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Decline in lower paying jobs helps explain DC's high unemployment rate

Accelerating structural changes already underway, recession eliminated lower paying jobs while higher paying ones grew

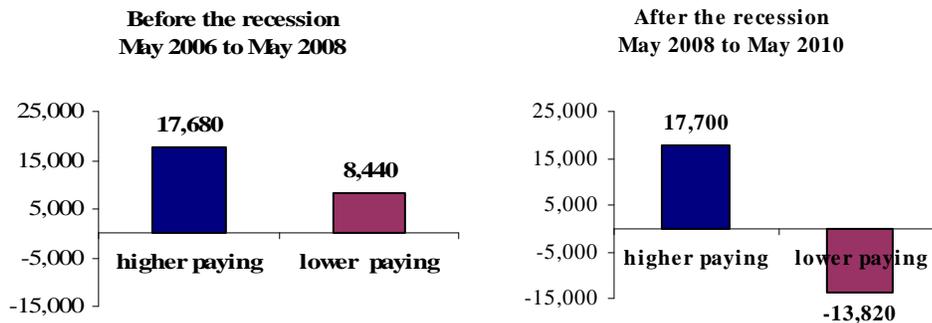
Each May the US Bureau of Labor Statistics (BLS) compiles information on the occupation of employed persons. From May 2006 to May 2010 (the most recent data) employed persons in DC increased by 30,000 (4.9%). At the same time, DC's unemployment grew by 14,675 (78.9%) over this same period, and the unemployment rate rose from 5.8% in May 2006 to 9.9% in May 2010. Why is there this disparity between jobs in DC and unemployment?

One reason for the disparity is a change over the 4 year period in the mix of occupations of persons employed in DC. Although total jobs increased, by accelerating structural change the recession reduced the number of persons working in lower paying occupations. The reduction in such jobs was the greatest in the 2 years after the recession began, the period when unemployment also rose sharply. Not all the lost jobs were held by DC resident. But the higher rates of unemployment in lower income portions of the District suggest that a substantial proportion of the rise in DC's unemployment can likely be accounted for by the loss of these low income jobs.

BLS identifies 495 distinct occupations, grouped into 21 occupational categories. (See table on p. 2.) In this analysis, higher paying occupational categories have an average wage greater than the \$73,440 average for all 639,310 employed persons working in DC in May 2010. Lower paying occupations earn below the average. Eight higher wage and 13 lower wage groups employ respectively 51.4% and 48.6% of employees. Net growth in lower paying jobs before the recession turned into a net 13,820 loss after the recession. Higher wage jobs continued to grow.

(continued on p. 2)

Net change in the number of people employed in higher and lower paying occupational groups in DC: May 2006 to May 2010 (divided into 2-year periods—before and after the US recession's impact on DC)



This briefing document was prepared by Stephen Swaim, DC Office of Revenue Analysis.

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Low paying jobs and DC unemployment, continued from p.1

A closer look at the occupational groups shows that each wage group had gains and losses in each period, suggesting interaction between structural change in the economy and the recession.

—In the lower wage occupations, 10 of 13 groups lost a total of 20,860 jobs after the recession. The two biggest losing sectors here—sales and office employment—also lost jobs in the 2 years before the recession’s impact was felt in DC. These two sectors also are substantially affected by technology, and the jobs lost here may be slow to return

—The higher wage occupations were also affected by the recession, as 4 of the 8 sectors lost jobs from May 2008 to May 2010.

—The 25,630 post recession gains in the higher wage group were concentrated in just 3 sectors: management, business and finance, and health care.

—Job changes show the dynamic nature of the DC economy. From 2006 to 2010 a total of 66,310 new jobs were created, with almost as many new ones coming after the recession as before. At the same time, 36,310 jobs were lost, 79% after the recession’s onset.

—*Stephen Swaim, DC Office of Revenue Analysis*

Job changes by occupational group before and after recession

Category	May 2006 to May 2008		May 2008 to May 2010	
	Number of sectors	Change in jobs	Number of sectors	Change in jobs
Job increases during the 2 year period				
Higher wage group	7	18,520	4	25,630
Lower wage group	7	15,120	3	7,040
Job decreases during the 2 year period				
Higher wage group	1	-840	4	-7,930
Lower wage group	6	-6,680	10	-20,860
Job increases, both groups	14	33,640	7	32,670
Job decreases, both groups	7	-7,520	14	-28,790
Total change	21	26,120	21	3,880

Source: see detailed table below

DC employment by major occupation group and wage category: May 2006, May 2008, and May 2010

Occupational group	Average wage (\$)	Employment			Employment change:	
		May 2006	May 2008	May 2010	May 2006 to May 2008	May 2008 to May 2010
Higher wage						
1 Management	122,460	64,190	71,190	84,890	7,000	13,700
2 Business and financial operations	86,060	69,820	78,850	89,380	9,030	10,530
3 Computer and mathematical	87,760	33,710	34,200	33,180	490	-1,020
4 Architecture and engineering	96,830	11,820	12,290	12,570	470	280
5 Life, physical, and social science	98,440	23,360	22,520	18,770	-840	-3,750
6 Legal	139,820	37,520	37,550	37,490	30	-60
7 Arts, entertainment, sports, and media	74,240	27,950	28,540	25,440	590	-3,100
8 Healthcare practitioners and technical	81,230	25,040	25,950	27,070	910	1,120
subtotal		293,410	311,090	328,790	17,680	17,700
Lower wage						
9 Community and social services	51,230	8,420	11,380	10,020	2,960	-1,360
10 Education, training, and library	62,970	32,220	34,610	33,370	2,390	-1,240
11 Healthcare support	30,820	7,420	7,200	10,420	-220	3,220
12 Protective service	57,160	22,630	26,110	25,710	3,480	-400
13 Food preparation and serving	27,400	40,530	42,810	43,110	2,280	300
14 Building and grounds maintenance	28,670	24,230	22,070	21,750	-2,160	-320
15 Personal care and service	33,540	8,330	10,580	8,920	2,250	-1,660
16 Sales and related	43,360	28,110	27,500	23,060	-610	-4,440
17 Office and administrative support	44,940	104,340	101,840	93,510	-2,500	-8,330
18 Construction	52,600	11,510	10,870	9,670	-640	-1,200
19 Installation, maintenance, and repair	50,660	8,100	8,960	8,920	860	-40
20 Production	46,680	6,770	7,670	5,800	900	-1,870
21 Transportation and material moving	39,010	13,290	12,740	16,260	-550	3,520
subtotal		315,900	324,340	310,520	8,440	-13,820
Total	73,440	609,310	635,430	639,310	26,120	3,880
<i>Addendum: DC labor market statistics</i>						
<i>Labor Force</i>		320,612	335,438	335,775	14,826	337
<i>Employed DC residents</i>		302,023	314,925	302,511	12,902	-12,414
<i>Unemployed DC residents</i>		18,589	20,513	33,264	1,924	12,751
<i>DC unemployment rate</i>		5.8	6.1	9.9	0.3	3.8

Source: BLS Occupational Statistics Survey(OES). OES scope is slightly more limited than the monthly employment by establishment survey.