

Latest Report Indicates Continued Improvement in District of Columbia Labor Market

By Andy Bauer, Regional Economist (andy.bauer@rich.frb.org)

Labor market conditions improved in the District of Columbia in May according to the latest labor market report. Payroll employment rose by 2,100 jobs, held back by a sizeable decline in federal payrolls. Private employment increased by 3,300 although the gains were not widespread across sectors. The household survey indicated continued improvement. The unemployment rate declined for a second consecutive month and for the seventh time in eight months. At 9.3 percent, the unemployment rate was 1.2 percentage points lower than its recent peak in August 2011.

Looking at the payroll numbers more closely, the May gains were almost entirely due to sizeable increases in education, and leisure and hospitality. Education payrolls rose by 3,400 while leisure and hospitality increased by 1,200, driven by growth in accommodation and food services. There were very slight gains in financial activities and information. Partially offsetting those increases were declines in professional and business services, and construction, by 1,300 and 1,200 jobs, respectively. There were also very modest declines in trade, transportation and utilities, and other services. Government payrolls fell by 1,200, led by a 1,100 decline in federal employment. The year-over-year change in total payroll employment in May rose to 2.2 percent from 2.1 percent last month—eight-tenths above the national rate of 1.4 percent. Growth in private sector employment was more robust, with private sector jobs increasing by 4.1 percent over the past 12 months.

The results of the household survey also indicated continued improvement in the labor market in May. The unemployment rate fell two-tenths to 9.3 percent. The unemployment rate declined by half a percentage point over the past two months and remained 1.2 percentage points lower than its recent peak of 10.5 percent in August 2011. However the unemployment rate was still 3.8 percentage points higher than the 5.5 percent rate in November 2007, the month prior to the onset of the recession. As was the case in previous months, workers entering the labor force in May were successful in finding employment—both the labor force and the number of employed in the survey increased in each of the last 10 months. At the same time, the number of unemployed in the survey declined for the ninth consecutive month.

Overall, both surveys indicated continued improvement in the District of Columbia's labor market. Despite ongoing concerns about anticipated cutbacks in federal spending, the labor market continued to improve and there has yet to be a significant restraint on job growth in the private sector. However, at 9.3 percent the unemployment rate remained very elevated, indicating a very weak labor market for residents. In addition, the level of claims for unemployment insurance also remained elevated and considerably higher than during the recession. So despite some signs of improvement in the labor market over the past 10 months, labor market conditions remained weak.

