

 *The Vision Series, 2012-2013* 

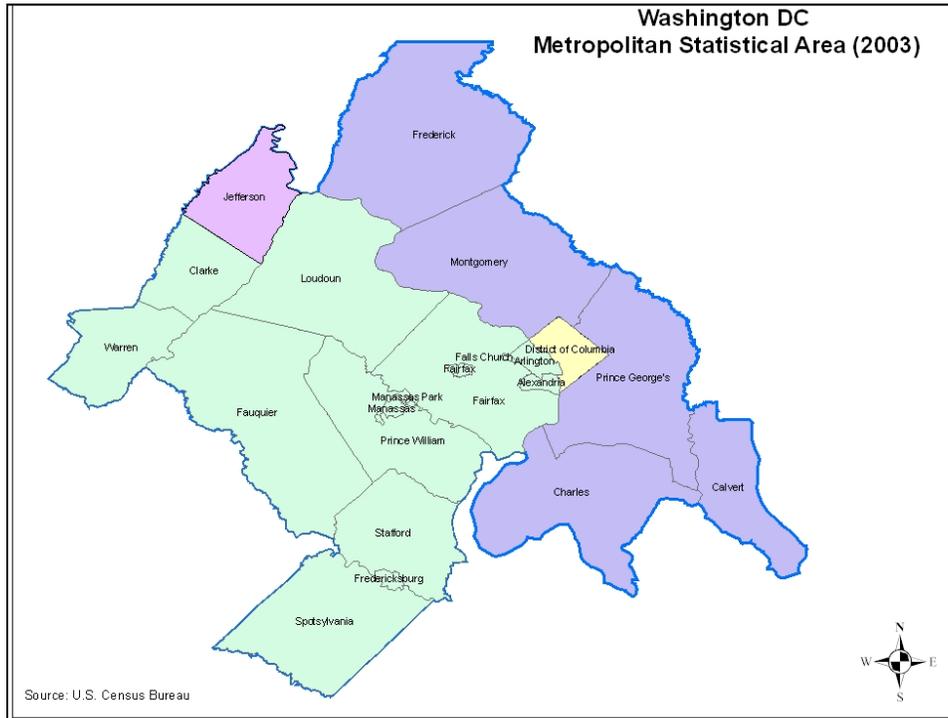
***The Washington Area Economy:
Transitioning From Federal Dependency
to a Global Business Base***

Stephen S. Fuller, Ph.D.
Dwight Schar Faculty Chair and University Professor
Director, Center for Regional Analysis
George Mason University

February 18, 2013

 **The Washington Metropolitan Area from
The International Space Station, January 20, 2013** 





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The Washington Metropolitan Area in 2042

(population and employment in millions, GRP in billions of 2012 \$s)

Metric	2012	2042	Change
Population	5.810	7.938	36.6
Employment	3.915	6.074	55.1
Gross Regional Product (GRP)	\$450.9	\$1,149.2	154.9
Current Year \$s		\$2,273.0	404.1

Source: IHS Global Insight, GMU Center for Regional Analysis



The Washington Area Economy's Competitive Position



- 1st in percent of residents with graduate or professional degrees
- 3rd in number of workers per household
- 2nd in labor force participation rate
- 1st in median household income
- Lowest unemployment rate among peer metropolitan areas
- 1st for traffic congestion
- 2nd in the number of square feet of total office space
- 4th largest economy among U.S. metropolitan areas but only 7th in population



The First 200 Years





The Capital City in 1800



“The Washington Daily *Advertiser* had reported on June 11, 1800, that the State, War, Navy, and Post Office departments—all but the Treasury—had been moved from Philadelphia. It sounded impressive, but the total number of employees (inclusive of Treasury) was only 131.” (p.11)

“A great many of the federal employees thought well of their new location. While there was a great housing shortage and rents were high, provisions were plentiful and cheaper than in Philadelphia. They liked the situation and thought the place beautiful, and with good prospects for growth.” (p. 12)

From The Potomac (1949), by Frederick Gutheim



The Capital City in 1800



“The Census of 1800 found about 5,000 persons each in the established towns of Georgetown and Alexandria and about 3,000 in the rest of the Federal District.” (p. 12)

“Nearly a million dollars had been spent in the nine years since the permanent seat of government had been chosen, but so huge the task that there was remarkably little to show for it.” (p.13)

“Most of the difficulties...were due to a simple lack of funds. Since the commencement of work on the public buildings there were seldom adequate plans and estimates, and when there were, the funds requested were not appropriated by Congress. (p. 17)

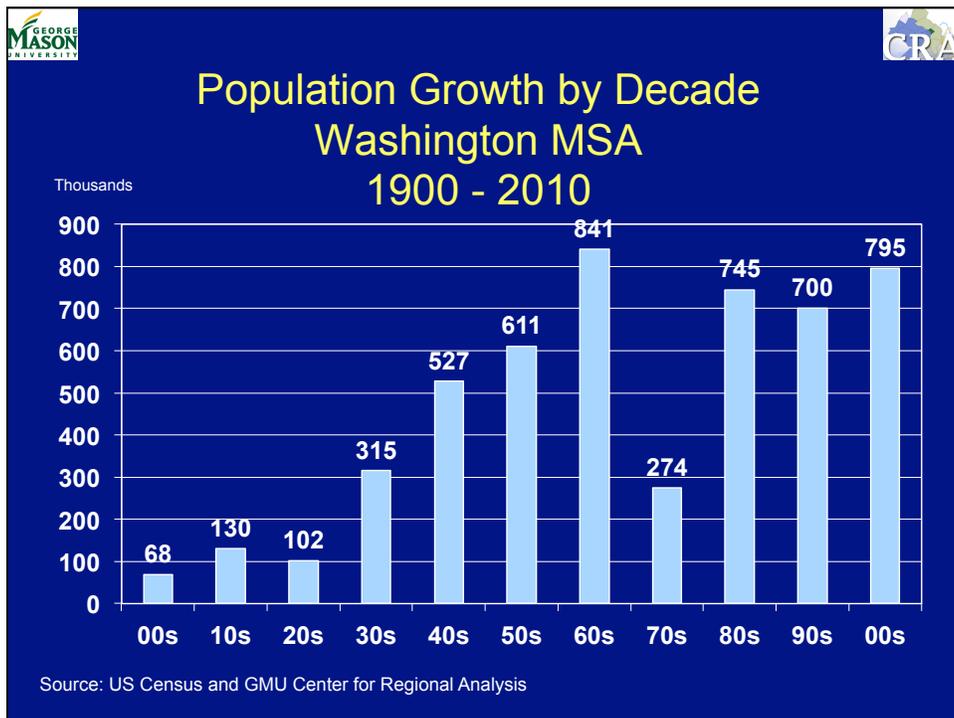
From The Potomac (1949), by Frederick Gutheim

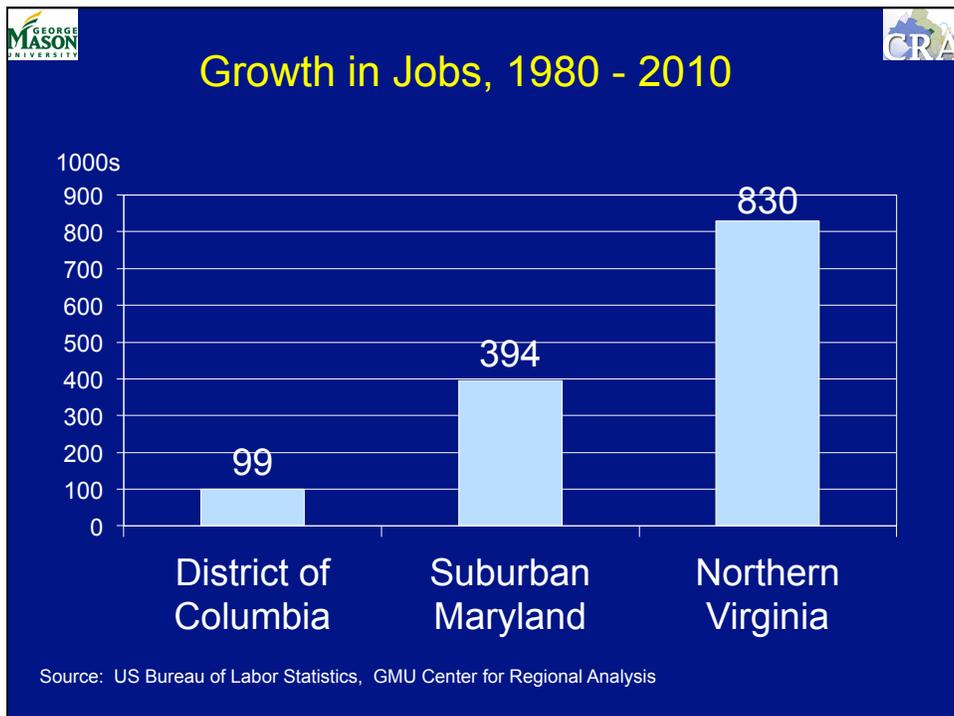
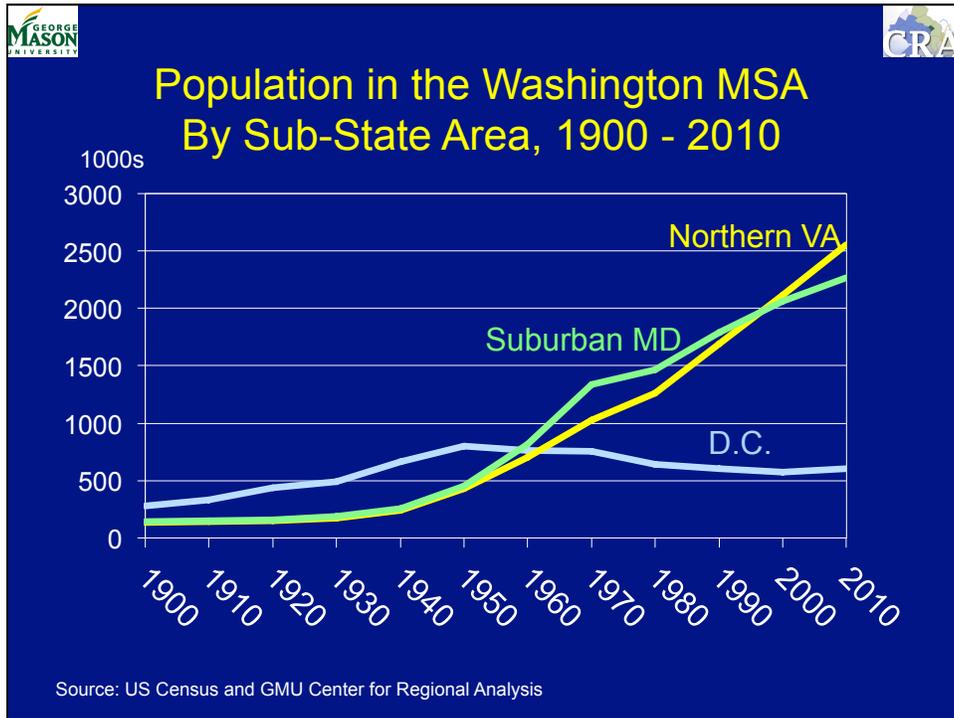
**Population and Federal Employment Growth
In the Washington Area, 1800-2000**

