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## **Resident employment grew four times faster in DC than in the suburbs over the past 4 years**

### ***DC population growth is the principal reason***

According to the US Bureau of Labor Statistics, the number of employed DC residents rose from 323,823 in April 2012 to 370,204 in April 2016, a 14.3% increase of 46,381. This increase stands out in the context of recent labor market trends in the US and in the Washington metropolitan area:

- The percentage increase was more than twice that in both the US economy (6.6%) and four times the increase in the DC suburbs (3.5%),
- The increase represented almost one-third of the increase in the entire metropolitan area, although DC's regional resident employment share is just under 12%.
- The percentage change in DC's resident employment was more than twice the increase in jobs located in DC. (14.3 v. 6.2%). For the US and the rest of the metropolitan area, resident employment actually grew a little less rapidly than wage and salary employment.
- The increase, averaging 11,595 per year, is about equal to the growth in DC's population over that period.

#### **Percent change in jobs and resident employment in DC, the DC suburbs, and the US: April 2012 to April 2016**

	Jobs (place of work)	Res ident employment
US	7.5	6.6
Washington metro area	5.6	4.6
DC	6.2	14.3
Suburbs	5.4	3.5

*Source: BLS*

Three places to look in helping to explain this remarkable increase in employed DC residents are: (1) growth of wage and salary jobs in DC, (2) unemployed persons returning to work, and (3) labor force growth. As noted below, all of these have contributed, but the most important explanation lies with labor force growth and related dynamics, particularly population growth.

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

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**Wage and salary employment located in DC.** DC employers added 45,467 wage and salary jobs from April 2012 to April 2016, about the same number of jobs as the increase in resident employment. These new jobs could certainly be a source of employment for additional DC residents. Although DC's jobs grew a little faster than those in the suburbs, there was, however, nothing very unusual about this increase. DC's share of the new jobs in the metropolitan area over the past four years (26.6%) was close to its recent average share of all metropolitan area jobs (about 24%).

A growing job base no doubt helps to attract workers to the District of Columbia, but job growth in DC cannot explain why employed residents grew by 14.3% while jobs grew 6.2%. It should be noted that from April 2012 to April 2016 the percentage increase in resident employment (6.6%) in the US economy was actually a little less than the 7.5% wage and salary job growth, and the Washington metropolitan area growth pattern was similar, albeit a little slower—4.6% for resident employment and 5.6% jobs.

**Unemployment.** DC unemployment declined by 8,481 from April 2012 to April 2016, which represents about 18% of the increase in resident employment. However, falling unemployment cannot explain why resident employment increased so much faster in DC than elsewhere. DC's percentage decline in unemployment was less than in the Washington metropolitan area suburbs and the US.

Looked at another way, over the past four years, it took an increase of 5.5 DC employed residents to reduce unemployment by one (46,381 increase in resident employment divided by 8,481 decline in unemployment). In the US the ratio was 2.1 new employed resident for every decline of one in unemployment, and in the suburbs the ratio was 1.9 new employed resident for every reduction of one in unemployment.

**Percent change in resident employment, labor force, population, and unemployment in DC, the DC suburbs, and the US: April 2012 to April 2016**

	Resident employment	Labor force	Population	Unemployment
US	6.6	2.9	3.2	-37.9
Metro area	4.6	2.5	5.1	-31.5
DC	14.3	10.6	7.5	-25.6
Suburbs	3.5	1.5	4.8	-32.7

*Source: BLS and Moody's Analytics (population). Population is from 2012.1 to 2016.1*

**Resident employment in DC and in the Washington metropolitan area: April 2012 to April 2016**

	Level		
	April 2012	April 2016	change
DC	323,823	370,204	46,381
Metro area	3,025,829	3,166,460	140,631
DC % of metro area	10.7	11.7	33.0

*Source: BLS*

**Unemployment in DC and in the Washington metropolitan area: April 2012 to April 2016**

	Level		
	April 2012	April 2016	change
DC	33,103	24,622	-8,481
Metro area	187,869	128,707	-59,162
DC % of metro area	17.6	19.1	14.3

*Source: BLS*

Labor force dynamics. By definition, the increase in resident employment must be equal to the sum of the reduction in unemployment plus the increase in the labor force. Consequently, over 80% of the growth in resident employment is accounted for by labor force growth.

**Components of change in DC resident employment from April 2012 to April 2016**

component	Amount of change	% of total
Reduction in unemployment	8,481	18.3
Labor force increase	37,901	81.7
Resident employment	46,381	100.0

Source: BLS. Detail does not add due to rounding.

