

# Growth Returns, Now Make It Last



# GROWTH RETURNS, NOW MAKE IT LAST

*"You cannot run away from weakness; you must some time fight it out or perish; and if that be so, why not now, and where you stand?"*

Robert Louis Stevenson

**T**he fortunes of the Virginia Beach – Norfolk – Newport News Metropolitan Statistical Area ("Hampton Roads") are seemingly written in other places. Presidents and Congresses come and go yet their budgetary decisions shape the economic fortunes of the region. A pivot in national security strategy, plans to retire ships and aircraft to invest in new systems, and the fortunes of war in other places influence how many soldiers, sailors, airmen, and Marines are stationed in Hampton Roads and, consequently, how many dollars flow into the region. While defense spending is considered one of the three pillars of the regional economy, it is first among equals.

For years, the word "diversification" appeared anathema to many in Hampton Roads. Why endanger the proverbial goose that lays the golden egg by suggesting that the region was less interested in its role in the security of the nation? However, as Hampton Roads' fortunes ebbed and flowed due to decisions in Washington, DC, there was a growing realization that the region could "have its cake and eat it too." Diversification of Hampton Roads' economic base was no longer a luxury for consideration; it was essential to lift the pace of economic growth for the remainder of the decade and beyond.

**There is some good news to report. The region continues to gain population, albeit slowly compared to its peer and aspirant metro areas. A record number of residents were at work or looking for work in 2023. A record number of the region's residents reported they were employed in 2023. Unemployment in the region hovered near pre-pandemic lows. The number of jobs continued to recover from the depths of the 2020 economic shock, and we expect a complete recovery in jobs in the latter half of 2023. Economic growth sharply rebounded from the declines of 2020, and we forecast growth to continue in 2023.**

We would be remiss, of course, if we did not note that challenges remain. Even with improving economic fortunes, Hampton Roads' economic performance lags many of its peer and aspirant metropolitan areas. Finding the right talent at the right time continues to limit employers' ability to expand. Housing remains relatively expensive in the region when compared to incomes. Building regional collaboration and eliminating administrative duplication across jurisdictions continues to be a slow process (but progress is being made). The potential is there for a stronger, more resilient region, growing alongside its peers and, if we dare, leading its competitors into the next decade.

In this chapter, we examine Hampton Roads' economic fortunes in 2022. We dive into the question of whether Hampton Roads' population has grown over the last decade. We look at measures of economic growth and ask how the region may fare for the remainder of 2023. We then examine the region's recovery with respect to its civilian labor force, individual employment, and jobs. We find a recovery that is, for all intents and purposes, complete. The challenge now is to accelerate economic growth in the region and, when that is accomplished, sustain the accelerated pace to match that of our peer and aspirant regions.

The Office of Management and Budget (OMB) defines a Core-Based Statistical Area (CBSA) as a geographical region anchored by an urban center of at least 10,000 residents plus adjacent counties that have socioeconomically integrated with the urban center through commuting ties.<sup>1</sup> The OMB has two categories of CBSAs: Metropolitan Statistical Areas and Micropolitan Statistical Areas. Metropolitan Statistical Areas (MSAs) have at least one urbanized area with a population of 50,000 or more residents. The Virginia Beach – Norfolk – Newport News Metropolitan Statistical Area (MSA) (Hampton Roads) is one of 384 MSAs in the continental United States.

The Virginia Beach – Norfolk – Newport News MSA consists of the independent cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The counties included in the MSA are Camden County (North Carolina), Currituck County (North Carolina), Gates County (North Carolina), Gloucester County, Isle of Wight County, James City County, Mathews County, Southampton County, and York County. Where possible, we will present data using the new definition of the Hampton Roads MSA; however, some agencies and departments, including the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA).

## Population Growth, Slowly but Surely?

One signal of economic vitality is population growth. Jobs attract people, and people attract jobs. Rapid population growth may strain public school systems, transportation infrastructure, and the capacity of local public services, but these challenges are often offset by a growing tax base, increasing revenues, and an influx of employers. On the other hand, areas with sluggish population growth and those with declining populations often observe slow to negative job growth, stagnant or declining tax bases, and mismatches between public services and the remaining population.

In 2010, the United States Census Bureau estimated there were approximately 1.72 million residents in Hampton Roads (Table 1).<sup>2</sup> By 2019, according to the U.S. Census' Population Estimates program, there were approximately 1.77 million residents in the region, 3% more than in 2010. The 2020 decennial Census "reset" the population estimates, and we estimate the 2020 population in Hampton Roads was approximately 1.8 million. The change in the population estimates between 2019 and 2020 was almost certainly due to the decennial Census and not an influx of new residents to the region. For this reason, we compare population growth from 2010 to 2019 and 2020 to 2022 as the data are consistent within these periods but not across these periods.

<sup>1</sup> <https://www.govinfo.gov/content/pkg/FR-2010-06-28/pdf/2010-15605.pdf>

<sup>2</sup> We use the population estimates program to estimate population as metropolitan level estimates are not available for 2022. We obtain estimates for each city and county in the metro area and aggregate to estimate the population. We note that the intercensal estimates are used for 2010 to 2019 and 2020 to 2022.

TABLE 1

**POPULATION AND AVERAGE ANNUAL POPULATION GROWTH  
HAMPTON ROADS, VIRGINIA, AND THE UNITED STATES  
2020-2022**

	<b>2010 Population</b>	<b>2019 Population</b>	<b>2020 Population</b>	<b>2022 Population</b>	<b>Average Annual Population Growth 2010-2019</b>	<b>Average Annual Population Growth 2020-2022</b>
Hampton Roads	1,717,306	1,768,901	1,801,090	1,806,840	0.3%	0.2%
Virginia	8,023,699	8,535,519	8,636,471	8,683,619	0.7%	0.3%
United States	309,321,666	328,239,523	331,511,512	333,287,557	0.7%	0.3%

Source: United States Census Bureau, 2022 Population Estimates. Population estimates as of July 1st of the corresponding year. Compound annual growth rate for annual average population growth estimates. Estimates for Hampton Roads aggregated from county level population estimates to ensure consistency with city and county level estimates.

The data in Table 1 show that Hampton Roads' population grew more slowly than Virginia or the nation from 2010 to 2019, and the pace of population growth has slowed in the current decade. If there is a modicum of good news, it is that the decline of the average rate of population growth in Hampton Roads this decade was much less pronounced than across the Commonwealth or the nation. However, we caution that the lower rate of population growth nationally is attributable, in some part, to the lingering impacts of the COVID-19 pandemic, so there is not much to celebrate.

Table 2 provides estimates of the population for localities in Hampton Roads for 2010, 2019, 2020, and 2022. During the previous decade, Williamsburg (1.0%), Chesapeake (1.0%), Suffolk (0.9%), Camden County (0.9%), James City County (1.4%), and Currituck County (1.8%) observed average annual rates of population growth above the national average. In this decade, a number of jurisdictions have seen their populations grow by more than 1% annually, on average, including Gloucester County (1.0%), Williamsburg (1.4%), James City County (1.7%), Isle of Wight County (1.9%), Suffolk (2.0%), Camden County (3.2%), and Currituck County (4.5%).

On the other hand, some jurisdictions in the region have shrunk over time. A number of smaller counties, including Gates County, Matthews County and Southampton County lost residents in both the last and current decades. Yet population declines have not been confined to smaller, rural counties. Portsmouth saw its population fall by an average of 0.1% last decade and 0.5% annually this decade. Newport News likewise saw population decline, on average, by 0.1% last decade and 0.5% this decade. Norfolk, whose population was essentially unchanged in the previous decade, has seen its population decline by an average of 1% annually this decade.

Virginia Beach, the largest city in the region, grew at an annual average rate of only 0.3% last decade, but the latest estimates suggest that the city has lost about 4,000 residents this decade. Chesapeake, now the second largest city in the region, continues to grow, adding roughly 3,000 residents between 2020 and 2022. Suffolk, whose population now eclipses that of Portsmouth, saw population growth accelerate from 0.9% annually during last decade to 2.0%, on average, each year from 2020 to 2022.

**TABLE 2**  
**POPULATION AND AVERAGE ANNUAL POPULATION GROWTH**  
**CITIES AND COUNTIES IN HAMPTON ROADS**  
**2020-2022**

<b>Location</b>	<b>2010 Population</b>	<b>2019 Population</b>	<b>2020 Population</b>	<b>2022 Population</b>	<b>Average Annual Population Growth 2010-2019</b>	<b>Average Annual Population Growth 2020-2022</b>
Camden County	10,009	10,867	10,407	11,088	0.9%	3.2%
Currituck County	23,674	27,763	28,401	31,015	1.8%	4.5%
Gates County	12,165	11,562	10,448	10,383	-0.6%	-0.3%
Gloucester County	36,940	37,348	38,718	39,493	0.1%	1.0%
Isle of Wight County	35,316	37,109	38,702	40,151	0.6%	1.9%
James City County	67,661	76,523	78,478	81,199	1.4%	1.7%
Mathews County	8,974	8,834	8,520	8,490	-0.2%	-0.2%
Southampton County	18,640	17,631	17,952	17,932	-0.6%	-0.1%
York County	65,222	68,280	70,228	71,341	0.5%	0.8%
Chesapeake city	223,556	244,835	249,803	252,488	1.0%	0.5%
Franklin city	8,579	7,967	8,149	8,247	-0.8%	0.6%
Hampton city	137,415	134,510	137,276	138,037	-0.2%	0.3%
Newport News city	180,888	179,225	186,033	184,306	-0.1%	-0.5%
Norfolk city	242,999	242,742	237,738	232,995	0.0%	-1.0%
Poquoson city	12,148	12,271	12,472	12,582	0.1%	0.4%
Portsmouth city	95,451	94,398	97,954	97,029	-0.1%	-0.5%
Suffolk city	84,813	92,108	94,697	98,537	0.9%	2.0%
Virginia Beach city	438,859	449,974	459,646	455,618	0.3%	-0.4%
Williamsburg city	13,727	14,954	15,468	15,909	1.0%	1.4%
Hampton Roads	1,717,036	1,768,901	1,801,090	1,806,840	0.3%	0.2%

Source: United States Census Bureau, 2019 and 2022 Population Estimates. Population estimates as of July 1st of the corresponding year. Compound annual growth rate for annual average population growth estimates.

Graph 1 illustrates the components of population change in Hampton Roads from April 1, 2020 to June 30, 2022. Population change is driven by the natural change in the population (births minus deaths) and net migration (domestic migration minus international migration) to the region. We note that 2020 represents the change from April 1, 2020 to June 30, 2020. In 2021, approximately 526 more residents left Hampton Roads for locations in the United States than moved to Hampton Roads from other domestic locations. In the same year, 1,492 more individuals moved to the region from international locations than departed Hampton Roads for overseas destinations.

In 2022, the components of population change were closer to what they were prior to the COVID-19 pandemic. In 2022, almost 6,200 more residents left the region for domestic locations than moved to the region from other locations in the United States. The net outmigration of residents from Hampton Roads was partially offset by net positive migration from international locations. In 2022, the region saw more than 4,200 more arrivals from international locations than departures overseas. If not for the positive natural increase in the population, Hampton Roads would have lost population in 2022. If we focus solely on the Virginia counties in the region in 2022, this portion of Hampton Roads experienced a small decline in population from 2021 to 2022.

People come and go. The question is where do people come from and where do current residents go? The 2016 – 2020 American Community Survey from the U.S. Census provides some insight into this question with data on the geographic mobility of people between metropolitan statistical areas. Hampton Roads gained the most residents from the New York – Newark – Jersey City metropolitan area, with a net gain of 1,892 residents, followed by 1,399 residents from the Washington, DC, metro area. The Chicago metro area (1,358 residents) were followed by the Charleston (1,235) and Visalia, CA, (1,125) metro areas.

These inflows were offset by more residents leaving Hampton Roads for other metro areas. The largest losses were to the Jacksonville, FL, metro area, with 1,428 more residents moving out of Hampton Roads to Jacksonville than flowing in the opposite direction. The Richmond (-1,330) and Harrisonburg (-1,113) metros were followed by the Miami-Fort Lauderdale-Pompano Beach (-935) and Blacksburg-Christiansburg, VA, (-778) regions.

