3½ decades ago (see Chart 5).

2 See "COVID-19 and the City: Suburban Growth in the Age of Social Distancing," in the September 2020 Regional Financial Review.

## Chart 4: City-Dwellers Are Undeterred

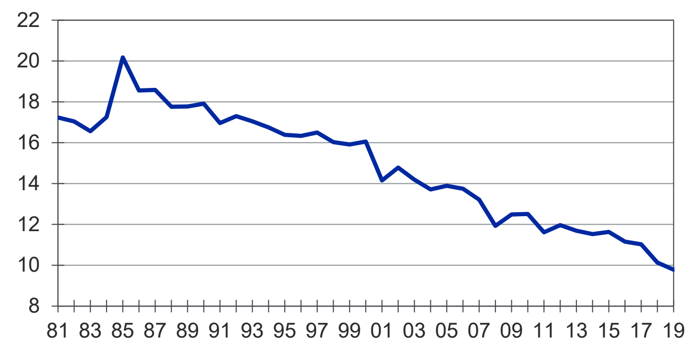
Willingness to move to urban area based on current community, %




Sources: Morning Consult, Moody's Analytics

## Chart 5: Movement Has Slowed

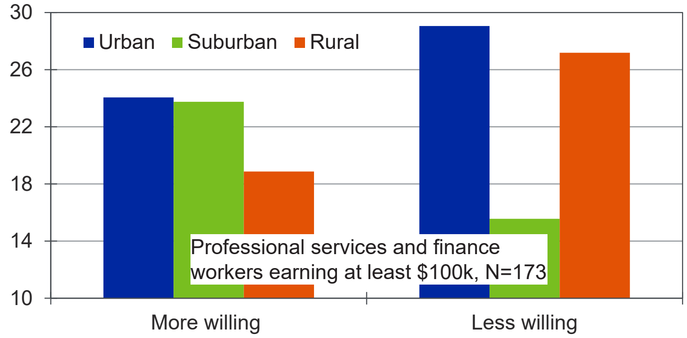
Mover rate, % of population




Sources: Census Bureau, Moody's Analytics

## Chart 6: High Earners Still Like Cities

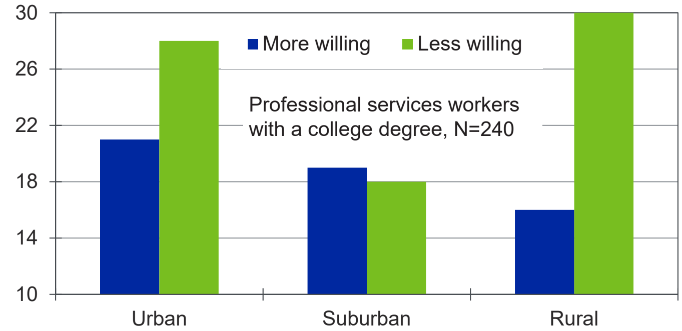
% of respondents more or less willing to relocate to areas that are…




Sources: Morning Consult, Moody's Analytics

## Chart 7: Rural Areas Repel Tech Workers

% of respondents more or less willing to move to…




Sources: Morning Consult, Moody's Analytics

Not only are city-dwellers more likely to remain than the popular narrative might indicate, but there are also heartening results when examining who will stay. Respondents between the ages of 18 and 44 across all location types seem only marginally less willing to move to cities. This signals that the demographic group that most enhances the workforce and promotes consumer spending appears willing to remain engaged with cities once life has returned to something resembling normal. Further, higher-wage workers are far more open to cities than their peers. A larger share of employees in white-collar industries earning six figures said that they are more willing to move to an urban area than those who indicated an increased willingness to move somewhere suburban or rural (see Chart 6). And among professional services employees with a college degree, many of whom are employed by tech firms, the net unfavorable rating for a move to somewhere rural due to the pandemic was far higher than it was for an urban center (see Chart 7). In other words, key demographics remain interested in congregating in big cities, and perhaps they sense an opportunity to do so more cheaply as house prices fall amid reduced demand.

The flip side of this is that older workers and retirees expressed a clear distaste for cities given the impact of COVID-19 (see Chart 8). Respondents between the ages of 45 and 64 are far more interested in moving somewhere rural than any other group. Because many members of this cohort are high earners near the pinnacle of their careers, their increased preference for suburbs and rural areas could put a dent in demand for high-end residential real estate in cities.

