Metropolitan Washington Council of Governments: 2015 Region Forward Coalition

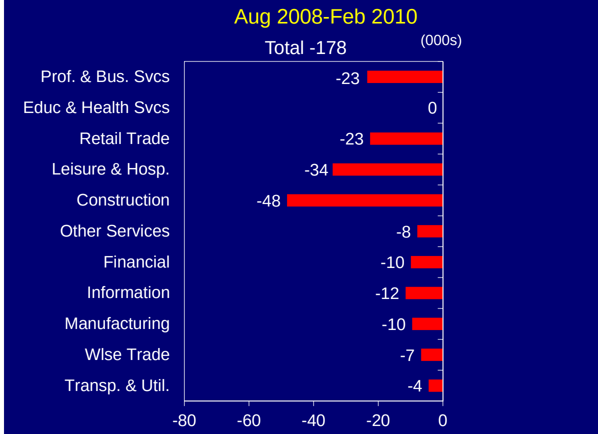
From Company Town to Global Business Center: Building on Strengths/ Mitigating Barriers

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

January 23, 2015

WMSA Payroll Job Change: Private Sector

The Great Recession and Recovery



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

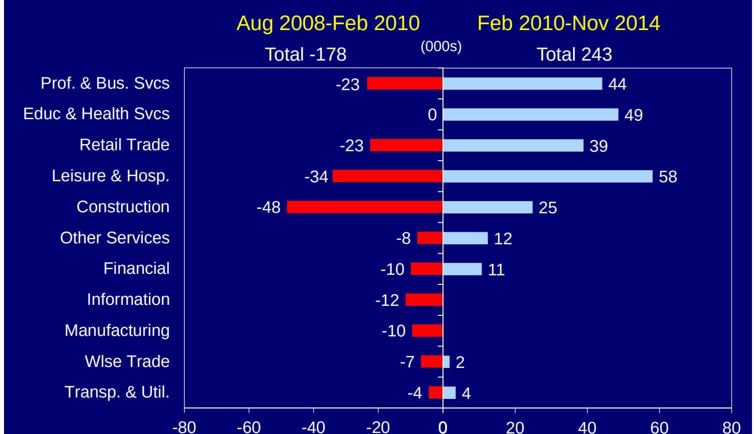
The GRP* Effects of Private Sector Job Change in the Washington Metropolitan Area Aug 2008-Feb 2010 (in 2014 $s)

Job Change	Total GRP Value
- 177,700	- $28,467,350,000[1]

Source: GMU Center for Regional Analysis
*Gross Regional Product
[1] $156,199 per job contribution to GRP

WMSA Payroll Job Change: Private Sector

The Great Recession and Recovery



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

The GRP* Effects of Private Sector Job Change in the Washington Metropolitan Area Aug 2008-Nov 2014 (in 2014 $s)

Job Change	Total GRP Value
- 177,700	- $28,467,350,000[1]
+ 242,400	+ $27,483,800,000[2]
+ 64,700	- $983,550,000

Source: GMU Center for Regional Analysis

*Gross Regional Product

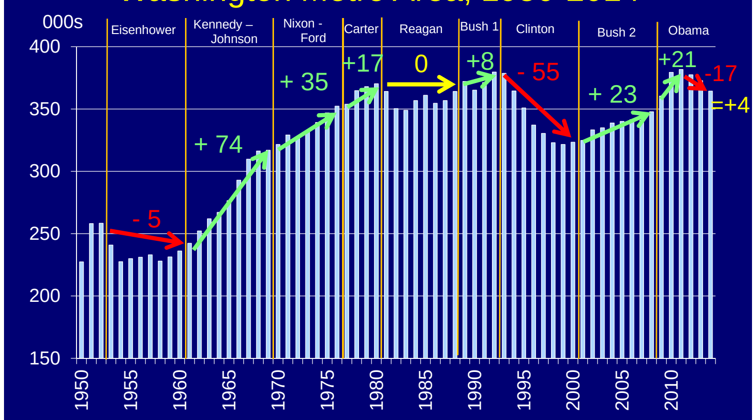
[1] $156,199 per job contribution to GRP

[2] $113,382 per job contribution to GRP

Summary of Federal Spending Trends in the Washington Metropolitan Area, 2010-2013

- Federal Procurement Outlays declined $13.3 billion or 16.1% between FY 2010 and FY 2013.
- Federal employment has declined since peaking in July 2010, losing 21,800 jobs or 5.6%.
- Federal payroll declined by $2.4 billion or 5.7% between FY 2010 and FY 2014 and will continue to decline as the workforce shrinks and older workers retire and are replaced by younger workers.