While it may be surprising that more “military towns” do not make the list in Table 3, the data suggest that the flow of residents to and from Hampton Roads to other metros with relatively large military populations in the U.S. is roughly balanced. According to the 2016 – 2020 American Community Survey data, 3,151 residents moved to the San Diego metro area from Hampton Roads, and 3,142 moved in the opposite direction. While 1,235 more individuals moved from Charleston, SC, to Hampton Roads, 1,428 more people flowed from Hampton Roads to Jacksonville, FL. It would appear that, in the larger picture, these flows “even out.”

When we compare the population growth of Hampton Roads with a number of selected metropolitan statistical areas in the southeastern United States, the story becomes decidedly more somber (Graph 2). Hampton Roads’ annual average population growth rate was significantly slower than almost every peer or aspirant metro area, only exceeding that of the Washington DC – Arlington – Alexandria region. It should be no surprise that the metro areas that experienced relatively faster rates of economic growth observed commensurate increases in population.

The challenge moving forward is not only to generate jobs to attract and retain residents but also to build upon the fact that many residents work in one locale and live in another. Regional efforts to improve transportation infrastructure and public transportation will facilitate the flow of workers, goods, and services across Hampton Roads. Continuing the regional conversations about workforce housing, the state of public education, and whether localities impose too many burdens on businesses are a step in the right direction.

TABLE 3

### HIGHEST METRO-TO-METRO MIGRATION FLOWS HAMPTON ROADS, 2016-2020

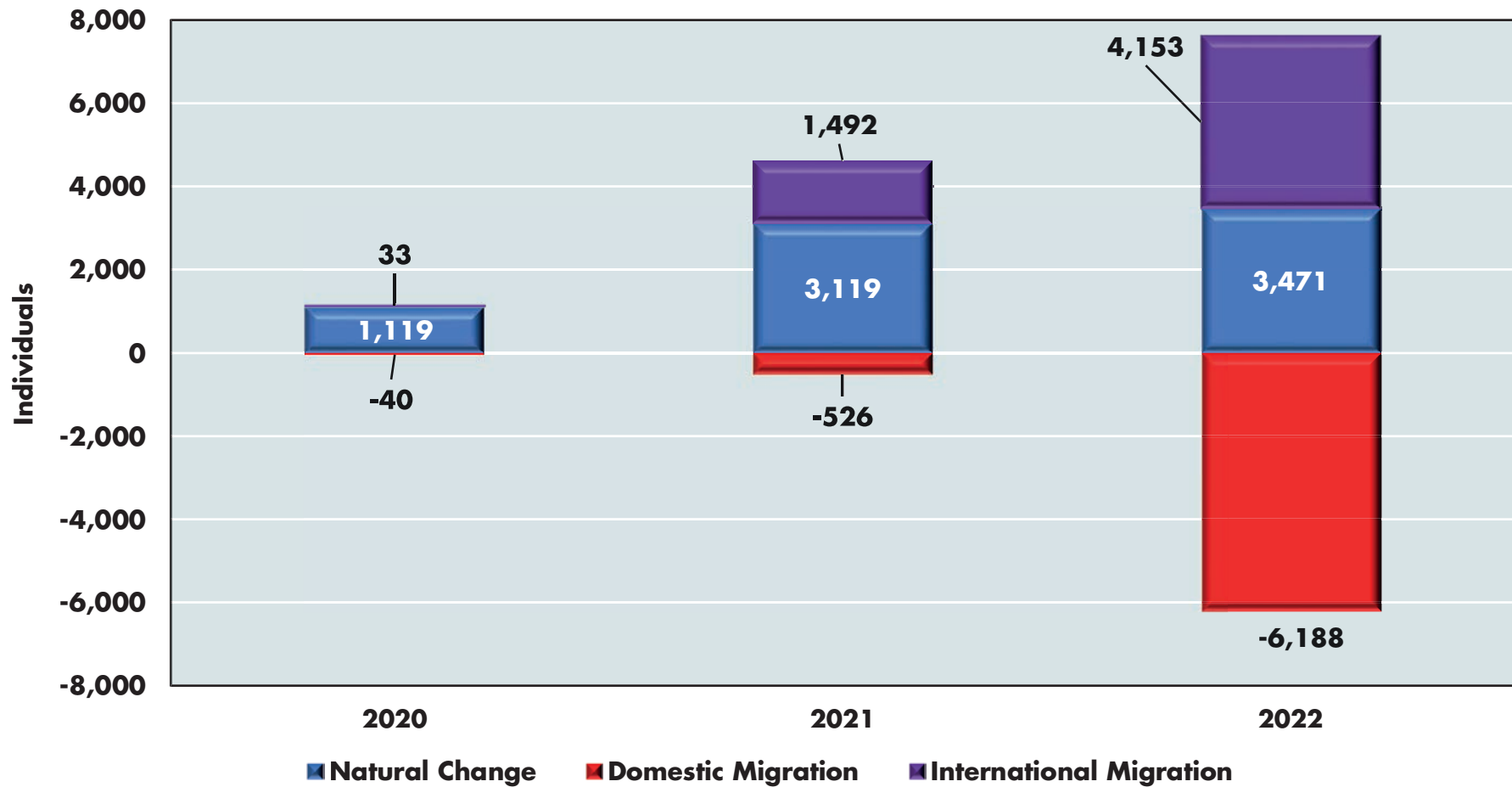
Metropolitan Statistical Area	Moved Into Hampton Roads	Moved from Hampton Roads	Net Migration
New York-Newark-Jersey City, NY-NJ-PA	3,517	1,625	1,892
Washington-Arlington-Alexandria, DC-VA-MD-WV	10,142	8,743	1,399
Chicago-Naperville-Elgin, IL-IN-WI	2,558	1,200	1,358
Charleston-North Charleston, SC	1,814	579	1,235
Visalia, CA	1,165	40	1,125
Blacksburg-Christiansburg, VA	597	1,375	-778
Miami-Fort Lauderdale-Pompano Beach, FL	486	1,421	-935
Harrisonburg, VA	320	1,433	-1,113
Richmond, VA	6,080	7,410	-1,330
Jacksonville, FL	1,490	2,918	-1,428

Source: United States Census Bureau, 2016 – 2020 Metro-to-Metro Migration Flows.



**GRAPH 1**

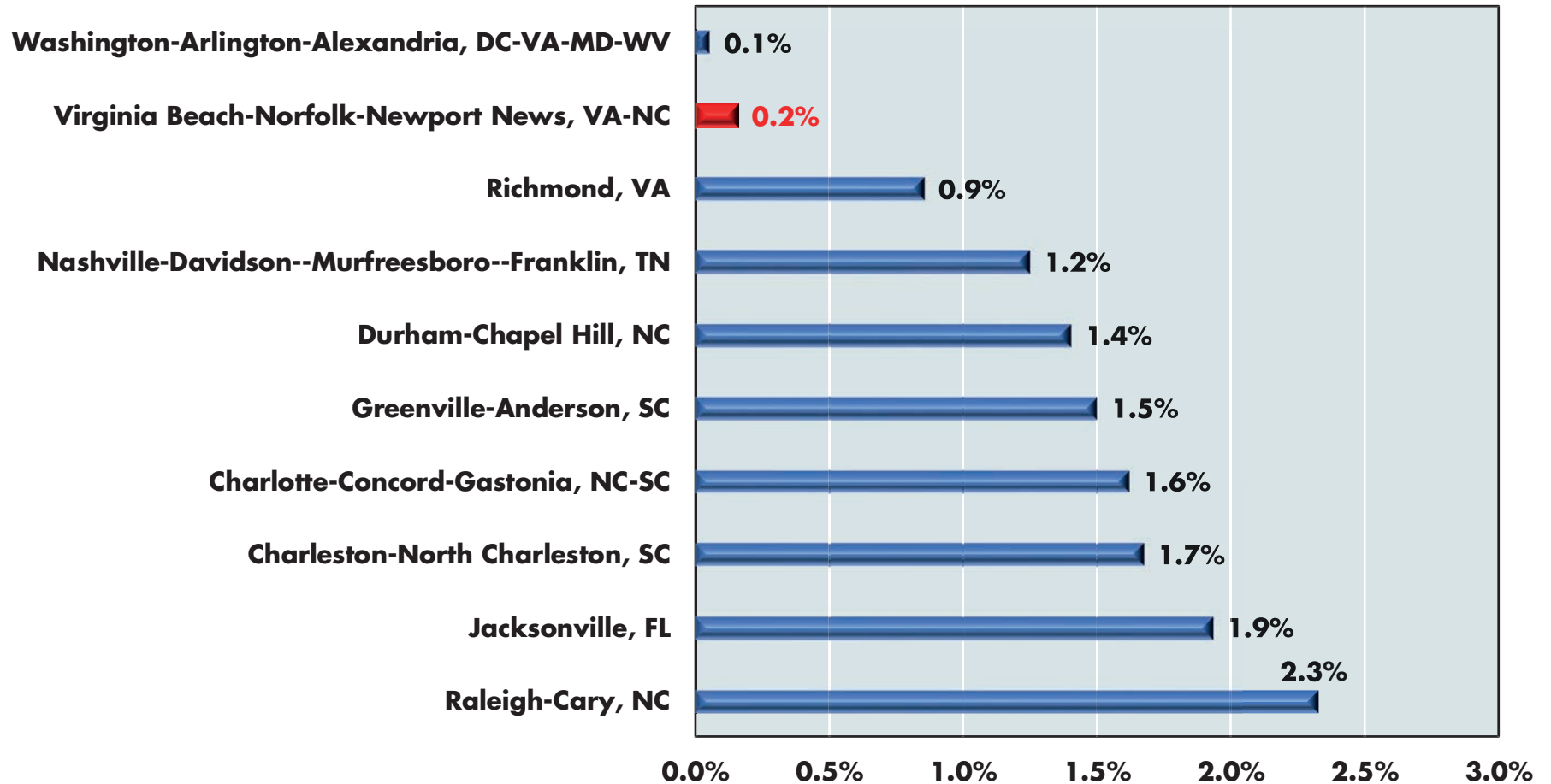
**ESTIMATED COMPONENTS OF POPULATION CHANGE  
HAMPTON ROADS, APRIL 1, 2020 – JUNE 30, 2022\***



Source: United States Census Bureau, 2022 Population Estimates. Population estimates as of July 1st of the corresponding year, with the exception of 2020. \*2020 estimates represent the change from April 1, 2020 to June 30, 2020. Estimates for Hampton Roads aggregated from county-level population estimates.

**GRAPH 2**

**ANNUAL AVERAGE POPULATION GROWTH RATE  
SELECTED METROPOLITAN STATISTICAL AREAS, 2020-2022**



Source: United States Census Bureau, 2022 Population Estimates. Population estimates as of July 1st of the corresponding year. Metropolitan statistical area population estimates. Compound annual growth rate for annual average population growth estimates.

# Economic Growth: The Rebound and Recovery

Table 4 presents real (inflation-adjusted) rates of growth for gross domestic product (GDP), a measure of economic activity. The Bureau of Economic Analysis (BEA) produces the national, state, metropolitan area, and county estimates of GDP, which provide a benchmark for economic activity over time. The latest metropolitan area estimates for 2021 should (as we always note) be viewed with an abundance of caution. The BEA released the “advance” 2021 estimates for metropolitan-area GDP in December 2022. The advance estimates for 2021 are likely to be significantly revised in December 2022 and in subsequent years. With such a lag, we advise the reader to examine the underlying trends and focus less on the estimates for a specific year, which are likely to change in the next release.

**The shock from the COVID-19 pandemic is evident in Table 4, with economic activity contracting by 2.5% in Hampton Roads from 2019 to 2020. The region’s robust recovery from the pandemic, however, also stands out, with estimated real GDP growing by 6.3% from 2020 to 2021. We estimate that annual real GDP growth moderated to 2.4% in 2022 and slowed to 2.0% in 2023 in the face of persistent inflation and global uncertainty. If our forecasts contain a kernel of truth, then the region will experience three consecutive years of economic growth, something that has not occurred since the Great Recession of 2007-2009.**

When we compare Hampton Roads’ economic performance with that of peer and aspirant metro areas, the recovery of 2021 is more striking. In 2019, Hampton Roads ranked 223 out of 384 metropolitan areas with regard to real GDP growth, a ranking that improved slightly to 210 in 2020. In 2021, Hampton Roads’ rank jumped almost 100 spots to 113, elevating the region from the bottom half of regions to the top third in terms of economic performance.