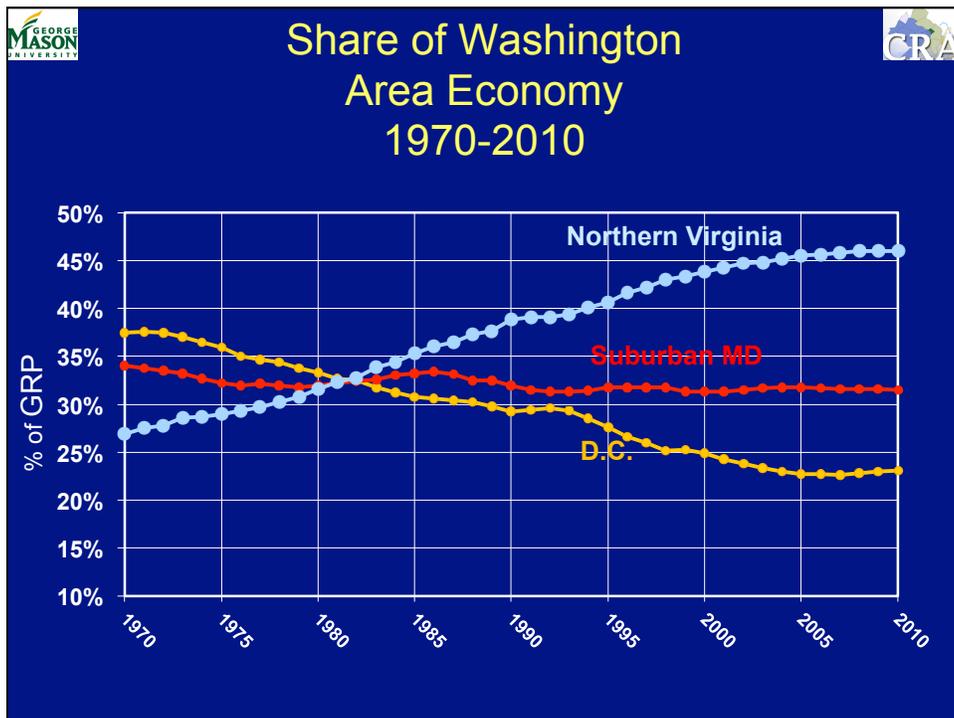
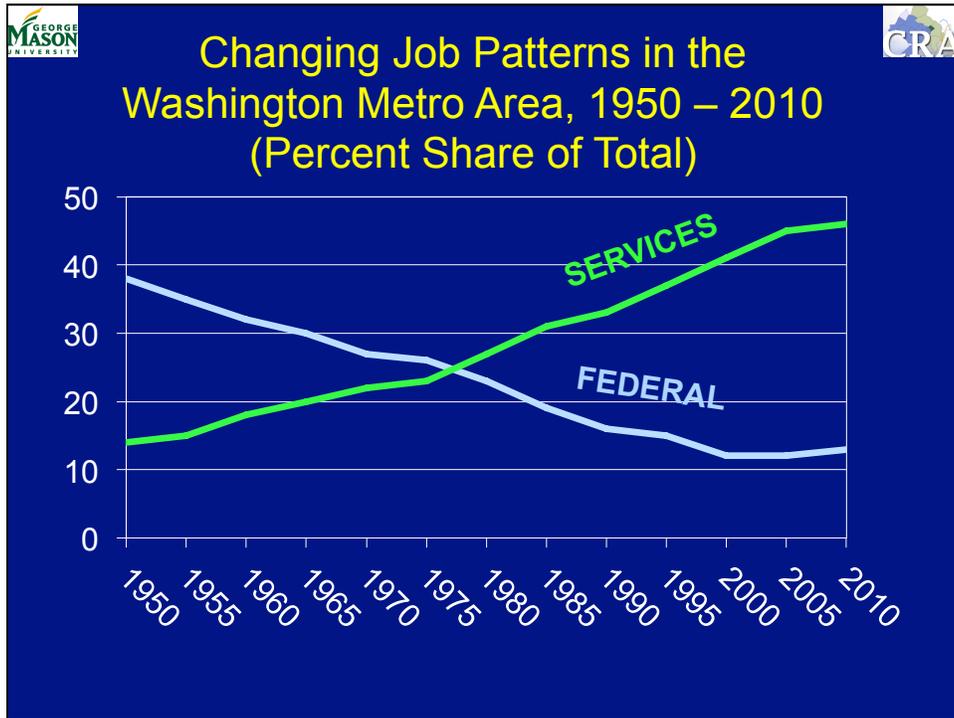
<u>Years</u>	<u>DC</u>	<u>Metro Area</u>	<u>Federal Employees</u>
1800	8,144	63,653*	131**
1860	75,080	141,215*	2,199**
1870	131,700	203,108*	6,222**
1900	278,718	378,605*	20,834**
1930	486,869	672,198	68,510**
1940	663,091	967,985	133,645**
1950	792,234	1,452,349	214,077**
1992	597,350	4,271,800	355,310
1998	566,320	4,645,080	326,540
2000	572,510	4,843,280	326,230

*DC, Alexandria, Arlington, Fairfax, Montgomery, Prince George's, **in DC only

Source: GMU Center for Regional Analysis

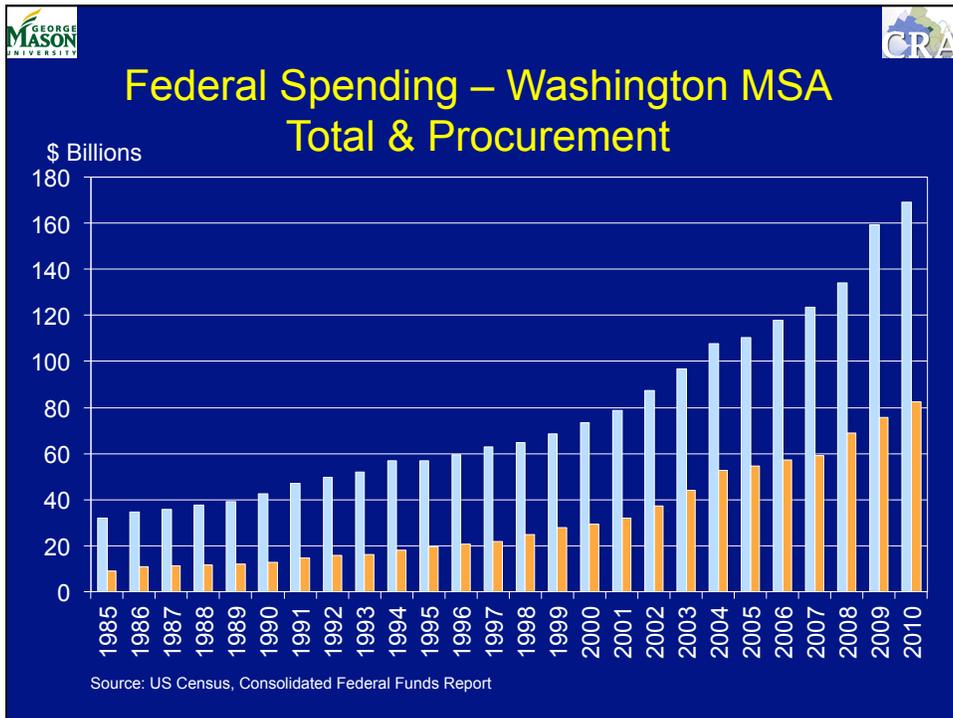


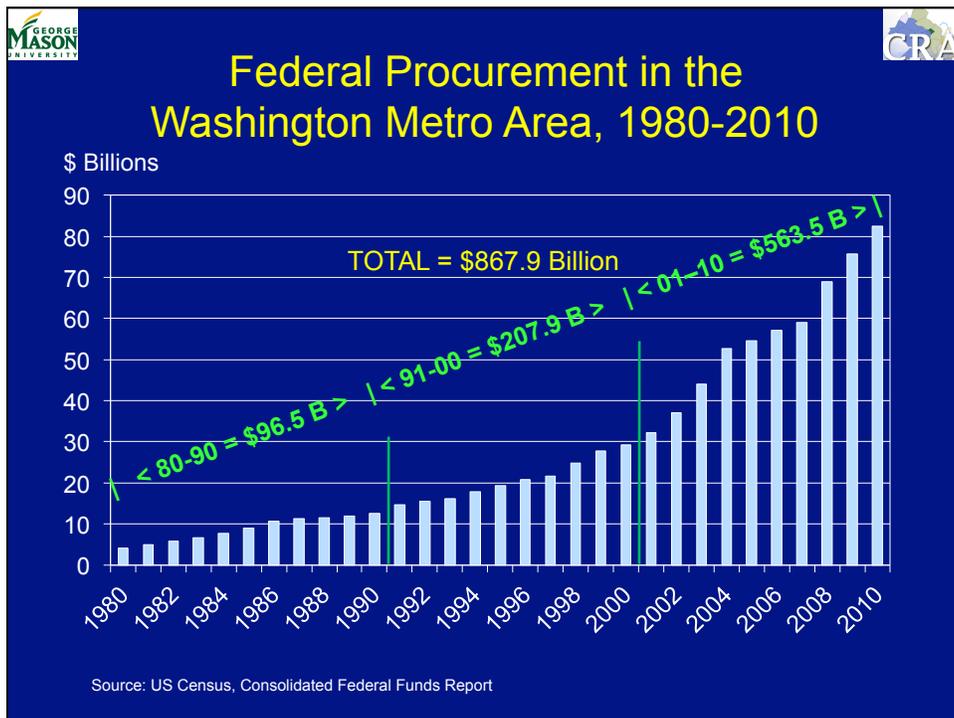
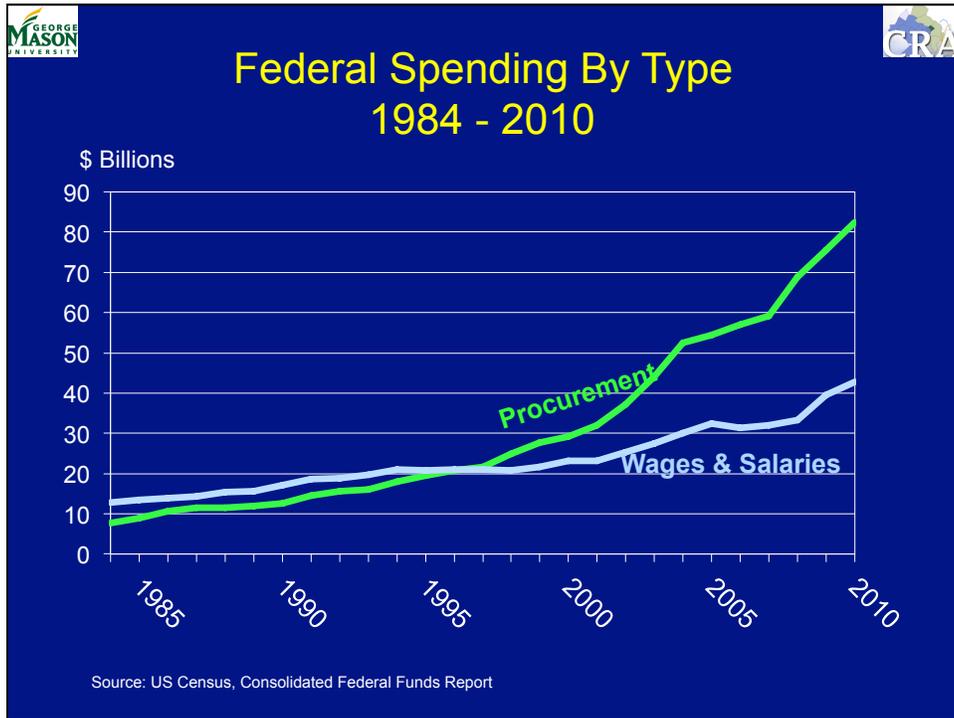


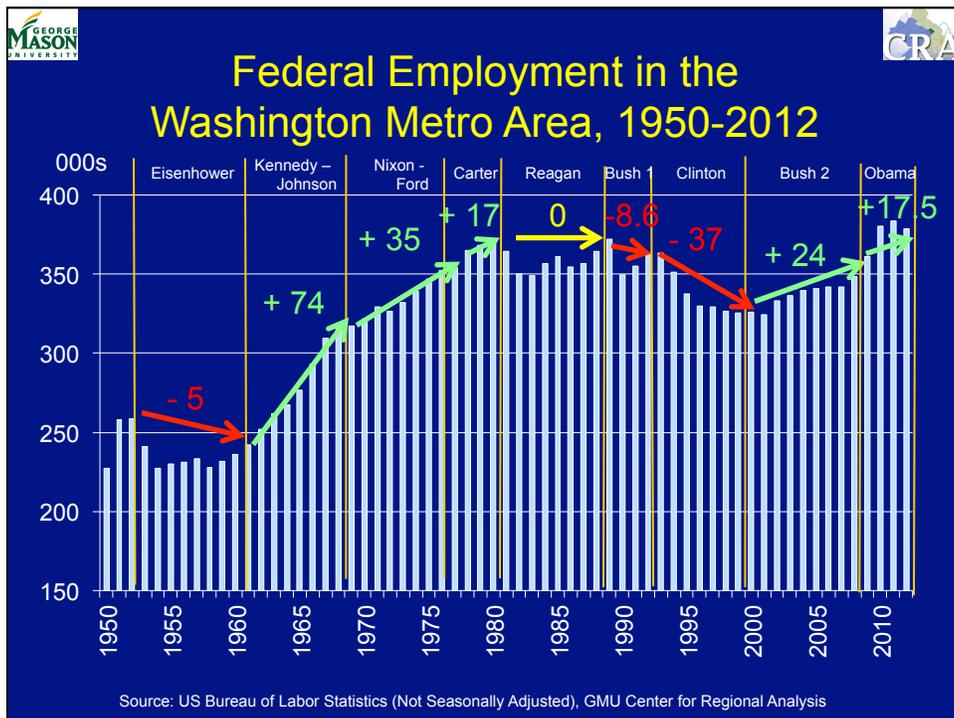
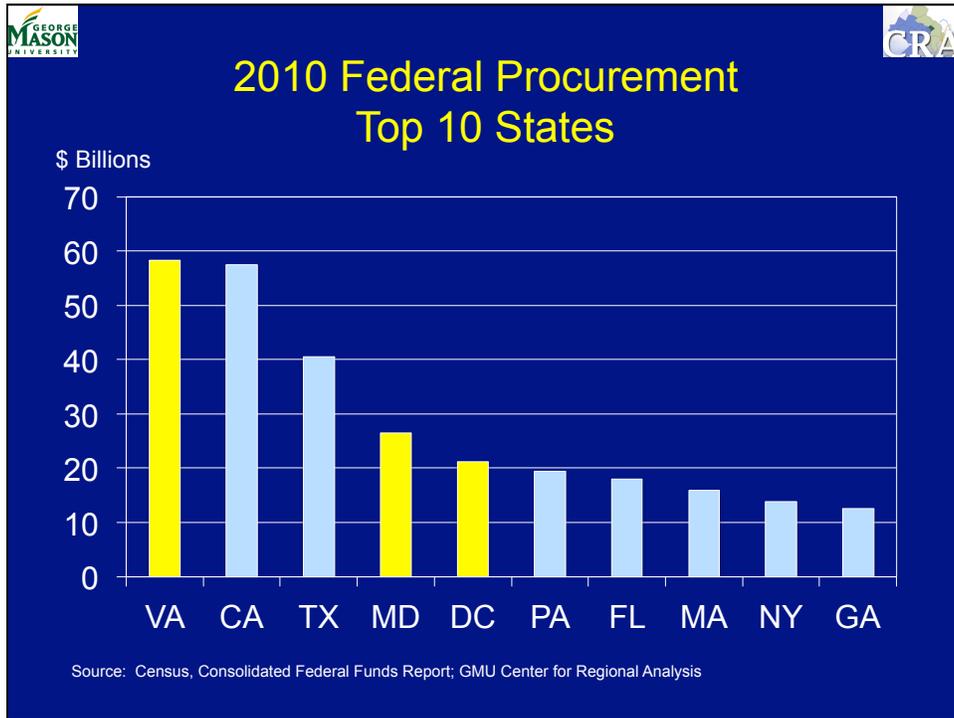


