

# District of Columbia Labor Market Continued to Improve in December

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Labor market conditions continued to improve in the District of Columbia in December, according to the latest labor market report. The District of Columbia gained 3,100 jobs while gains in November were revised higher. In the household survey, the unemployment rate declined for a third consecutive month, falling from 10.6 percent to 10.4 percent. The unemployment rate declined by a full percentage point over the past three months yet currently matches the high reached at the end of 2009. With positive gains in private payroll employment in six out of the last seven months and a sharp decline in the unemployment rate, the incoming statistics suggest stabilization and some underlying momentum in the D.C. labor market.

Looking at the payroll numbers more closely, the December increase in employment was due to sizeable increases in health and education and a modest increase in professional and business services. Gains in other sectors were more modest. While some sectors lost employment in December, those losses were very modest. Construction and financial services both lost 200 jobs for the month. Trade, transportation and utilities employment was flat, as was information and government employment. Notably, employment growth accelerated significantly in the second half of the year. After declining by 2,000 jobs in the first six months of the year, total payroll employment rose by 9,100 in the final six months—increasing 1.0 percent for the year. Growth in the private sector was even stronger, up 2.2 percent for the year as 10,100 jobs were created. Federal government cutbacks weighed on the District labor market as federal payrolls declined by 2,400 in 2011.

The results of the household survey were positive for a third consecutive month. The unemployment rate declined two-tenths to 10.4 percent. For a third consecutive month, workers entering the labor force were more successful in finding employment as the labor force increased and the number of unemployed declined. As a consequence, the number of employed workers in the survey increased again in December—its fourth consecutive increase. Despite the improvement in recent months, at 10.4 percent the unemployment rate remained elevated, matching the high reached in December 2009.

Looking ahead, conditions in the labor market will depend on how the economy rebounds from the slowdown in 2011 and weathers changes in federal spending. Sales tax revenue recovered last year but slowed again in the fall because of the weakening economy. Revenues are expected to increase at a solid rate in the current fiscal year but grow at a much more sluggish pace in the next year. Under federal sequestration, District employment and wages would be significantly reduced in coming years—particularly in federal government payrolls and professional and business services employment. According to the Bipartisan Policy Center, the overall level of District employment would be reduced by 4,800 in FY 2013 and by an additional 10,800 in FY 2014. Clearly, while the recent gains in private payroll employment and the decline in the unemployment rate are positive signs, future improvement in the labor market will greatly depend upon the scope and pace of changes in federal spending.

