Washington labor market update

Third quarter 2025

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Current labor market conditions

The 2025 federal government shutdown affected federal statistical agencies including the Bureau of Labor Statistics and partner agencies. Government functions officially resumed on November 13. The 43-day shutdown delayed the release of September 2025 employment and labor force estimates. That delayed this quarterly report until September estimates were available in December 2025.

- The statewide unemployment rate held steady at 4.5% in July, August and September 2025.
- Nonfarm employment growth has slowed over the past couple years. As of September 2025, six of the nine months reported in showed declining employment over the year.
- Together, Washington employers shed 17,300 jobs during the third quarter of 2025.
- Labor force participation rates have declined over the past couple years. This continues a 20+ year trend of contraction. Declining labor force participation is leading to sustained low unemployment rates.

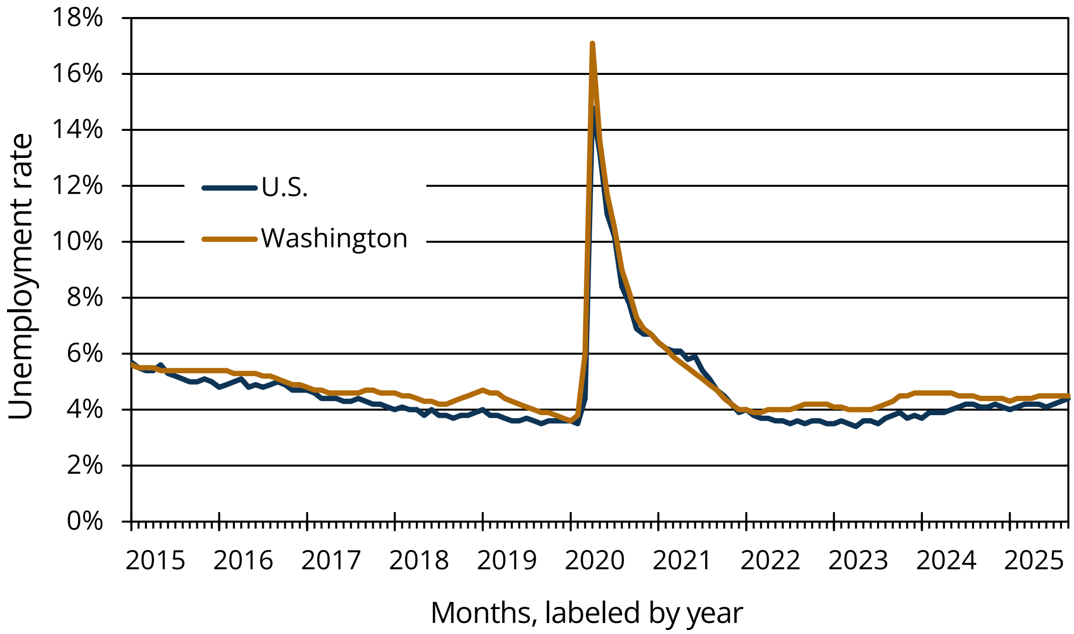
Changes over time

- It is likely that post-pandemic job recovery and growth reached its limit in late 2024 / early 2025.
- 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. Year-over-year employment levels have hovered within a tenth of a percent every month since February.
- The unemployment rate increased incrementally over the calendar year.
  - 4.3% in January
  - 4.4% from February to April
  - 4.5% from May to September.

Looking ahead, the Economic and Revenue Forecast Council revised its 2026 employment expectations in the November forecast down from 0.2% to 0.0% relative to the September forecast.

Unemployment rate

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



Source: Washington Employment Security Department/LMIR Division, U.S. Bureau of Labor Statistics/Current Population Survey, Local Area Unemployment Statistics. Download the latest unemployment data on our website.

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.

Keep in mind, the rate doesn't include certain factors. 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) publishes four forecasts per year. Its September forecast expects the unemployment rate to remain in the mid- to high-4% range for the next few years.