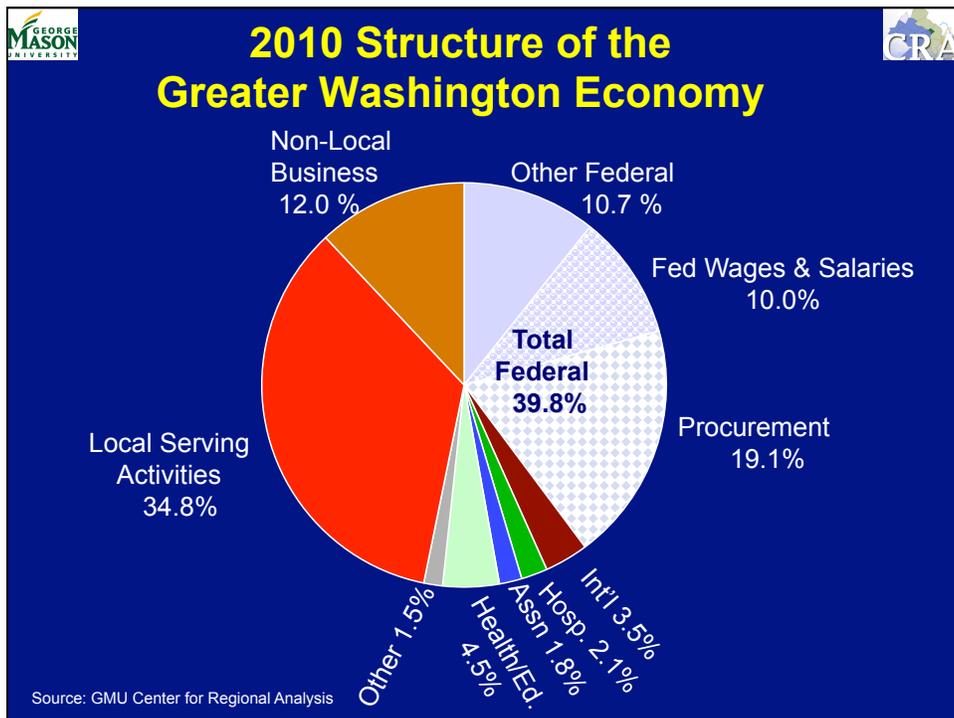
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Federal Spending Patterns In the Washington Area





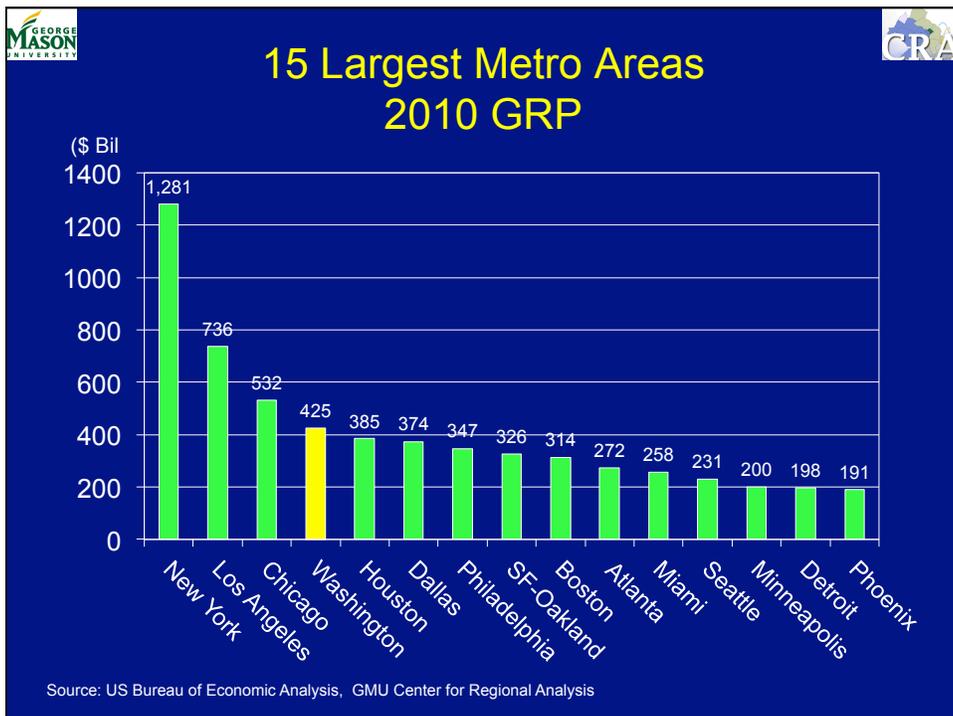


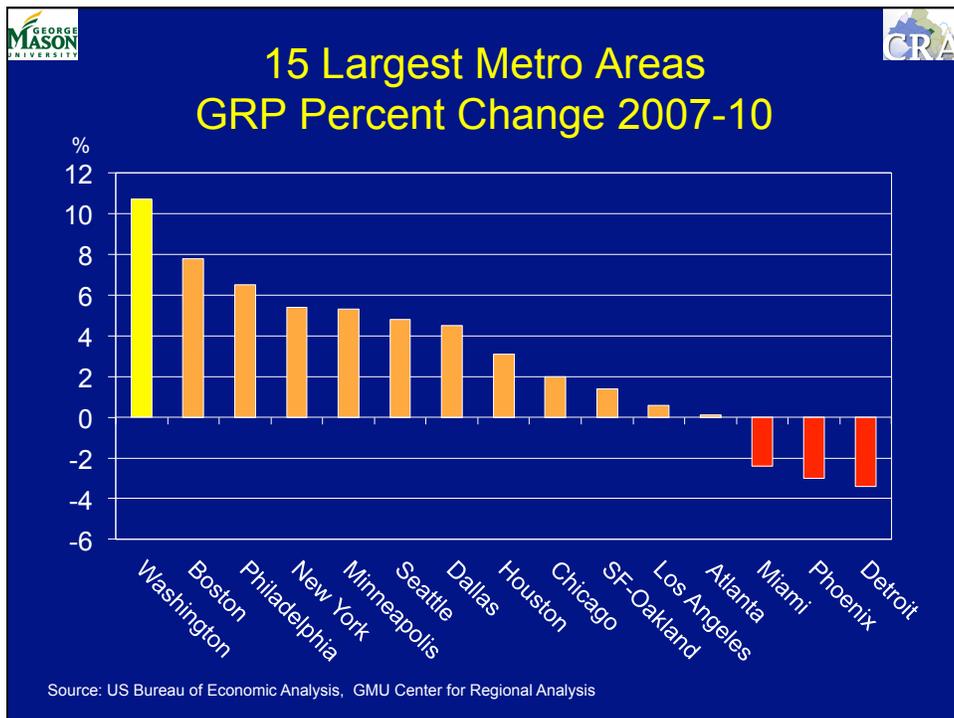
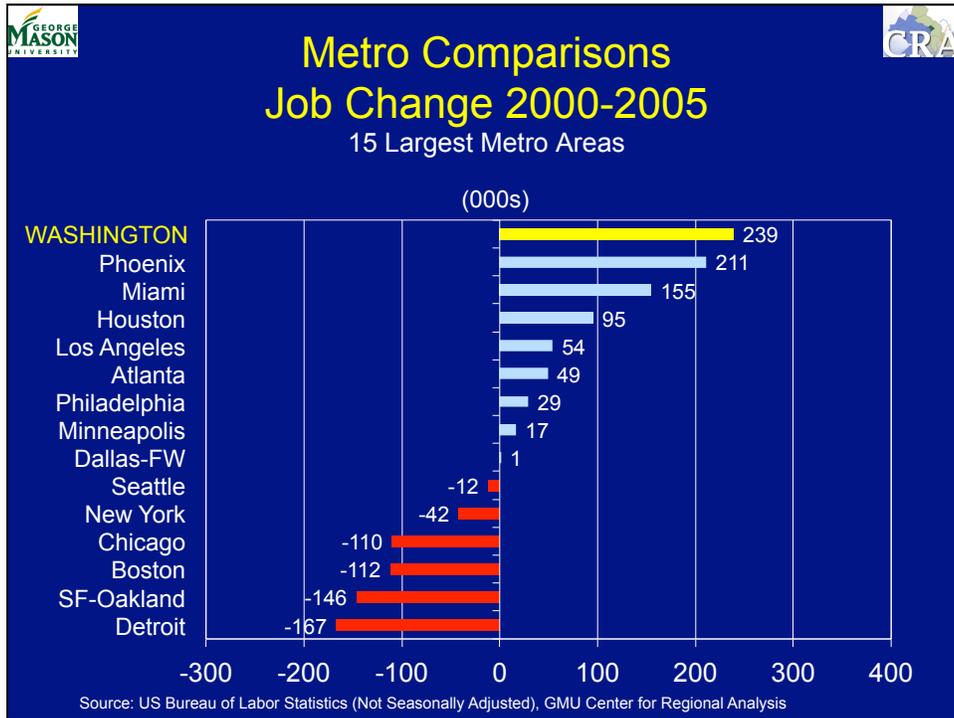


