

# Office-Using Employment Growth Across Cities, 2000 to 2015

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In this report, we will discuss the growth of office-using employment across metropolitan areas in the U.S. from 2000 to 2015. Office-using employment includes three major sectors: (1) information, (2) financial activities, and (3) professional and business services. Of course, some of the jobs in these sectors are not located at offices<sup>1</sup>, and some office-using jobs are not in these three sectors<sup>2</sup>. Nevertheless, we believe that a significant portion of office jobs are represented in these three sectors. Table 1 shows the sub-sectors of these three sectors in the U.S. in September 2015. The professional and business services sector accounts for 64% of office-using employment<sup>3</sup>, followed by the financial activities sector with 26% and the information sector with 9%. Table 2 displays Los Angeles County's numbers, with a notably larger information sector (19%) due to its being the hub of the entertainment industry.

So why are we focusing on office-using employment here? Figure 1 provides the answer: office-using sectors have the highest salaries for their employees. Figure 1 shows the annual average 2014 salaries of sector employees in L.A. County and in the U.S. as a whole. For L.A., the information sector pays \$105,000 on average, followed by the financial sector at \$93,590, the professional & business services sector at \$70,070, while manufacturing pays \$61,000, construction \$57,430, trade, transportation and utilities \$45,940, education & health \$42,740, and leisure & hospitality \$34,490. The total average is \$56,660. Looking at those numbers, it's clear that the growth of office-using sectors is crucial to a city's prosperity because of the high purchasing power of those employed in them.

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<sup>1</sup> For instance, in Table 1, Services to building and dwellings, i.e. janitorial services, (7% of office-using employment), and waste management and remediation services, are not employed at offices.

<sup>2</sup> For instance, in the health services sector, the ambulatory health care services, such as offices of physicians, office of dentists, offices of other health practitioners, are usually employed at specialized offices.

# OFFICE-USING EMPLOYMENT GROWTH ACROSS CITIES, 2000 TO 2015

Table 1 Office-Using Employment in the U.S. in September 2015

	2015/9 Employment (Thous.)	% of total employment	Employment growth 2000 to 2015	Employment growth 2007 to 2015
<b>Total Office-using Employment</b>	<b>30,814</b>	100%	11%	5%
<b>Information</b>	<b>2,801</b>	9%	-21%	-7%
Publishing industries, except Internet	718	2%	-29%	-20%
Motion picture and sound recording industries	391	1%	2%	2%
Broadcasting, except Internet	288	1%	-14%	-10%
Telecommunications	864	3%	-36%	-16%
Data processing, hosting and related services	300	1%	-4%	12%
Other information services	240	1%	61%	85%
<b>Financial Activities</b>	<b>8,156</b>	26%	5%	-2%
Credit intermediation and related activities	2,576	8%	0%	-8%
Securities, commodity, investments, funds and trusts	907	3%	11%	0%
Insurance carriers and related activities	2,560	8%	8%	6%
Real estate	1,525	5%	16%	2%
Rental and leasing services	547	2%	-17%	-14%
Lessors of nonfinancial intangible assets	23	0%	-16%	-17%
<b>Professional &amp; Business Services</b>	<b>19,857</b>	64%	21%	10%
<b>Professional and technical services</b>	<b>8,698</b>	28%	33%	11%
Legal services	1,125	4%	6%	-4%
Accounting and bookkeeping services	1,015	3%	18%	5%
Architectural and engineering services	1,428	5%	18%	-1%
Specialized design services	138	0%	8%	-4%
Computer systems design and related services	1,890	6%	57%	33%
Management and technical consulting services	1,315	4%	105%	32%
Scientific research and development services	655	2%	30%	7%
Advertising and related services	496	2%	2%	5%
Other professional and technical services	636	2%	40%	10%
<b>Management of companies and enterprises</b>	<b>2,232</b>	7%	25%	17%
<b>Administrative and waste services</b>	<b>8,927</b>	29%	10%	7%
Office administrative services	480	2%	83%	20%
Facilities support services	135	0%	42%	-1%
Employment services	3,589	12%	-5%	5%
Business support services	916	3%	18%	11%
Travel arrangement and reservation services	200	1%	-32%	-12%
Investigation and security services	891	3%	29%	12%
Services to buildings and dwellings	2,006	7%	28%	8%
Other support services	310	1%	3%	-4%
Waste management and remediation services	399	1%	29%	11%