However, when we compare Hampton Roads to its peer and aspirant metros, we observe that economic activity in 2020 contracted more in the region than the other selected metros except for the Charleston and Greenville-Anderson, SC, metropolitan area (Graph 3). The 2021 estimates (which we again note are likely to be revised) suggest that Hampton Roads recovered more swiftly than its other major metro counterparts in Virginia but slower than its peers outside the Commonwealth (Graph 4). Increases in defense spending, continued record levels of cargo moving through the Port of Virginia, and the resiliency of the travel and tourism industry bolstered growth in 2021 and likely into 2022 and 2023.

The economic recovery in Hampton Roads is good news; however, it must be tempered by comparison with the Commonwealth and nation. Graph 5 illustrates that the region’s economic performance left much to be desired prior to the pandemic, with the regional economy growing by only 15.8% from 2001 to 2019, compared to 35.7% and 43.5% for the state and nation over the same period, respectively. While Hampton Roads performed well at the beginning of the current century, its economic malaise in the decade after the Great Recession was lackluster.

Real GDP in Hampton Roads, the Commonwealth, and the nation all contracted in 2020 as the COVID-19 pandemic, supply chain disruptions, and restrictions on business and social activity disrupted economic activity. Real GDP in Hampton Roads contracted by 2.5% in 2020, 0.4 percentage points more than the Commonwealth but 0.3 percentage points better than the nation. In 2021, Hampton Roads outperformed the Commonwealth and the nation, growing 0.4 percentage points faster than the U.S. and 0.8 percentage points more than Virginia.

Now is the time to engage in concerted action to build upon the recovery to sustain a higher rate of growth over the remainder of the decade. As we discuss in this chapter, investing in key industry clusters, improving infrastructure and public education, and continuing to build a culture of entrepreneurship and innovation are the foundations of long-term growth. Coupled with improvements in regional collaboration and cooperation, these policy actions would set up Hampton Roads for a more vibrant economic future.

TABLE 4

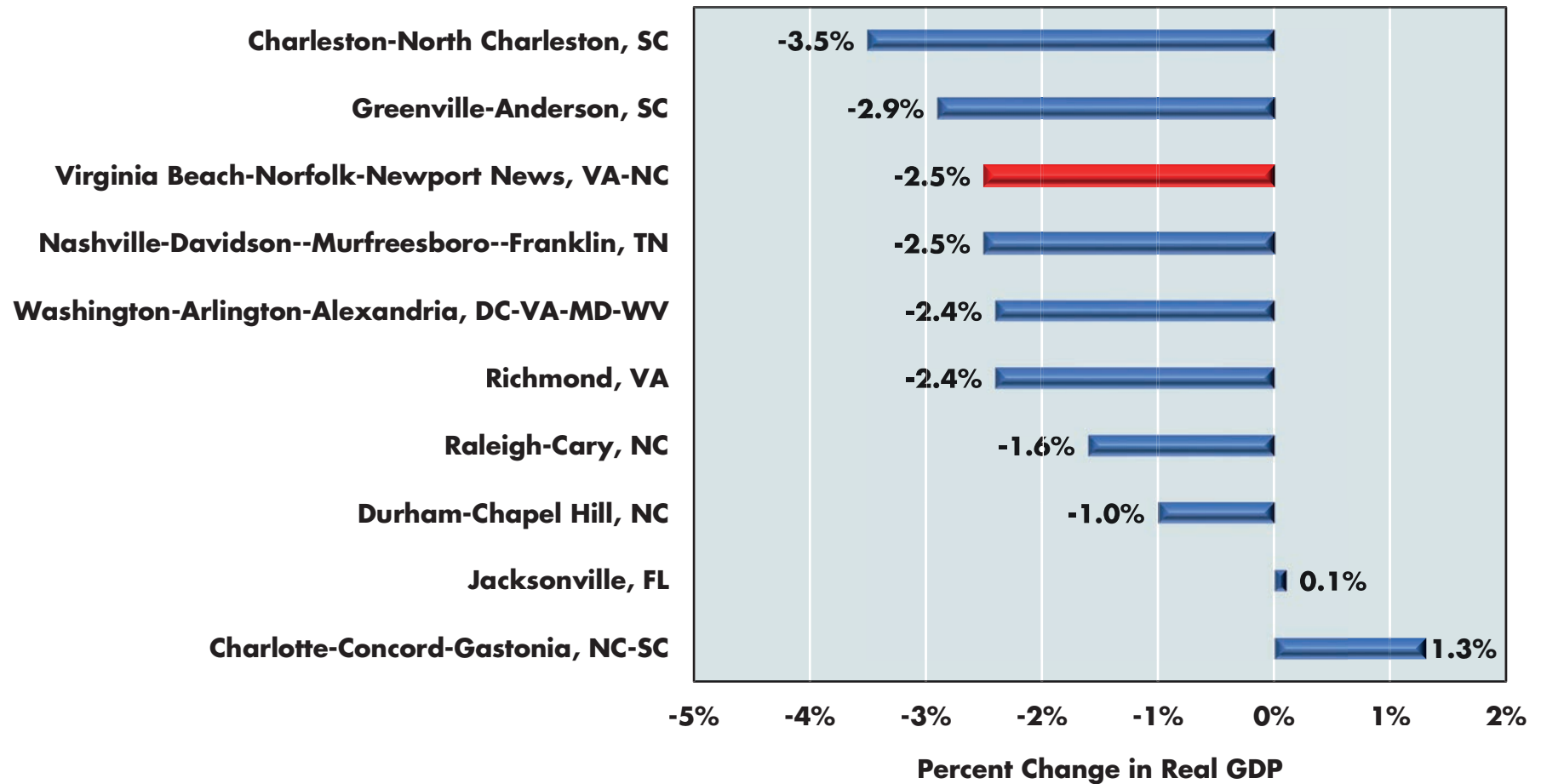
**NOMINAL AND REAL (INFLATION-ADJUSTED) GROSS DOMESTIC PRODUCT IN MILLIONS OF DOLLARS  
HAMPTON ROADS, 2001-2023\***

	<b>Nominal GDP</b>	<b>Real GDP (Base Year-2012)</b>	<b>Year-over-Year Change in Real GDP</b>
2001	\$56,929	\$73,393	
2002	\$59,704	\$74,864	2.0%
2003	\$63,921	\$78,165	4.4%
2004	\$68,089	\$81,228	3.9%
2005	\$72,734	\$84,303	3.8%
2006	\$75,630	\$85,081	0.9%
2007	\$78,859	\$86,173	1.3%
2008	\$80,833	\$86,640	0.5%
2009	\$81,382	\$85,019	-1.9%
2010	\$82,540	\$85,326	0.4%
2011	\$83,077	\$84,794	-0.6%
2012	\$83,770	\$83,770	-1.2%
2013	\$85,988	\$84,359	0.7%
2014	\$86,702	\$83,221	-1.3%
2015	\$90,208	\$84,393	1.4%
2016	\$92,190	\$84,916	0.6%
2017	\$93,558	\$84,887	0.0%
2018	\$94,310	\$83,807	-1.3%
2019	\$97,950	\$85,010	1.4%
2020	\$97,716	\$82,921	-2.5%
2021	\$107,068	\$88,176	6.3%
2022*	\$116,597	\$90,292	2.4%
2023*	\$124,759	\$92,098	2.0%

Source: U.S. Bureau of Economic Analysis and Dragas Center for Economic Analysis and Policy. \*2022 represents our estimate while 2023 represents our forecast. Base year of real GDP is 2012.

**GRAPH 3**

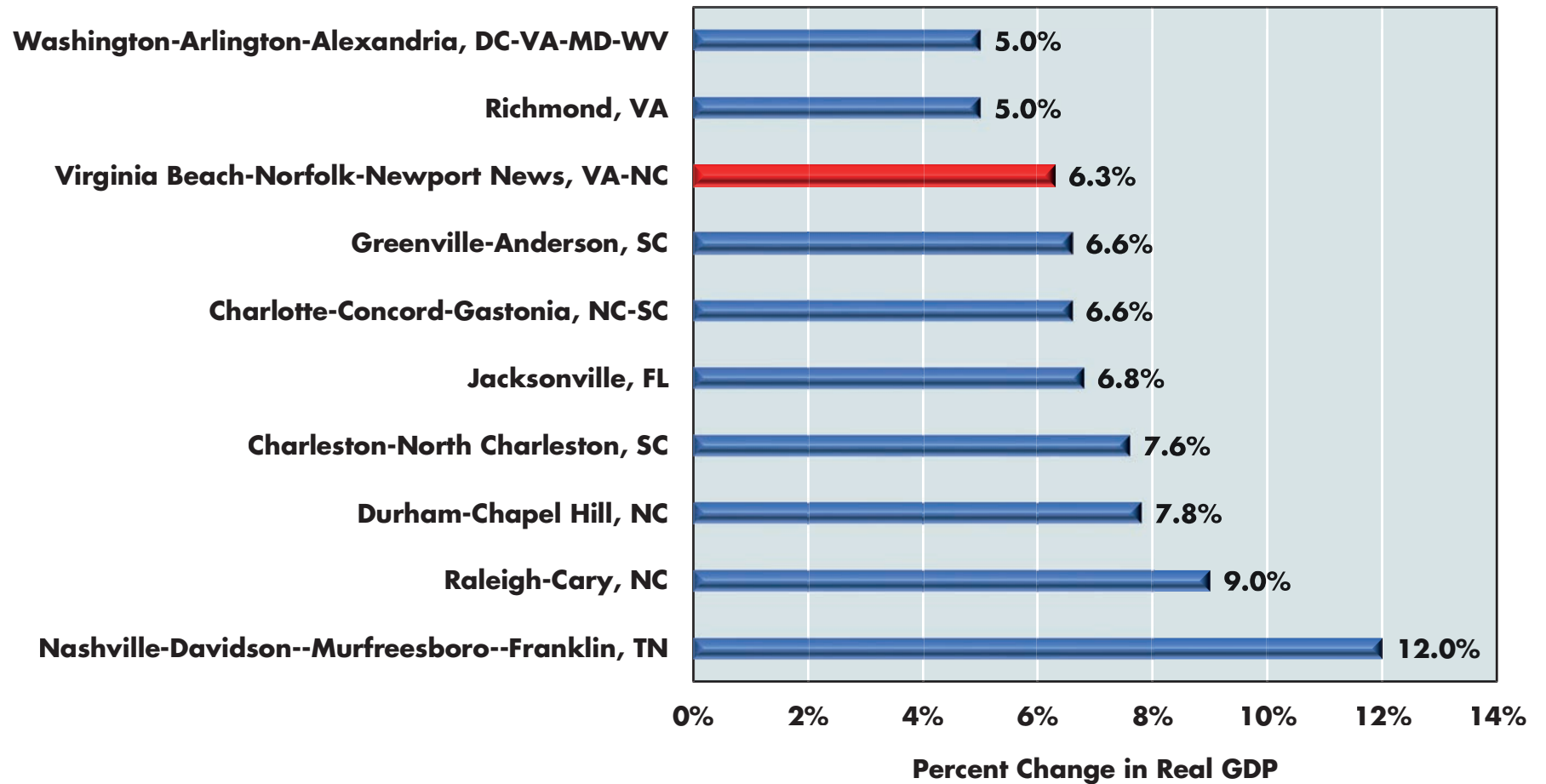
**PERCENT CHANGE IN REAL GDP  
SELECTED METROPOLITAN STATISTICAL AREAS, 2020**



Source: Bureau of Economic Analysis (2022).