The November forecast's average annual unemployment rate estimates for Washington are 4.41% in 2025, rising to 4.66% in 2026 and 4.99% in 2027 before dropping to 4.97% in 2028 and 4.79% in 2029. The revised unemployment rate projections are higher than those presented in the September forecast.

Labor force

The labor force participation rate in September 2025 estimate was 62.1%. It has been declining slowly over recent months but paused during the last quarter. The labor force participation rate in September 2024 was 63.3%.

Unemployment insurance claims

Unemployment claims are an imperfect measure of unemployment, with about one in three unemployed individuals filing a claim.

- Initial and continued claims dropped following the pandemic.
- Initial claims dropped below 5,000 per week during the exceptionally tight labor market of 2022
- Initial claims increased to about 6,000 per week starting in 2023. That is comparable to claims traffic just before the pandemic.

Initial claims

Initial claims are the point of first contact with the unemployment insurance social safety net and each week's data is aggregated and counted. So, claims data is usable as an early indicator of layoff activity. The average pattern of initial claims activity has picked up in the last couple years. Though, it remains low by historic standards.

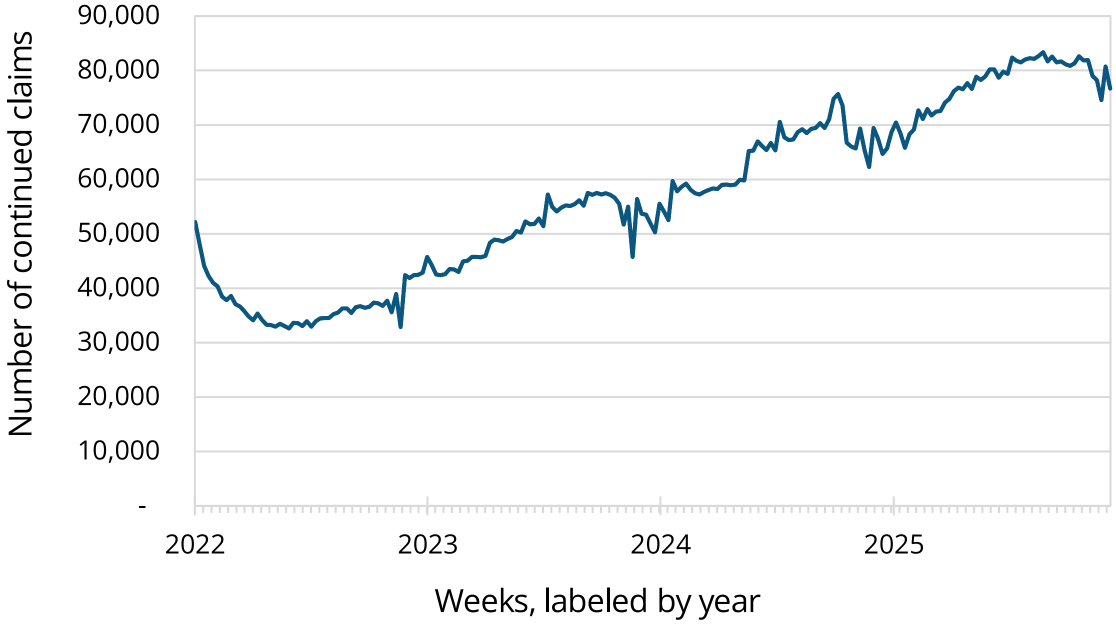
Continued claims

Counts of continued claims have climbed since 2022. The most recent count, week 49 of 2025 was 85,775 (not seasonally adjusted).

Unlike initial claims, the value of continued claims is not a leading indicator. Continued claims count individuals collecting unemployment insurance payments every week.

The increasing trend tells us more people are unemployed specifically because their previous employer laid them off. This suggests the average length of time spent searching for work may be on the rise.