Source: Bureau of Labor Statistics

OFFICE-USING EMPLOYMENT GROWTH ACROSS CITIES, 2000 TO 2015

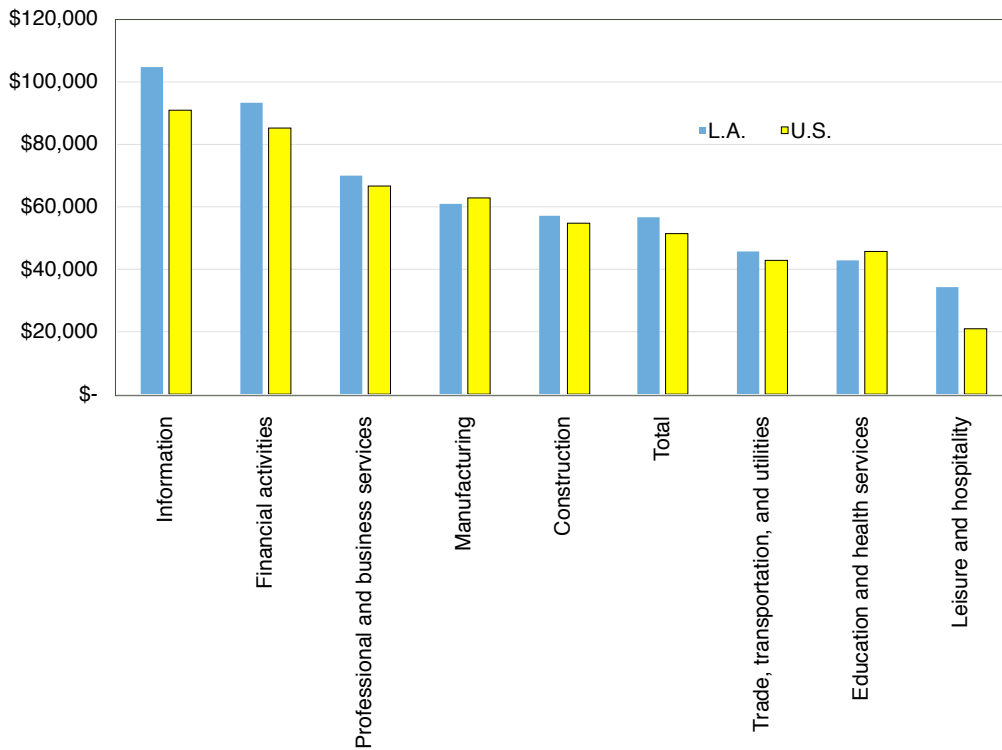
Table 2 Office-Using Employment in Los Angeles County in September 2015