**GRAPH 4**

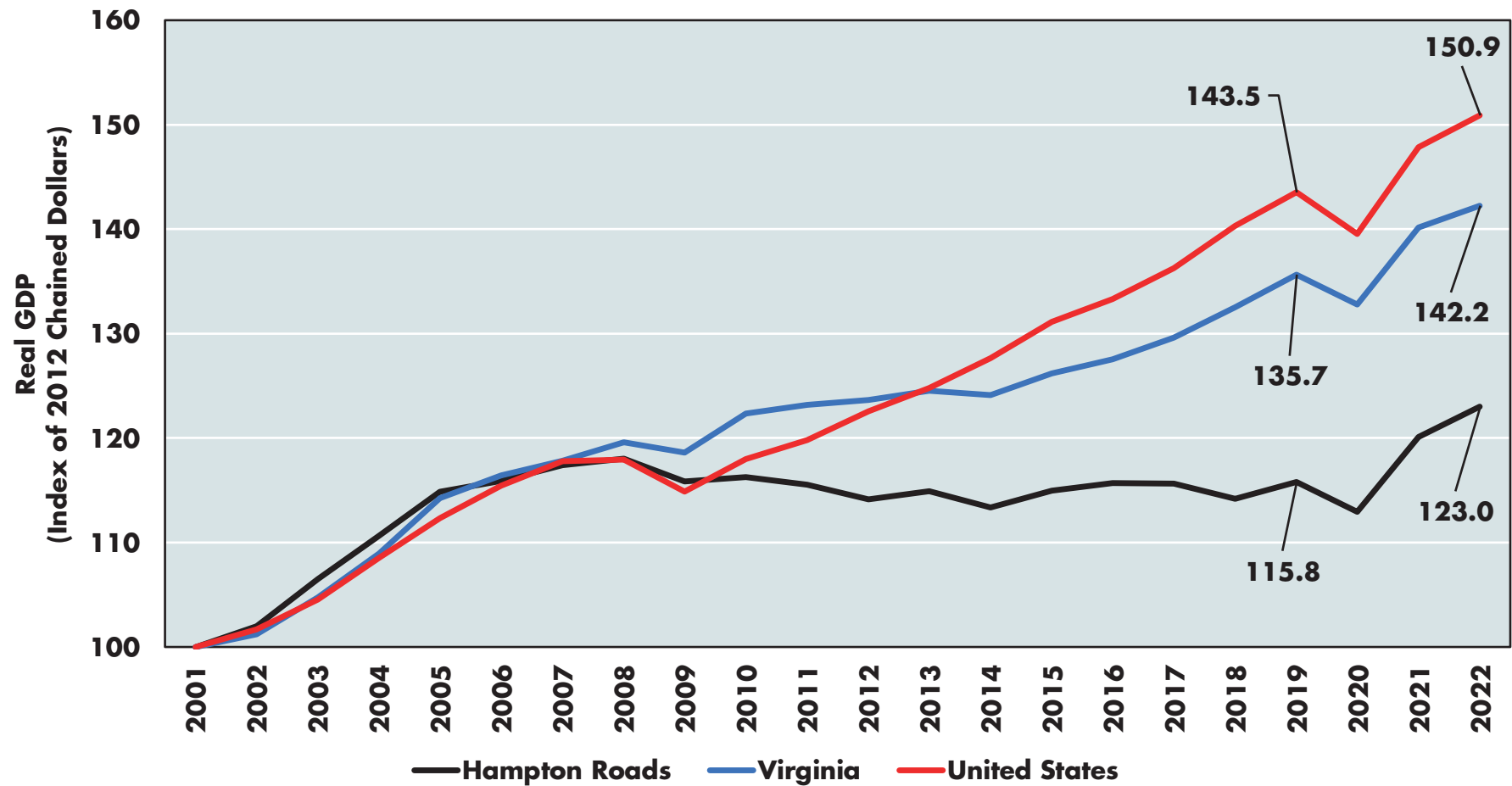
**PERCENT CHANGE IN REAL GDP  
SELECTED METROPOLITAN STATISTICAL AREAS, 2021**



Source: Bureau of Economic Analysis (2022).

**GRAPH 5**

**INDEX OF REAL GROSS DOMESTIC PRODUCT  
UNITED STATES, VIRGINIA, HAMPTON ROADS  
2001-2022\***



Source: U.S. Bureau of Economic Analysis. Real GDP in 2012 chained dollars. \*2022 estimate for Hampton Roads. Base year of the index is 2001.

# A Recovery in Labor Markets

Sometimes it is better to step back, take a moment, and gain a different perspective. Undoubtedly, the last three years have changed our perceptions of what is normal and how we live, work, and play. Yet, as much as we may live in a “new normal,” looking at how labor markets have fared in Hampton Roads this century can provide us some insight into how labor markets might fare later this decade.

In Graph 6, we examine how the civilian labor force and individual employment have changed in Hampton Roads from 2000 to 2023. We remind the reader that the civilian labor force includes all people aged 16 and older who are employed<sup>3</sup> or unemployed<sup>4</sup> while individual employment only includes those who are considered employed by the Bureau of Labor Statistics (BLS). From 2000 to 2007, the civilian labor force in Hampton Roads grew by an annual average rate of 1.6% while individual employment grew at an annual average rate of 1.5%. The good times, however, did not last.

The Great Recession of 2007-2009 was closely followed by the Budget Control Act of 2011 (which, along with its subsequent amendments, placed caps on federal discretionary spending). From 2008 to 2015, the civilian labor force in Hampton Roads grew at an annual average rate of 0.2% while individual employment only grew by approximately 0.1%, on average, annually. It should be no surprise that many residents in this period looked fondly back at the period around the turn of the century, wondering how to get Hampton Roads labor markets back to where they once had been.

The region's fortunes changed, however, in 2016. Rapid increases in defense spending fueled the regional economy. The civilian labor force grew at an annual average rate of 0.9% from 2016 to 2019, with individual employment growing at an annual average rate of 1.4% over the same period. Entering 2020, the prospects for continued growth were bright as defense budgets continued to rise, the Port of Virginia set new records for traffic, and the travel

and tourism industry continued to reach new highs. However, no one expected the COVID-19 pandemic.

Let's now focus on how regional labor markets responded to the shock of 2020. By now, the refrain is familiar. Prior to the onset of the pandemic, the civilian labor in Hampton Roads reached a record 869,633 people in February 2020. Individual employment also peaked in February 2020, with 844,988 individuals reporting that they were gainfully employed. By April 2020, there were 114,608 fewer individuals reporting they were employed and by May 2020, the civilian labor force had shrunk by 43,804 individuals. The magnitude of the shock still belies description as many individuals in the region were suddenly thrust into unemployment.

The recovery in 2020 and 2021 was, at best, slow, especially relative to other metropolitan areas across the southeastern United States. When compared to the pre-COVID 19 peaks, there were about 24,000 and 45,000 fewer individuals in the civilian labor force and individually employed in Hampton Roads, respectively, at the end of 2020. By the end of 2021, there was a modest recovery, but there were still approximately 19,000 fewer people in the labor force, and individual employment was more than 21,000 below the pre-pandemic peak. There was more progress in 2022. Compared to the pre-pandemic high, there were almost 11,000 fewer individuals at the end of 2022. Individual employment at the end of 2022 was still more than 15,000 individuals below the peak of February 2020.

If the story ended in 2022, one might conclude that Hampton Roads was unlikely to recover anytime soon. However, even amid soaring prices and economic uncertainty, the regional economy powered ahead in 2023. By April 2023, the civilian labor force eclipsed the pre-pandemic peak, with a record 872,378 individuals working or looking for work. Individual employment had also fully recovered from the pandemic shock, with 845,349 individuals reporting they were employed in April 2023 in Hampton Roads.

3 According to the Bureau of Labor Statistics, a person is classified as employed if, during the week of the Current Population Survey, they meet any of the following criteria: (1) worked at least one hour as a paid employee, (2) worked at least 1 hour in their own business, (3) were temporarily absent from their job, business, or farm, whether or not they were paid for the time off, or (4) worked without pay for a minimum of 15 hours in a business or farm owned by a member of their family. See <https://www.bls.gov/cps/definitions.htm#laborforce> for an expanded discussion.

4 According to the Bureau of Labor Statistics, a person is considered unemployed if they: (1) were not employed during the survey week, (2) were available for work except for temporary illness, (3) made at least one specific, active effort to find a job during a 4-week period ending with the survey week or were temporarily laid off and expected to return to their job. See <https://www.bls.gov/cps/definitions.htm#unemployed> for additional information.

How does Hampton Roads fare when compared to its peer and aspirant metros? Graph 8 displays the percent change in the civilian labor force from February 2020 to April 2023, and Graph 9 illustrates the percent change in individual employment for the same period. Here, Hampton Roads' performance leaves much to be desired, especially when compared to metro areas to the southeast. The Jacksonville, FL, metropolitan area leads the pack, with a civilian labor force 8.2% larger than February 2020. If there is a modicum of good news, it is the civilian labor force in Hampton Roads has fully recovered from the pandemic, unlike the Washington, DC, metro area.

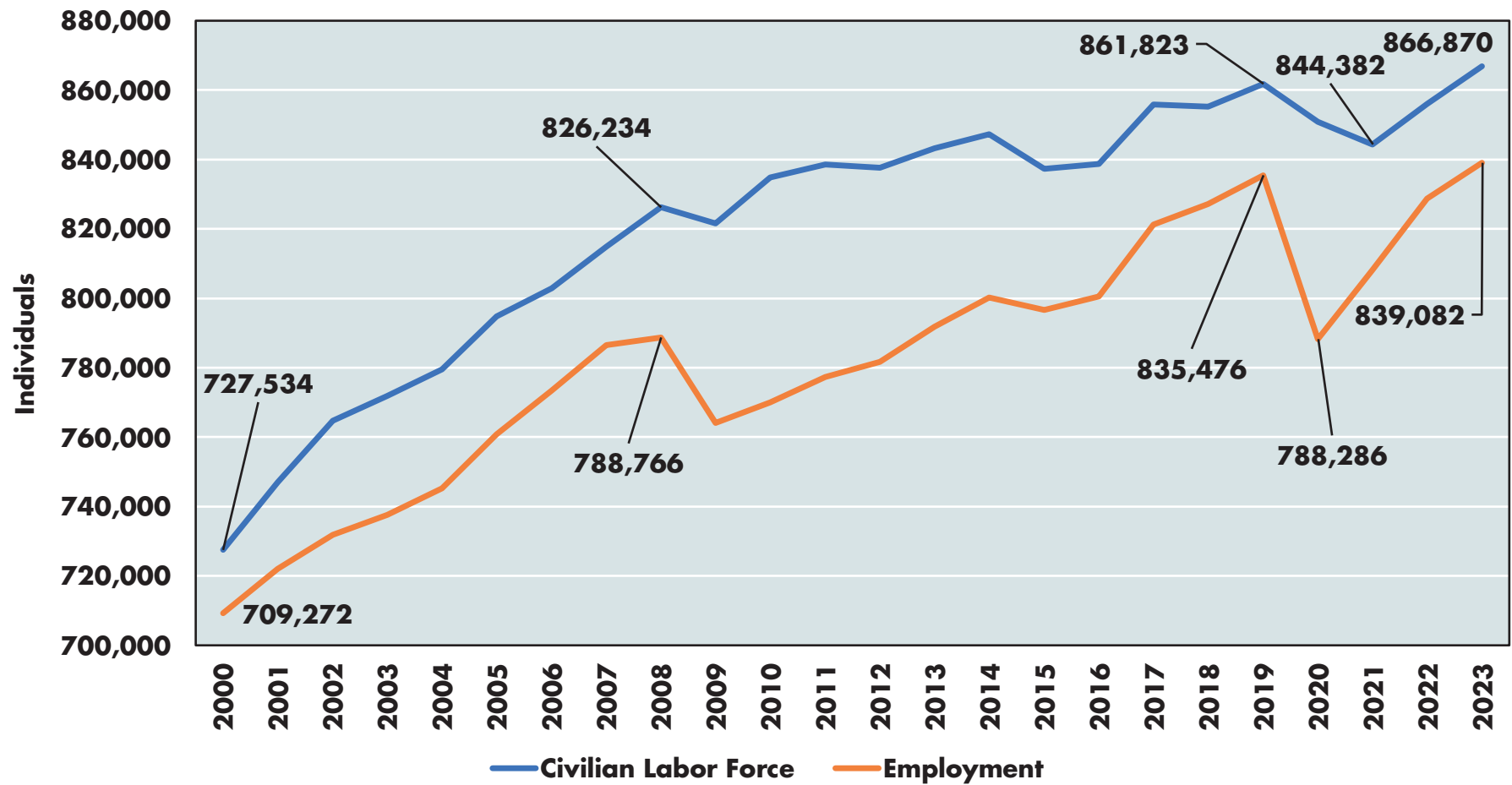
A similar story emerges when we examine individual employment data. Individual employment was about 300 individuals higher in April 2023 in Hampton Roads than in February 2020. While there were more individuals employed in the region, our metro area's performance significantly lags that of almost all peer and aspirant metros. Here again, the Jacksonville metro area has surged ahead, with individual employment 8.4% higher in April 2023 than February 2020.