Figure 2: Washington weekly continued unemployment claims, January 2022-December 2025, seasonally adjusted

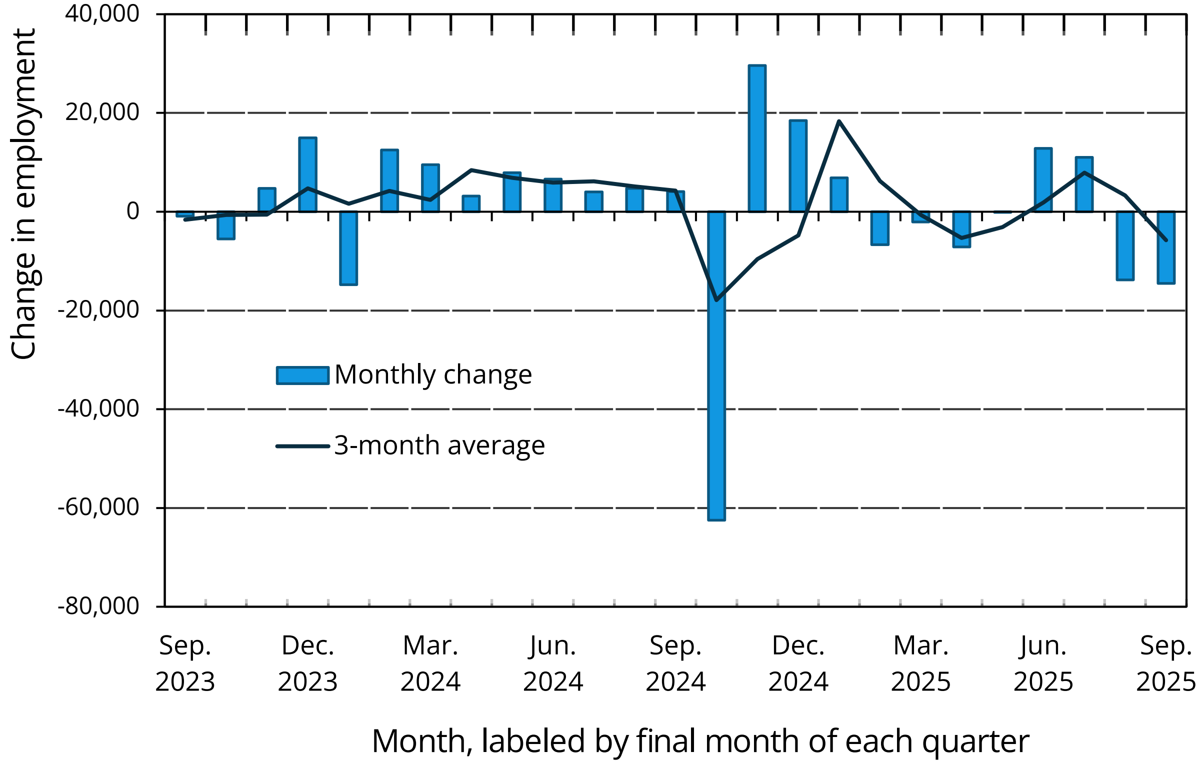


Source: Washington Employment Security Department/LMIR Division

Nonfarm employment

- A steady pattern of slow employment growth was briefly disrupted in October 2024 with the Boeing labor dispute. Employment rebounded in November and December 2024 and slowed in 2025.
- Modest gains in January were quickly undone by four straight months of employment decline.
- Net job losses in August and September negated gains from June and July.
- In all, total nonfarm employment decreased by 17,300 over the third quarter of 2025 and by 27,400 (0.7%) over the past 12 months.
  - July 2025 (revised) up 7,900
  - August 2025 (revised) down 13,800
  - September 2025 (preliminary) down 4,500

Figure 3: Monthly employment change, seasonally adjusted, September 2023 to September 2025



Source: Employment Security Department/LMIR Division; U.S. Bureau of Labor Statistics, Current Employment Statistics. Download the latest unemployment data on our website.

