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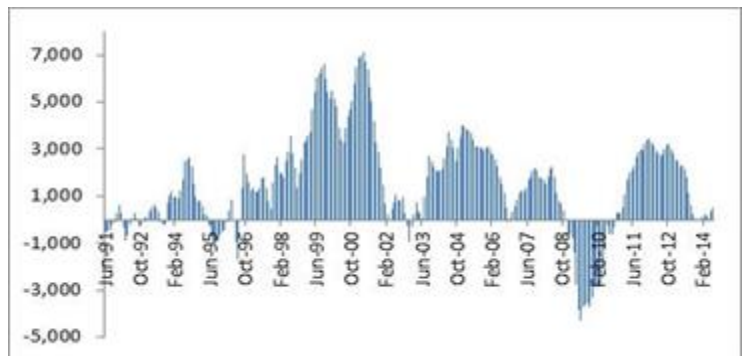
***Can professional services contribute as much to growth in DC’s economy in the future as it has over the past two decades?***

Professional and Technical Services, the Bureau of Labor Statistics industry grouping that includes legal, consulting, accounting, computer, marketing, research, engineering, and architectural services, is second in importance only to the federal government as a source of well paying jobs in DC. In June 2014, this sector (“professional services,” for short) employed almost 108,000, accounting for 14.5% of all jobs in DC and 21.6% of all wages and salaries earned. (The share is 21.3% of all private sector jobs and 34.6% of all private wages and salaries.)

Taken together, the federal government and professional services represent the backbone of DC’s economy, accounting for 41% of all jobs and 55% of all wages and salaries. With federal employment falling and federal spending constrained by tight fiscal policy, the outlook for professional services takes on special significance for the course of the District’s economy. At this point, however, that outlook seems rather uncertain.

Professional services have been an important part of the story of the revival of the District’s economy, growing 49.4% from 1991 to 2014, compared to 9.7% for all jobs in DC and 26.5% for all private sector jobs. The sector’s growth has not, however, been smooth from year to year as shown in the graph below. Year-over-year gains were greatest in the 2- year period from 1999 to 2001 when more than 5,000 were added each year; a rate of more than 3,000 per year were also added in recovery periods following the 2001 recession (and 9/11 attacks) and the Great Recession (2008). Periods of slow or negative growth have also occurred, one of which—that which began in 2013—helps to explain why the outlook for professional services is so uncertain at the present time. Three factors affecting that outcome are discussed below. (Continued on p.2)

**Professional services employment in DC: June 1991 to June 2014** (change from the prior year in the 3-month moving average)



**Professional and technical services sector in DC: 2014**

Number of wage and salary jobs (3 mo avg.)	107,867
Wage and salary earnings (\$ billion)	\$13.37
Average wage and salary per job	\$123,929
% of all DC wage and salary employment	14.5%
% of all wages and salaries earned in DC	21.6%
Avg. wage and salary as % of DC avg.	149.0%
% of all DC private sector jobs	21.3%
% of all private sector wages and salaries	34.6%
Avg. wage and salary as % of DC private avg.	162.1%

Source: employment: BLS (June 2014), wages: BEA (March 2014)

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

This brief first appeared in the August 2014 DC Economic and Revenue Trends. District of Columbia briefing documents are prepared by the Office of Revenue Analysis, which is part of the Office of the Chief Financial Officer of the District of Columbia government. The purpose of these documents is to make information available that is not of a policy nature. See also District of Columbia Economic and Revenue Trends and Economic Indicators issued monthly by the D.C. Office of the Chief Financial Officer ([www.cfo.dc.gov/Economy and Revenue](http://www.cfo.dc.gov/Economy%20and%20Revenue)).

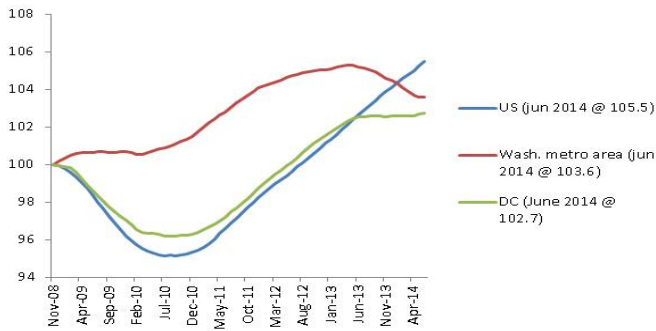
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As professional services weakened in the Washington metropolitan area over the last year, there has been a sharp reversal of the status of the metropolitan area compared to the US. Taken as a whole for the period from November 2008 to June 2014, the percentage growth in US professional services has outpaced that of the Washington metropolitan region despite the lack of decline in the metro area during the recession and the region's strong growth in the early recovery period (see graph below).