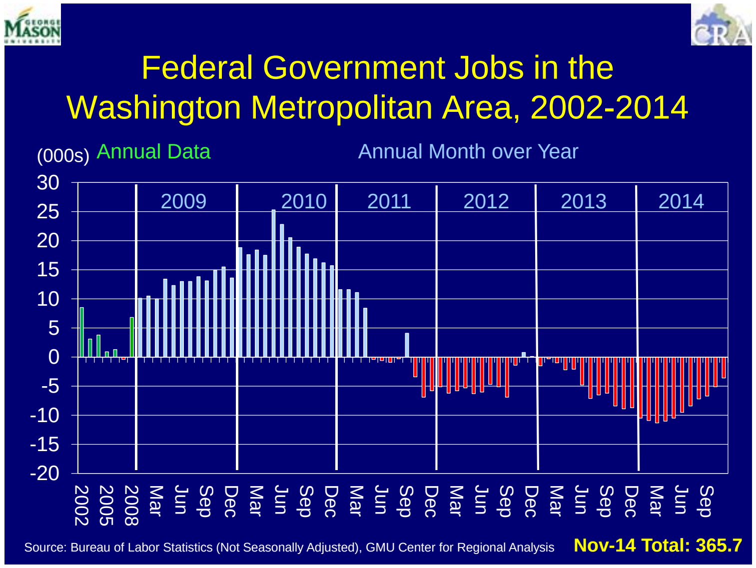
Federal Employment in the Washington Metro Area, 1950-2014