		Employment	% of total employment	Growth from 2000 to 2015
SS-NACIS	<b>Total Office-using Employment</b>	<b>1,028,400</b>	100%	
50-000000	<b>Information</b>	<b>194,600</b>	18.9%	-21%
50-511000	Publishing Industries (except Internet)	14,500	1.4%	-40%
50-511100	Newspaper, Periodical, Book & Directory Publishers	7,800	0.8%	-55%
50-512000	Motion Picture & Sound Recording	117,700	11.4%	-16%
50-515000	Broadcasting (except Internet)	21,300	2.1%	8%
50-515100	Radio & Television Broadcasting	16,700	1.6%	23%
50-515200	Cable & Other Subscription Programming	4,600	0.4%	-25%
50-517000	Telecommunications	24,400	2.4%	-38%
50-518000	Data Processing, Hosting & Related Services	5,900	0.6%	-39%
55-000000	<b>Financial Activities</b>	<b>208,200</b>	20.2%	-7%
55-520000	Finance & Insurance	130,500	12.7%	-12%
55-522000	Credit Intermediation & Related Activities	62,200	6.0%	-6%
55-522100	Depository Credit Intermediation	40,200	3.9%	-14%
55-522200	Nondepository Credit Intermediation	11,800	1.1%	-5%
55-522300	Activities Related to Credit Intermediation	10,200	1.0%	42%
55-523000	Securities, Commodity Contracts & Investments	25,100	2.4%	1%
55-524000	Insurance Carriers & Related	43,100	4.2%	-22%
55-524100	Insurance Carriers	18,600	1.8%	-36%
55-524200	Agencies, Broker, & Other Insurance Related Act	24,500	2.4%	-5%
55-530000	Real Estate & Rental & Leasing	77,700	7.6%	5%
55-531000	Real Estate	58,400	5.7%	19%
55-531100	Lessors of Real Estate	17,100	1.7%	-16%
55-531200	Offices of Real Estate Agents & Brokers	12,600	1.2%	20%
55-531300	Activities Related to Real Estate	28,700	2.8%	58%
55-539999	Real Estate and Rental and Leasing - Residual	19,300	1.9%	-23%
60-000000	<b>Professional &amp; Business Services</b>	<b>625,600</b>	60.8%	4%
60-540000	Professional, Scientific & Technical Services	288,500	28.1%	26%
60-541100	Legal Services	49,400	4.8%	6%
60-541200	Accounting, Tax Preparation & Bookkeeping Services	41,700	4.1%	26%
60-541300	Architectural, Engineering & Related Services	37,700	3.7%	27%
60-541500	Computer Systems Design & Related Services	29,400	2.9%	5%
60-541600	Management, Scientific & Technical Consulting Services	58,900	5.7%	138%
60-541700	Scientific Research & Development Services	17,600	1.7%	31%
60-541800	Advertising & Related Services	25,800	2.5%	0%
60-550000	Management of Companies & Enterprises	60,800	5.9%	-30%
60-560000	Administrative & Support & Waste Services	276,300	26.9%	-2%
60-561000	Administrative & Support Services	267,200	26.0%	-3%
60-561300	Employment Services	115,600	11.2%	-15%
60-561400	Business Support Services	16,000	1.6%	-11%
60-561500	Travel Arrangement & Reservation Services	8,300	0.8%	-38%
60-561600	Investigation & Security Services	52,900	5.1%	25%
60-561700	Services to Buildings & Dwellings	41,500	4.0%	2%

Source: California Employment Development Department

# OFFICE-USING EMPLOYMENT GROWTH ACROSS CITIES, 2000 TO 2015

Figure 1. Annual Salaries by Sector in Los Angeles County and the U.S. in 2014



Source: *Quarterly Census of Employment and Wages*

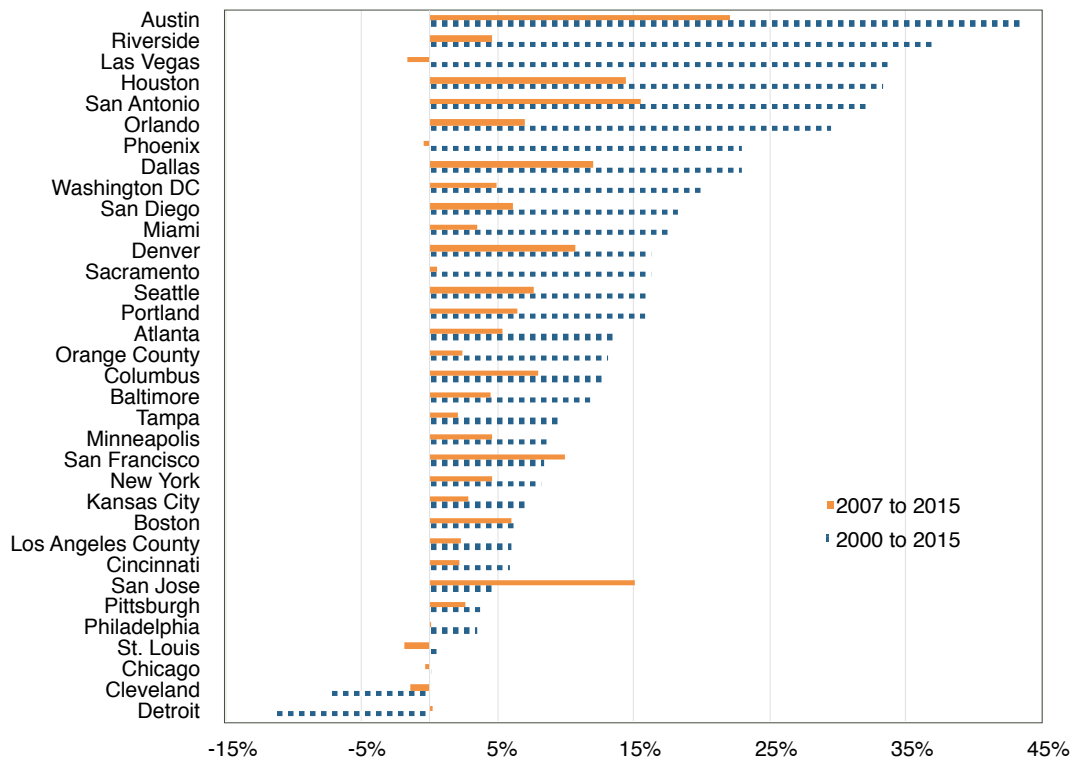
## Total Employment Growth Across Cities