Meanwhile, retirees are extremely unenthused about moving to urban centers. This makes sense given the heightened vulnerability of seniors to the coronavirus. It also signals that a popular, but already-fading, narrative about retirees downsizing and moving into cities can probably be put to bed.

### Changing patterns

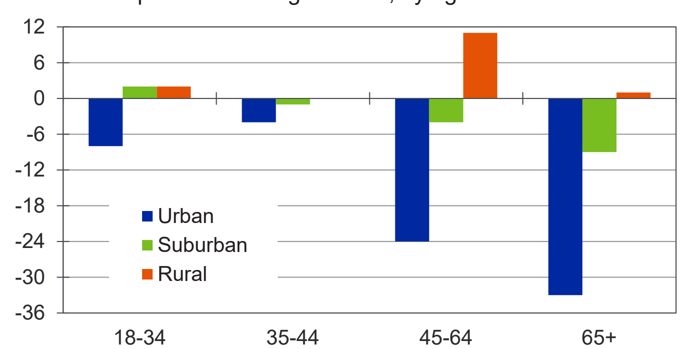
The future of cities is among the most relevant questions to come out of the pandemic, but many other changes can also be better understood based on survey results. COVID-19 has and will likely continue to change the way that people work for years. In the immediate aftermath of previous recessions, the mover rate has typically ticked up or flattened as more Americans relocated for a new job. But the rise of remote work may change that. It is possible that the disruption to incomes and operations associated with the recession does not give way to the type of people movement that is typical during a recovery.

Yet it is far from clear that hesitance to move for career reasons represents a sea change. In terms of willingness to make an interstate move for a new job, 36% of respondents were open to doing so, and a majority signaled that the pandemic has not changed their opinion. Meanwhile, more than half of respondents indicated that they have not moved over the past decade (see Chart 9). Among those that have, barely more than a quarter said the move was for work-related reasons. In other words, about one in eight Americans moved for a job in the decade preceding the pandemic. This signals that COVID-19 is not driving a change in attitude about willingness to move for a new job; instead, any hesitancy in the survey represents a continuation of the prevailing mindset of the 2010s.

Further, there is a clear divide between how different categories of workers think about mobility. Younger workers with a college degree are significantly more likely to consider moving to a new state to pursue a job (see Chart 10). This willingness diminishes sharply once respondents enter their mid-40s, presumably having

## Chart 8: Urban Areas May Turn Younger

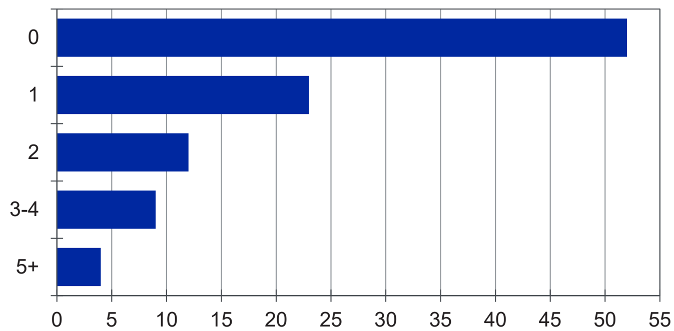
Net % of respondents willing to move, by age




Sources: Morning Consult, Moody's Analytics

## Chart 9: A Majority Have Stayed Put

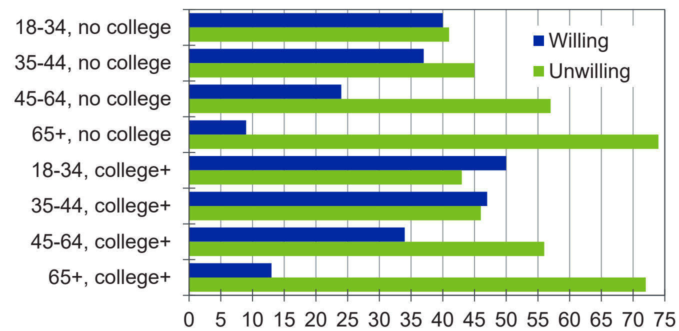
Number of moves over the past 10 yrs, % of respondents




Sources: Morning Consult, Moody's Analytics

## Chart 10: Movers Are Educated, Young

% of respondents willing to move for a new job




Sources: Morning Consult, Moody's Analytics

purchased a home, enrolled their children in school, and put down the type of roots that make moving a far bigger logistical challenge. Similarly, there is a political divide, with Republicans likely to live in the same place for a longer period of time than Democrats.