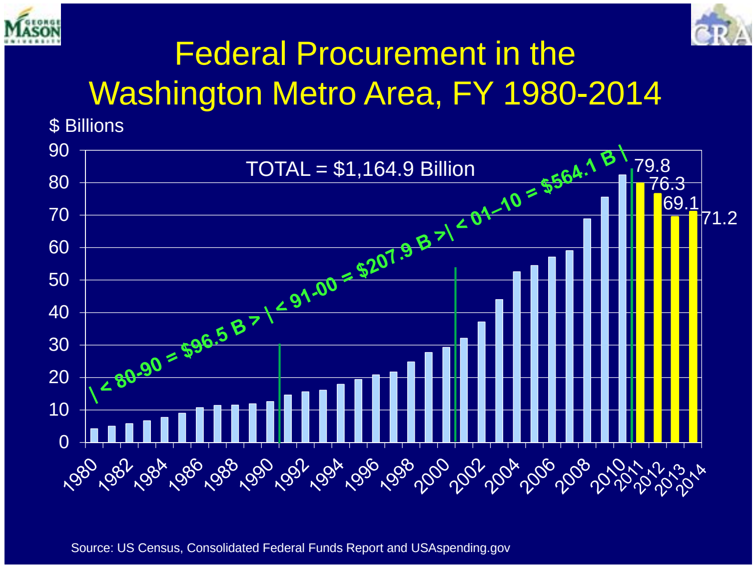


Source: US Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

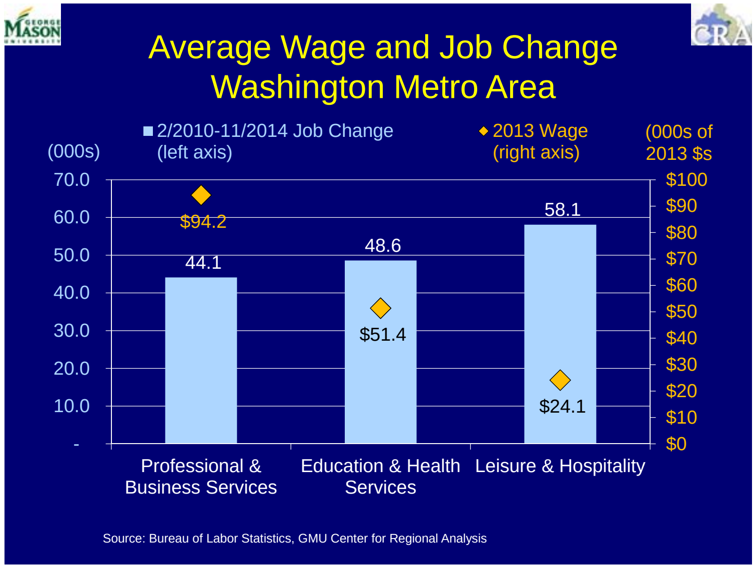
Federal Employment as a Percentage of Total Employment in Washington 1950-2020 (jobs in thousands)

Year	Total	Federal	%
1950	592.4	227.2	38.4
1960	745.7	236.2	31.7
1970	1,184.6	321.7	27.2
1975	1,336.8	347.0	26.0
1980	1,937.9	367.7	19.0
2000	2,679.3	326.2	12.2
2010	2,966.6	380.2	12.8
2020	3,379.4	340.9	10.1

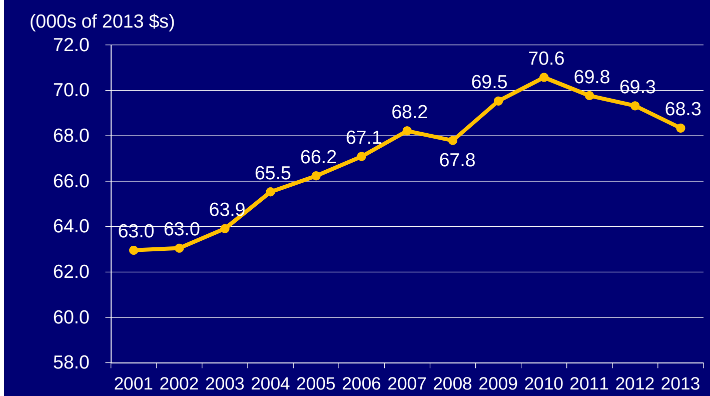

Federal Government Jobs in the Washington Metropolitan Area, 2002-2014
(000s) Annual Data
Annual Month over Year
2009 2010 2011 2012 2013 2014
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Nov-14 Total: 365.7


Federal Procurement in the Washington Metro Area, FY 1980-2014
$ Billions
TOTAL = $1,164.9 Billion
| < 80-90 = $96.5 B > | < 91-00 = $207.9 B >| < 01–10 = $564.1 B |
79.8
76.3
69.1
71.2
Source: US Census, Consolidated Federal Funds Report and USAspending.gov


Professional & Business Services Jobs in the Washington Metropolitan Area, 2002-2014
(000s) Annual Data
Annual Month over Year
2009 2010 2011 2012 2013 2014
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis
Nov-14 Total: 708.5


Average Wage and Job Change Washington Metro Area
2/2010-11/2014 Job Change (left axis)
2013 Wage (right axis)
(000s)
(000s of 2013 $s
44.1
48.6
58.1
$94.2
$51.4
$24.1
Professional & Business Services
Education & Health Services
Leisure & Hospitality
Source: Bureau of Labor Statistics, GMU Center for Regional Analysis

Average Wages in the Washington Metro Area, 2001-2013



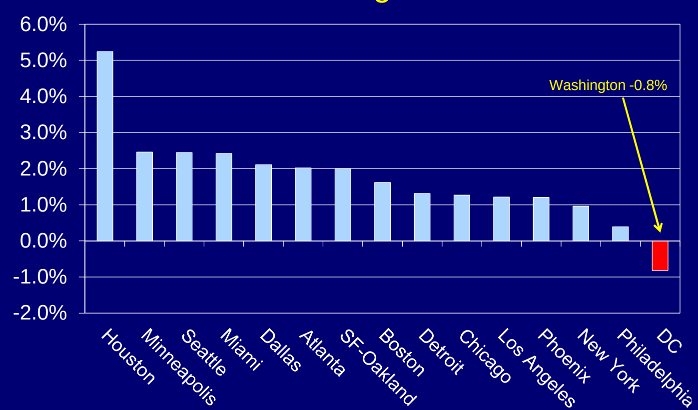
Source: Bureau of Labor Statistics, GMU Center for Regional Analysis