Along with resident employment, the increase in DC's labor market represents another unusual change over the past four years. The 10.6% increase in DC's labor force was 3.7 times greater than in the US (2.9%) and more than 7 times greater than in the suburbs (1.5%). With about 12 percent of the region's labor force, DC accounted for 46.5% of the region's increase over the past four years.

**Labor force in DC and in the Washington metropolitan area: April 2012 to April 2016**

	Level		
	April 2012	April 2016	change
DC	356,925	394,826	37,901
Metro area	3,213,698	3,295,167	81,470
DC % of metro area	11.1	12.0	46.5

Source: BLS

**Population in DC and in the Washington metropolitan area: April 2012 to April 2016**

	Level		
	2012.1	2016.1	change
DC	631,600	678,700	47,100
Metro area	5,849,500	6,148,900	299,400
DC % of metro area	10.8	11.0	15.7

Source: Moody's Analytics

Population growth is the principal reason why DC's labor force is rising so significantly. Over the past four years DC's population grew 7.5%, compared to 4.8% in the suburbs and 3.2% in the US. If DC's labor force had grown at the same rate as population, the labor force would have grown by 26,617. This growth in labor force due strictly to population would account for about 70% of the 37,901 labor force increase, and 57% of the 4 year increase in DC resident employment. About 30% of the labor force increase, however, is related to factors other than population growth. These factors cannot be explained by this data. For example, DC's rising population may have an unusually large share of people in the labor force. Or the entire population may be changing so that the proportion persons in the labor force is rising. Or rising employment opportunities may be pulling more of the people who have left the labor force into DC's labor market, although it is not obvious why this should be more true in DC than elsewhere.

**Components of change in DC resident employment showing impact of population and other reasons for labor force growth: April 2012 to April 2016**

component	Change in resident employment	Percentage of change
Reduction in unemployment	8,481	18.3
Increase in labor force at same rate as population growth (7.5%)	26,617	57.4
Other reasons for labor force growth	11,284	24.3
Total	46,381	100.0

Source: BLS and Moody's Analytics (for population). Population is for the March quarters of 2012 and 2016. Detail does not add due to rounding.

**Where do the additional DC employed residents work?** The BLS data used in this survey do not indicate the place of employment for DC residents. The increase in DC resident employment from April 2012 to April 2016 is the result of some combination of (1) a portion of the increase in new wage and salary jobs added in DC, (2) DC residents filling jobs formerly held by commuters who retired or otherwise left their positions, (3) additional DC residents commuting to the suburbs, and (4) additional DC workers who report they are working but are not as wage and salary employees.

The importance of commuting patterns is underscored by trends in suburban jobs and resident employment over the April 2012 to April 2016 period. During those four years suburban resident employment growth was far below the percentage change in jobs located in the suburbs (3.5% v 5.4%), and the increase in wage and salary jobs exceeded the growth of resident employment by more than 30,000. This difference between job growth and resident employment growth in the suburbs would appear to provide employment opportunities for DC residents commuting to the suburbs—and employment opportunities as well for persons commuting from outside of the Washington DC metropolitan area. In addition, the relatively slow growth in the suburban labor force could indicate a slowing of interest in commuting to the District of Columbia.

**Labor market changes in the suburban areas of the Washington DC metropolitan area:  
April 2012 to April 2016**

	Level		Change over period	
	April 2012	April 2016	number	%
Wage and salary jobs	2,306,500	2,432,067	125,567	5.4
Resident employment	2,702,006	2,796,256	94,250	3.5
Labor force	2,856,772	2,900,341	43,569	1.5
Unemployment	154,766	104,085	-50,681	-32.7

Source: BLS

—Stephen Swaim, DC Office of Revenue Analysis

**Note about data:**

This analysis of labor market trends in the US and the DC area covers the period from April 2012 to April 2016, a time that includes the most recent four years of recovery from the Great Recession. (Recovery from the recession officially began in June 2009.) The analysis uses data from two Bureau of Labor Statistics surveys that are conducted each month: (1) wage and salary employment data by place of work and (2) labor market data by place of residence, which includes labor force, resident employment, and unemployment. The data for April 2012 and April 2016 are three month averages for February, March, and April. Population data for the first quarters of 2012 and 2016 are from Moody's Analytics.

It should be noted that the data presented here can be revised as Census and BLS sort through additional information that becomes available to them.