

Item No. 4a

COMPETITIVE ECONOMY

- b.) **REPORT:** Current known impacts of federal workforce layoffs to the Kansas City region.

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**Federal jobs are important
to the KC economy**



The federal government is the largest employer in the Kansas City area economy

29,300

The number of federal workers in the region

1 out of every 40 workers

or 2.5% of the area workforce

Nearly 3 times larger

than the region's largest private employer

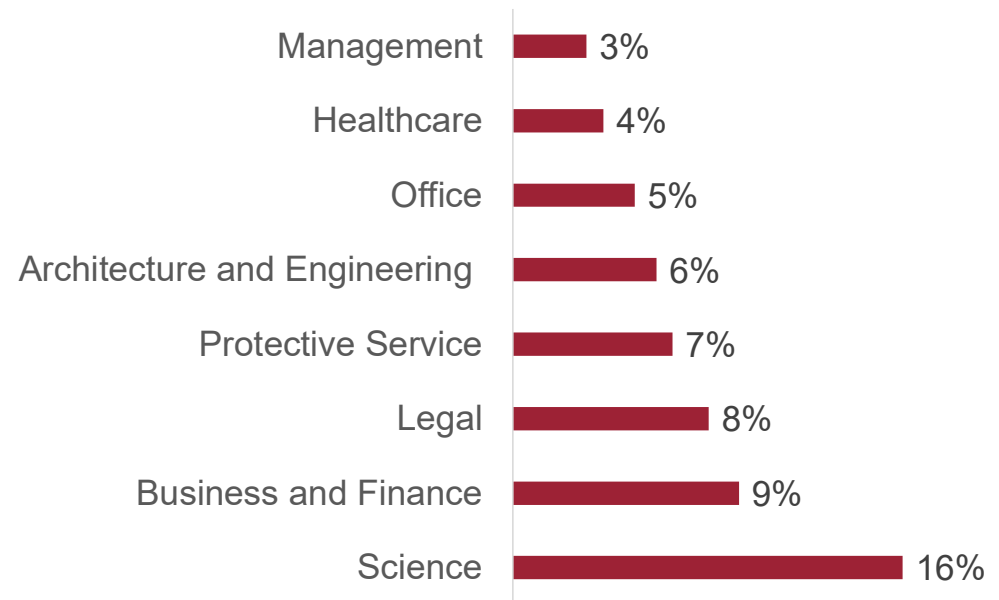


Federal government workers contribute significantly to the region's talent pool

The federal government employs an outsized share of the region's technical talent.

- 16% of its science workers
- 9% of its business and finance workers
- 8% of its legal workers
- 6% of its architecture and engineering workers

Federal Share of KC MSA Occupations
Occupations exceeding the average federal share of KC jobs (2.5%)



**The region is vulnerable to
potential federal layoffs**



The KC economy has a higher concentration of federal workers than most metro areas.

The federal government has a much larger presence in Kansas City than in most other metros.

- The federal share of KC's total employment is 35% larger than average.
- This ranks 8th among the 50 largest metros.

But a larger presence means layoffs will have a larger impact.

Name	Employment Location Quotient
Washington, D.C.	6.07
Virginia Beach	4.11
Oklahoma City	2.43
Baltimore	2.11
San Antonio	1.78
San Diego	1.63
Richmond	1.42
Kansas City	1.35
Jacksonville	1.35
Memphis	1.32
New Orleans	1.23

Federal layoffs are expected to be unprecedented in scale.

15,000

The official decline in U.S. federal employment between January and March

280,000


The federal layoffs announced so far

10%

The percentage of the U.S. federal workforce expected to be laid off



Consolidation of federal offices will also occur

- GSA has ordered that all federal buildings need to achieve 80% occupancy as part of the return-to-work strategy.
 - They are closing many field offices and disposing of buildings.
 - But it is unclear in which cities the consolidation will happen.
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Missouri and Kansas are home to some of the departments most threatened by layoffs

- Veterans Affairs, Treasury and Defense have a large presence in the two states and are also expected to experience tens of thousands of layoffs nationwide.
- Among the departments threatened with layoffs at this scale, only Health and Human Services has a relatively minor presence in the two states.

