

THE ROAD TO ECONOMIC RECOVERY

Massachusetts is a desirable place for employers because it provides access to top talent.
Will work from home threaten that?



60%

OF MASSACHUSETTS
EMPLOYERS
CONSIDERING MOVING
OR EXPANDING
OUT-OF-STATE REMOTE
WORK POST-COVID



43%

OF MASSACHUSETTS
RESIDENTS HOLD A
BACHELOR'S DEGREE OR
HIGHER

The COVID pandemic created a warp-speed acceleration for employers to adopt more widespread work from home. Multiple recent surveys show that post-pandemic, about 60 percent of employers are expecting to increase the share of work that's performed remotely.¹ The trend towards expanded remote work should raise antennae in Massachusetts because talent – which drives the state's economy – could be on the move.

Historically, the Commonwealth has had an advantage over other states in competing for employers because of the high-quality talent that lives here. In Massachusetts, 43 percent of residents hold a Bachelor's degree or higher, the highest of any state.² Boston ranked 5th in the world for quality of talent, and 3rd in the U.S. in the 2020 [Global Talent Competitiveness Rankings](#).

However, the Commonwealth's talent advantage is based on a world that requires employers and employees to be physically near each other. With the talent pool no longer restricted by physical proximity, employees do not need to live in the region and employers do not have to be located here to access our talent. One executive remarked that they no longer need to hire only in Boston or require people they do hire to relocate to Boston.

Executives recognize their talent pool has expanded exponentially, and employees are finding they have more flexibility to move, too.

A workforce and employer community with more mobility can impact both the state economy and its budget. Many of the jobs eligible for remote work are higher-paying, which often support lower-paying jobs throughout the economy. The effects of a shift in workforce is already readily apparent in employment centers. In Boston, for example, employment rates for workers earning less than \$27,000 had decreased by 27 percent from January 2020 to September 2020.³

Massachusetts, and the Boston region specifically, may be at greater risk for a talent loss than other states and cities. By October, 46 percent of Massachusetts respondents to a weekly [US Census survey](#) said someone in their household worked from home, compared to 35 percent nationally. Among major cities, Boston's 50 percent of respondents with a household

¹ Massachusetts Competitive Partnership, 8/26/20, [100 Business Survey: COVID-19 Remote Work](#).

² U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates: *Educational Attainment*, Table S1501.

³ Opportunity Insights Economic Tracker, accessed 11/5/20, see *The Economic Impacts of COVID-19: Evidence from a New Public Database Built from Private Sector Data* and <https://tracktherecovery.org>

THE ROAD TO ECONOMIC RECOVERY

member working from home is the third highest, behind only Washington, DC and San Francisco.⁴ Furthermore, for Massachusetts there is an added risk of employee loss because mobility increases with educational attainment.⁵

The incentive for employers to stay in a high cost region like Massachusetts weakens when they do not need talent right outside their door. The same applies to employees – there is less need to stay in a high cost region if they can relocate and still have a good quality of life. To ensure Massachusetts remains a place for both employers and employees, policymakers should consider the following recommendations:

Prioritize business and talent retention

Businesses may be more sensitive to policies that create new state or local regulatory burdens now that it is easier and faster than ever to move locations, and this should be top of mind for policymakers.

Capitalize on Gateway Cities

Remote work can drive in-state moves as well as out of state ones. In-state mobility creates an opportunity for the Gateway Cities to attract new residents because they offer more affordable housing for workers. The allocation of \$5 million for a pilot to support market rate housing construction in this year's economic development legislation (H4879/S2842), for example, is one way to support growth in Gateway Cities with the added benefit of increasing the housing supply.

Single Sales Factor

The state's current corporate tax apportionment – the way a multi-state business allocates its income to Massachusetts for tax purposes – relies on three factors: sales, property, and personnel (the calculation places double weight on sales).

Switching to a single sales factor apportionment – which would allocate income to the state only based on sales – would modernize the state's apportionment formula to reflect employee mobility. Where employees work would no longer be a factor in determining how much income is allocated to Massachusetts. Instead, the apportionment formula would account for the business the company conducts in the state.

Furthermore, the existing approach penalizes those businesses that do maintain significant operations in Massachusetts compared to their out-of-state peers. The income they apportion to Massachusetts, which serves as their tax base, is higher because they have employees based in the state. That penalty comes into sharper focus now that companies have the capability for a significant remote workforce.

⁴ U.S. Census Bureau Household Pulse Survey, Week 16 (Sept 30 - Oct 12). *Transportation Table 1. Teleworking during the Coronavirus Pandemic, by Select Characteristics.*

⁵ Current Population Survey – Annual Social and Economic Supplement, Geographic Mobility 2018-2019, Table 1.