Figure 2 displays the total nonfarm payroll employment, seasonally adjusted, from December 2007, the pre-Great Recession peak, to September 2015 (orange bar) and from January 2000 to September 2015 (blue-dash bar) for 33 metropolitan statistical areas (MSAs), including L.A. County and Orange County. In the last eight years, we can see that Austin, San Antonio, Houston, San Jose (Silicon Valley), and Dallas are leading in terms of job growth. Going back to 2000, we can see Austin, Riverside (Inland

Empire), Las Vegas, and Houston are doing the best overall at creating jobs.

In contrast, Detroit, Cleveland, Chicago, and St. Louis are not successfully creating jobs in this period. L.A. has seen 2% job growth from 2007 to 2015 and 6% since 2000. It is worth noting that for L.A. the top two job growth sectors during these periods are education and health services and leisure and hospitality. As shown in Figure 1, these two sectors have the lowest wages.

Figure 2. Total Nonfarm Payroll Employment Growth Rate, 2007 to 2015 and 2000 to 2015



Source: Bureau of Labor Statistics

### Office-Using Employment Growth Across Cities

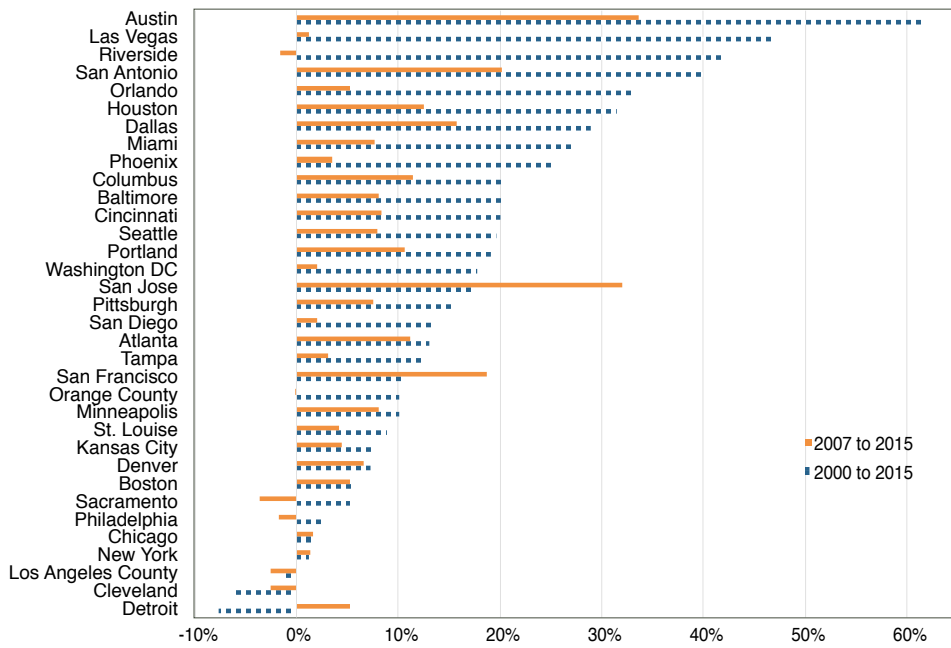
So how are L.A. and other cities faring for office-using jobs during these periods? The short answer for L.A. is not well. Figure 3 presents the office-using job growth from 2007 to 2015 and 2000 to 2015 for major metros in the U.S. During the post-Great Recession period, 2007 to 2015, Austin (at 34%), San Jose (32%), San Antonio (20%), San Francisco

(19%), and Dallas (16%) have seen robust office-using job growth<sup>4</sup>. In contrast, Sacramento (-4%), Philadelphia (-2%), L.A. (-3%) and Cleveland (-3%) still have not recovered to their pre-Great Recession peaks in 2007. If we look at the period of 2000 to 2015, L.A. (at -3%), Cleveland (-6%), and Detroit (-8%) are the only three areas with negative office-using job growth.