Federal spending appears as well to have contributed to the recent slowdown in the growth of DC's professional services sector, just as it did in the increase after the 2008 recession. Thus far, however, the negative impact on DC appears to have been less than for the region as a whole, and for the first time in two decades DC's share of regional professional services has started to rise. Federal spending is, of course, not the only factor affecting either the level of professional services in DC and the region or the preferred location of those services within the region. But the factors associated with federal spending and the level of professional services in the region are major influences contributing to the uncertain outlook for professional services in DC.

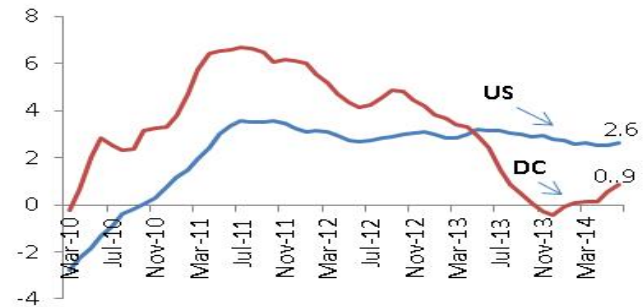
**Professional services in DC, the Washington metropolitan area, and the US: November 2008 to June 2014**

(Index of 12-month moving average: November 2008 = 100)



**Professional services (not including legal services) in DC and the US: March 2010 to June 2014**

(% change from the prior year in the 3-month moving average)



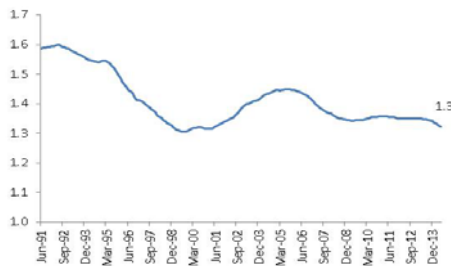
Summing up, the recent slowdown in the growth of the professional services sector in DC, at a time when they have been growing quite steadily nationally, suggests there is a considerable amount of uncertainty in the outlook for this sector in the District of Columbia. Change in the legal services industry, slowdown in federal spending, changes in the relationship between the DC economy and the metropolitan region, and perhaps other factors as well all point to an element of uncertainty. In assessing the overall strength of the DC economy in the coming years, the uncertainties associated with professional services underscores the need to think about the District's entire economy, not just those of the old stalwarts of the federal government and professional services. Along these lines, it is worth noting that the professional services share of DC's private employment peaked about 2005, and its share of private sector wages peaked in 2009.

—Stephen Swaim, Office of Revenue Analysis

*Addendum: Additional charts*

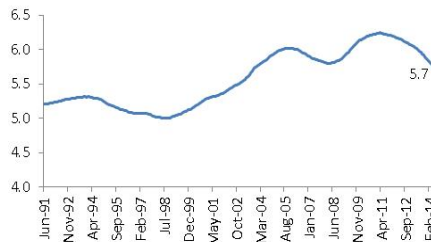
**DC share of professional services employment in the US: June 1991 to June 2014**

(calculated from 12-month moving averages)



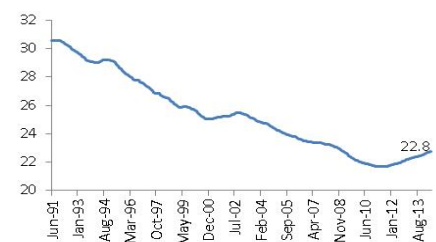
**Washington metropolitan area share of professional services employment in the US: June 1991 to June 2014**

(calculated from 12-month moving averages)



**DC share of professional services employment in the Washington metropolitan area: June 1991 to June 2014**

(calculated from 12-month moving averages)



Note: all employment data is from the US Bureau of Labor Statistics. Income data is from the US Bureau of Economic Analysis.