Department	September 2024 Employment			Layoffs planned
	Missouri	Kansas	Total	U.S.
Veterans Affairs	11,891	5,768	17,659	82,860
Treasury	6,035	186	6,221	25,360
Agriculture	2,982	1,604	4,586	5,700
Social Security Administration	2,401	234	2,635	10,050
Defense	1,330	1,173	2,503	60,010
Transportation	782	747	1,529	780
Homeland Security	1,144	0	1,144	1,660
Interior	701	439	1,140	2,980
Health and Human Services	504	310	814	20,000

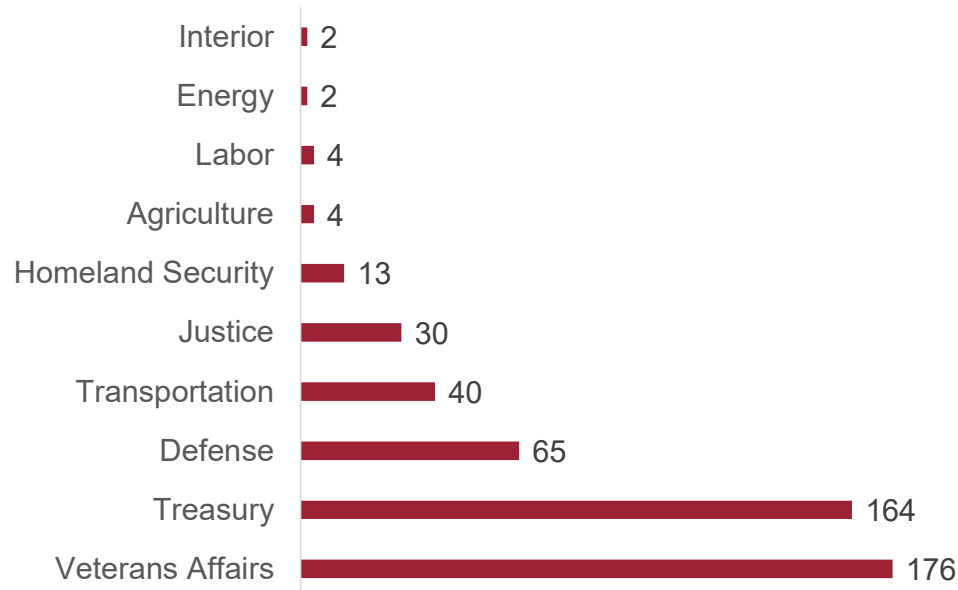
Kansas City likely has similar vulnerabilities

Department-level employment isn't readily available at a metro level, but job postings provide a good indication of relative importance.

- Job postings reflect turnover as well as growth.
- Turnover is usually the larger component.
- By this measure, Veterans Affairs, Treasury and Defense are likely the largest federal employers in KC.