The Household Income Effects of Structural Change in the Washington Metropolitan Area

Jurisdiction	Median HH Income 2013*	Change from 2009*
District (DC)	$67,575	$2,919
Frederick Cty	84,308	- $5,856
Montgomery Cty	98,326	- $4,552
Prince George's Cty	72,052	- $4,060
Arlington County	102,501	- $1,675
Fairfax County	111,079	- $249
Loudoun County	116,768	- $7,283
Prince Wm County	95,268	- $2,234
Alexandria City	86,775	$2,985
Total Metro Area	$90,149	- $2,287

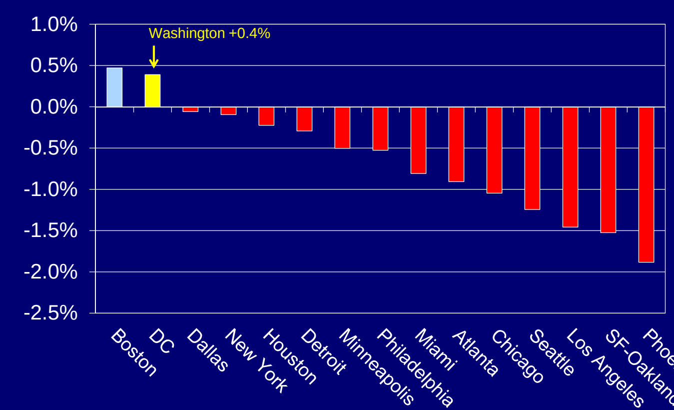
Source: U.S. Census, ACS 1-Year; GMU Center for Regional Analysis *in 2013 dollars