<sup>4</sup> There are many oil industry related companies' headquarters in Texas metros, such as Houston and Dallas. Those employment in headquarters are in fact office-using employment. But they are categorized by Bureau of Labor Statistics in the mining sector.

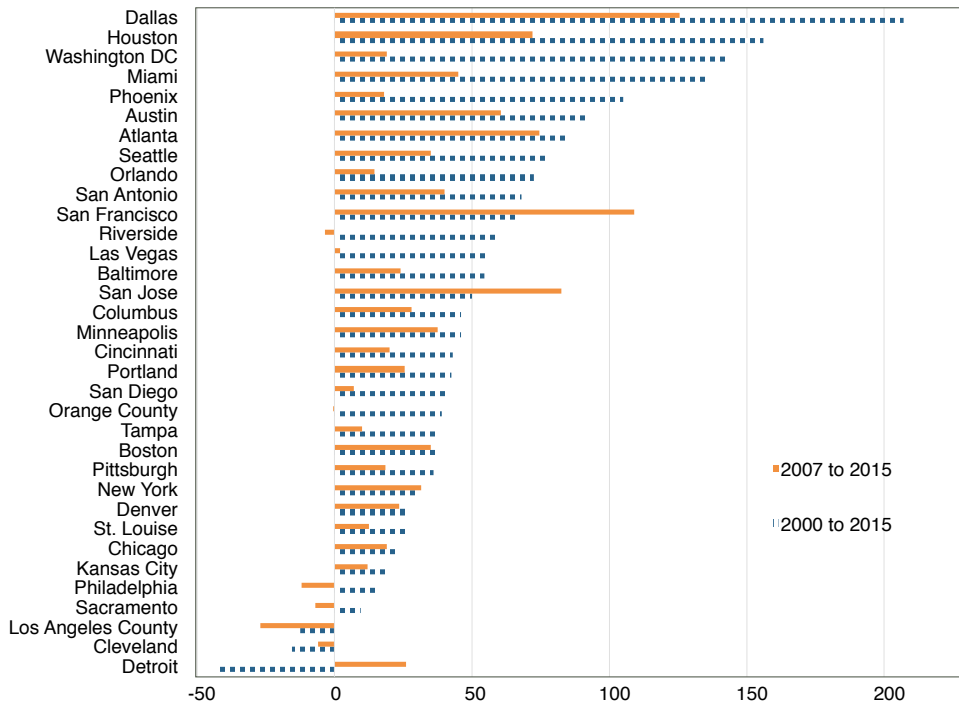
# OFFICE-USING EMPLOYMENT GROWTH ACROSS CITIES, 2000 TO 2015