Postings for Jobs in KC by Federal Departments

Active at some point in February-March 2025



Economic impact of potential layoffs



Federal layoffs will have a broad impact on the rest of the regional economy

-3,000

10% of the federal workforce in KC

-7,300

Resulting total job loss in the KC economy

2.43

Job multiplier for federal workers



**This multiplier is as large
as Sprint's in its heyday**

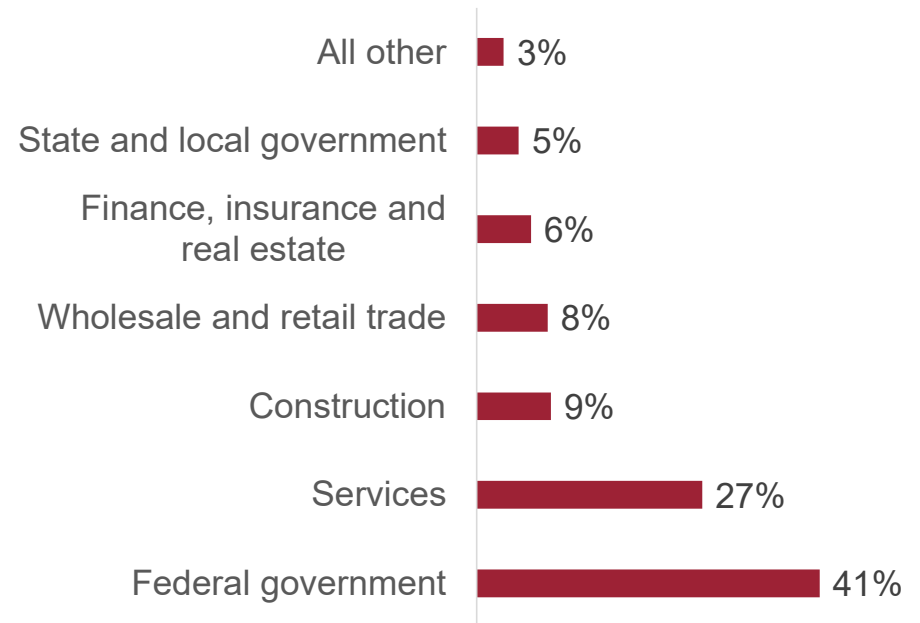
*and implies that one job in 16 is directly or indirectly
dependent on the region's federal employment*

Federal layoffs will have a broad impact on the rest of the regional economy

The loss of 7,300 jobs will be felt in many industries:

- The 3,000 federal layoffs account for 41% of the total job loss.
- The services industry absorbs another 27%.
- The two together account for about two-thirds of the job impact.
- All other industries account for the remaining third, led by construction and trade.

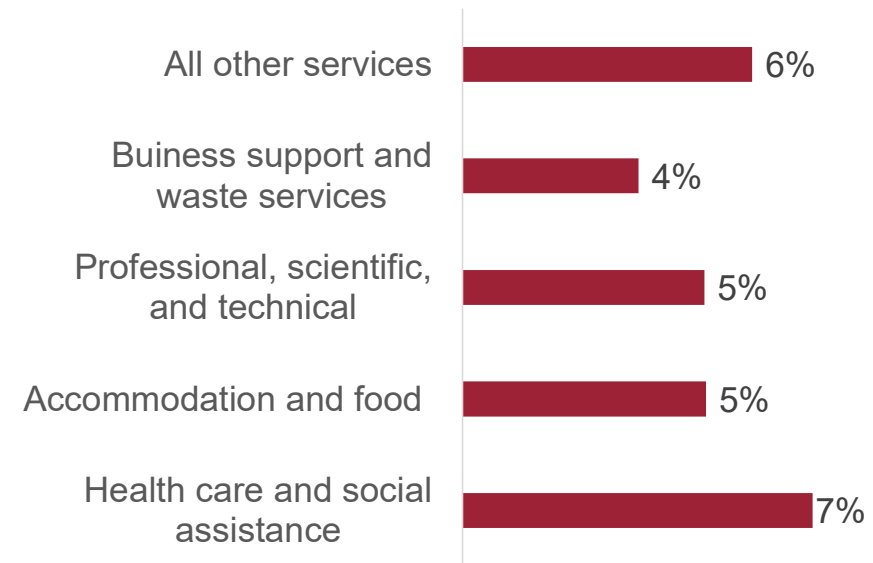
Industry Share of Total Job Losses from Federal Layoffs



Impacts on the service industry will be similarly widespread

- Health care alone absorbs 7% of the total job loss.
- This is followed by accommodation and food industry as it absorbs 5% of the loss.
- Professional, technical and scientific services is also hit with job losses equal to 5% of the total.