15 Largest Metro Area Job Markets GRP Percent Change: 2012 – 2013

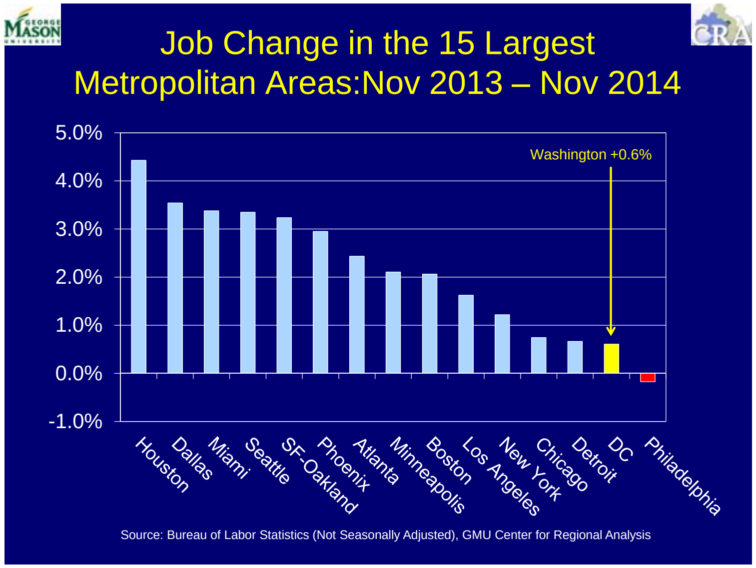


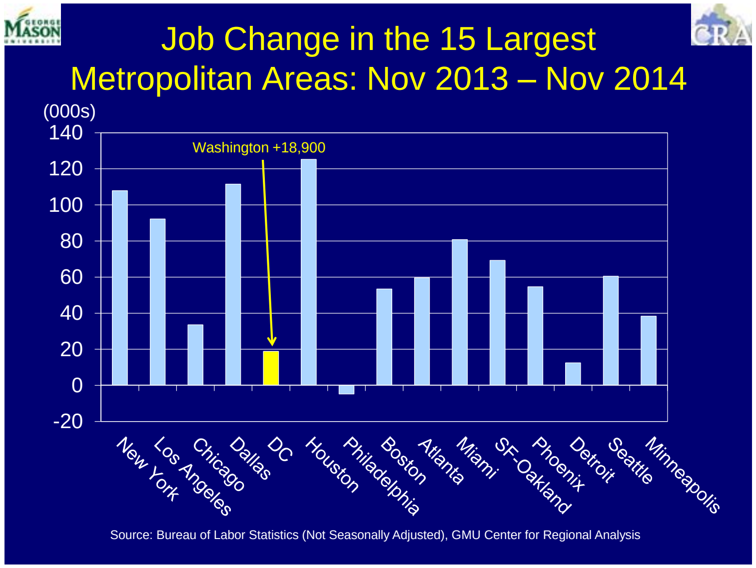
Source: Bureau of Economic Analysis, GMU Center for Regional Analysis

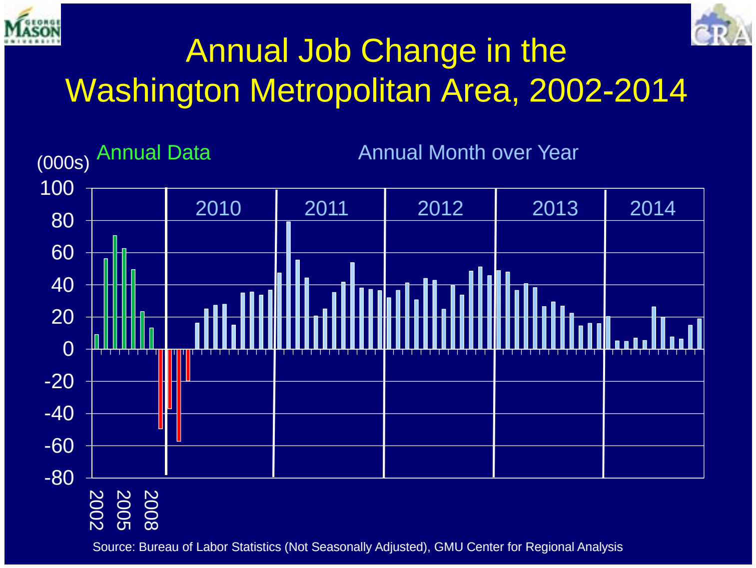
Job Change in the 15 Largest Metropolitan Areas: 2009 –2010