Put all of this together and there is a clear profile of those Americans who are willing to move for work. Specifically, they tend to be young, highly educated and politically liberal. This aligns closely with a typical tech worker, signaling the degree to which the most influential industry of the past decade will remain the backbone of regional economic growth.

Of course, the prevalence of remote work in that and other white-collar industries complicates matters. After all, the workers who are most willing to move are also those who altered their work habits most dramatically as a result of the pandemic. Half of workers with a post-graduate degree now work from home but did not do so before the pandemic, compared with less than 20% of noncollege graduates (see Chart 11). This shift means that a willingness to move for work may be accompanied by a reduced need to do so.

As of September, there remained a high degree of uncertainty among workers regarding when or if they would return to their offices, with 19% of workers responding that they were unsure. Even with this level of uncertainty, it looks unlikely that pre-pandemic office life will return soon, with 17% of workers indicating that they would not return to work on-site. In addition to reducing the need for individuals to move for work-related reasons, this could have a significant impact on the traditional office life ecosystem, including commercial real estate, consumer industries, and transit systems.

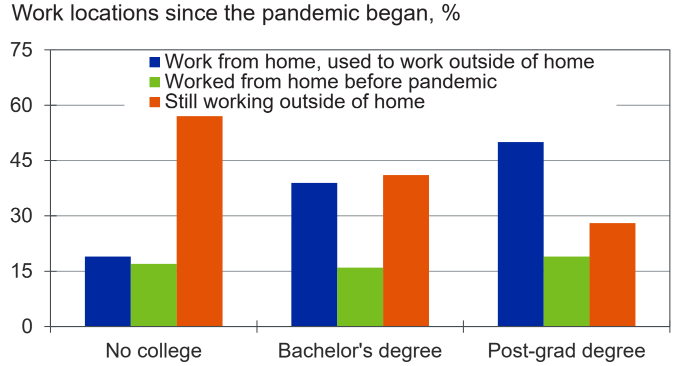
As jobs can increasingly be done from anywhere, educated young workers may flock to areas with a high quality of life and low costs that have traditionally been a hotbed for remote-working. This would provide an additional jolt to the Mountain West, where Colorado was easily the most reliant state on remote workers before the pandemic. The Southeast and Pacific Coast will also benefit, as they tend to attract residents for reasons other than work, such as weather and lifestyle (see Chart 12). The Northeast, on the other hand, faces significant struggles as lower quality of life and a more mobile workforce generally prove a troublesome combination. This will not be as pronounced a problem in the Midwest and mid-South, where a high share of manufacturing jobs require an in-person presence, making it much harder for those workers to migrate elsewhere.

### Industry mobility

In addition to geographic shifts, there are a number of medium-term ramifications for industries. The pandemic has had a profound negative effect on some industries, while

## Chart 11: Education Drives Work Locations

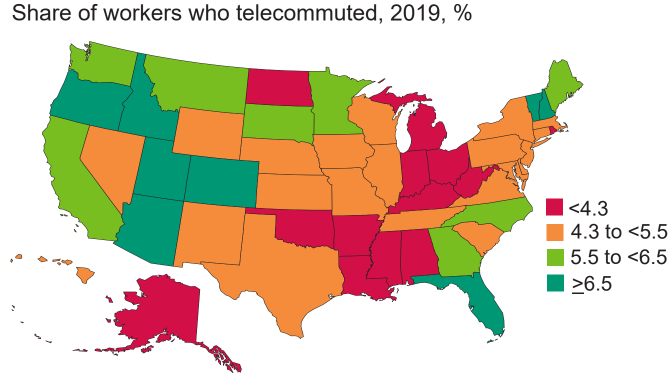
Work locations since the pandemic began, %




Sources: Morning Consult, Moody's Analytics

## Chart 12: Flexibility Will Boost West

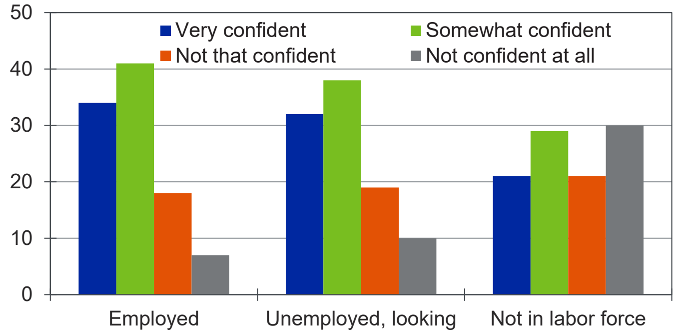
Share of workers who telecommuted, 2019, %