**The open question remains: can the region improve its economic performance relative to its peers over the coming years? Unlike many of its peers, much of Hampton Roads' economy is determined in Washington, DC, so "moving the needle" can be more difficult. We recommend focusing less on the top-line employment numbers and, instead, examining the performance of key industry clusters. Investing in these clusters will not only promote economic diversification, it will also shift control over parts of the regional economy towards Hampton Roads and away from Washington, DC. Yes, the region will continue to occupy a role in the national security of the nation, but it can (and should) also continue to build upon its efforts to bolster economic resiliency and the pace of regional economic growth.**



**GRAPH 6**

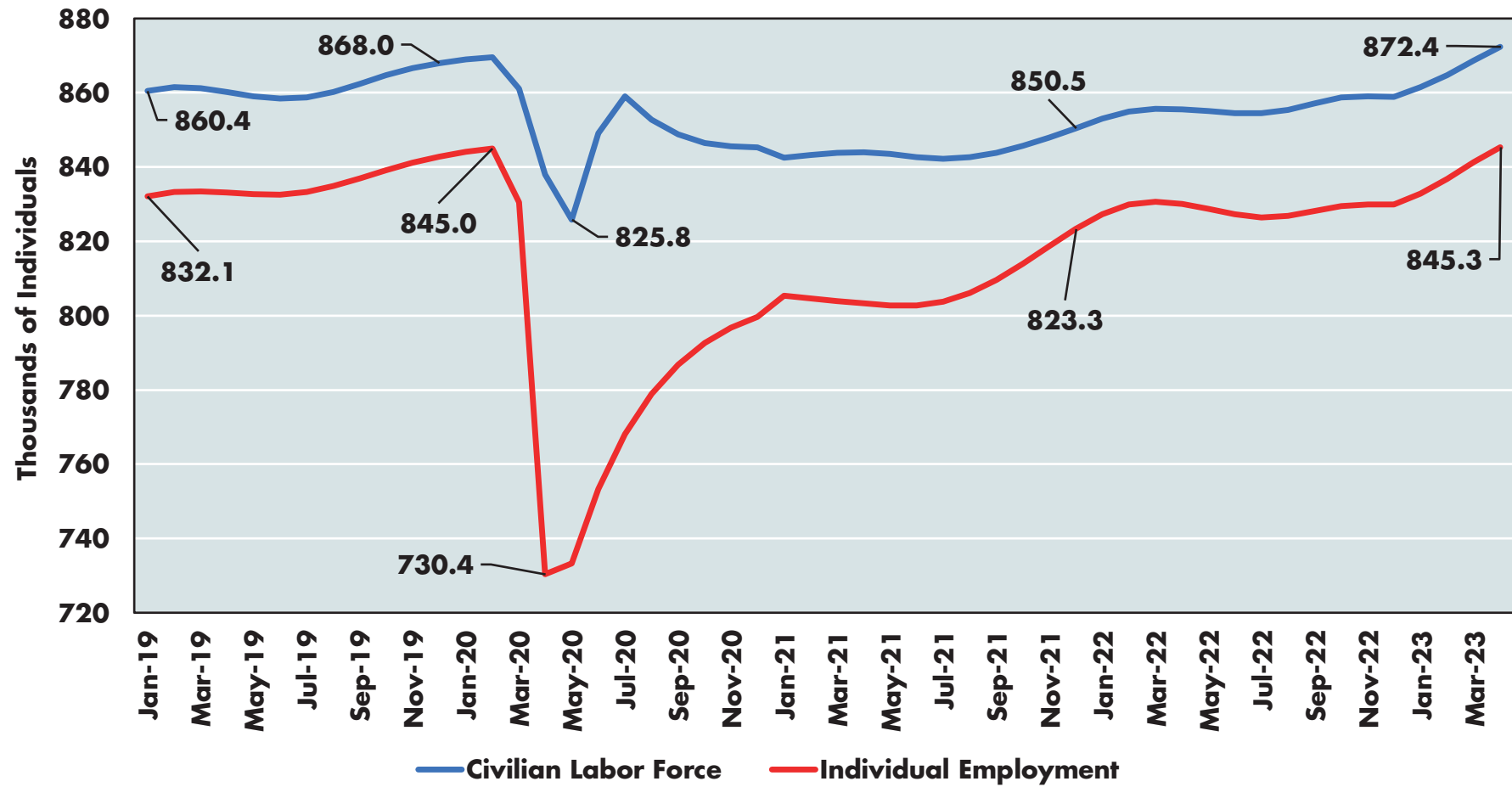
**ANNUAL CIVILIAN LABOR FORCE AND INDIVIDUAL EMPLOYMENT:  
HAMPTON ROADS, 2000-2023\***



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of smoothed seasonally adjusted data. 2023 data through April 2023.

GRAPH 7

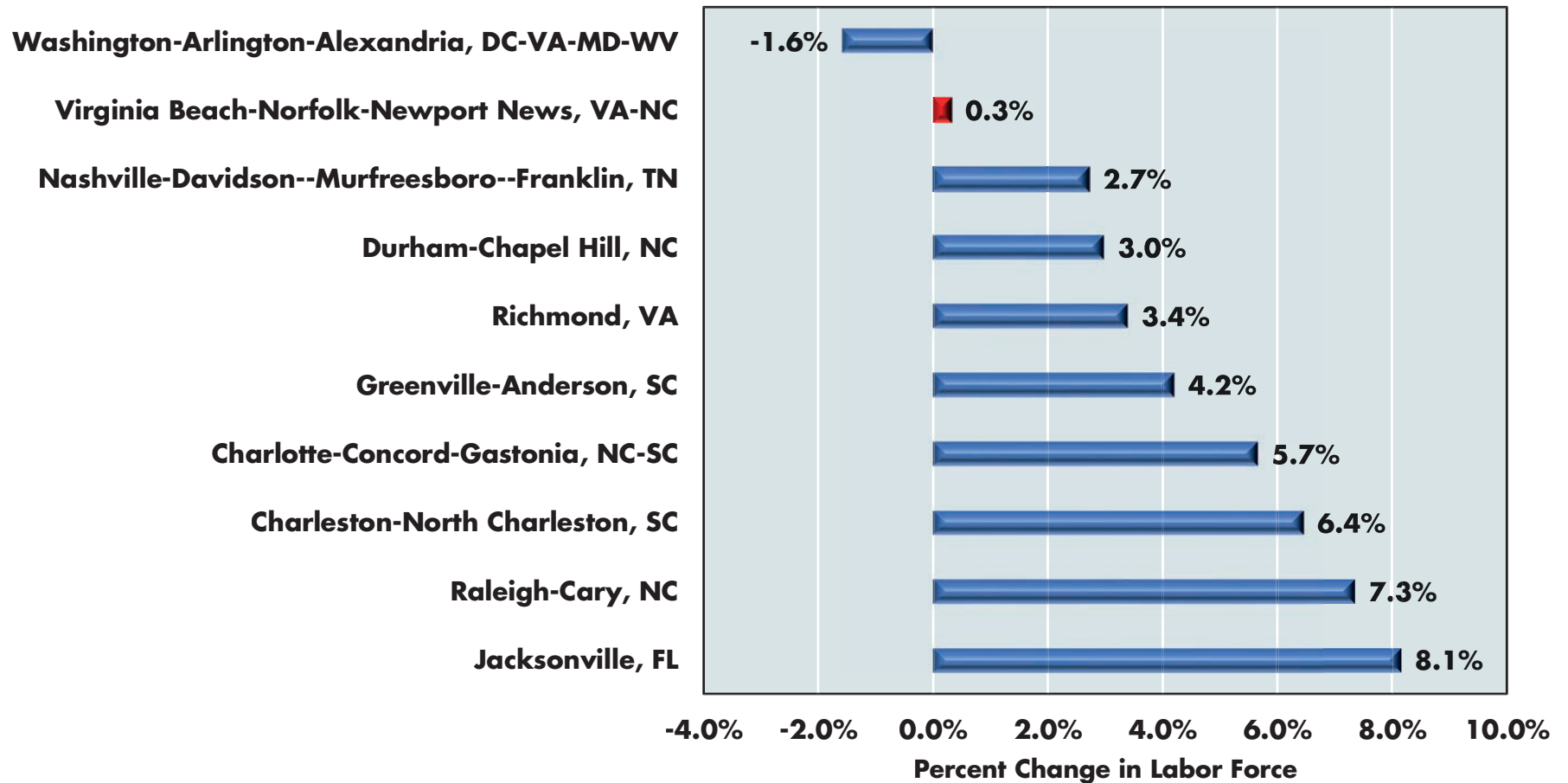
MONTHLY CIVILIAN LABOR FORCE AND INDIVIDUAL EMPLOYMENT:  
HAMPTON ROADS, JANUARY 2019-APRIL 2023



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Annual averages of smoothed seasonally adjusted data. 2023 data through April 2023.

**GRAPH 8**

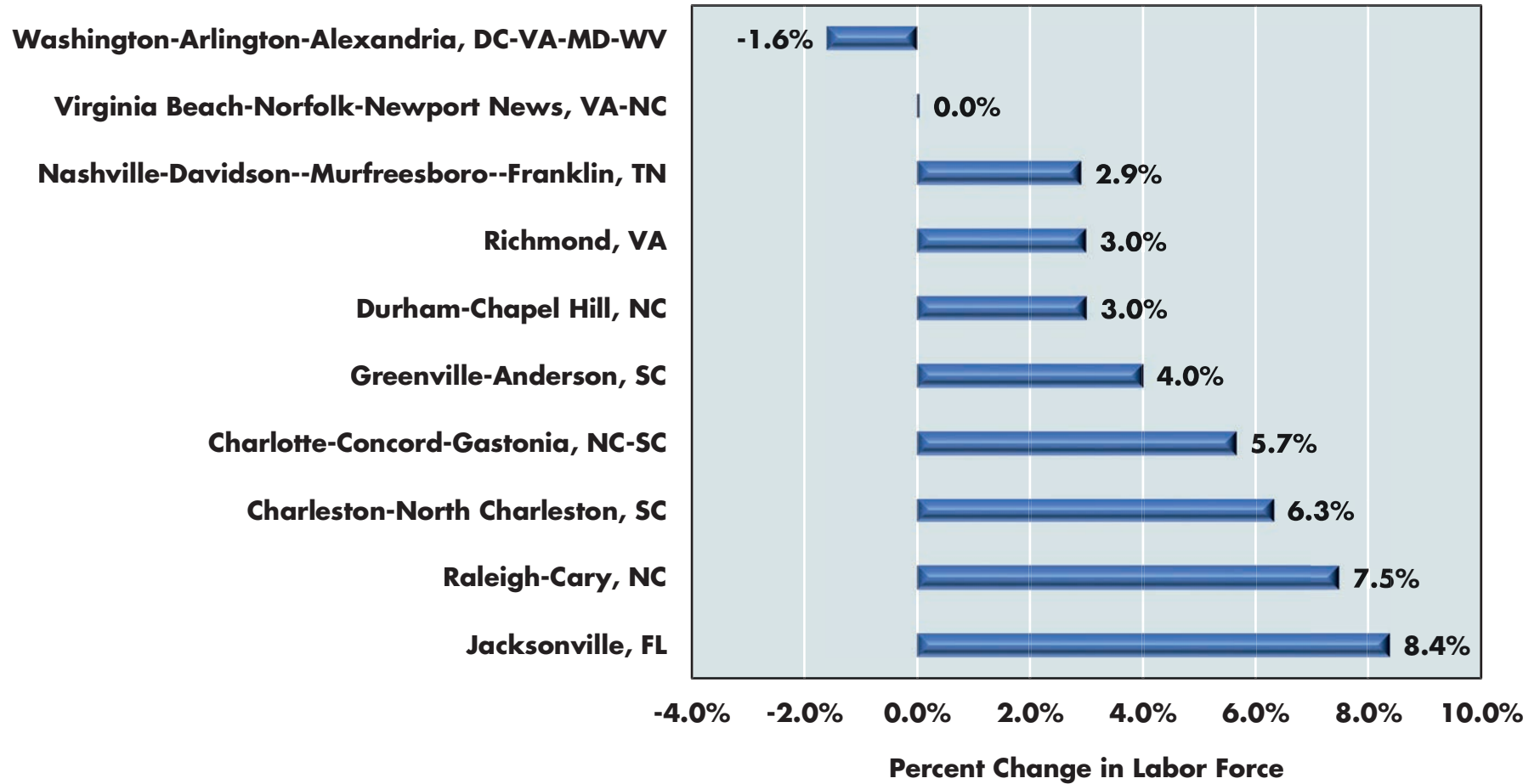
**PERCENT CHANGE IN CIVILIAN LABOR FORCE  
SELECTED METRO AREAS, FEBRUARY 2020-APRIL 2023**



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Smoothed seasonally adjusted data.