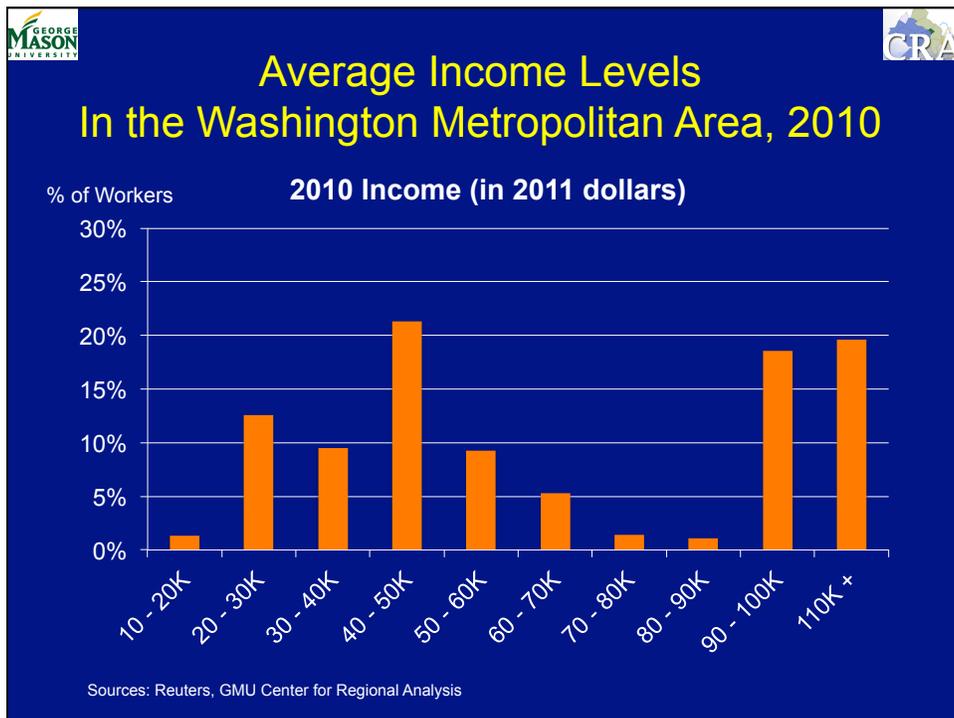
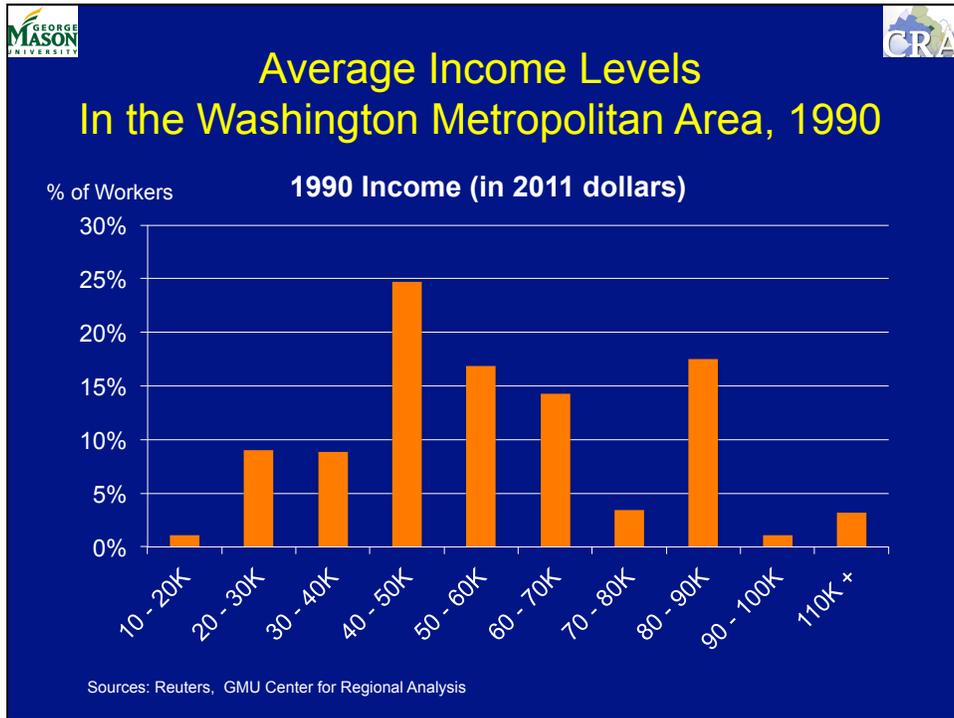
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The Washington Metropolitan Area Is Different

It has the 4th largest economy but only ranks 7th in number of residents and is 2nd to NYC in the square footage of total office space.









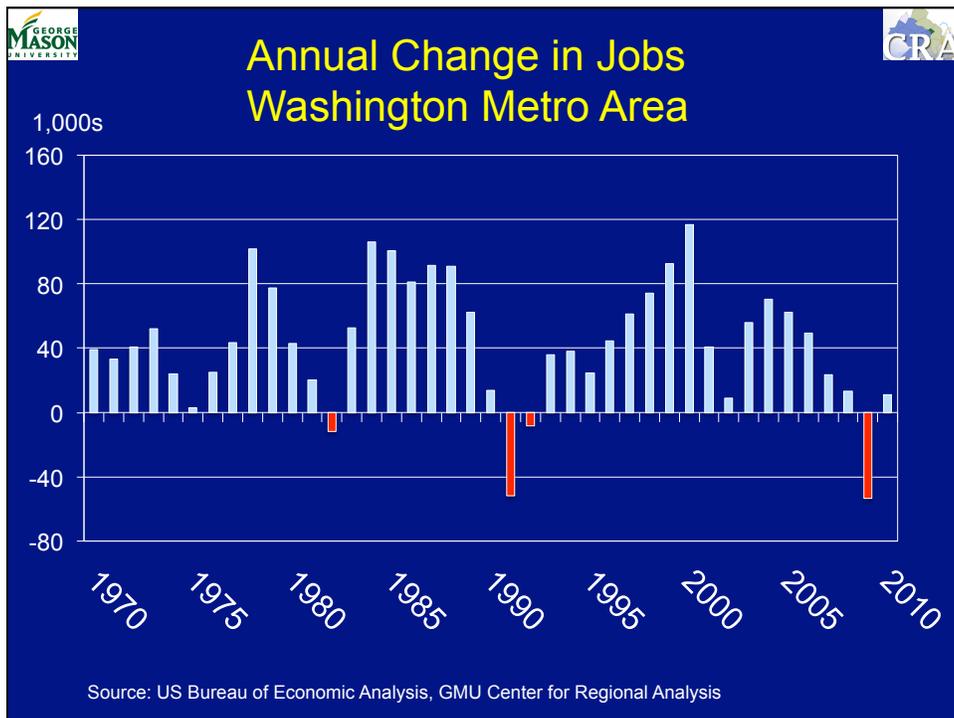
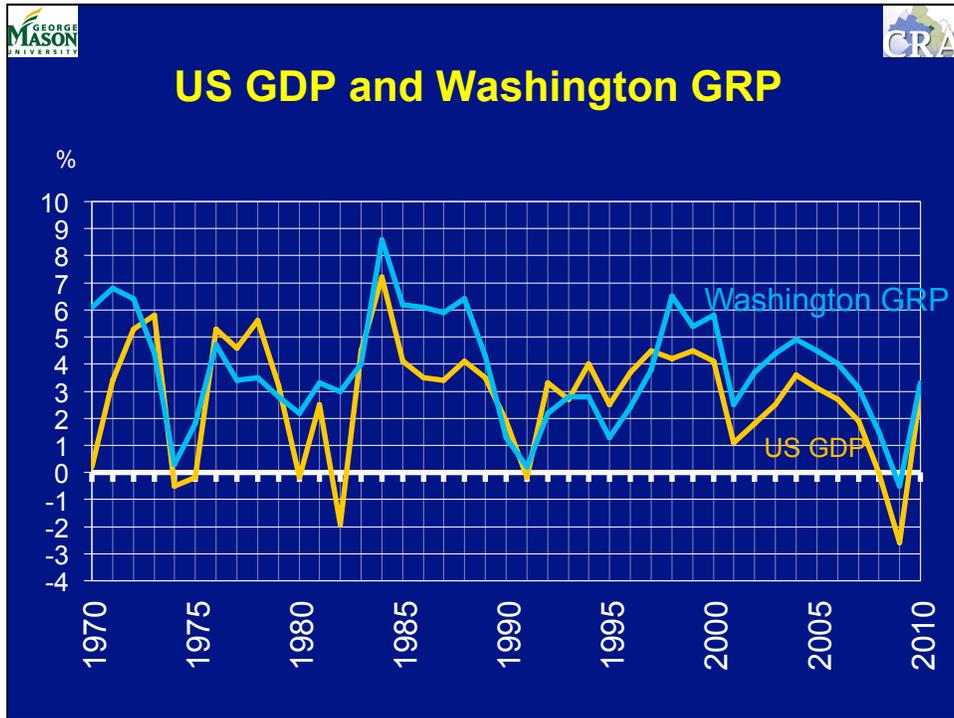
The Changing Income Pattern in the Washington Area, 1990 and 2010 (percent share, inflation adjusted \$s)

<u>Income Range</u>	<u>1990</u>	<u>2010</u>
\$10K-\$50K	44%	44%
\$50K-\$70K	31%	14%
\$70K-\$90K	20%	2%
\$90K and above	4%	39%

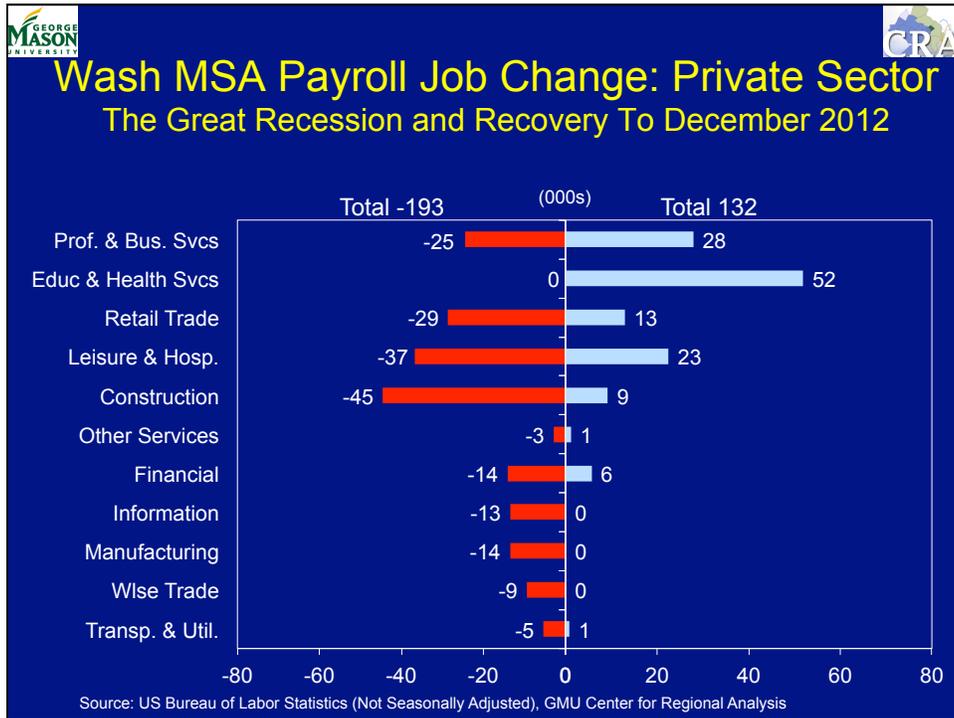
Source: Reuters, GMU Center for Regional Analysis



How did the recession change the Washington Area economy?



Source: US Bureau of Economic Analysis, GMU Center for Regional Analysis

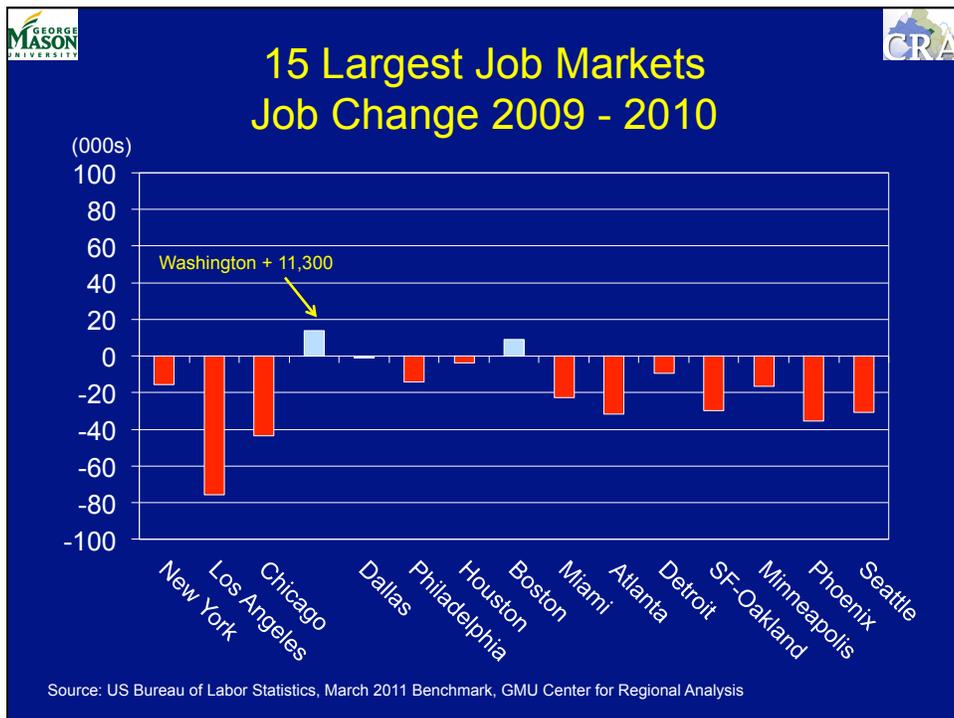
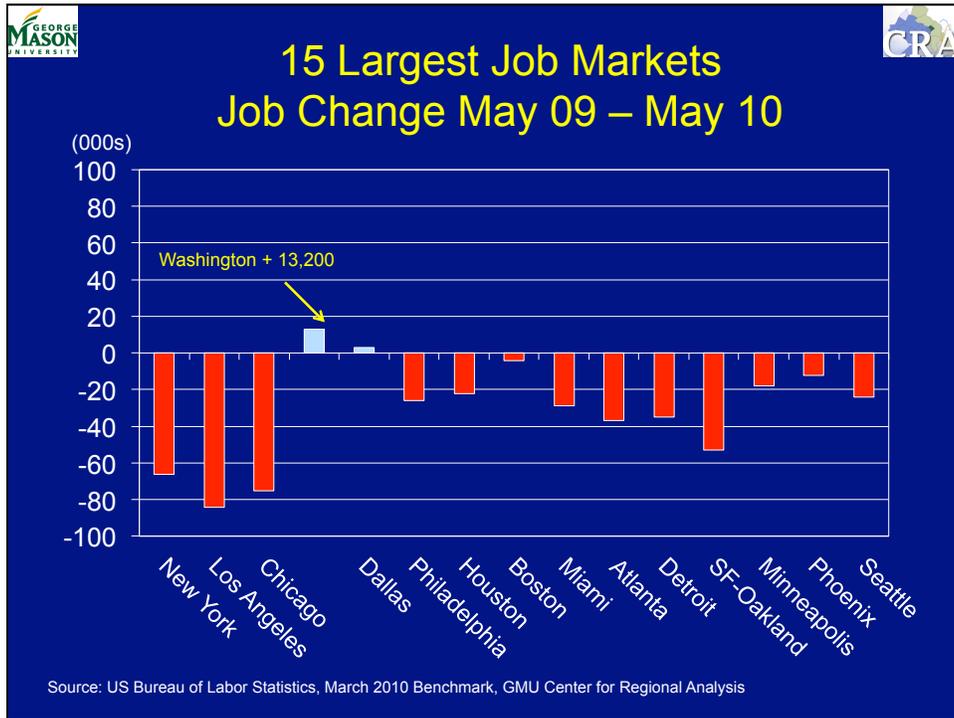