Sources: Census Bureau, Moody's Analytics

## Chart 13: Job Searchers Keep the Faith

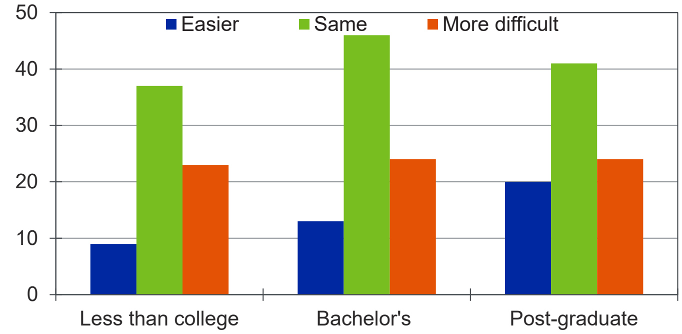
Confidence in switching industries by employment status, %




Sources: Morning Consult, Moody's Analytics

## Chart 14: Educated Workers Fare Better

Ease of finding work, % of respondents




Sources: Morning Consult, Moody's Analytics

providing a boost to others, and this level of heterogeneity means that the effects on workers differ dramatically by industry. While leisure and hospitality workers have suffered, those in higher-skilled professions are doing fairly well, and companies in those industries continue to search for talented workers even in an otherwise weak labor market. If unemployed workers lack the skills, connections or courage to leave struggling industries to find employment in thriving industries, the entire U.S. economy suffers from a skills mismatch. Over the course of the recovery, the degree to which the economy rebounds will largely be a function of the degree to which there is a mismatch between skills demanded and those that are available. And those mismatches are driven by workers' ability and willingness to switch industries and enhance their skills.

The survey results provide little evidence that unemployed workers have been or will be held back by a lack of confidence in their ability to switch industries. The share of employed and unemployed workers who have changed industries or professions at some point during their careers is roughly identical. Employed and unemployed workers are also roughly equally confident in their ability to successfully switch industries given the skills and resources they currently possess (see Chart 13). While unemployed workers are not significantly less confident in their ability to change industries, they were 20 percentage points more likely to be interested in switching industries or professions than those who were employed. Taken together, confidence and morale among unemployed respondents remained relatively strong.

The bigger difference in willingness and confidence to change industries occurs when comparing employed and unemployed workers with those who were not working and had not looked for work during the four weeks prior to the survey. These respondents conceptually correspond to Americans who are not in the labor force. Just over half of respondents in this group responded that they were not confident that they could successfully change professions with the skills they currently possess. This difference highlights the importance of keeping workers attached to the labor force during the recession. Workers who drop out of the labor force are going to have a more difficult time changing industries than those who remain in the labor force but are unemployed

### Perceptions of education

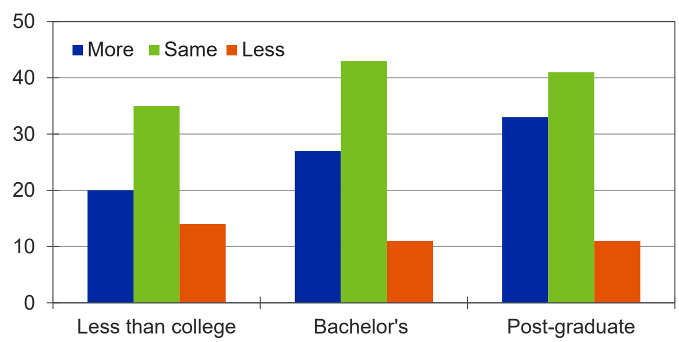
Better-educated respondents were more likely to indicate that their employment prospects improved since the onset of the pandemic (see Chart 14). The largest gap is between respondents with a post-graduate degree and those with a bachelor's degree, indicating that there remain sizable returns to education in the current economic environment. The employment outlook for 20% of highly skilled Americans has actually improved over the course of the pandemic.

Higher-educated respondents were also more likely than those with less than a college degree to say that the pandemic has made them much more interested in formal education or training (see Chart 15). On the other hand, less well-educated respondents voiced a greater degree of uncertainty regarding their desire for additional formal education in light of the pandemic. A similar knowledge or certainty gap exists when comparing the responses of employed and unemployed workers. Of unemployed workers who responded, 35% said that they do not know how workers with similar skillsets as their own in other industries are faring, compared with 17% of employed workers.