**GRAPH 9**

**PERCENT CHANGE IN INDIVIDUAL EMPLOYMENT  
SELECTED METRO AREAS, FEBRUARY 2020-APRIL 2023**



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Smoothed seasonally adjusted data.

# Unemployment Falls

The headline unemployment rate is equal to the ratio of the number of unemployed people in the labor force to the overall labor force. Graph 10 displays the average annual unemployment rate in Hampton Roads from 2000 through 2023.<sup>5</sup> While unemployment spiked during the spring of 2020, the rapid rise in unemployment was not persistent, unlike the Great Recession of 2007-2009. Average annual unemployment after the Great Recession peaked in 2010 and did not fall below the pre-Great Recession peak until 2018. In other words, it took approximately 7 years for the regional economy to lower the unemployment rate to pre-recessionary levels.

While the unemployment rate in Hampton Roads spiked to 12.8% in April 2020, by August 2020, it was already 8.7% and ended the year at 5.4%. By the end of 2021, the unemployment rate in the region had fallen to 3.2%, only 0.4 percentage points higher than the pre-COVID low of 2.8% in February 2020. As more residents of Hampton Roads returned to the labor force in 2022 and 2023, the unemployment rate hovered between 3.0 and 3.4%. In other words, what took the region years after the Great Recession, occurred in less than 24 months after the economic shock of 2020.

In previous reports, we conducted a simple thought experiment to illustrate how departures from the labor force affected the headline unemployment rate in Hampton Roads. In Graph 11, we construct an alternative measure of unemployment by treating exits from the labor force as unemployed individuals. In May 2022, for example, there were 13,950 fewer individuals in the labor force than January 2020. Adding these individuals to the 26,287 unemployed in May 2022 yielded an unemployment rate estimate of 4.6%, 1.5 percentage points higher than the headline unemployment rate. We conducted this thought experiment to inform the reader how departures from the labor force could mask the true extent of unemployment rate in Hampton Roads.

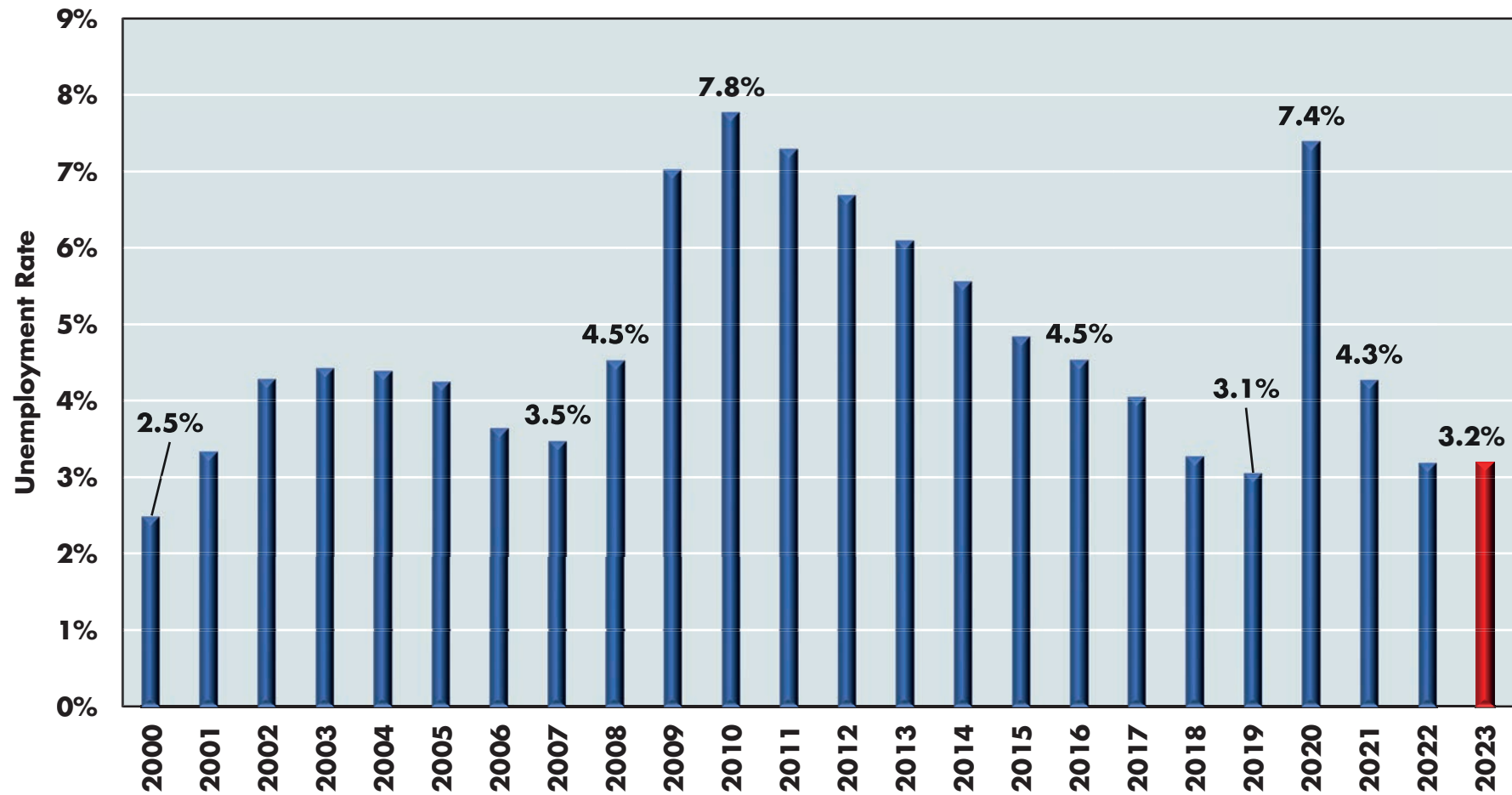
**Graph 11 illustrates how the economic environment in Hampton Roads has changed over the past year. As residents of the region have flowed back into the civilian labor force, the gap between the headline and alternative unemployment rates has narrowed. By March 2023, the gap between the two measures was essentially zero, that is, the civilian labor force had recovered from the turbulent times of 2020. Now, we need to work to lift labor force participation rates, so more residents of Hampton Roads productively engage in the regional economy.**

The recovery in the civilian labor force, however, needs to be juxtaposed with the longer-term decline in labor force participation regionally, across the state, and across the nation. While the unemployment rate may be low, it belies the fact that a non-trivial percentage of workers are “sitting on the sidelines” and are not actively looking for work or working. The reasons for the long-term decline in labor force participation are complex, but we must temper our good news with this fact.

<sup>5</sup> The data for 2023 represent the average of the available data at the time of writing.

GRAPH 10

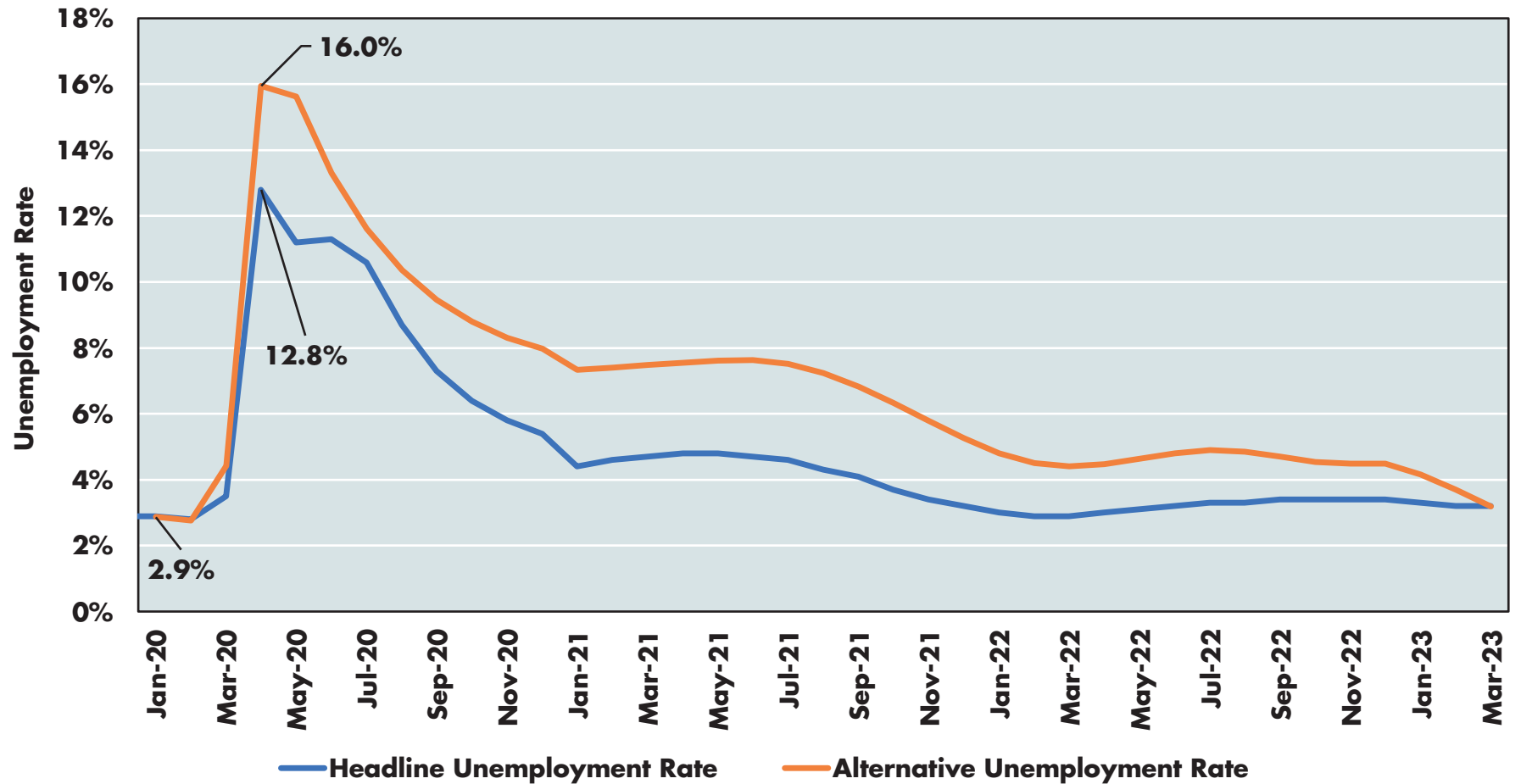
AVERAGE UNEMPLOYMENT RATE  
HAMPTON ROADS, 2000-2023\*



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Smoothed seasonally adjusted data. \*2023 represents the average of available data.

**GRAPH 11**

**HEADLINE UNEMPLOYMENT RATE AND ALTERNATIVE UNEMPLOYMENT RATE  
HAMPTON ROADS, JANUARY 2020-MARCH 2023**



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Smoothed seasonally adjusted data.

# Jobs in Hampton Roads

To understand how nonfarm payrolls (jobs) have recovered since the onset of the pandemic, we need to first understand how Hampton Roads fared in creating jobs before the COVID-19 economic shock. By now, this is a familiar refrain: Hampton Roads lagged Virginia and the nation in job growth in the decade after the Great Recession of 2007-2009. From the trough in nonfarm payrolls (jobs) in February 2010 to February 2020, the number of jobs in Hampton Roads grew by 9.2% (Graph 12). Across Virginia, the number of jobs over the same period increased by 13.6% while there were 17.5% more jobs nationally. For every job created in Hampton Roads, almost two jobs were created nationally in the decade prior to the pandemic.