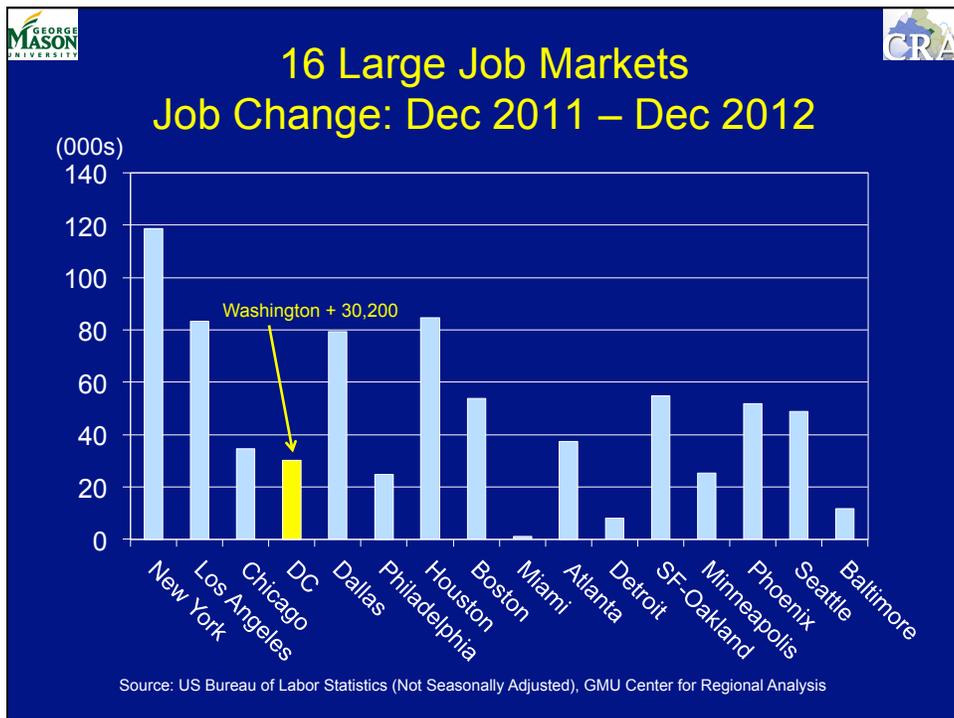
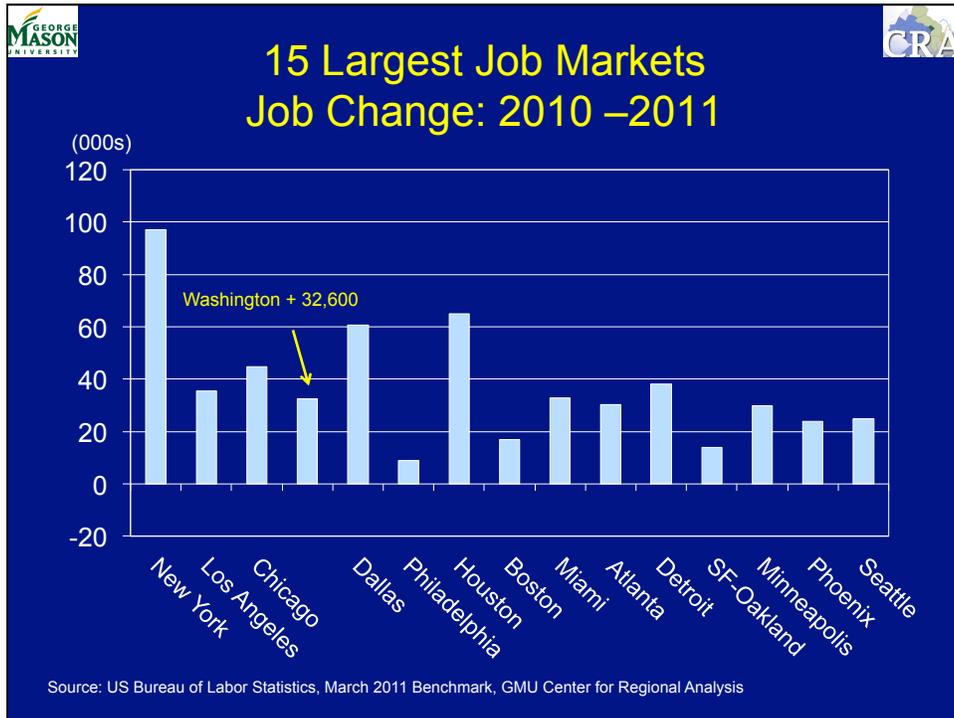
Washington Area Job Changes By Sector, 2008-2012 (through Dec)
(in thousands)

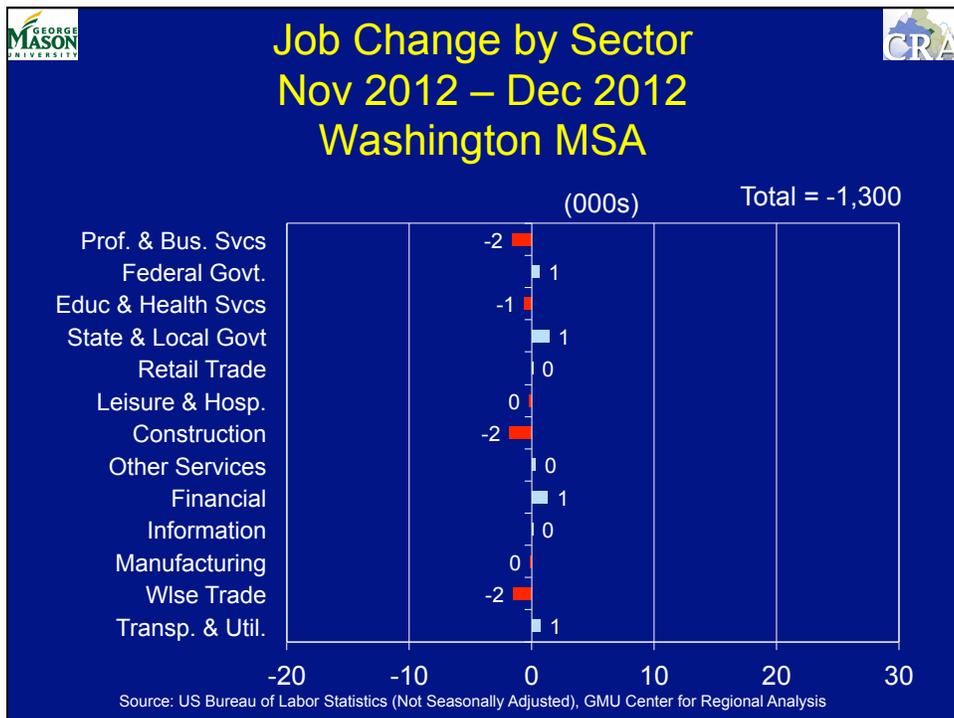
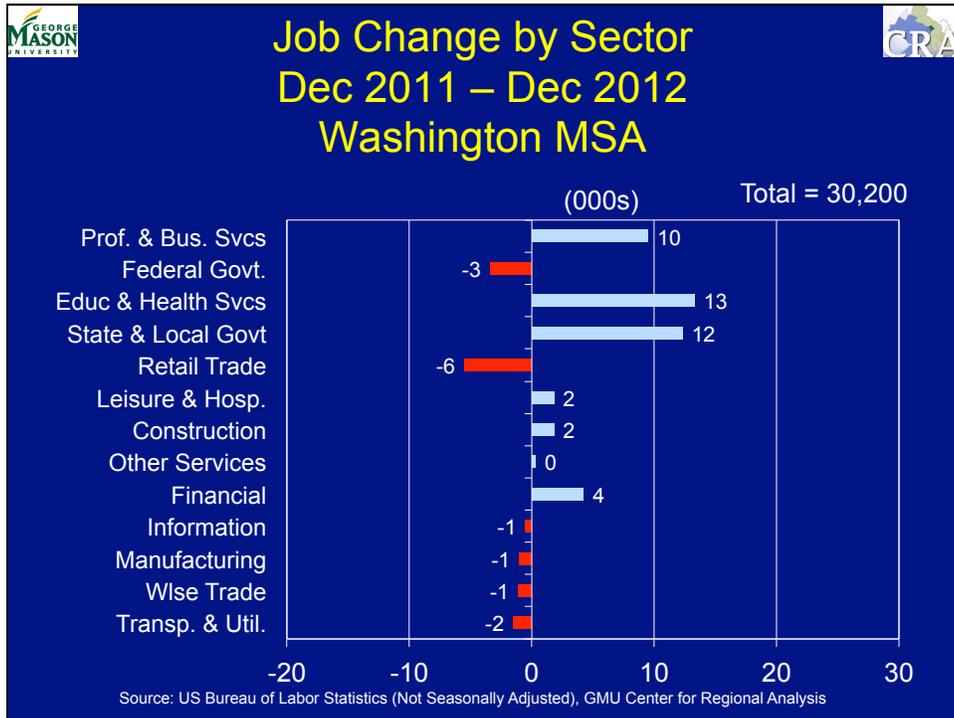
SECTOR	Washington Metro Area	D.C.	Suburban MD	Northern Virginia
Professional, Business Services	39.2	1.0	6.6	31.6
Government	59.3	12.4	19.2	27.7
Health, Educ. Svcs.	60.8	23.8	13.7	23.3
Other Services	7.2	7.4	-0.7	0.5
Hospitality	26.1	8.1	6.1	11.9
All Other	-64.8	-4.5	-36.6	-23.7
TOTAL	127.8	48.2	8.3	71.3

