



D.C. Office of Revenue Analysis Briefing Document Number: 2016-9 Date: August 2016

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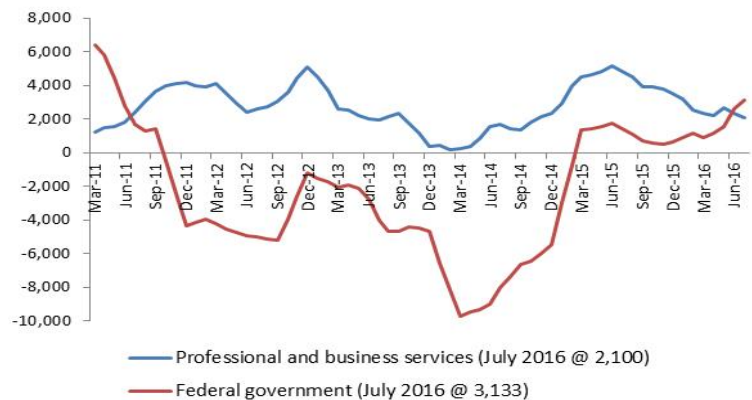
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Does slowing growth in business and professional services jobs signal a change in DC's economy?

Federal jobs in DC are now growing faster than those in business and professional services

There was some good news in the July Bureau of Labor Statistics report on wage and salary employment located in the District of Columbia: more federal civilian employees worked in DC in July than a year earlier—3,133 of them, the biggest gain in 5 years. There was also some not-so-good news: jobs in professional and business services increased by 2,100, just half the yearly gains the sector experienced a year earlier. Federal employment gains last topped those of professional and business services, DC's largest private industrial sector, 5 years ago, when DC was shaking off the effects of the Great Recession and federal employment growth from stimulus programs was winding down.

Change in employment from the prior year in DC's Professional and Business Services and Federal Government sectors: March 2011 to July 2016



Source: BLS (calculated from 3-month moving averages)

The slower growth of business and professional services jobs has occurred in DC despite the fact that the US economy is still expanding from the last recession—an expansion also largely led by those services. For the 12-months ending July 2015 DC's business and professional services jobs grew at a 3.1% rate, close to the national one of 3.3%. Then, over the next year, as the national growth rate slipped a bit to 2.7%, DC's rate fell sharply to 1.3%, less than half the national rate.

Why professional and business services employment has slowed down in DC is not clear from the BLS data. Should the slowdown continue, however, it would greatly affect the outlook for future job growth in DC. Now accounting for 21% of all DC jobs, these services are expected to account for half to three quarters of all net new jobs in DC over the next several years, according to forecasts by (Continued on p. 2.)

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

This brief first appeared in the August 2016 *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/Reports/Economic Reports/Briefing documents](http://www.cfo.dc.gov/Reports/Economic-Reports/Briefing%20documents)). For comment or further information, please contact Fitzroy Lee, Deputy Chief Financial Officer and Chief Economist, Office of Revenue Analysis, 1101 4th St., SW, Suite W770, Washington D.C. 20024, fitzroy.lee@dc.gov, 202-727-7775.

Global Insight and Moody's Analytics. (These forecasts also assume that professional and business services in DC will grow at a percentage rate about 75% to 80% as fast as national growth in these services; for the last 12-months, as noted above, DC growth was only half the US rate.)

The recent increase in federal employment is a welcome development for DC's economy, but it is questionable whether such gains can be sustained at a time when the federal government is concerned with reducing the federal deficit. Moody's Analytics expects federal employment in DC to grow by only 300 jobs over the next 6 years, and Global Insight has no growth over the next 30 years. Things might, of course, work out differently, but it should be noted that sequestration constraints on federal spending will be re-instituted in FY 2018 unless Congress takes other action.

Taken together, professional and business services and federal civilian employment account for 47% of all DC wage and salary jobs in DC. If growth in professional and business services falters and federal employment cannot be counted on to increase, what about all of the other sectors of the economy?

A look back over 5 years suggests the potential for other sectors of the economy to generate jobs in DC. From July 2011 to July 2016 gains in professional services about cancelled cuts in federal employment, so that the two together accounted for just 667 (1.4%) of the net increase in jobs. However, in these 5 years more than 48,000 jobs, an average of almost 10,000 per year, were added in other sectors, particularly in education, health, retail, food service, and local government.

Things have been different this past year, and the extent to which these other sectors can lead job creation has become more uncertain. From July 2015 to July 2016 professional and business services and the federal government accounted for 58% of the 9,000 net job increase in DC. Growth in the rest of DC's economy (3,767) fell to half of that of the prior year. Indeed, in percentage terms, the net gain in all of these other sector in July 2016 (0.9%) was less than in professional and business services (1.3%).

Does the slowing growth in business and professional services jobs signal a change in DC's economy? It is too early to tell, but the apparent slowing in this and other parts of DC's private sector at a time when the US economy is still expanding and when fiscal policies are likely to restrain federal spending is cause for concern.

Appendix

Most of the tables and charts in this appendix are from the wage and salary employment estimates for DC and the US issued monthly by the U.S. Bureau of Labor Statistics. The data is from the July 2016 estimates, with all calculations made from 3-month moving averages. The data is subject to revision.

Professional and business services is a category of employment used by BLS that includes a wide range of services: legal, accounting, architectural and engineering, computer systems design and related activities, management and technical consulting, scientific research and development, advertising, marketing, management of companies and enterprises, administrative and support services, travel services, investigative and security services, and services to buildings. In table 4 of this report, professional and business services are divided into four groups: legal, other technical services, temporary employment, and other business services.