**Even though job growth lagged in Hampton Roads, there were a record 805,100 jobs in the region in January 2020 (Graph 13). In the span of three months, the gains of the previous decade vanished as employers shed jobs in the face of the pandemic and restrictions curtailed social and business activity. By April 2020, there were 102,800 fewer jobs in the region, a shocking collapse in economic activity. In about 12 weeks, employers shed roughly 1 out of every 8 jobs in Hampton Roads.**

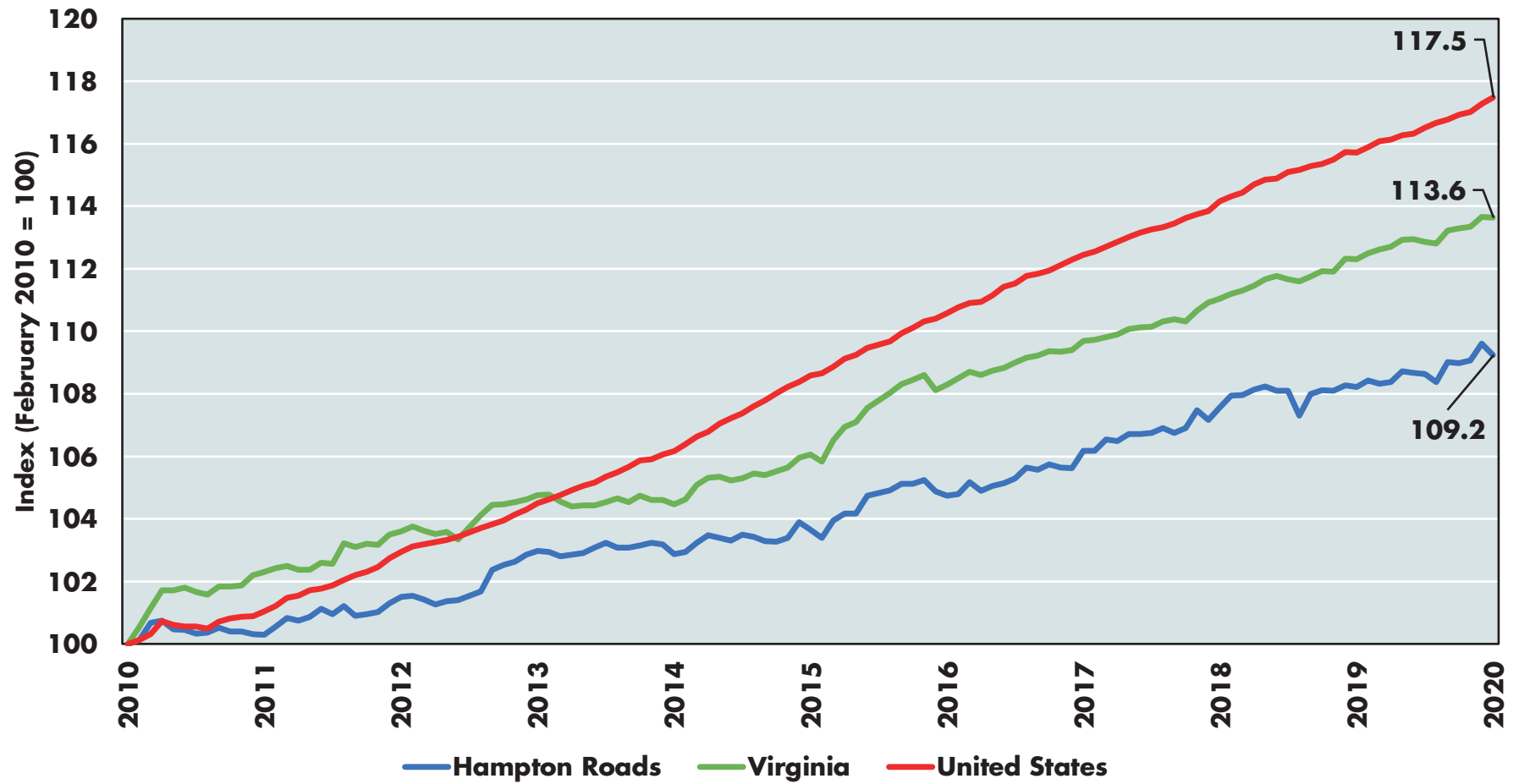
Fortunately, many of these job losses were short-lived, with over 60,000 jobs returning by the end of 2020. There was modest job growth in 2021, so that by the end of the year, employers in Hampton Roads had brought back almost 79,000 of the jobs lost at the depth of the pandemic shock. Job growth continued in 2022, with employers continuing to add jobs, so that at the end of the year, the number of jobs was about 10,900 below the pre-pandemic peak. In 2023, the recovery continued but remained incomplete and it may be 2024 before jobs in Hampton Roads fully recover from the 2020 shock.

Graph 14 highlights the recovery in jobs from the depths of the economic shock from April 2020 to April 2023. The nation and the Commonwealth have fully recovered all the jobs lost from the shock of 2020, and Hampton Roads is not far behind from a full recovery. Compared to the trough of the pandemic, the nation had 19.4% more jobs, while Virginia had 14.5% more jobs, and Hampton Roads had 13.7% more jobs. The jobs recovery profiles appear to be remarkably similar for Virginia and Hampton Roads, which lends further credence to our projection that the region will regain the remaining “lost jobs” in 2023.

When we compare Hampton Roads to its peer and aspirant metropolitan regions, the visuals are not appealing. From February 2020 to April 2023, Hampton Roads ranked second to last among its peer and aspirant metro areas in terms of job growth. With the exception of the Washington, DC, metropolitan area and Hampton Roads, all the other metros have fully recovered the jobs lost in the spring of 2020. Charleston (9.0%), Raleigh (8.9%), Jacksonville (8.9%), Nashville (8.6%), Charlotte (6.3%) and Durham-Chapel Hill (4.9%) have experienced what one can only conclude is a robust recovery. Richmond has about 2.8% more jobs while the Greenville metro area job recovery was complete. The relatively lackluster performance of the three largest metro areas in the Commonwealth explains why Virginia’s job performance lags that of the nation.

**GRAPH 12**

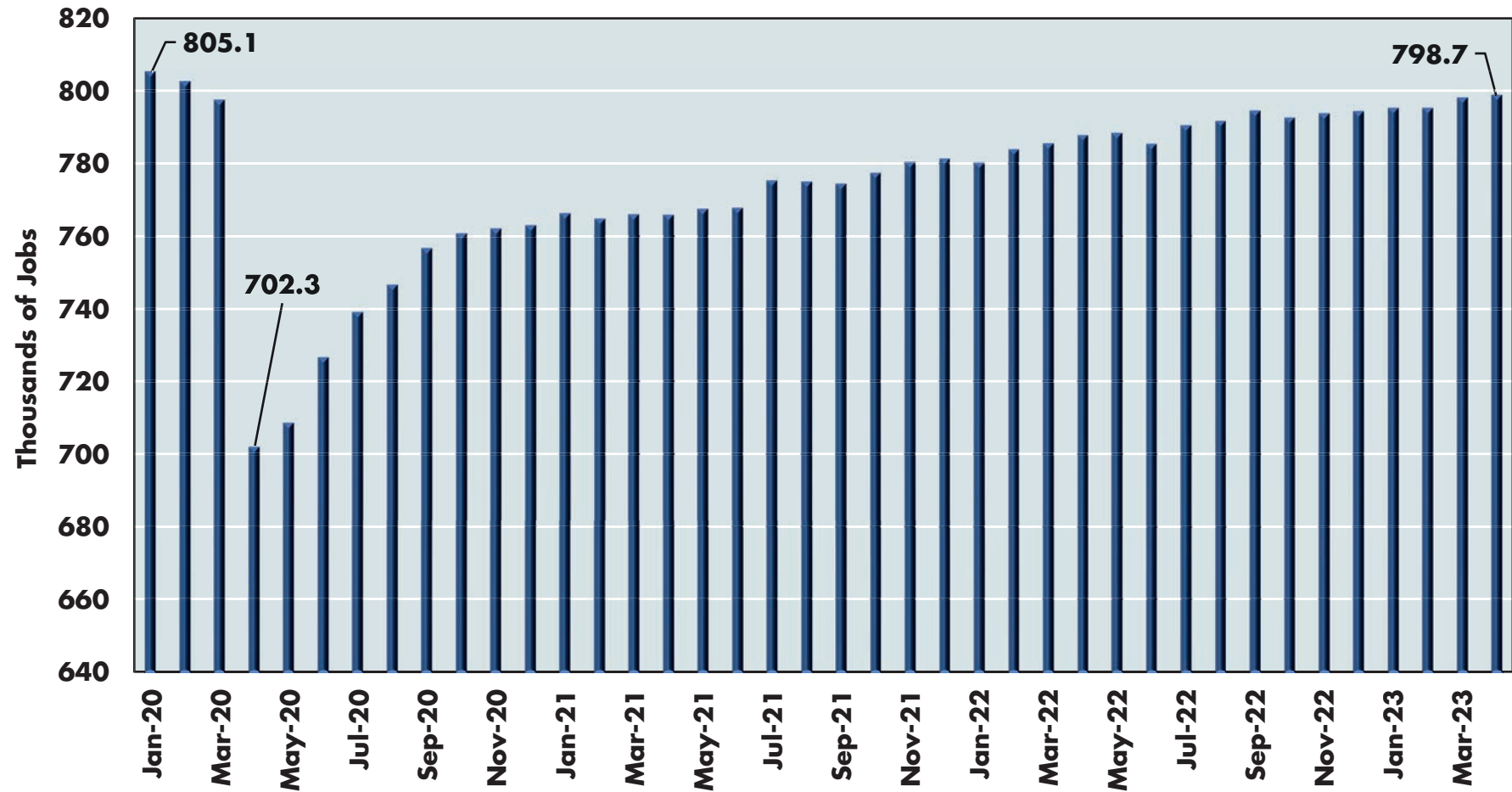
**INDEX OF NONFARM PAYROLLS  
UNITED STATES, VIRGINIA, HAMPTON ROADS,  
FEBRUARY 2010-FEBRUARY 2020**



Source: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy. Seasonally adjusted data.

**GRAPH 13**

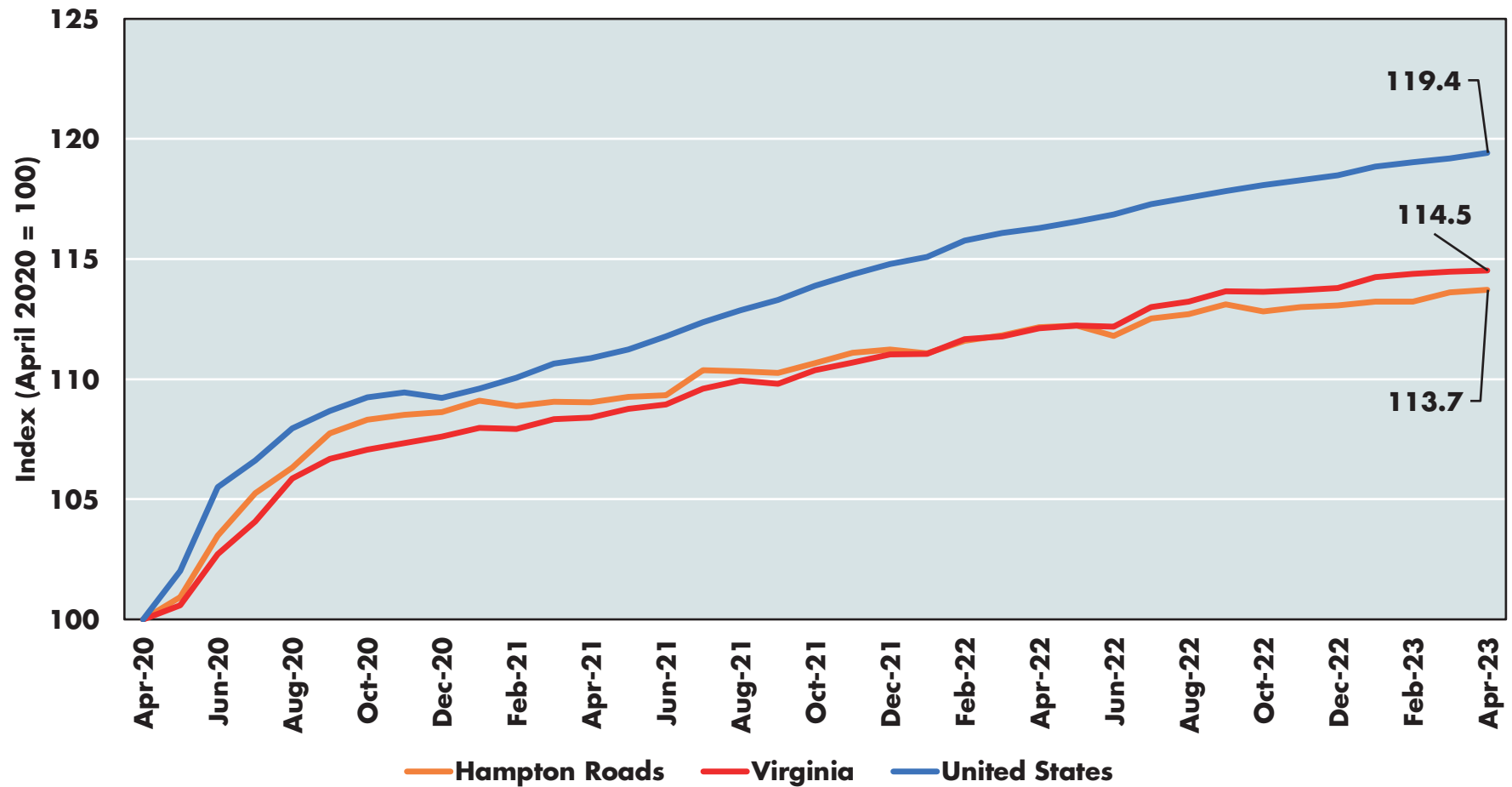
**NONFARM PAYROLLS IN HAMPTON ROADS,  
JANUARY 2020-APRIL 2023**



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are seasonally adjusted.