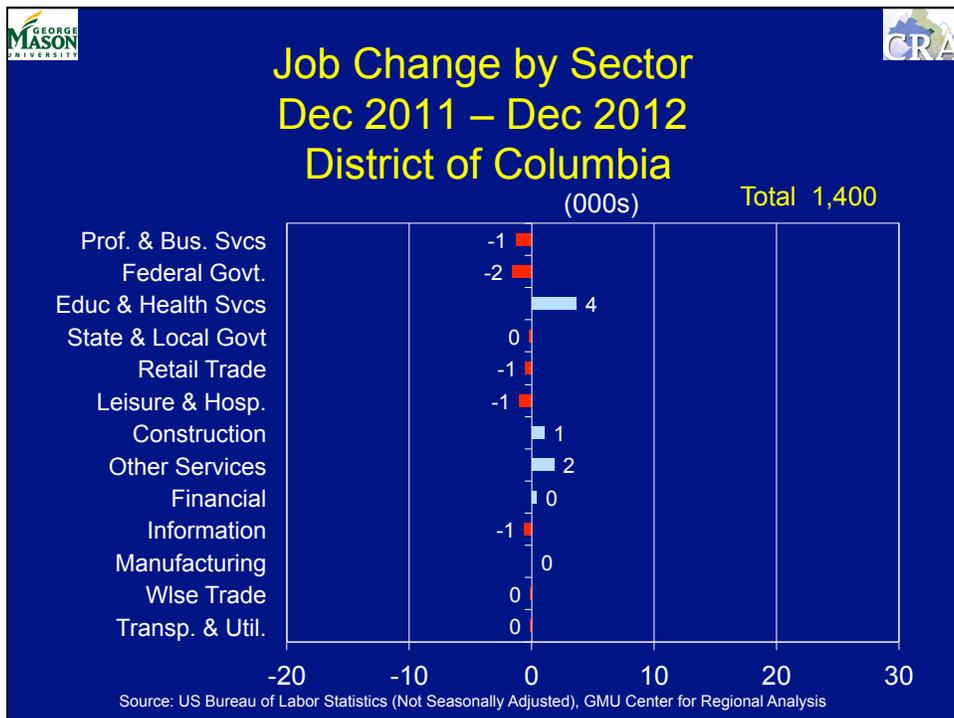
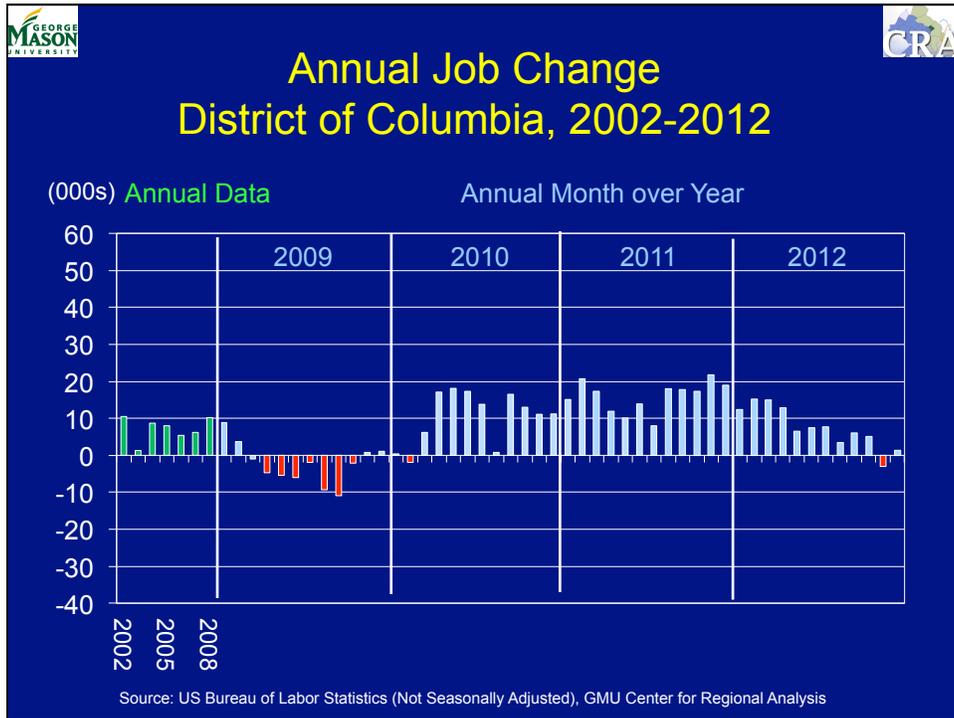
Source: US Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

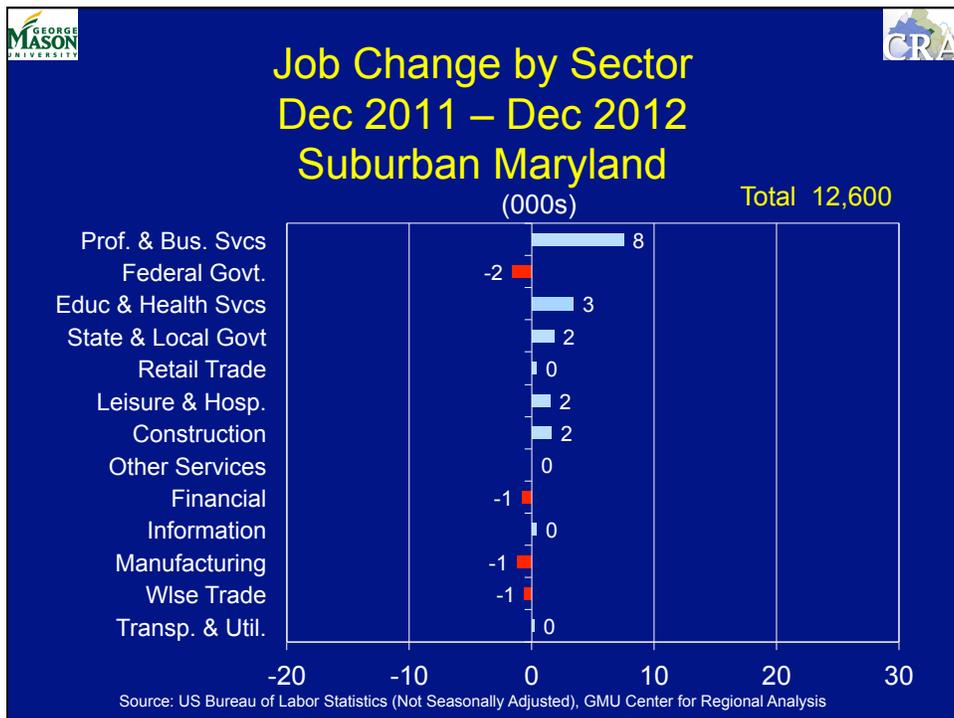
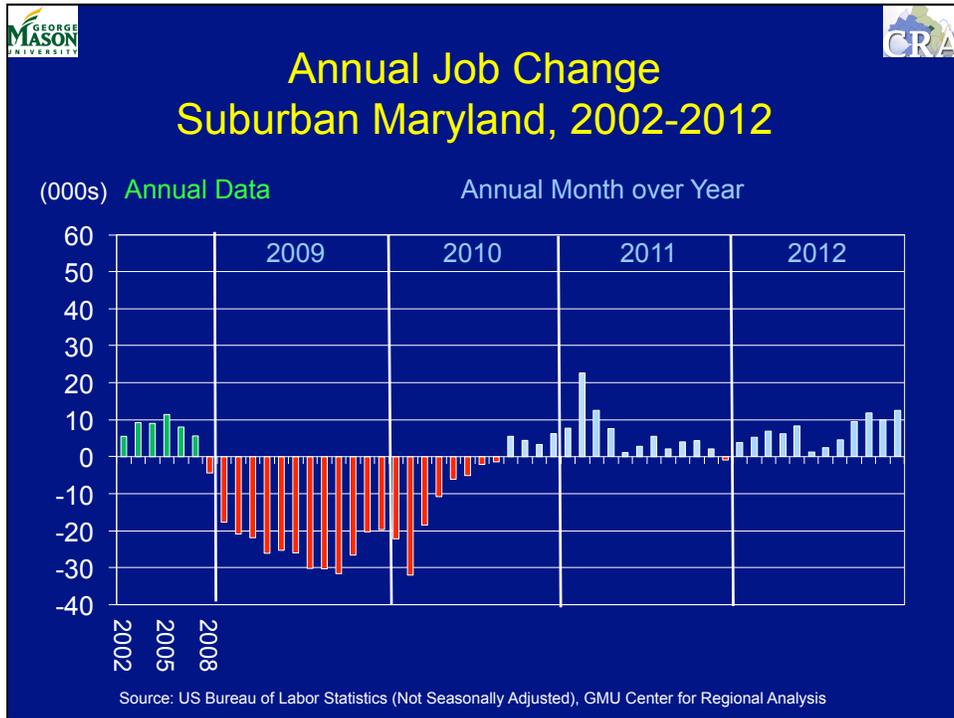


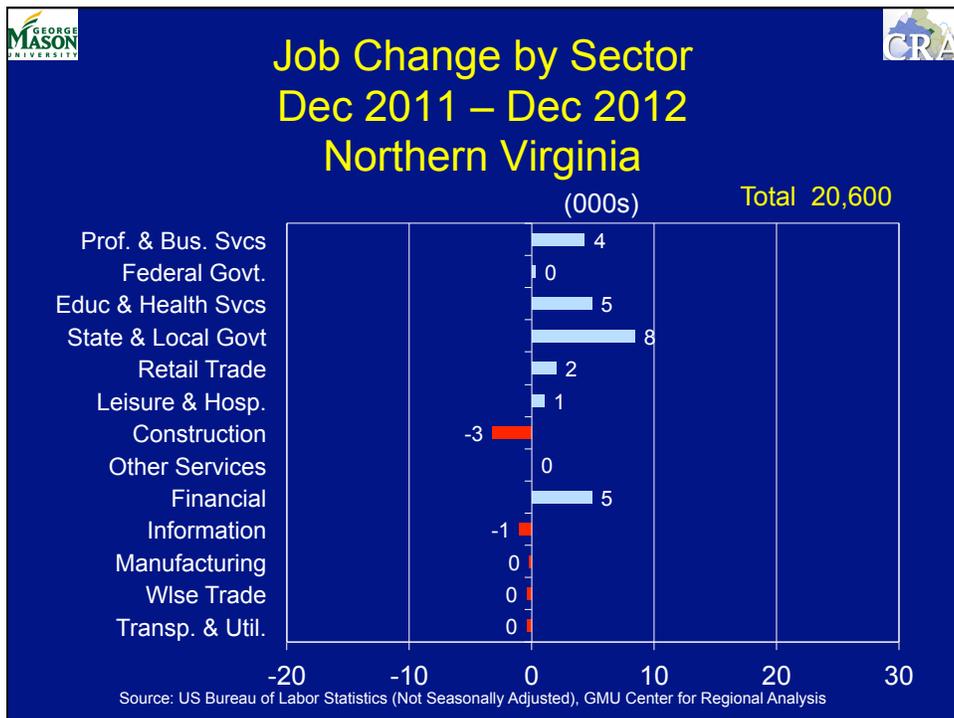
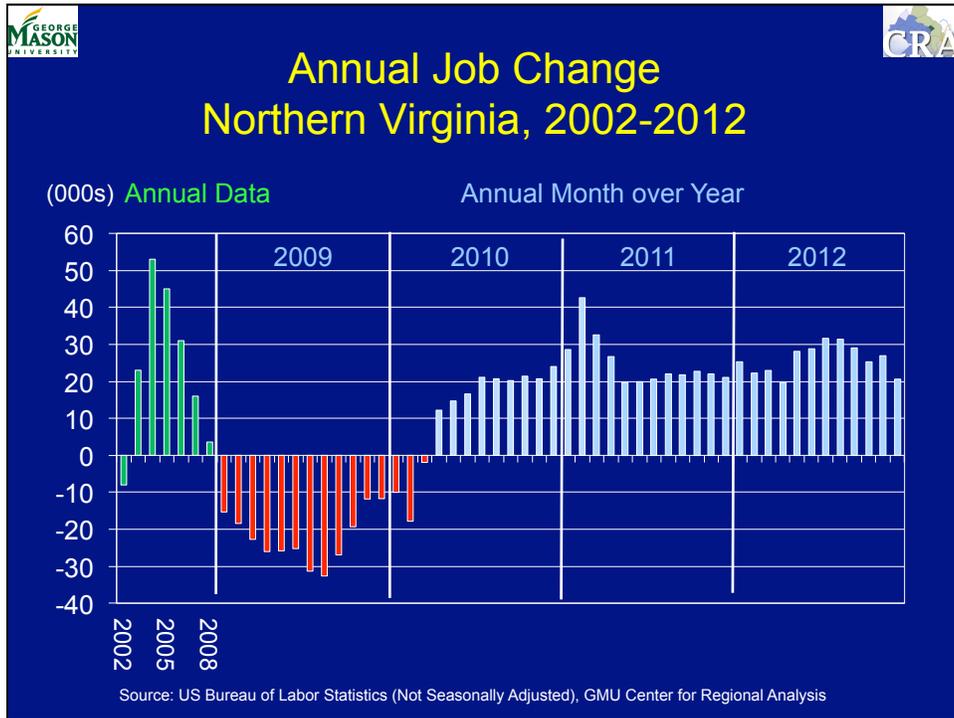


