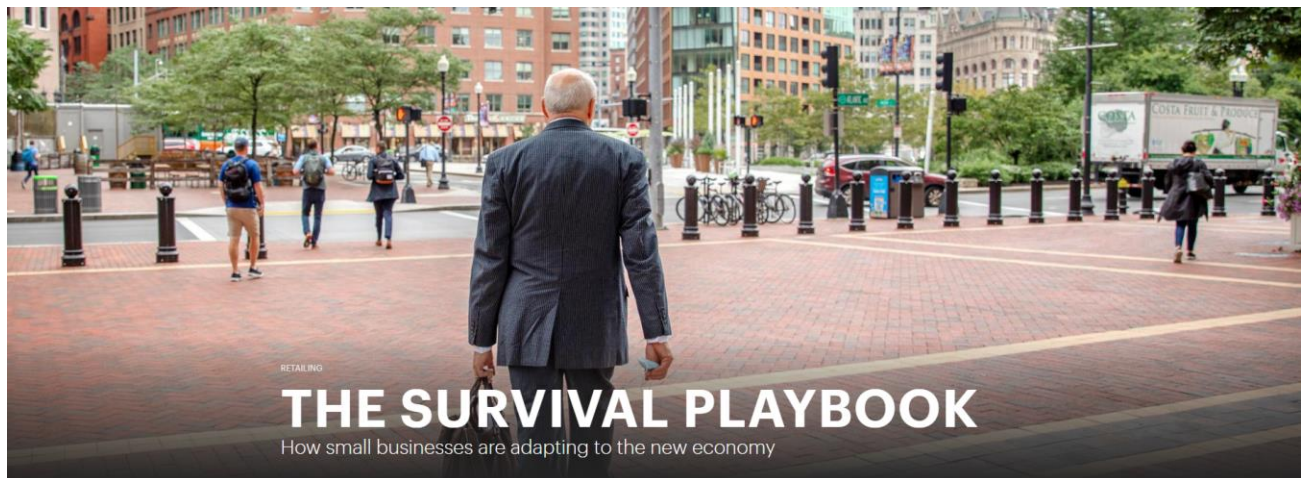


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For small businesses, the economy that's reopening post-pandemic doesn't look quite like the one before the health crisis, as continued labor shortages combined with a shift in how consumers spend money threatens to upend traditional norms.

Over the summer, labor shortages at small businesses hit a new high, according to the National Federation of Independent Business. Nearly half of business owners said in a survey they couldn't find enough workers. A decade ago, that rate was under 20%.

Still, the national unemployment rate of 5.4% as of July — albeit far lower than last summer — is still higher than pre-pandemic numbers. In Massachusetts, the July unemployment rate was 4.9%, though the state still had nearly 148,000 fewer people working that month than the same month two years earlier. Retail and hospitality jobs statewide were still down more than 80,000, or one-fifth, from two years ago.

The struggle to fill jobs is being felt more acutely here than most other cities. Ladders, a jobs website, has reported that Boston has 30,000 six-figure jobs available, with about a third of them in technology. Only the New York and San Francisco areas have more.

Yet the Boston metro area has recovered all of its consumer spending, and then some, since the pandemic began, according to the website Opportunity Insights, which tracks spending through

a series of tech partners. The Boston area is up roughly 34%, well above an average of 22% among the nation's 20 largest metro areas.

Statewide consumer spending is up 28% from the January before the pandemic, compared to 18% nationwide.

But where that spending has gone has been uneven, and will continue to be for some time, forcing many small business owners to make some unusual pivots. Experts say the future of consumer spending in the Boston area is inextricably linked to the return of office workers to neighborhoods where they once made up the bulk of business.

"We don't know what the equilibrium is going to be yet," Bentley University economics professor Dave Gulley said.

Geographic differences

Restaurant revenue in Boston and Cambridge remains down half of what it was two years ago, and in other cities that depend heavily on office workers, it's down by a quarter or more. But on Cape Cod, it's a different story: In six Cape towns, restaurant revenue in the three months through June was up more than one-fourth from the same period two years prior. In Provincetown, it's up 60%.

Such regional differences show how uneven the recovery of the Massachusetts economy has been a year and a half after the pandemic, despite having among the lowest virus case numbers and highest vaccination rates.

Chris Wheat, a co-president for the JPMorgan Chase Institute who has studied small businesses during the pandemic, says it's still too early to say how small employers have fared compared to larger peers, and whether recent changes will last.

"We are very interested in how permanent this change in consumer behavior is," he said.

Lauren Beitelspatcher, a business professor at Babson College, said even upticks in spending due to nice weather or people catching up with friends they haven't seen in awhile may be temporary as workers stay remote.

There are already big variations in what consumers are spending their money on now: In Greater Boston, grocery spending through early September outpaced other industries, up 68% from January 2020. Retail is also up 52%, but restaurants, hotel and entertainment is up just 20%.

Restaurants largely bounced back in the second quarter, up 23% from the first quarter of the year, according to the State Department of Revenue, as operating restrictions were lifted and vaccines allowed many to safely dine out again. But there's still lots of ground left to make up: Restaurant revenue was 21% higher in the same quarter two years ago, and [Bob Luz](#), president

and CEO of the Massachusetts Restaurant Association, warned that the higher revenue numbers don't erase previous losses.

Shifting spending

The area's cultural destinations haven't been able to hold many events yet, but at least some have benefited from federal aid as well as the generosity of donors.

"I don't think any place has really gone back to normal. They can't just reopen so quickly and easily. It takes a few months," Massachusetts Cultural Council Executive Director [Michael Bobbitt](#) said. "I think consumerism has shifted when it comes to art."

Bobbitt, whose group advocates for the state's arts sector, says he's looking ahead, hoping that some performances could be streamed by viewers from home. The Boch Center, which includes the Wang and Shubert theaters, has offered 32 virtual events. But [Joe Spaulding](#), the president and CEO of the Boch Center, said live performances still need to be part of the mix.

Kings Dining & Entertainment, which has bowling and entertainment centers across the area, has seen very encouraging numbers, said Jason Goodrow, the company's senior director of marketing.

"It was non-existent a couple months ago," he said.

A challenge for the Financial District

Boston neighborhoods most reliant on office workers could be transformed in the years ahead. An analysis of CoStar real estate data by The New York Times in July found Boston's Financial District to be the most office-reliant of any major city in the country, with about four-fifths of its space taken up by offices.

Property managers and city officials will have to work hard to fill empty spaces and avoid potential economic pitfalls, said Beitelspatcher.

"As consumers, we really need to ask ourselves if we would miss a restaurant or retailer if it closed," she said. "If the answer is yes, then we, as consumers, need to support these businesses with our disposable income as best we can."

"It is not healthy for local economies to have empty storefronts," Beitelspatcher added. "Not only do those communities lose the tax revenue generated by those local businesses, but empty storefronts eventually lead to lower property values and less active communities."