Figure 3. Office-Using Employment Growth Rate, 2007 to 2015 and 2000 to 2015



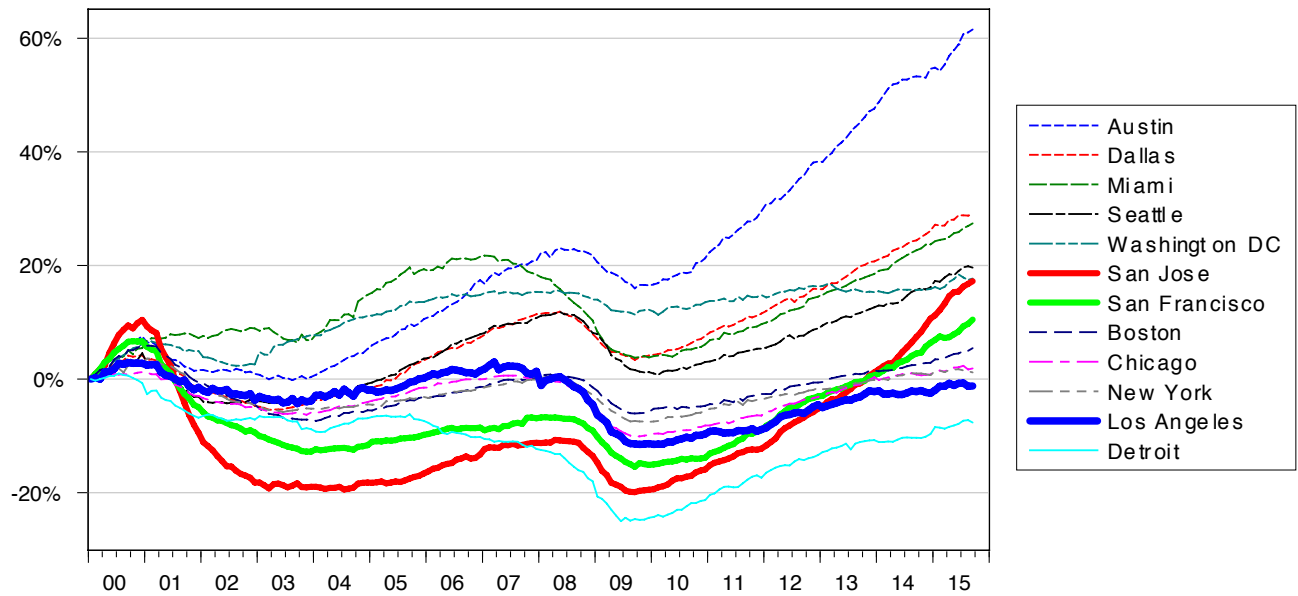
Source: Bureau of Labor Statistics

Figure 4. Office-Using Employment Growth, 2007 to 2015 and 2000 to 2015, (Thous. Jobs)



Source: Bureau of Labor Statistics

Figure 5. Office-Using Employment Percentage Change Since 2000



Source: Bureau of Labor Statistics

Figure 4 shows the office-using job growth during the two periods. From 2007 to 2015, Dallas created 125,000 office-using jobs, San Francisco created 109,000, and San Jose, 82,000 jobs. From 2000 to 2015, the cities with the most office jobs created are Dallas (207K), Houston (156K), Washington DC (143K), Miami (137K), and Phoenix (105K). On the other hand, L.A. lost 27,000 office-using jobs from 2007 to 2015. Detroit, despite being the biggest office-job loser between 2000 and 2015, has seen 26,000 new office jobs since 2007.

Figure 5 illustrates the dynamics (percentage change since January 2000) of office-using employment across 12 major metros. We can see Austin is the off-the-chart leader in job growth. San Jose and San Francisco have the most dramatic swing of office-using jobs, while L.A.'s jobs are less volatile. The Bay Area lost a tremendous number of jobs after the dot-com bubble burst but have regained their vibrancy due to the recent high-tech boom.

### Information Sector Employment Growth Across Cities

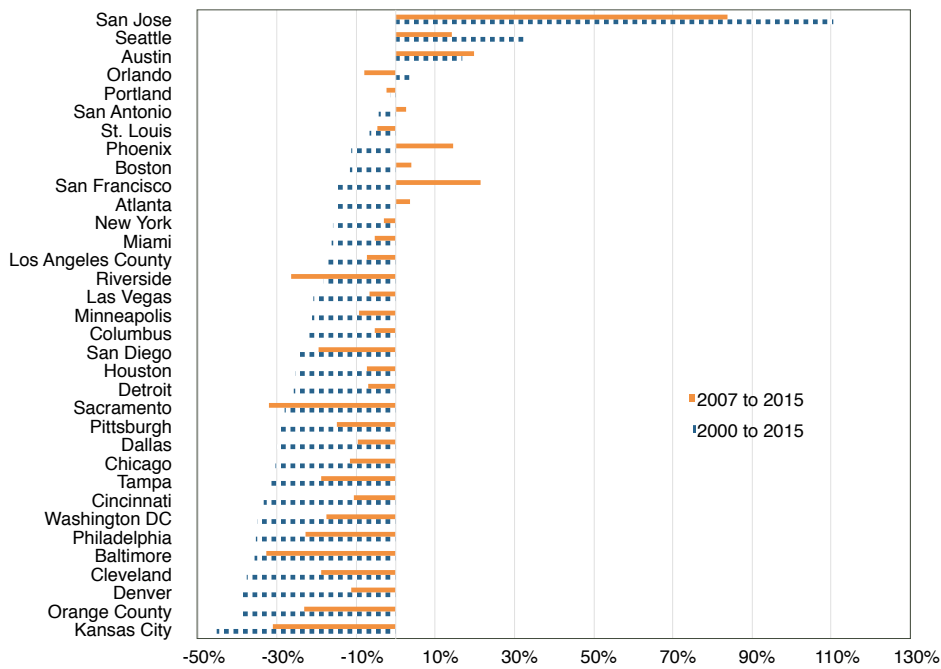
Figure 6 shows the information sector employment growth during the periods 2007 to 2015 and 2000 to 2015. We see that San Jose, San Francisco, Austin, Seattle, and Phoenix have the highest job growth in the information sector in the 2007 to 2015 period. It is shocking to see that most of the cities (30 out of 34) have lost information sector jobs over the 2000 to 2015 period, but it also seems inevitable since the progress of information technology has eliminated and replaced many human jobs in the publishing, newspaper, and telecommunication sectors also detailed in Table 1.