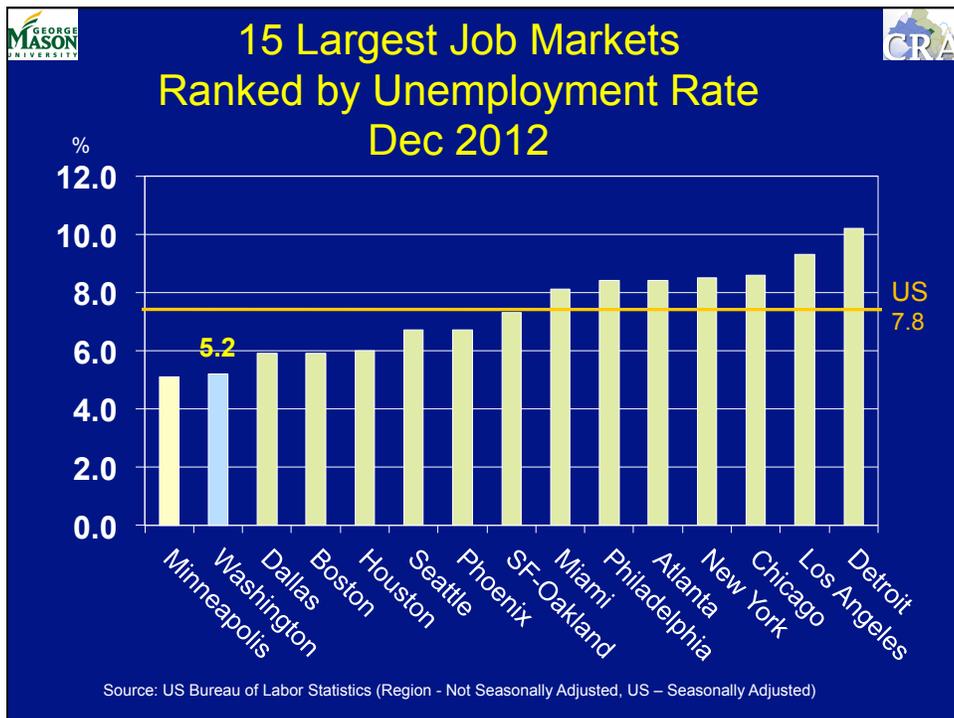
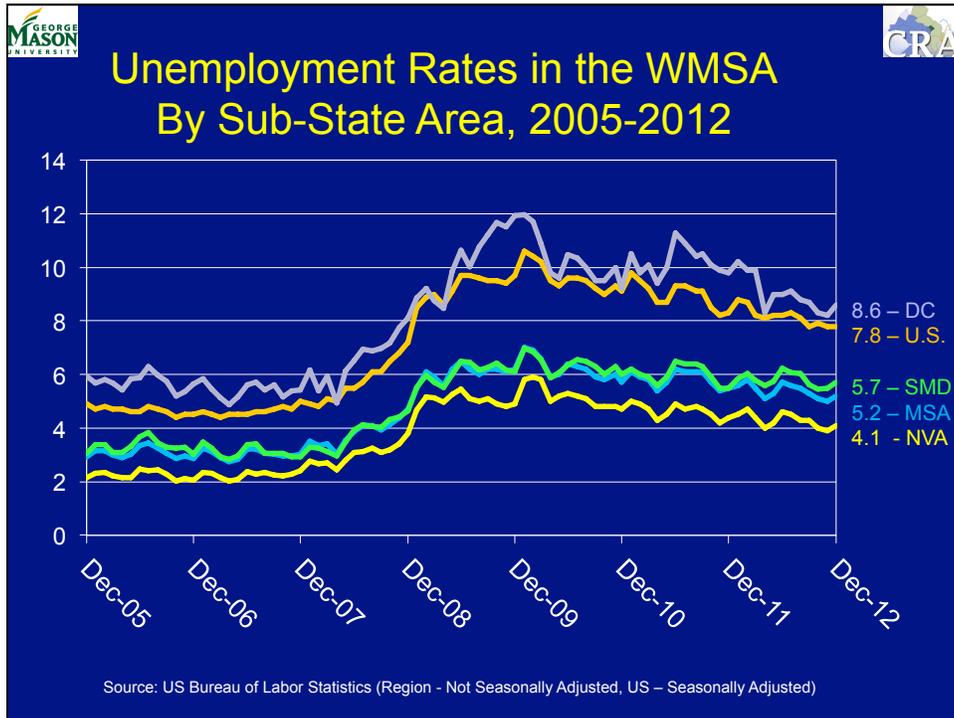


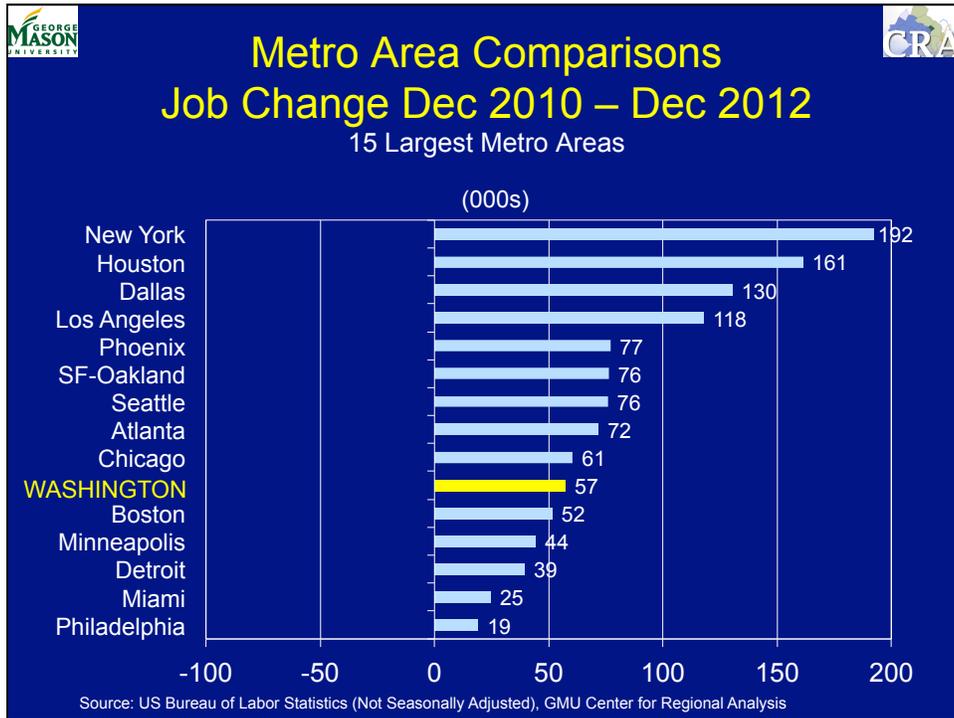






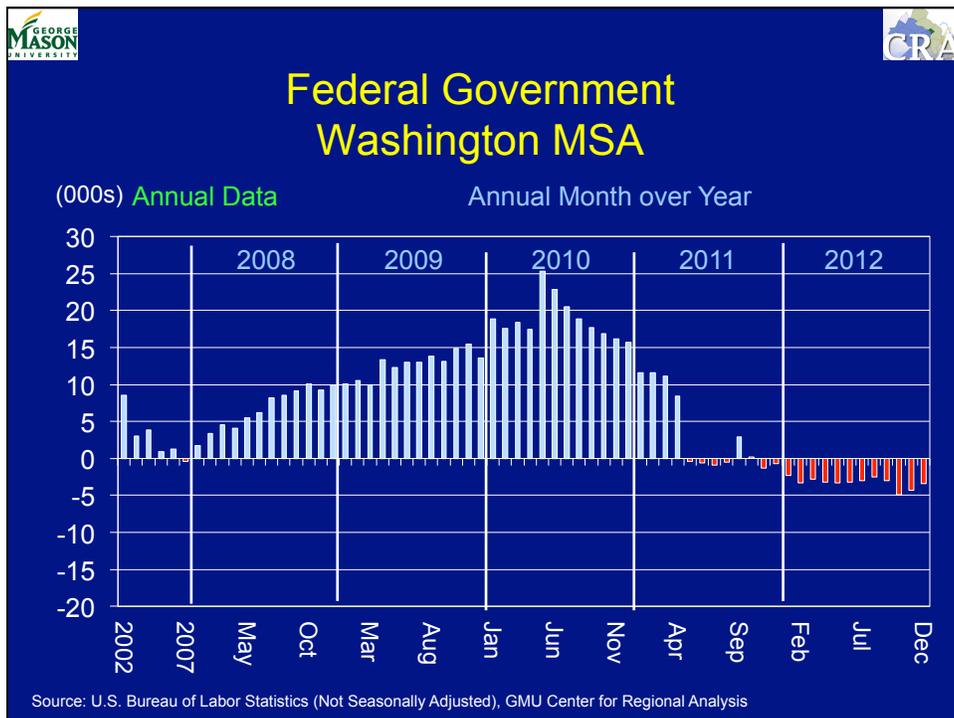
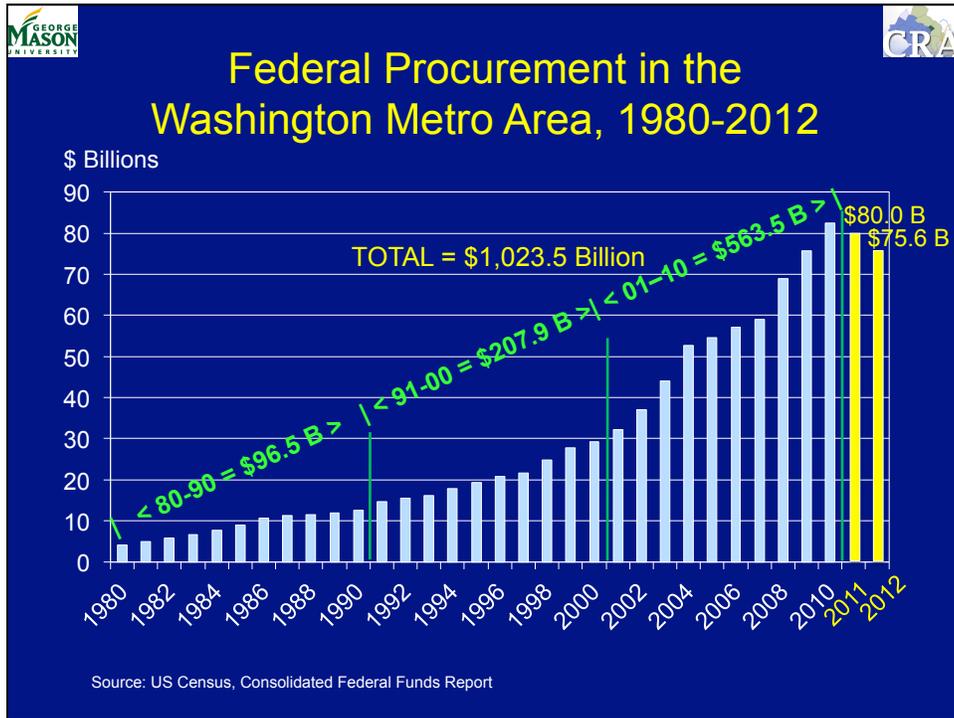






Key Conditions Shaping the Future
Washington Area Economy:

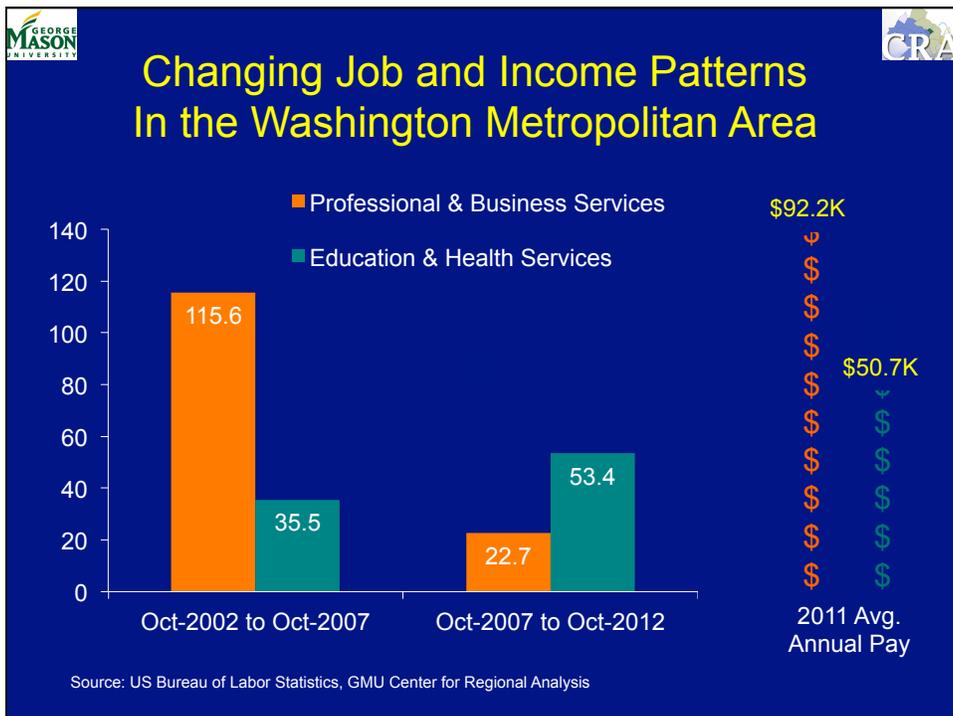
- Declining Federal Spending
- Wage and Salary Compression
- Population Change

