

Mixed Signals from July Labor Report as Maryland Labor Market Continues to Struggle

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The Maryland labor report for July highlighted the uneven and slow recovery in the state's labor market. Payroll employment rose 8,100 for the month with gains widespread across sectors. It marked the first consecutive monthly gain in payroll employment since May 2010. Other aspects of the July labor report were less positive, however. The unemployment rate rose by two-tenths to 7.2 percent as the number of employed in the household survey fell sharply. More recent results of our Maryland Survey of Business Activity also suggest very modest improvement in the labor market. Over the past three months there has been a notable decrease in the number of respondents indicating that they have added workers or plan to add workers over the next six months.

Looking at the payroll employment numbers more closely, the July numbers are somewhat more positive than the headline number suggests. Private payroll employment increased by a very strong 10,400 jobs for the month while government payrolls fell by 2,300 largely due to declines at the state and local level. Most major sectors experienced an increase, with the exception of manufacturing, transportation and warehousing, and health care which saw modest declines. The largest increases were in leisure and hospitality and professional and business services, although there were notable increases in the retail trade and finance sectors. Importantly, the professional and business services sector continues to lead the labor market recovery in Maryland, increasing by 10,000 over the past year. However, despite the sizeable gain in July, employment growth was very uneven in 2011 and the number of jobs increased by 3,600 or just 0.1 percent over the past 12 months—considerably lower than the national rate of 1 percent.

In contrast to the establishment survey, the household survey indicated significant labor market weakness in July. The unemployment rate rose to 7.2 percent from 7.0 percent in June—its second consecutive increase after reaching a post-recession low of 6.8 percent in April and May. Employment fell 13,200 which resulted in an increase in unemployment of 5,400 while nearly 8,000 workers left the labor force. Since the end of the recession in June 2009 the number of employed has not changed considerably while the level of unemployment has declined only slightly. Overall, despite the sizeable increase in payroll employment from the establishment survey in July, the increase in the unemployment rate along with elevated claims for unemployment insurance and weaker survey results are all consistent with anecdotal reports that the labor market remains weak and has yet to find stable footing.

Looking ahead, the latest results from the Maryland Business Survey suggest moderate growth in coming months. The number of businesses expecting to expand their workforce over the next six months has dropped notably in recent months while the number of businesses expecting to decrease their workforce has edged higher. In the August survey, 20 percent of respondents indicated that they anticipate hiring over the next six months—down from over one-third earlier this spring, while 18 percent expect to lose workers over that period. Clearly, while the economy continues to grow at a moderate and uneven pace with heightened uncertainty, job growth will also move along at an uneven and sluggish pace.