Service Sector Share of Job Losses from Projected Federal Layoffs



Job losses result in declines in the region's economic output, population and labor force

-\$872 million

GDP impact

-7,300

Population impact

-4,500

Labor force impact



Potential to mitigate impact



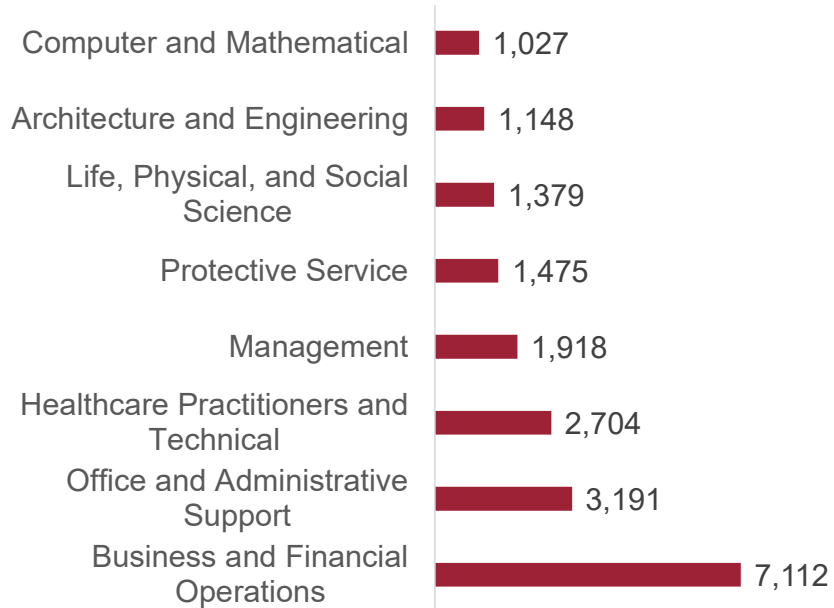
The labor force impact is less than the jobs impact because people aren't able to quickly move

- The layoffs are assumed to take place in 2025, but we run the simulation for 10 years to look at longer-term impacts.
- The job loss is immediate. It takes time for the labor force to adjust.
- This opens an opportunity to mitigate the loss if they can be quickly re-employed.
- We are in an era of chronic labor shortages due to an aging population and lower fertility rates.

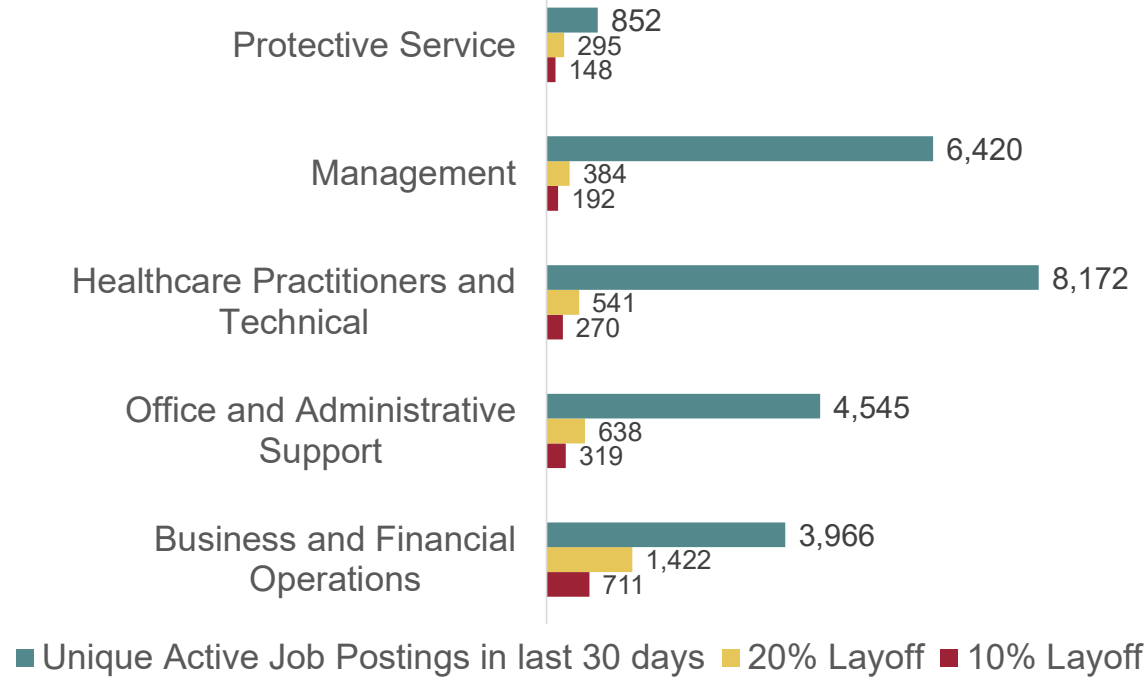


Broadly speaking, there are enough open positions to absorb potentially laid off federal workers