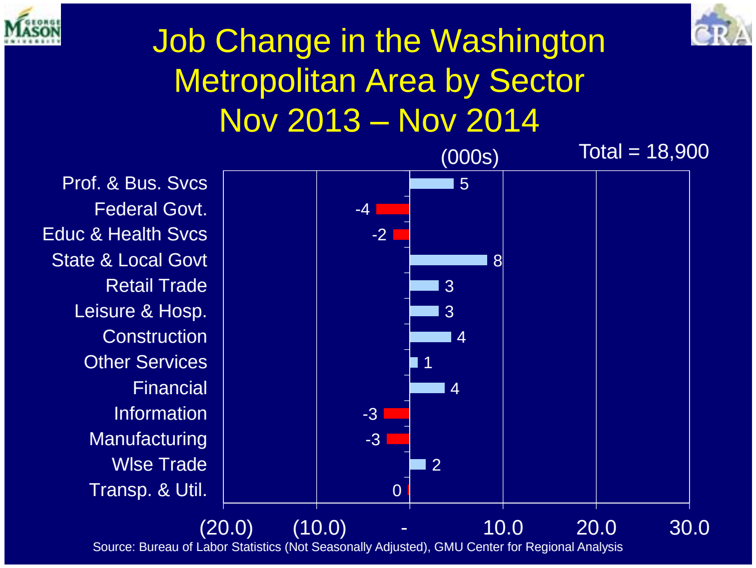


Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

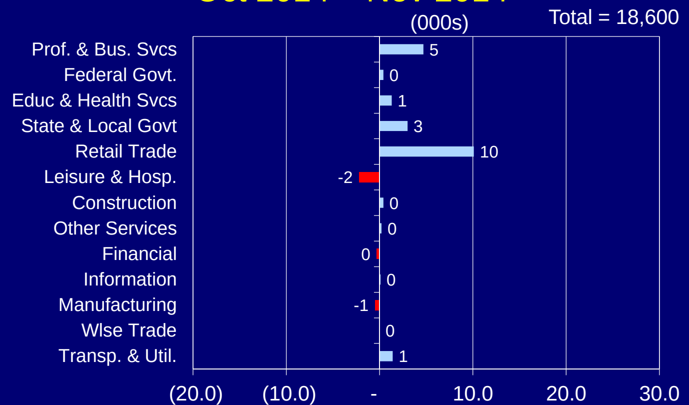

Job Change in the 15 Largest Metropolitan Areas:Nov 2013 – Nov 2014
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
Washington +0.6%
Houston
Dallas
Miami
Seattle
SF-Oakland
Phoenix
Atlanta
Minneapolis
Boston
Los Angeles
New York
Chicago
Detroit
DC
Philadelphia
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis


Job Change in the 15 Largest Metropolitan Areas: Nov 2013 – Nov 2014
(000s)
140
120
100
80
60
40
20
0
-20
Washington +18,900
New York
Los Angeles
Chicago
Dallas
DC
Houston
Philadelphia
Boston
Atlanta
Miami
SF-Oakland
Phoenix
Detroit
Seattle
Minneapolis
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis


Annual Job Change in the Washington Metropolitan Area, 2002-2014
(000s)
Annual Data
Annual Month over Year
100
80
60
40
20
0
-20
-40
-60
-80
2010
2011
2012
2013
2014
2002
2005
2008
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis


Job Change in the Washington Metropolitan Area by Sector Nov 2013 – Nov 2014
(000s)
Total = 18,900
Prof. & Bus. Svcs
Federal Govt.
Educ & Health Svcs
State & Local Govt
Retail Trade
Leisure & Hosp.
Construction
Other Services
Financial
Information
Manufacturing
Wlse Trade
Transp. & Util.
5
-4
-2
8
3
3
4
1
4
-3
-3
2
0
(20.0)
(10.0)
-
10.0
20.0
30.0
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Job Change in the Washington Metropolitan Area by Sector Oct 2014 – Nov 2014



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

The Washington Region's Economy of the Future

Washington Metropolitan Area and U.S. Economic Growth 2012-2019

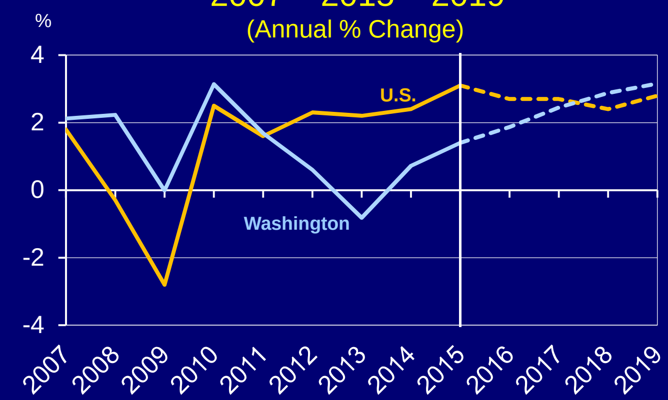
(annual percent real change)

Year	U.S.	WMSA
2013	2.2	- 0.8
2014	2.4	0.7
2015	3.1	1.4
2016	2.7	1.9
2017	2.7	2.4
2018	2.4	2.9
2019	2.8	3.2

Sources: IHS Economics, Inc. January 2015 ; GMU Center for Regional Analysis

U.S. GDP and Washington Area GRP 2007 – 2015 – 2019

(Annual % Change)



Source: IHS Economics, GMU Center for Regional Analysis, Forecast: January 2015

Principal Sources of Job and GRP Growth in the Washington Area, 2014-2019
(in thousands)