### Financial Activities Sector Employment Growth Across Cities

Figure 7 shows the financial activities sector employment growth during the periods 2007 to 2015 and 2000 to

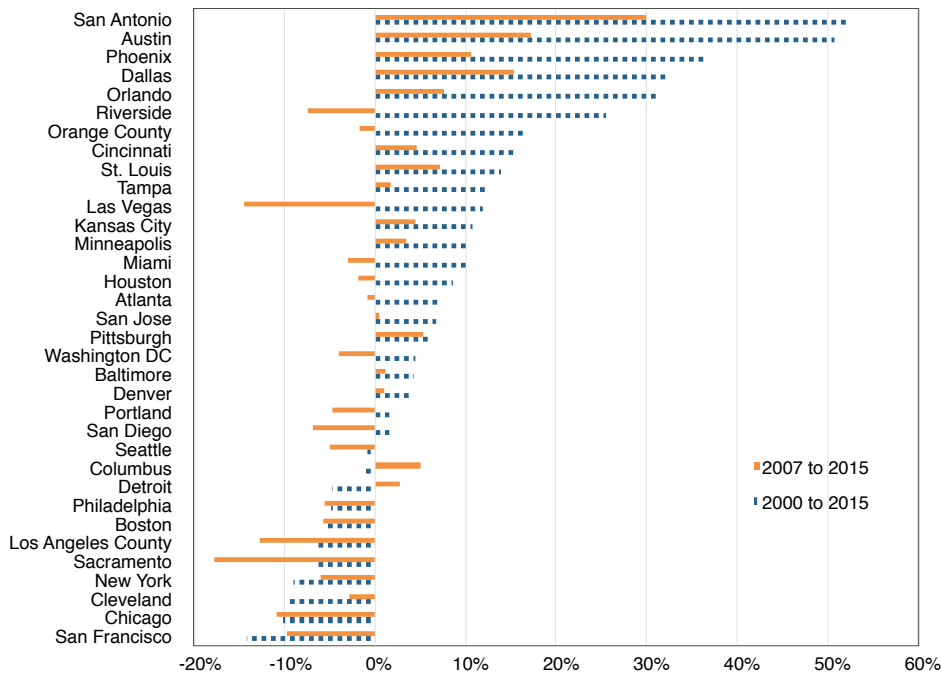
# OFFICE-USING EMPLOYMENT GROWTH ACROSS CITIES, 2000 TO 2015

Figure 6 Information Sector Employment Growth Rate, 2007 to 2015 and 2000 to 2015



Source: Bureau of Labor Statistics

Figure 7 Financial Sector Employment Growth Rate, 2007 to 2015 and 2000 to 2015



Source: Bureau of Labor Statistics



2015. Low-cost cities, such as San Antonio, Austin, Phoenix, Dallas, and Orlando have been doing well over the past 16 years. In contrast, traditional financial centers such as San Francisco, New York, Chicago, Los Angeles, and Boston have all lost jobs, mostly after the financial crisis of 2007.