In the third quarter of 2025, employers in four major industry sectors collectively added jobs and nine industry sectors lost net employment.

We saw three-month gains in retail trade, education and health services, financial activities, and other services. The industry sectors reporting the deepest three-month losses were government, professional and business services, information, and construction.

Figure 4: Quarterly employment change, seasonally adjusted, Washington, June to September 2025

Industry	Employment change
Total nonfarm	**-17,300**
Retail trade	1,600
Private education and health services	700
Financial activities	600
Other services	100
Mining and logging	-100
Transportation and Warehousing	-200
Wholesale Trade	-500
Manufacturing	-1,700
Leisure and hospitality	-1,700
Construction	-2,300
Information	-2,800
Professional and business services	-5,400
Government	-5,600

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

Over the past few years, some industries reached peak levels of employment following the pandemic recession and began to decline.

Over the past 12 months, four major industry sectors experienced net job growth and nine experienced net job losses.

- Education and health services has had strong and consistent employment growth. The largest gains were throughout health care services. The most pronounced of those were in social assistance and ambulatory care services (i.e., outpatient health care).
- A recent upturn in transportation and warehousing relates to reclassification of ride share drivers to formal employment status in Washington state.
- Leisure and hospitality gains were in arts, entertainment and recreation.
- The deepest annual losses were in professional and business services and government. Significant losses in professional and business services were in administrative and support services including employment services.
- While widespread, government losses were most noteworthy in state government education.

The Economic and Revenue Forecast council expects weakened nonfarm employment in September. Washington employment has 0.7% projected growth in 2025. This is unchanged relative to the previous forecast. Projected employment growth in 2026 decreased from 0.2% to 0.0% in the current forecast.

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

Industry	Employment change
Total nonfarm	**-27,400**
Education and health services	10,300
Transportation, warehousing and utilities	2,100
Leisure and hospitality	2,000
Other services	600
Mining and logging	-300
Wholesale trade	-1,400
Construction	-1,800
Information	-2,300
Financial activities	-3,600
Manufacturing	-4,300
Retail trade	-4,300
Government	-7,000
Professional and business services	-17,400

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

Spotlight on labor force participation and unemployment

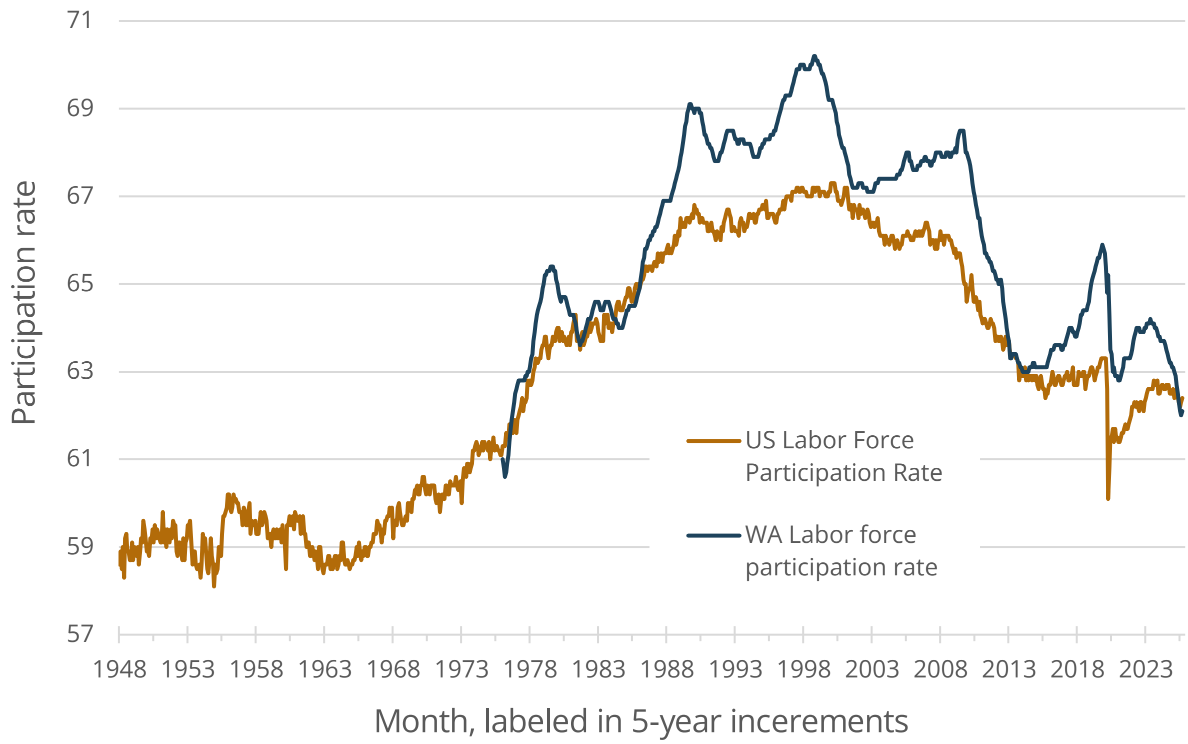
In recent years, different dynamics have impacted the labor force participation rate. Availability to work is not the only reason for an expanding labor force. One long term impact is demographics.

