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Federal employment in DC rose in the March quarter, ending a loss of 16,200 jobs over 3+ years

Not as dominant as it used to be, the federal government still accounts for 26% of DC's jobs and 31% of wages

In the March 2015 quarter, 197,367 federal civilian employees worked in the District of Columbia, an increase of 1,100 (0.6%) over the first quarter of 2014. This year-over-year increase was notable because it was the first since September 2011. During the more than three years since September 2011, a time that included implementation of the sequestration policy to curb federal expenditures, 16,166 federal jobs in DC were lost, representing 7.5% of federal employment.

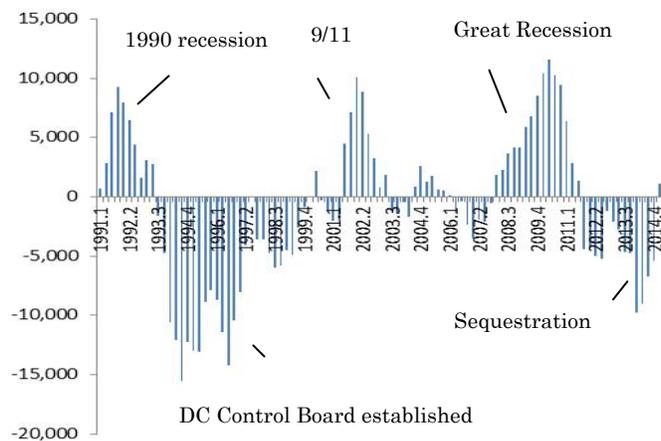
Looking back, fluctuations in federal jobs have been associated with major developments in the District's economy. For example, federal cutbacks contributed to the conditions surrounding the establishment of the DC Control Board in 1995. More federal jobs helped the city cope with the aftermath of the 9/11 attacks and the Great Recession that began at the end of 2007. The recent loss of federal jobs appears, however, to have had only a moderate impact on the District's economy, as total employment in DC rose by 33,634 over that period.

Three reasons, discussed below, help to explain the fairly strong performance of the District's economy in the face of the recent decline in federal employment: (1) growing strength and diversity of DC's private sector, (2) federal contracting probably boosted DC's private sector, and (3) DC's economy is less dependent on net growth of jobs located in DC.

Federal wage and salary employment in DC: 1990.1 to 2015.1

(change in number of employees from same quarter of prior year)

Source: BLS



Still, whether the recent gain in federal employment represents a turning point or just a pause in a declining trend is an important one. As is also discussed below, with 26.1% of all jobs located in DC and 31.1% of wages earned there, the federal sector remains vital to the District. (Continued on p. 2)

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

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Three reasons that help to explain DC's economic resilience in spite of declining federal employment

1. Growing strength and diversity of DC's private sector. Over the last 25 years there has been a shift in DC's labor market toward the private sector, a shift stronger in jobs than in earnings. From 1990 to 2015, DC lost 22,165 federal jobs (a 10.1% decline) while the private sector added 115,000 (a 28.3% gain). The federal share of jobs fell from 32.2% to 26.1% (an 18.9% decline in the federal share). Adjusted for inflation, over that time federal wages and salaries grew 31.6% while the private sector's grew 70.6%, more than twice as fast. The federal share of total wages earned in DC fell from 34.9% to 31.1% (a 10.9% decline in the federal share).

Federal civilian and private sector wage and salary employment in DC: 1990.1 to 2015.1

| | Quarter (number) | | Change | |
|-----------------------|------------------|---------|---------|-------|
| | 1990.1 | 2015.1 | Amount | % |
| Federal civilian | 219,533 | 197,367 | -22,166 | -10.1 |
| Private sector | 406,700 | 521,700 | 115,000 | 28.3 |
| Federal % of DC total | 32.2 | 26.1 | | |

Source: BLS. Total includes state and local government.

Federal civilian and private sector inflation-adjusted wages and salaries earned in DC: 1990.1 to 2014.4 (\$B \$2005)

| | Quarter (\$B \$2005) | | Change | |
|-----------------------|----------------------|--------|--------|------|
| | 1990.1 | 2014.4 | Amount | % |
| Federal civilian | 12.61 | 16.60 | 3.99 | 31.6 |
| Private sector | 19.81 | 33.80 | 13.98 | 70.6 |
| Federal % of DC total | 34.9 | 31.1 | | |

Source: BEA. Total includes state and local government.