Growth Sectors	Job Change	% of Total Job Change	Average Value Added per Job*
Prof. & Bus. Ser.	114.4	48.3	$157,969
Construction	48.8	20.5	$111,992
Education/Health	28.7	12.1	$72,162
Hospitality Services	27.1	11.4	$51,110
State and Local	20.2	8.5	$81,736
Sub-Total	239.2	100.8	$119,749
Overall Total	236.9	100.0	$154,131

Sources: IHS Global Insight; GMU Center for Regional Analysis *in 2014$s

Job and GRP Gains and Losses for the Washington Area's Other Sectors, 2014-2019
(in thousands)

	Job Change	% of Total Job Change	Average Value Added per Job*
Federal Gov't	- 22.3	- 9.4	$185,804
Retail Trade	0.5	0.2	$64,478
Other Services	2.6	1.1	$86,150
Financial Services	- 0.1	0.0	$620,922
Information Services	2.0	0.9	$410,371
Manufacturing	0.0	0.0	$249,934
Transportation	8.8	3.7	$203,015
Wholesale Trade	6.2	2.6	$215,783
Sub-Totals	- 2.3	- 0.9	$197,811
Overall Total	236.9	100.0	$154,131

Sources: IHS Economics, Inc.; GMU Center for Regional Analysis *in 2014 $s

Employment Change in the WMSA by Sub-State Area (000s)

	2012	2013	2014*	2015	2016	2017	2018	2019
D.C.	8.5	9.3	6.6	7.9	9.1	11.0	12.7	11.7
Sub. MD	3.8	5.6	8.1	12.5	17.0	20.1	16.9	15.8
No. VA	23.3	10.7	4.6	15.6	22.8	26.7	19.0	17.9
REGION	35.6	25.6	19.3	36.0	48.9	58.0	48.6	45.4

Average Annual Change 1990-2010 = 30,700

*average through 11 months; rebenchmarked jobs data available in March 2015

Source: BLS, IHS Economics, GMU Center for Regional Analysis (January 2015)
NOTE: The regional totals do not include Jefferson, WV.

Rethinking The Regional Economy's Future

- Exports are key to growing the economy
  - Scientific and Technical Services
  - Higher Ed and Health Services
  - Manufacturing
  - Agriculture and Natural Resources
  - Leisure and Hospitality
  - Foreign Direct Investment
- Growing high-value added employment builds the residentially based economy and strengthens the tax base.

Fresh Approaches
For Economic Development

- Identify the region's principal non-federally dependent economic assets and focus marketing strategies on these sources of future growth; these assets may be regional or local and, by definition, will reflect one or more competitive advantages; timing is critical; an advantage today if not actualized may see its value decline with delay.

High-Value Added Economic Development Targets of Opportunities

- Redevelop Union Station into a 21st Century transportation, employment and residential center;
- Grow Dulles Airport into a center for global business building on connectivity to regional, national and world economies;
- Develop the Washington region as a global medical complex;
- Implement the White Oak Science Gateway Plan centered on FDA;
- Market the Washington region as a world-class cultural and sports visitor destination;
- Capitalize on the region's federal labs and centers: Fort Belvoir, Fort Meade/NSA, NASA, Cybersecurity/FBI, NIH/FDA/BioTech;
- Accelerate Prince Wm Cty/GMU Innovation /Technology Center.

- Unify local and regional approaches to economic development to reduce their conflicting messages and predatory practices.
- Messaging is important. We need to let the world understand that Washington is on the move by example; regional partnerships are a powerful message.