These responses indicate that education exacerbates economic and social mobility since well-educated adults have access to information that confirms the value of education for them and their children. More-ed-

## Chart 15: Educated Seek More Education

Interest in formal education/training, % of respondents




Sources: Morning Consult, Moody's Analytics ucated survey respondents experienced the career benefits of their education to a greater degree than less well-educated respondents during the pandemic, providing them with first-hand knowledge of its value. As a result, they are also more likely to believe that formal education or training is valuable to them and their careers.

## Policy implications

Housing policy will be critical to ensure that the housing stock of cities better aligns with its residents. Though an exodus from urban areas is highly unlikely, the demographic profile will likely shift. Educated young adults are the most enthusiastic about moving to or remaining in cities, while retirees and C-suite types may pivot more toward suburbs and the country. But in many big cities, a lack of affordability means an outsize reliance on older, wealthier workers. Demand for high-end condos could suffer as a result, absent price declines. It would be wise for developers to focus on the next rung or two below to cater to financially independent but less wealthy individuals. City planners might consider offering first-time homebuyer tax credits to attract young professionals and families to their cities as they look to expand their tax bases.

In addition, policymakers may consider offering incentives for the construction of additional affordable housing units to meet the needs of households across the income spectrum.

Demand for offices will likely be diminished as remote work becomes far more widespread in the aftermath of COVID-19. Combine this and respondents' hesitance to move for work-related reasons and it may be necessary to consider consolidating office space and perhaps enhancing the multifamily housing stock to attract residents to cities.

State and county governments face budgetary challenges as tax revenues have declined because of the recession, but cities are in an even more precarious situation. As urban areas lose residents, their tax bases erode, making it more difficult to invest in the infrastructure needed to attract and retain residents. This could give rise to a vicious cycle in which poor infrastructure leads to increased out-migration, lowering ridership and leading subway and bus systems to be neglected further.

Federal policy can play an important role by providing financial support to state and local governments. Even with additional federal money, state and local budgets are likely to remain stretched thin for much of 2021.

In terms of employment and industry-switching, the survey findings highlight the economic and policy challenges associated with decreases in the labor force participation rate. While the outlook for unemployed Americans is daunting right now, it is even bleaker for workers who have dropped out of the labor force, as they are far less likely to have the confidence or willingness to change industries or professions to find work.

As thousands of small businesses have closed and industries across the board have been transformed, it will be especially important for workers to be able and willing to switch industries. The longer workers remain unemployed, the harder it will be for them to find work when they decide to rejoin the labor force.

Policymakers need to focus on driving economic growth in the near term to increase demand for workers in those industries and sectors capable of safely operating for the next several months.

One of the most direct approaches to achieving short-term growth is through federal fiscal stimulus spending. By providing consumers and small businesses the financial wherewithal to spend and remain open, respectively, Congress could increase labor force participation over the next few months, thereby mitigating the long-term fallout from the pandemic.

Retraining programs will be vital to enabling the unemployed to adjust to a new labor market reality. In addition, policymakers need to focus on mechanisms for distributing information regarding the career prospects for workers across industries and with different levels of training and education. Without such a concerted effort, information barriers are likely to slow the economic recovery by preventing un- and underemployed workers from switching to more thriving industries.

## About the Authors

John Leer is an economist for Morning Consult, leading the global data intelligence company's economic research efforts. He is an authority on the effects of consumer preferences and purchasing patterns on economic and business trends as well as labor market dynamics.

Prior to Morning Consult, Leer worked for Promontory Financial Group, offering strategic solutions to financial services firms on a range of matters including credit risk modeling and management, corporate governance, and compliance risk management.

He earned his bachelor's degree in economics and philosophy with honors from Georgetown University and his master's degree in economics and management studies (MEMS) from Humboldt University in Berlin. Leer's graduate research assessed the effects of fluctuations in housing prices and credit flows on the European Commission's measure of the non-accelerating wage rate of unemployment (NAWRU). His analysis has been cited in The New York Times, The Wall Street Journal, Reuters, The Washington Post and more.

Adam Kamins is a director at Moody's Analytics. He manages the firm's U.S. subnational forecasting process and covers a wide variety of topics related to regional economics while frequently writing and presenting about both the New York and broader Northeast economies. Adam is also responsible for state and metro area scenarios, analyzing and forecasting commercial real estate prices and activity, and quantifying the impact of external events such as natural disasters. Prior to joining Moody's Analytics, Adam was a research manager at the Initiative for a Competitive Inner City, where he analyzed urban economies. He holds an MBA from the University of Chicago Booth School of Business and a bachelor's degree in quantitative economics from Tufts University.

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