

# Washington labor market update

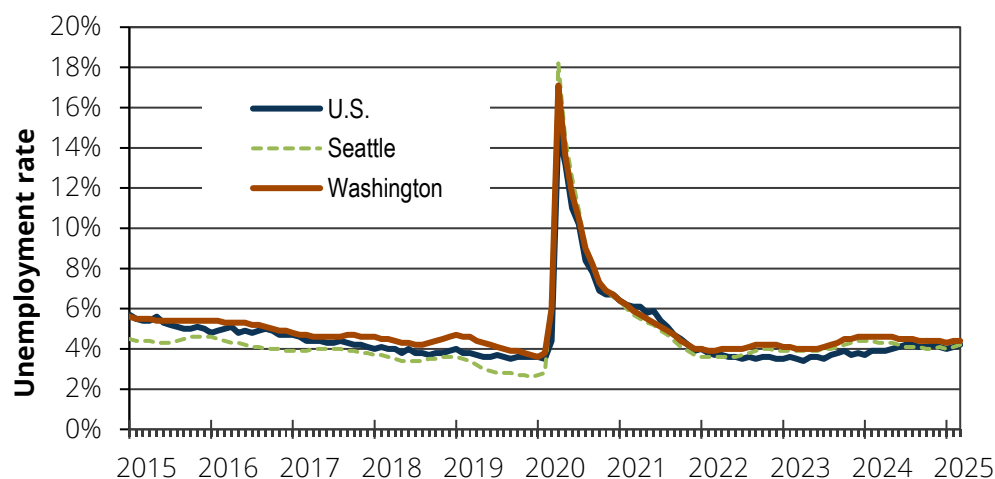
First quarter 2025; prepared by Anneliese Vance-Sherman, chief labor economist

## Current labor market conditions

- The unemployment rate remained in the mid-four percent range during the first three months of 2025. The statewide unemployment rate in March 2025 was 4.4%.
- Nonfarm employment has been slowing over the past couple years. The first quarter of 2025 was marked by three consecutive months of declining employment levels.
- Washington employers collectively shed 12,400 jobs during the first quarter of 2025.
- Federal workers make up about 2% of total employment in Washington – like the national average. So far in 2025, unemployment insurance claims by federal workers are up 71% over last year.

It is likely that post-pandemic job recovery and growth reached its limit in 2024. Both payroll counts and labor force statistics became less dynamic over the past couple years. Job growth slowed, and the size of the labor force and unemployment rates stabilized. Preliminary employment counts in March 2025 signaled a shift from slowing growth to net job losses three months in a row. (The last time Washington state employment estimates exposed three consecutive months of job losses occurred in spring 2020). The unemployment rate in the early months of 2025 remained steady and low in the mid- 4% range.

Figure 1: Unemployment rate, seasonally adjusted, Washington, January 2015 to March 2025 and the United States, January 2015 to March 2025.



Source: Washington Employment Security Department/LMIR Division, U.S. Bureau of Labor Statistics/Current Population Survey, Local Area Unemployment Statistics

Unemployment rates in the 4% to 5% range are considered favorable. In these conditions there is still fluid labor market movement. Job seekers have a slight upper hand as employers compete for workers, but job seekers cannot take employment for granted. It is important to keep in mind that the calculation of local and state unemployment rates does not account for differences by industry or other factors that play into individual experiences of unemployment and labor force participation.

The Economic and Revenue Forecast Council (ERFC) estimated in their March forecast that the unemployment rate will remain in the mid- to high-4% range for the next few years. The March 2025 forecast estimates that the average annual unemployment rate for Washington will be 4.5% in 2025, rising to 4.7% in 2026 and 2027 before dropping to 4.6% in 2028 and 4.4% in 2029. The unemployment rate forecast in March was lower than reported in the November 2024 forecast.

The labor force participation rate in March 2025 was estimated at 62.9% and has been declining slowly over the past several months. The labor force participation rate 12 months ago was 63.7%.

## Unemployment insurance claims

Unemployment claims are an imperfect measure of unemployment, with about one in three unemployed people filing a claim. Initial and continued claims dropped following the tumult of the pandemic. Initial claims dropped below 5,000 per week during the exceptionally tight labor market of 2022 and increased to about 6,000 per week starting in 2023, which is like the claims traffic just before the pandemic. Counts of continued claims has climbed since 2022. The most recent count for the 15th week of 2025 was 76,855.