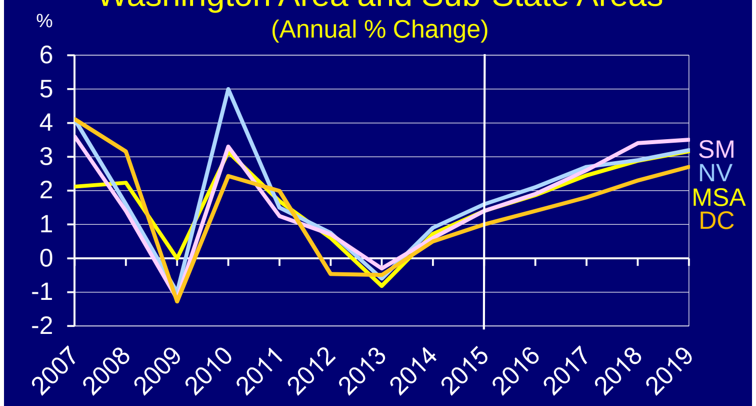
- Strengthen the business-to-business base in the region and local jurisdictions by reducing the unproductive public costs of business operations.
- Re-brand the region's and local jurisdictions' economic development images and business investment climates to build on their competitive assets in the national and global economies.

- Invest in the region's and local jurisdictions' infrastructure to strengthen their competitive positions; COG's 2015 Infrastructure Report focuses on funding gaps in maintenance and repair essential to maintaining competitiveness but competitiveness cannot be be achieved without additional funding to expand and deliver cutting edge infrastructure in all categories: priorities include transit, regional and global connectivity, water…

- Increase the capacity of the region's educational and skills training institutions to respond to the workforce development requirements for on-going up-skilling of current workers and to prepare new-to-the-labor market workers for the Region's new and emerging economies. This is the not the time to disinvest in what has provided this region one of its principal competitive advantages. What message are we sending?

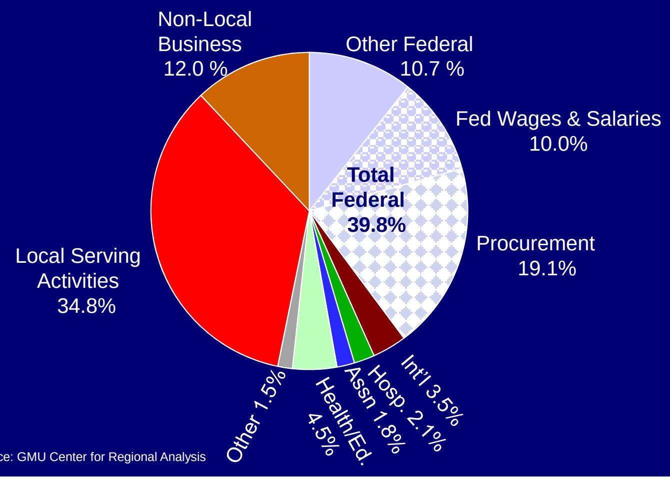
Economic Outlook (GRP), 2007-2019 Washington Area and Sub-State Areas

(Annual % Change)



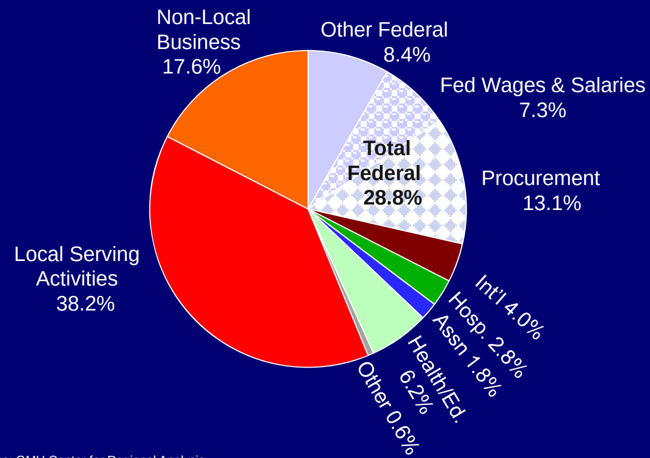
Source: GMU Center for Regional Analysis, Forecast: January 2015

2010 Structure of the Greater Washington Economy



Source: GMU Center for Regional Analysis

2019 Structure of the Greater Washington Economy



Source: GMU Center for Regional Analysis

Becoming a Global Business Center does not happen without:

- strong public and private sector leadership, and
- increased investment in public infrastructure, workforce development and private sector productive capacity reflecting new technologies.

Thank You & Questions

cra.gmu.edu