The difference in DC's labor market between the period of federal cutbacks in the 1990's and the one just ended is quite dramatic. From 1993.2 to 1999.2, DC lost 50,134 federal jobs; about a third of that loss was offset by a gain of 18,000 in the private sector. From 2011.3 to 2014.4, by contrast, the 49,200 gain in private sector jobs was about 3 times greater than the 16,166 federal jobs that were lost. About one-third of the new private sector jobs occurred in education, but increases occurred in a number of other sectors as well.

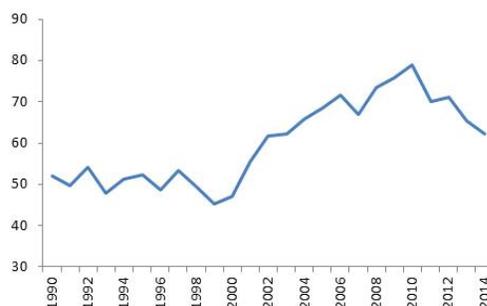
DC private sector employment: 2011.3 to 2014.4

| Sector | Quarter | | Change | |
|----------------------------|---------|---------|--------|------|
| | 2011.3 | 2014.4 | amount | % |
| Professional and technical | 103,967 | 110,467 | 6,500 | 6.3 |
| Business services | 47,700 | 50,600 | 2,900 | 6.1 |
| Education | 47,967 | 64,567 | 16,600 | 34.6 |
| Health | 63,233 | 67,567 | 4,334 | 6.9 |
| Organizations | 59,867 | 62,800 | 2,933 | 4.9 |
| Leisure and hospitality | 63,133 | 70,267 | 7,134 | 11.3 |
| Retail | 18,300 | 23,233 | 4,933 | 27.0 |
| Other | 76,433 | 80,299 | 3,866 | 5.1 |
| Total private sector | 480,600 | 529,800 | 49,200 | 10.2 |

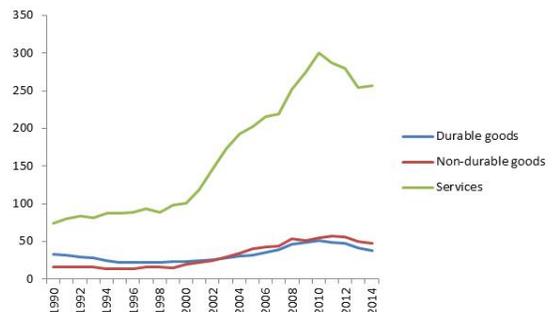
Source: BLS

2. Federal contracting probably boosted DC's private sector. According to the National Income accounts compiled by the US Bureau of Economic Analysis, in recent years federal government expenditures for non-defense programs have shifted toward greater reliance on purchases of goods and services rather than compensation of employees. The change was particularly great starting around 2000; from 2000 to 2014, federal purchases went up 153%, compensation by 91%. The increase in purchases of services was particularly strong, tripling between 2000 and 2010 before tailing off a bit. Data on such purchases from DC's private sector are not available, but a pattern here similar to the national one would help to explain some of the rapid growth of professional and technical services in DC. That sector increased 54.0% from 2000.1 to 2014.4, almost double the 28.4% pace for all of DC's private sector.

Federal non-defense program consumption purchases of goods and services as % of employee compensation: 1990 to 2014



Federal non-defense program consumption of goods and services by type: 1990 to 2014



The potential for federal stabilization of the District’s economy, though dependent on US fiscal policy, remains an important asset for the city. Increases in federal employment and earnings were important for DC’s economy in recovering from the recession in 1990, the 9/11 attacks and recession in 2001, and, of course, the Great Recession from 2007 to 2011.3.