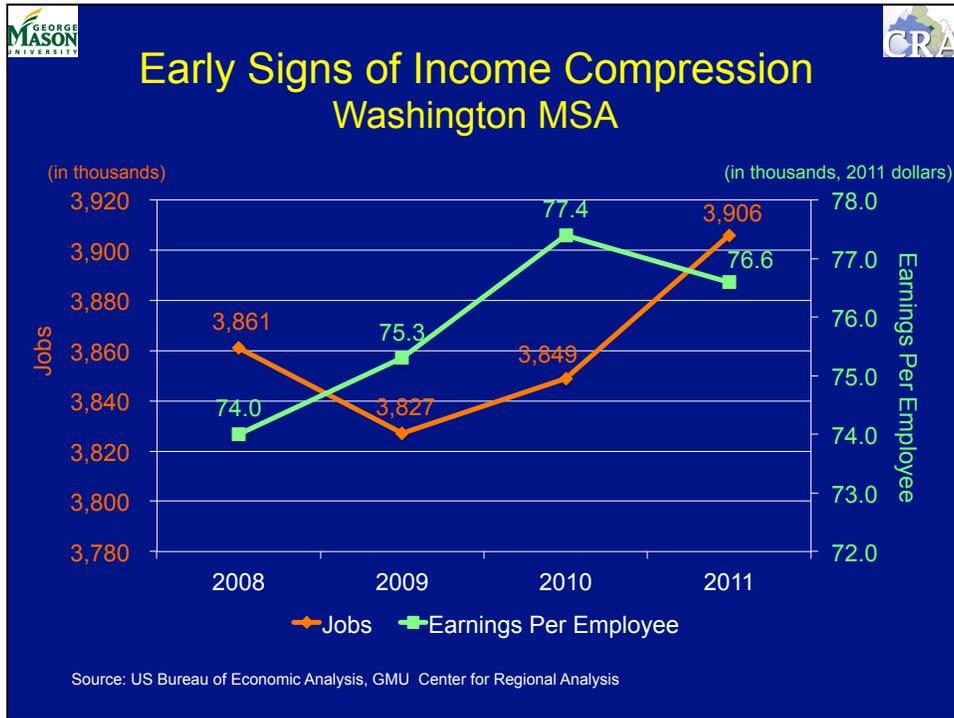





Summary for Federal Spending Trends in the Washington Metropolitan Area, 2010-2012

- Federal Procurement Outlays declined 8.4% between FY 2010 and FY 2012.
- Federal employment has declined since peaking in July 2010, losing 8,700 jobs or 2.25%.
- Federal payroll declined by 0.6% between FY 2010 and FY 2011 and will continue to decline as the workforce shrinks and older workers retire and are replaced by younger workers.





The Washington Metropolitan Area Population Is Aging

(percent share, total population in millions)

Age Group	2012	2017	2029	Change
Less than 25 years	32.7%	32.0%	31.5%	17.2%
25 to 44 years old	30.2	30.0	29.5	19.5%
45 to 64 years old	26.6	25.3	23.3	6.8%
65 years old +	10.5%	12.7%	15.7%	82.4%
Totals	5.810	6.213	7.087	22.0%

Source: IHS Global Insight, GMU Center for Regional Analysis



Having Had a Rich Uncle Was Great, But Now What?



Job Growth in the Washington Area By Sector, 2012-2017 (in thousands)



<u>Sector</u>	<u>2012</u>	<u>2017</u>	<u>Change</u>	<u>Percent</u>
Prof. & Bus. Ser.	697.4	841.2	143.8	20.6
Federal Gov't	380.4	358.4	- 22.0	- 5.8
Education/Health	380.2	419.0	38.8	10.2
S & L Gov't	309.7	321.6	11.9	3.8
Hospitality	276.8	285.0	8.2	3.0
Retail Trade	254.1	266.6	12.5	4.9
Other Services	182.8	185.3	2.5	1.4
Financial Services	150.0	154.7	4.7	3.1
Construction	146.4	201.8	55.4	37.8
Information Ser.	80.6	87.6	7.0	8.7
Other Sectors (3)	175.0	193.2	18.2	10.4
Total Jobs	3,033.4	3,314.4	281.0	9.3




Major Sources of Job Growth in the Washington Area , 2012-2017 (in thousands)

<u>Growth Sectors</u>	<u>2012</u>	<u>2017</u>	<u>Change</u>	<u>Percent</u>
Prof. & Bus. Ser.	697.4	841.2	143.8	20.6
Education/Health	380.2	419.0	38.8	10.2
Construction	146.4	201.8	55.4	37.8
Sub-Totals	1,224.0	1,462.0	238.0	19.4
<u>% Total</u>	<u>40.4</u>	<u>44.1</u>	<u>84.7</u>	
Totals	3,033.4	3,314.4	281.0	9.3

Sources: IHS Global Insight; GMU Center for Regional Analysis




GRP Per Job in the Washington Area By Sector (in 2005 dollars)

<u>Sector</u>	<u>2012</u>	<u>2017</u>	<u>% Change</u>
Prof. & Bus. Services	\$134,750	\$154,656	14.8%
Federal Gov't	138,361	138,566	0.1
Education/Health	59,730	57,508	- 3.7
S & L Gov't	60,975	56,920	- 6.6
Hospitality	42,883	42,391	- 1.1
Retail Trade	60,807	64,136	5.5
Other Services	70,339	69,151	- 1.7
Financial Services	543,482	578,062	6.4
Construction	98,824	82,490	- 16.5
Information Services	349,868	468,376	33.9
Other Sectors	147,903	151,120	2.2
GRP per Job	\$130,653	\$138,881	6.3




GRP Per Job in the Washington Area By Sector (in 2005 dollars)

<u>High Job Growth</u>	<u>2012</u>	<u>2017</u>	<u>% Change</u>
Prof. & Bus. Svs. (20.6%)	\$134,750	\$154,656	14.8
Education/Health (10.2%)	59,730	57,508	- 3.7
Construction (37.8%)	98,824	82,490	- 16.5
<u>Other High Value-Added Sectors</u>			
Information Services (8.7%)	349,868	468,376	33.9
Financial Services (3.1%)	543,482	578,062	6.4
Federal (-5.8%)	138,361	138,566	0.1
Wholesale Trade (8.9%)	183,006	191,884	4.8
Transport/Warehsg (16.1%)	138,768	135,938	- 2.0
GRP per Job	\$130,653	\$138,881	6.3




GRP, Job and Workforce Growth in the Washington Metropolitan Area, 2012 – 2017 (in billions of current \$s, jobs in thousands)

Indicator	2012	2017	Change
GRP Growth	\$450.9	\$571.8	26.8%
Net Job Growth	3,915.3	4,271.5	356.2 9.1%
Replacement Job Growth		459.1	11.7%
Resident Workforce	3,203.1	3,427.9	224.8 7.0%




Washington Metropolitan Area: Major Sources of Workforce Growth 2012-2017

<u>Occupation</u>	<u>Total Openings</u>	<u>% of Total</u>	<u>% Change</u>
Sales Occupations	92,556	11.4	22.2
Business and Financial	89,058	10.9	23.3
Office Admin Support	85,320	10.5	17.7
Food Prep & Serving	60,652	7.4	26.2
Management Occupations	59,203	7.3	18.2
Computer, Math and Sci	55,059	6.8	23.3
Health Care (all)	53,594	6.6	22.9
Education & Training	42,952	5.3	21.1
Personal Care Occup.	42,371	5.2	26.9
Totals	580,765	71.2	21.8



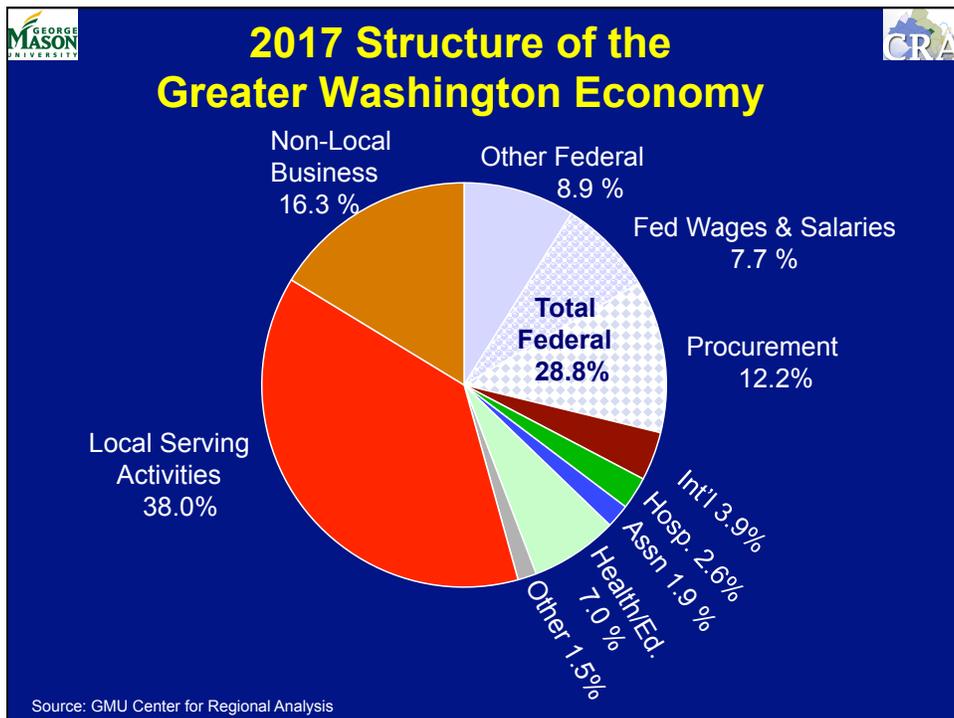

Washington Metropolitan Area: Major Sources of Net New Jobs 2012-2017

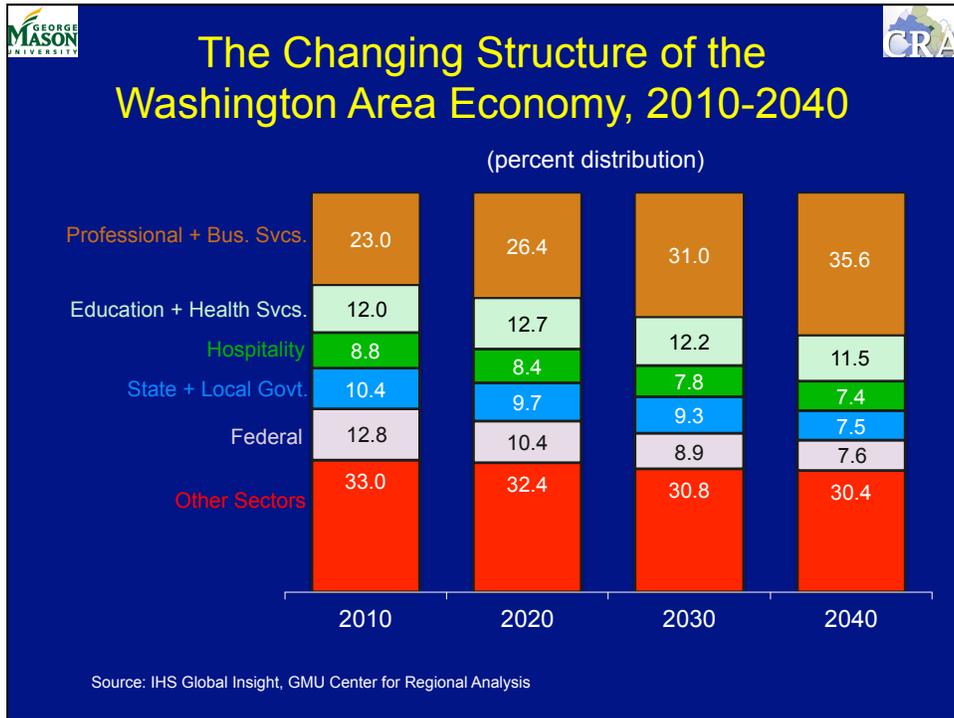
<u>Occupation</u>	<u>Net New</u>	<u>% of Total</u>	<u>% Change</u>
Business and Financial	52,253	14.7	13.7
Computer, Math and Sci	33,630	9.4	14.2
Health Care (all)	31,915	9.0	13.7
Office Admin Support	30,334	8.5	6.3
Sales & Related Occup.	29,246	8.2	7.0
Personal Care Occup.	23,892	6.7	15.2
Management Occupations	22,964	6.4	7.1
Education & Training	21,642	6.1	10.6
Totals	224,234	63.0	10.0

Source: EMSI Inc., GMU Center for Regional Analysis

Educational Levels of Net New and Replacement Jobs in the Washington Metropolitan Area, 2012 – 2017

Educational Level	All Jobs	Net New	Replace ment
Bachelor's or more	34.1% 278,163	40.6% 144,518	29.1% 133,645
Associate's	4.3% 35,458	5.1% 18,341	3.7% 17,117
HS/Voc. Ed. GED/OJT	61.4% 500,373	54.1% 192,827	67.0% 307,546





-
- Key Development Challenges for the Washington Region**
- Shortage of workers to fill the region’s projected job growth
 - Growing dependency on non-resident workforce;
 - Shortages of housing in all jurisdictions to house the future workforce
 - Lack of long-term regional solutions and implementation of public sector investments to support the growth and development of the Washington area economy
 - Need for local and regional leadership



Thank You
Questions

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