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Bureau of Labor Statistics data show a slowdown in DC resident employment growth

This picture seems somewhat at odds with population trends, and some revision may be likely

According to the US Bureau of Labor Statistics, the year-over-year growth of DC resident employment was greater than 10,000 for most of the past two years. At the end of the Spring, however, there was a sharp downturn in growth, and by September 2016 the number of employed DC residents was reported to be just 3,876 more than in September 2015 (measured by the 3-month moving average).

What explains this change? Several possibilities are: more unemployment, lack of job opportunities, and changes in the labor force. The BLS information points to a declining labor force as the explanation. It should be noted, however, that labor market information has often been revised when more information becomes available, particularly regarding population.

Unemployment. Rising unemployment cannot explain slower DC resident job growth—unemployment fell over the past year by 1,929. The seasonally adjusted unemployment rate fell from 6.7% in September 2015 to 6.1% in September 2016, and the reduction in unemployment accounted for half of the 3,876 increase in last years' resident employment.

Job opportunities. Lack of job opportunities cannot explain slower DC resident job growth because there was no comparable slowdown in the growth of jobs located in DC. From 2014.3 to 2015.3 resident employment exceeded

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**DC resident employment: Sept. 2014 to Sept 2016:
change from the prior year**



Source: US Bureau of Labor Statistics, calculated from the 3-month moving average.

Change in DC labor market: 2014.3 to 2016.3

	2014.3 to 2015.3	2015.3 to 2016.3
Resident employment	12,540	3,876
Unemployment	-3,545	-1,929
Labor force	8,995	1,946

Jobs located in DC 12,300 11,967

Source: BLS

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

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exceeded job growth; this year it was only about one-third as much. In addition, job growth in DC's suburbs was up sharply over the past year providing DC residents more opportunities for reverse commuting.

Labor force. The BLS data shows that the primary reason for slower growth of DC resident employment over the past year lies in changing labor force dynamics. From 2014.3 to 2015.3 the labor force grew by 8,995, a percentage increase of 2.4%. From 2015.3 to 2016.3, however, the story changed: the labor force grew by only 1,946, a rate of increase of 0.5%.

This sharp decline in the labor force is puzzling given recent population trends. In the year from 2014.3 to 2015.3 the increase in the labor force exceeded the growth rate of DC's population (1.9%). Population data for the third quarter of 2016 is not yet available from the Bureau of Economic Analysis (which develops quarterly population estimates in consultation with the Census Bureau when preparing Personal Income estimates). Through the second quarter of 2016, however, BEA's estimate of population growth had not slowed at all—it was still growing by 2.9% over the prior year. If population growth is not slowing and job growth continues, there is no obvious reason for the labor force growth to slow. To be sure, in a growing economy changes in the age composition of the population or other factors such as changing migration patterns could influence the relationship between population and the labor force. But a change as precipitous as the one currently estimated by BLS requires more explanation and would represent a big shift in the structure of DC's economy.

When additional population information is available, the latest labor market data will likely be revised. An example of this occurred a year ago. In the 2015.3 quarterly estimate made in October 2015, BLS estimated that DC's labor force was 387,362. BEA had not yet published a DC population estimate for the quarter, and the one that they did publish in December was later revised upward by 3,861 in March. With the higher revised population number, DC's labor force estimate for the 2015.3 quarter was increased by 3,787 and resident employment by 3,947.

DC resident employment, unemployment, jobs, and population: 2014.3 to 2016.3

Change from the prior year

	Level			Number		% ch	
	2014.3	2015.3	2016.3	2014.3 to 2015.3	2015.3 to 2016.3	2014.3 to 2015.3	2015.3 to 2016.3
Resident employment	351,483	364,022	367,898	12,540	3,876	3.6	1.1
Unemployment	30,671	27,126	25,197	-3,545	-1,929	-11.6	-7.1
Labor force	382,154	391,149	393,095	8,995	1,946	2.4	0.5
Jobs located in DC	754,800	767,100	779,067	12,300	11,967	1.6	1.6
Total population	661,504	673,896		12,392		1.9	

Source: BLS for employment, unemployment, and labor force; BEA for population (2016.3 not yet available).

Looking ahead, there are opportunities for DC resident employment to grow by reducing unemployment. However, unless a recession were to occur, the biggest influences on resident employment are those related to population growth and job growth, and to the dynamics of labor force growth related to those two factors.

According to BLS, there are about 25,000 DC residents without jobs who are looking for work. Over the past 20 years DC's unemployment rate has not been below the current 6.1% rate very often. Of the 240 months from September 1996 to September 2016, the unemployment rate has been below 6.0% only about 20% of the time, and never lower than 5.4% (that for four months in the spring of 2000). A drop from 6.1% to 5.4% in the unemployment rate would appear not to be easy according to this past history, but should it occur it would increase DC resident employment by just 2,752 (0.7% reduction in the unemployment rate times the labor force of 393,095).