The last table summarizes forecasts of the DC economy by Global Insight and Moody's Analytics. The forecasts made in August 2016 are for the 4 years from 2016.2 to 2020.2 and highlight the key role of professional and business sectors in those forecasts.

Wage and salary employment in DC by selected sectors: July 2011 to July 2016

	Level		Five year change		
	July 2011	July 2016	Amount	%	% of total change
	Professional and bus. services	151,667	164,867	13,200	8.7
Federal government	214,100	201,567	-12,533	-5.9	-25.8
subtotal	365,767	366,433	667	0.2	1.4
All other sectors	364,533	412,533	48,000	13.2	98.6
Total	730,300	778,967	48,667	6.7	100.0

Source: BLS, calculated from 3-month moving averages

Wage and salary employment in DC by selected sectors: July 2015 to July 2016

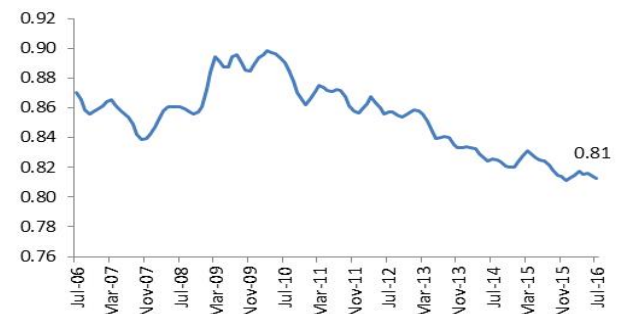
	Level		One year change		
	July 2015	July 2016	Amount	%	% of total change
	Professional and bus. services	162,767	164,867	2,100	1.3
Federal government	198,433	201,567	3,133	1.6	34.8
subtotal	361,200	366,433	5,233	1.4	58.1
All other sectors	408,767	412,533	3,767	0.9	41.9
Total	769,967	778,967	9,000	1.2	100.0

Source: BLS, calculated from 3-month moving averages

% change from the prior year in professional and business services in DC and the US: July 2014 to July 2016 (calculated from 3-month moving averages)



DC professional and business services employment as percent of US total: July 2006 to July 2016

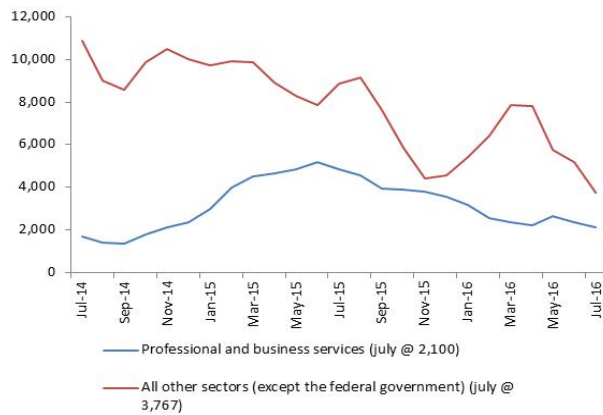


Alternate forecasts of Business and Professional services and all employment in DC and the US: 2016.2 to 2020.2

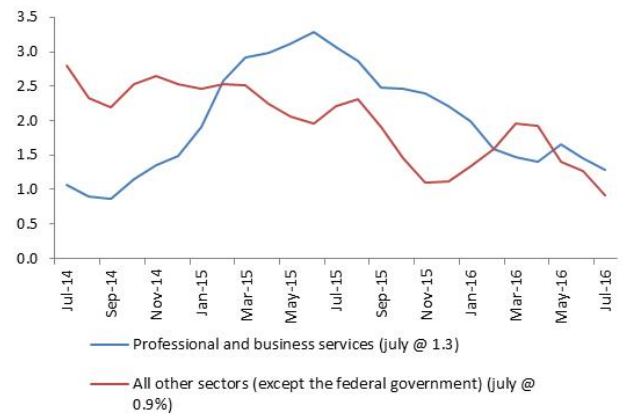
	DC				US			
	Level ('000)		Change		Level ('000)		Change	
	2016.2	2020.2	number	%	2016.2	2020.2	number	%
Global Insight								
Professional and bus. services	163.9	177.1	13.2	8.1	20,141	22,422	2,281	11.3
All employment	778.3	794.0	15.7	2.0	143,990	149,773	5,783	4.0
% of total	21.1	22.3	84.1		14.0	15.0	39.4	
Moody's Analytics								
Professional and bus. services	163.9	175	11.1	6.8	20,141	21,934	1,793	8.9
All employment	778.3	800.5	22.2	2.9	143,990	151,333	7,343	5.1
% of total	21.1	21.9	50.0		14.0	14.5	24.4	

Source: Global Insight and Moody's Analytics (August 2016 forecasts)

Change from the prior year in employment in professional and business services and in all other sectors (except the federal government): July 2014 to July



% change from the prior year in employment in professional and business services and in all other sectors (except the federal government): July 2014 to



Slowing employment in parts of DC's private sector: July 2015 to July 2016

	Change from prior yr.		% ch from prior yr.	
	July 2015	July 2016	July 2015	July 2016
Selected sectors				
Business and professional services	4,833	2,100	3.1	1.3
Health	900	33	1.4	0.0
Food services	2,633	700	5.4	1.4
Organizations	533	-433	0.8	-0.7
Total private sector	11,533	5,033	2.2	1.0

Source: BLS, calculated from 3-month moving averages.