—Stephen Swaim, DC Office of Revenue Analysis

Federal civilian and private sector employment and inflation-adjusted wages in 3 selected periods

| | 1990.1 to 1993.2 | 1999.2 to 2002.2 | 2007.1 to 2011.3 |
|---|---------------------|---------------------|---------------------|
| Wage and salary employment | | | |
| Federal civilian | 13,234 | 9,067 | 24,766 |
| Private sector | -21,833 | 29,633 | 20,567 |
| Wages and salaries earned in DC (\$B \$2005) | | | |
| Federal civilian | 1.25 | 1.10 | 2.39 |
| Private sector | -0.53 | 2.86 | 0.89 |

Source: See Appendix table

Appendix table

This table summarizes wage and salary employment in DC for the period 1990.1 to 2014.4. It includes federal jobs, private sector jobs, and the total for DC (which includes state and local employment). The table includes both the number of jobs and inflation-adjusted wages and salaries. The different periods shown correspond to the turning points in federal employment—the high points and the low points.

Federal civilian and private sector employment and inflation-adjusted wages in DC for selected periods: 1990.1 to 2014.4

| | 1990.1 | 1993.2 | 1999.2 | 2002.2 | 2007.1 | 2011.3 | 2014.4 |
|---|---------|---------|---------|---------|---------|---------|---------|
| Federal civilian sector | | | | | | | |
| wage and salary employment | | | | | | | |
| number | 219,533 | 232,767 | 182,633 | 191,700 | 189,367 | 214,133 | 197,967 |
| ch. From prior period | | 13,234 | -50,134 | 9,067 | -2,333 | 24,766 | -16,166 |
| % change | | 6.0 | -21.5 | 5.0 | -1.2 | 13.1 | -7.5 |
| Inflation-adjusted wages and salaries (\$2005) | | | | | | | |
| amount (\$B) | 12.61 | 13.86 | 12.92 | 14.01 | 15.46 | 17.86 | 16.60 |
| ch. From prior period | | 1.25 | -0.95 | 1.10 | 1.45 | 2.39 | -1.26 |
| % change | | 9.9 | -6.8 | 8.5 | 10.4 | 15.5 | -7.0 |
| Private sector | | | | | | | |
| wage and salary employment | | | | | | | |
| number | 406,700 | 384,867 | 402,867 | 432,500 | 460,033 | 480,600 | 529,800 |
| ch. From prior period | | -21,833 | 18,000 | 29,633 | 27,533 | 20,567 | 49,200 |
| % change | | -5.4 | 4.7 | 7.4 | 6.4 | 4.5 | 10.2 |
| Inflation-adjusted wages and salaries (\$2005) | | | | | | | |
| amount (\$B) | 19.81 | 19.29 | 22.96 | 25.82 | 30.26 | 31.15 | 33.80 |
| ch. From prior period | | -0.53 | 3.67 | 2.86 | 4.44 | 0.89 | 2.65 |
| % change | | -2.7 | 19.0 | 12.5 | 17.2 | 2.9 | 8.5 |
| Total DC economy | | | | | | | |
| wage and salary employment | | | | | | | |
| number | 682,633 | 673,500 | 623,967 | 662,767 | 687,300 | 731,933 | 765,567 |
| ch. From prior period | | -9,133 | -49,533 | 38,800 | 24,533 | 44,633 | 33,634 |
| % change | | -1.3 | -7.4 | 6.2 | 3.7 | 6.5 | 4.6 |
| Inflation-adjusted wages and salaries (\$2005) | | | | | | | |
| amount (\$B) | 36.12 | 36.64 | 38.74 | 39.83 | 49.06 | 52.20 | 53.37 |
| ch. From prior period | | 0.53 | 2.10 | 1.09 | 9.23 | 3.14 | 1.17 |
| % change | | 1.5 | 5.7 | 2.8 | 23.2 | 6.4 | 2.3 |
| Addendum | | | | | | | |
| Federal civilian % of DC total | | | | | | | |
| Employment | 32.2 | 34.6 | 29.3 | 28.9 | 27.6 | 29.3 | 25.9 |
| Wages and salaries | 34.9 | 37.8 | 33.3 | 35.2 | 31.5 | 34.2 | 31.1 |

Source: BLS (employment) and BEA (wages and salaries, adjusted for inflation to \$2005 by ORA). The periods selected represent the quarterly turning points (high and low) in federal employment in DC starting from the first quarter of 1990. DC total includes the state and local government sector.