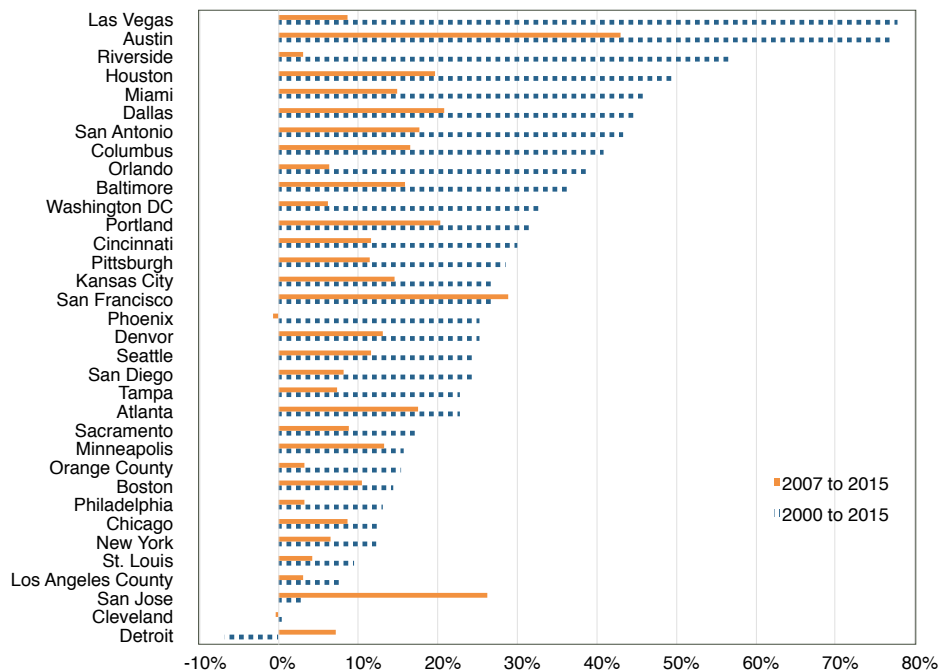
Professional and Business Services Sector  
Employment Growth Across Cities

Figure 8 shows the professional and business services sector employment growth during the periods 2007 to 2015 and 2000 to 2015. Most cities have seen positive job growth in this sector over the past 16 years. From 2007 to 2015, Austin, San Francisco, San Jose, Dallas, and Portland have

had higher growth than other cities. Although L.A. has had positive growth in this sector, it is ranked in the bottom four in terms of growth rate between 2000 and 2015.

Anderson Forecast senior economist, David Shulman, predicted the office space demand trend nationwide, in which he suggested that the technology sector employment would be strong, and the financial activities employment would be weak in his 2012 article, “An Uneasy Look at Office Space Demand” at UCLA Economic Letter.<sup>5</sup> In retrospect, what he predicted has proven correct.

Figure 8. Professional and Business Services Employment Growth Rate, 2007 to 2015 and 2000 to 2015



Source: Bureau of Labor Statistics

3 See [http://www.anderson.ucla.edu/Documents/areas/ctr/ziman/UCLA%20Economic%20Letter\\_Skulman\\_12-17-12.pdf](http://www.anderson.ucla.edu/Documents/areas/ctr/ziman/UCLA%20Economic%20Letter_Skulman_12-17-12.pdf)

### Conclusions

In summary, we can see a disparity in office-using employment across cities in the last eight years (as shown in Figure 3). Some of the most dynamic growth comes out of San Jose and San Francisco, fueled by the recent high-tech boom. However, if history is any guide (see Figure 5), the Bay Area tends to have volatile employment cycle due to the boom-bust cycles of the high-tech industry.

Another set of interesting numbers comes from Texas. Austin, San Antonio, Dallas, and Houston are all seeing robust office-using employment growth. It seems not a coincidence that they are all in the same state. There are three possible reasons for their high growth rate: (1) the oil boom, (2) the low cost of living, or (3) the friendly environment for

business. But now that the oil industry's strength is waning due to plunging oil prices, we will soon be able to tell how much the Lone Star State's cities past success depended on the oil boom.

The three biggest cities in the country – New York, Los Angeles, and Chicago – have seen lower growth in office-using employment over the past 8 and 16 years compared to most other major cities in the U.S. One of the reasons is that these three cities, which are major financial centers, lost a significant number of jobs during the financial crisis.

Due to the higher wages of the sector, office-using employment has become the backbone of city economies in the U.S. The resilience of these sectors will help cities to achieve shared prosperity in the 21st century.