Historical rise

The Baby Boomer generation (born 1946-1964) is an exceptionally large generation. It has shaped the labor force since the 1960s.

In 1969, the youngest Baby Boomers turned 23 and labor force participation broke from its pattern, and rising significantly above 60%. The rate peaked in the late 1990s and early 2000s as Baby Boomers matured reaching ages 36-54 in 2000.

Figure 6: United States and Washington state labor force participation rate, 1948 through 2025



Source: U.S. Bureau of Labor Statistics (BLS), Current Population Survey (CPS) and BLS and ESD, Local Area Unemployment Statistics (LAUS).

Social movements reduced barriers to employment and educational opportunity. The Civil Rights and Women's Rights movements led to creation of the Equal Employment Opportunity Act of 1972. This expanded access to the labor market to historically under-represented groups of people.

1969 to 2000 was known for economic growth and rising prosperity that supported job growth. An exceptionally high number of prime aged adults (age 25-54) ballooned the labor market. The market was even larger due to the greater population and participation from previously under-represented demographic groups.

The decline that followed

Since the early 2000s, the labor force participation rate has declined – with a large portion of the decline tied to retirements. Some have called the large-scale retirement wave of Baby Boomers the "Silver Tsunami."

Note that retirements and other labor force departures do not automatically occur based on birth year. Economic conditions affect decisions made by agents including employers and labor force participants.

The highest unemployment and drops in labor force participation happened during key recessions. First, the sustained, high unemployment during the Great Recession (2007-2009). Second, the COVID-19 Pandemic Recession (2020) came with added challenges such as related deaths, health impacts and concerns, constrained childcare and eldercare, and operational constraints on industries.

For Baby Boomers (ages 61-79 in 2025), there is a long-term trend of large-scale retirements, made more pronounced by high numbers of early or unplanned exits from the labor force during recessions.

Present conditions

Following the pandemic, demand for labor surged and the market rebounded quickly before resuming the long-term downward trend.

During the quick rebound:

- Demand soared and a constrained labor force led to record low unemployment rates.
- Labor force participation declined sharply and suddenly.
- Job postings reached record levels, voluntary quits increased and layoff activity declined.

In practice, the available employed and unemployed workforce faced lower competition for jobs. This had the effect of creating a low unemployment rate.

Although the vibrant job market of 2021-2022 has calmed, the labor force has continued its long-term downward trend. With the declining participation, we expect competition for available jobs to remain low, even as the number of available jobs slows.