District of Columbia Labor Market Remained Weak in September

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Labor market conditions remained weak in the District of Columbia in September according to the latest labor market report. The District of Columbia gained 11,500 jobs for the month; however, most of the increase was due to a large increase in government employment of 13,400 jobs. Private payrolls declined 1,900 for the month. In the household survey, the unemployment rate held steady at 11.1 percent after increasing for five consecutive months and remains at its highest level since 1983. The payroll and household surveys continue to provide mixed signals regarding the strength and direction of the labor market. However, taken together, the surveys indicate that the slowdown in economic activity over the course of the year resulted in a deterioration in labor market conditions in D.C., although the depth and duration of that deterioration is not yet clear.

Looking at the payroll numbers more closely, the September increase in employment was a result of a very sharp rise in local government employment along with moderate increases in health care and professional and business services, and a modest increase in financial activities. Partially offsetting those increases were notable declines in leisure and hospitality and other services along with smaller declines in retail trade, information, and educational services. Over the past 12 months, employment growth was flat with private job growth up just 0.1 percent and total job growth down 0.3 percent due to declines in local government. Still, despite the anemic job growth over the past year, several sectors continued to outperform the average, including professional and business services, financial services, construction, and health care. Offsetting gains in those stronger sectors was ongoing weakness in retail trade, leisure and hospitality, education, and local government. Clearly, the slowdown in the economy impacted consumer spending – as indicated by employment losses in the retail trade and hospitality sectors – while tighter fiscal conditions resulted in greater job loss in the public sector.

The results of the household survey were less negative than in recent months. The unemployment rate held steady at 11.1 percent after five months of consecutive increases. Workers entering the labor force in September were more successful in finding employment as the labor force increased by 1,800 workers while the number of unemployed rose by just 300. Still, at 11.1 percent the unemployment rate was higher than its previous peak of 10.4 percent in December 2009 and has not been at this level since 1983.

Looking ahead, labor conditions will depend on how the economy weathers the slowdown. Tax collections indicate that the District economy strengthened over the past 12 months in part due to strong wage and salary growth. However, sales tax collections slowed dramatically in late spring and summer and are now flat year-to-date, after being up by 10 percent in March, clearly reflecting the slowdown in the economy. There has been indication of stabilization in the broader economy and a pickup of growth in the third quarter of the year. However, whether that turnaround is being felt by the District economy is not yet clear. The unemployment rate remaining unchanged in September after its upward trend in recent months is a positive sign.