**GRAPH 14**

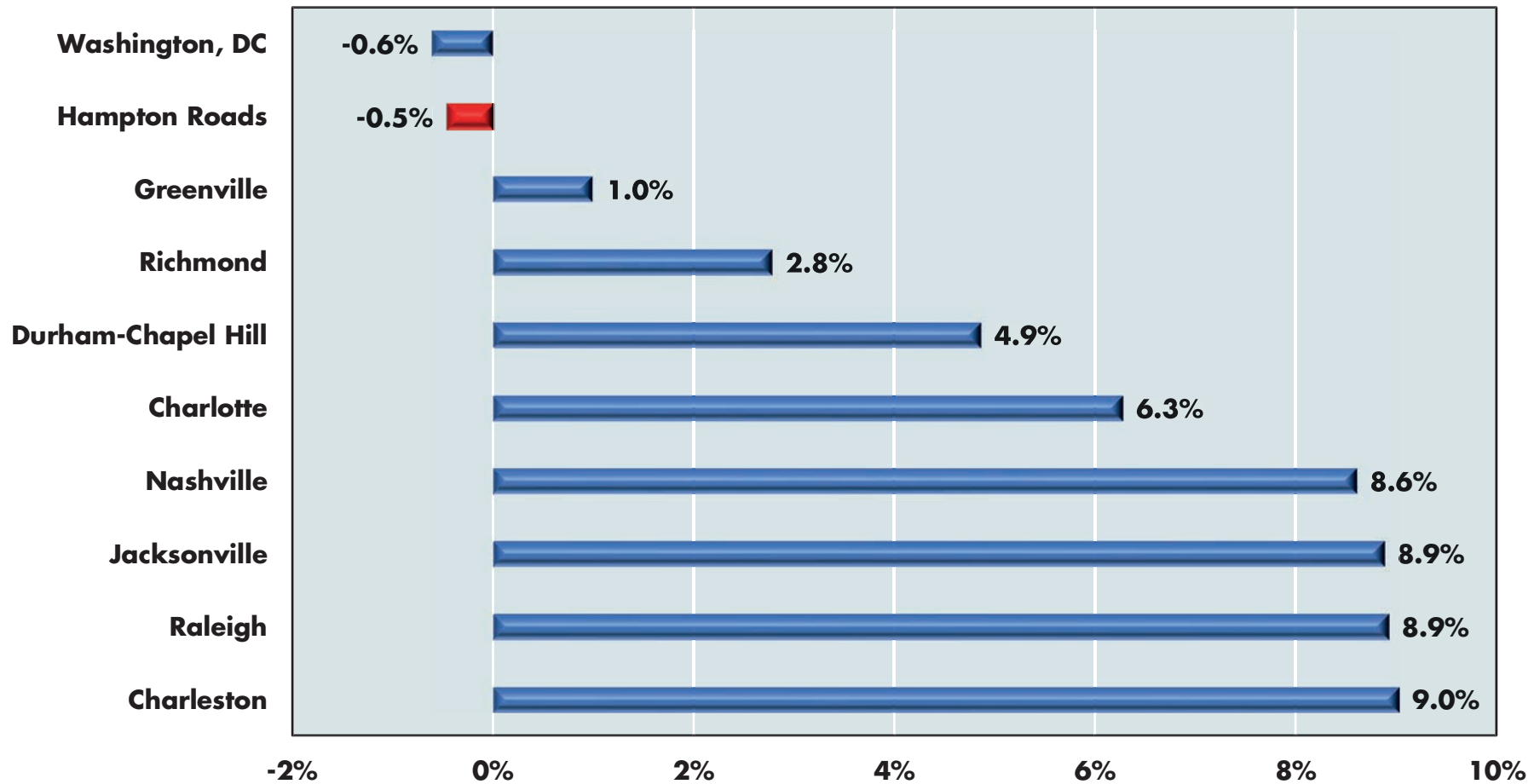
**CUMULATIVE GROWTH IN NONFARM PAYROLLS (JOBS):  
UNITED STATES, VIRGINIA, AND HAMPTON ROADS  
APRIL 2020-APRIL 2023**



Sources: U.S. Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are seasonally adjusted.

GRAPH 15

**CUMULATIVE GROWTH IN NONFARM PAYROLLS (JOBS):  
SELECTED METROPOLITAN STATISTICAL AREAS, FEBRUARY 2020-APRIL 2023**



Sources: U.S. Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are seasonally adjusted.

# Where are the Job Gains and Losses in Hampton Roads?

Job losses and gains have not been spread evenly across sectors in Hampton Roads. We can compare the change in jobs from April 2019 to April 2023 to see which industries have gained or lost jobs. The Transportation and Warehousing industry stands out, gaining 4,000 jobs, an increase of 16.5%. The gains in this industry are not surprising given the rise of online delivery services as well as continued growth at the Port of Virginia. Health Care and Social Services used to be a lagging industry but is now leading the recovery in 2023 with a gain of 3,000 jobs (3.1%) from April 2019 to April 2023. There are also more jobs in Mining, Logging, and Construction (6.0%) as well as in Financial Activities (4.6%).

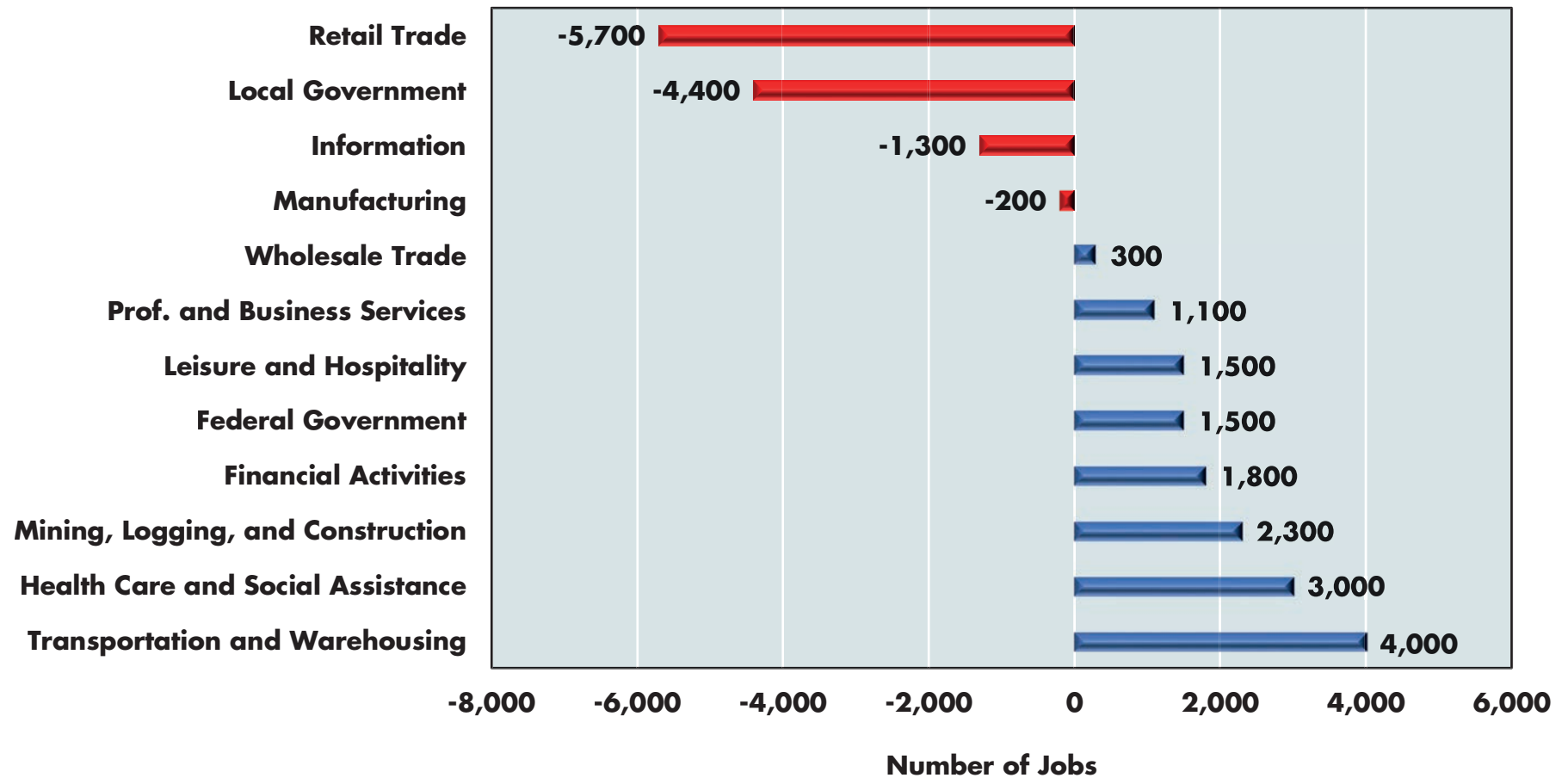
If we examine which industries have not recovered from 2020, local government continues to place downward pressure on overall job growth in the region. While other industries have ebbed and flowed with respect to the level of pre-pandemic jobs, local government payrolls since May 2020 have persistently remained 4,000 to 5,000 jobs below the levels observed in April 2019.

Why are local government jobs not recovering as fast as other industries? In 2020, local governments, facing dire revenue projections and restrictions on business and social activities, shuttered libraries, parks and recreation centers, and moved swaths of employees to remote work. When nongovernment jobs rebounded, and government revenues did not fall as projected (due, in part, to the federal government providing financial grants), local governments found themselves behind job markets. With demand rising in other industries and the unemployment falling below 4% and approaching 3% in some months, local governments are willing to hire but, in many cases, unable to find workers at prevailing wages.



**GRAPH 16**

**CHANGE IN NONFARM PAYROLLS: HAMPTON ROADS  
APRIL 2019-APRIL 2023**



Sources: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Non-seasonally adjusted data.

# Final Thoughts

2022 was a year to remember for Hampton Roads. Most of the economic indicators moved in the right direction, and there are numerous signals that 2023 will improve on the performance of 2022. Projected increases in defense spending, continuing growth in the travel and tourism industry, and increasing revenues at the Port of Virginia have given a “green light” for the regional economy to grow into 2023.

Not all the news is record setting, and we do not lack for challenges. Job creation continues to lag other metro areas, and the pace of the region in establishing new businesses has not recovered to pre-recession levels. The interdependence of Hampton Roads with the Department of Defense (DoD) is a source of economic strength but also vulnerability. We should leverage our unique role in procurement and operations while also seeking out opportunities to foster private sector growth. Investing in key industry clusters is a route to empower job growth and innovation in the region. Each challenge represents an opportunity to work together to make Hampton Roads an even better place to live.

If there are sources of uncertainty, these come from outside the region. Defense policy, for now, favors Hampton Roads. Political uncertainty in Europe and Asia will protect the defense budget, but we should not count on defense spending to continue its growth without bound. The federal deficit is, for the lack of a better phrase, out of control, and federal debt now exceeds \$33 trillion, debt ceiling debates notwithstanding. Yet, the U.S. economy has shown remarkable resiliency in the face of these and other challenges. While growth may slow at the national level in 2023, Hampton Roads is picking up speed and moving forward at a pace not observed since before the Great Recession. Good news indeed.