Figure 2. Washington weekly continued unemployment claims, January 2022-March 2025, seasonally adjusted



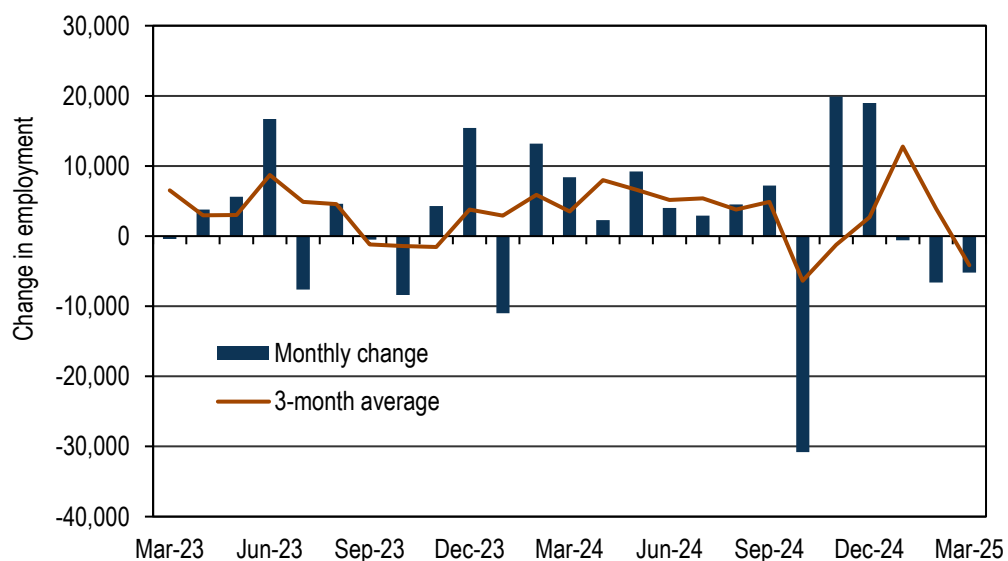
Source: Washington Employment Security Department/LMIR Division

## Nonfarm employment

A steady pattern of slow employment growth was briefly disrupted in October 2024 with the Boeing labor dispute. Employment more-or-less rebounded in November and December. The first three months of 2025 brought three consecutive months of declining employment. Although losses were shallow for present conditions, three months in a row may signal a trend. Monthly employment changes during the first three months were:

- January 2025 (revised) down 600
- February 2025 (revised) down 6,600
- March 2025 (preliminary) down 5,200

Figure 3. Monthly employment change, seasonally adjusted, March 2023 to March 2025



Source: Employment Security Department/LMIR Division; U.S. Bureau of Labor Statistics, Current Employment Statistics

In the first quarter of 2025, employers in eight major industry sectors collectively added jobs and five industry sectors lost net employment. The largest three-month gains were observed in retail trade, information and other services. The industry sectors reporting the deepest three-month losses were observed in construction, government and manufacturing.

Figure 4. Monthly employment change, seasonally adjusted, Washington, January 2025 to March 2025

Industry	Employment change
<b>Total nonfarm</b>	<b>-12,400</b>
Retail Trade	4,200
Information	3,800
Other Services	2,000
Professional and Business Services	1,300
Wholesale Trade	1,200
Transportation, Warehousing and Utilities	1,000
Mining and logging	200
Financial Activities	100
Education and Health Services	-1,300
Leisure and hospitality	-2,600
Manufacturing	-3,900
Government	-7,900
Construction	-10,500

Source: Employment Security Department/LMIR Division; U.S. Bureau of Labor Statistics, Current Employment Statistics

Over the past couple years, some industries reached peak levels of employment following the pandemic recession and began to decline. Over the past 12 months, ten major industry sectors experienced net job growth and three experienced net job losses. Education and health services (up 16,300) has been characterized by strong and steady job growth, with the largest gains attributable to ambulatory care (i.e. outpatient health care services). The second largest gains were observed in information (up 8,700), despite one-year losses in software publishing. The deepest annual losses were observed in construction, manufacturing and wholesale trade.

Figure 5. Change in industry employment, not seasonally adjusted, Washington, net employment change from March 2024 to March 2025

Industry	Employment change
<b>Total nonfarm</b>	<b>25,100</b>
Education and health services	16,300
Information	8,700
Professional and business services	6,100
Transportation, warehousing and utilities	4,800
Leisure and hospitality	4,500
Government	1,800
Financial activities	1,500
Other services	900
Retail trade	400
Mining and logging	200
Wholesale trade	-2,600
Manufacturing	-5,000
Construction	-12,500

Source: Employment Security Department/LMIR; U.S. Bureau of Labor Statistics, Current Employment Statistics

## Spotlight on federal government employment in Washington

Recent policy developments at the federal level have resulted in layoffs of federal employees and concerns over the availability and distribution of federal grants that fund state and local governments, non-profit agencies, and private sector contractors working on government-funded projects. Although it is difficult to track employment tied to specific funding sources using traditional labor market resources, it is possible to measure direct job losses from the federal sector.