KC Metro federal jobs, 2024
Broad occupation groups with more than 1000 employees



KC Job postings vs. potential job seekers
Largest broad occupations

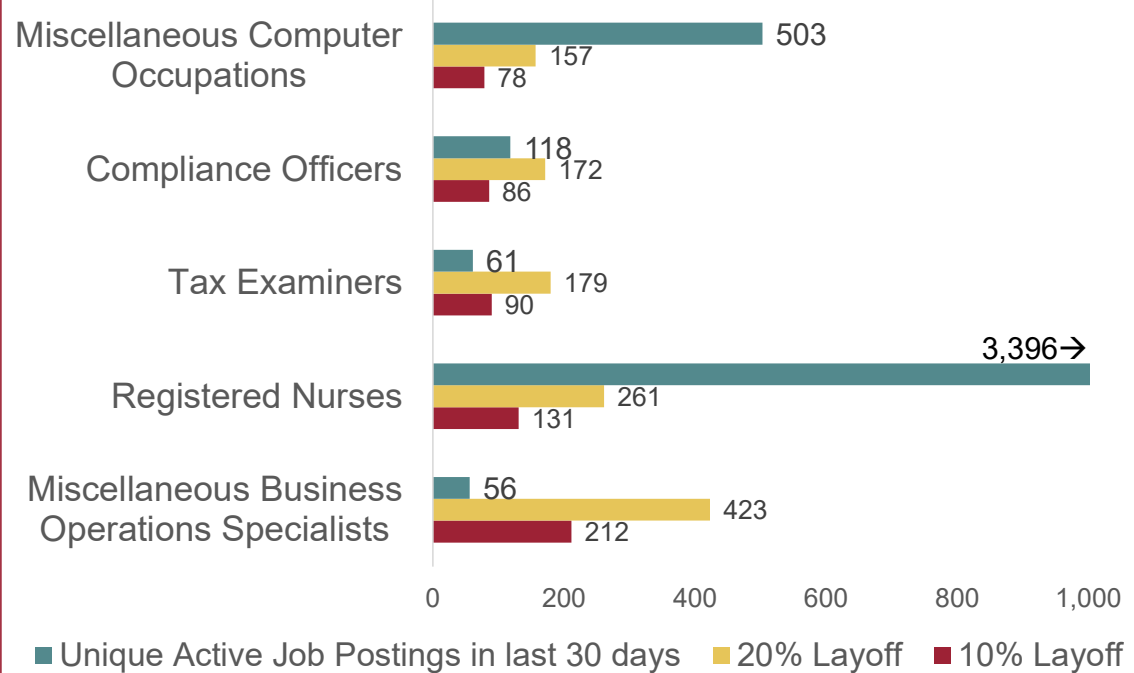


But specific occupations will be harder to fill

KC Metro federal jobs, 2024
Detailed occupations



KC Job postings vs. job potential seekers
Largest detailed occupations




Conclusion



Rapid changes in federal policy are creating significant uncertainty

- This report looked at the impact of potential federal layoffs.
- Proposed changes to federal fiscal policy will have a much broader impact, though the net effects over the long-term are unknown.
- Rising uncertainty makes long-term decisions increasingly difficult.
- While there appears to be a demand for workers with the general knowledge, skills and experience of federal workers, the match isn't perfect and employers may not want to take the risk in hiring them.

Discussion

- What potential civic collaborations might help retain the talent being laid off?
 - What roles could local government play to catalyze and advance such an effort?
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Any questions?



Thank you!