At a national level, there were more than 2.9 million federal workers in 2023. The civilian federal workforce represented 1.9% of total employment. The top states and territories for federal employment as a portion of the total workforce were the District of Columbia and Maryland, Hawaii, Alaska and Virginia. Washington state's federal workforce was estimated at 2.2% of total employment, ranking it 21st of 53.

Figure 6. Average annual civilian federal employment as a portion by state, top 5 and bottom 5 states and territories by percent of federal employment, 2023

State	Average annual employment, federal sector	Federal employment as a portion of total jobs by state
<b>United States</b>	<b>2,929,938</b>	<b>1.9%</b>
District of Columbia	190,617	25.2%
Maryland	158,475	5.9%
Hawaii	35,129	5.5%
Alaska	15,203	4.7%
Virginia	189,324	4.7%
<b>Washington</b>	<b>77,275</b>	<b>2.2%</b>
New Jersey	49,519	1.2%
Iowa	18,107	1.2%
Minnesota	32,631	1.1%
Connecticut	18,683	1.1%
Wisconsin	30,405	1.0%

Note: These figures estimate civilian federal government employment only. Elected government officials in the executive or legislative branches, members of the armed forces or the Commissioned Corps of the National Oceanic and Atmospheric Administration, and workers hired on a temporary basis to assist with emergency recovery efforts are excluded.

Source: U.S. Bureau of Labor Statistics; Quarterly Census of Employment and Wages

Within Washington, the counties with the largest proportional federal workforce included Kitsap County, Garfield County, Ferry County, Island County, and Walla Walla County.

Figure 7. Average annual civilian federal employment as a portion by county, 2023

County	Average annual employment, federal sector	Federal jobs as a percent of total jobs by county
Adams County	31	0.3%
Asotin County	71	1.0%
Benton County	699	0.7%
Chelan County	622	1.4%
Clallam County	430	1.7%
Clark County	3668	2.0%
Columbia County	66	4.2%
Cowlitz County	216	0.5%
Douglas County	256	2.1%
Ferry County	140	8.2%
Franklin County	511	1.4%

Figure 7. continued

County	Average annual employment, federal sector	Federal jobs as a percent of total jobs by county
Garfield County	132	20.5%
Grant County	715	1.7%
Grays Harbor County	186	0.8%
Island County	1,339	7.4%
Jefferson County	185	2.1%
King County	18,675	1.3%
Kitsap County	20,501	22.0%
Kittitas County	166	1.0%
Klickitat County	95	1.4%
Lewis County	265	1.0%
Lincoln County	60	2.1%
Mason County	75	0.5%
Okanogan County	388	2.3%
Pacific County	61	0.9%
Pend Oreille County	106	3.3%
Pierce County	11,251	3.4%
San Juan County	48	0.8%
Skagit County	382	0.7%
Skamania County	91	3.6%
Snohomish County	2,308	0.8%
Spokane County	4,948	2.0%
Stevens County	324	2.8%
Thurston County	903	0.7%
Wahkiakum County	11	1.4%
Walla Walla County	1,829	6.3%
Whatcom County	1,537	1.6%
Whitman County	222	1.1%
Yakima County	1,287	1.1%
Multiple Counties	2,475	4.2%

Source: Employment Security Department / LMIR, U.S. Bureau of Labor Statistics; Quarterly Census of Employment and Wages

The first round of layoffs began in mid-February. Because they began during the reference week for BLS data collection, the first report that would reflect any layoffs initiated by the Department of Government Efficiency appeared in the March 2025 employment report. The estimated one-month drop in federal government employment in Washington state by this measure was 100 jobs (subject to revision).

The estimated number of unemployment insurance claims filed by federal workers as of week 15 of 2025 was 1,229. This is 71% higher than the number of claims that had been filed at this point in the previous year, and a reflection of the recent shift.

The high number of Unemployment Insurance claims suggests that the sample-derived monthly employment tally is likely to be adjusted downward with future revisions and benchmarking processes. Furthermore, because federal grants support activities and jobs in several sectors, we can expect to see indirect employment impacts in other parts of the economy, although it may be difficult to single out specific causal factors.