

August Labor Report Indicates Weak Labor Market Conditions in Maryland

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The Maryland labor report for August highlighted the uneven and slow recovery in the state's labor market. Payroll employment fell by 2,500 for the month. Losses in the private sector were considerably larger, however, with the state economy losing 9,400 private jobs in August. The unemployment rate rose by two-tenths of a percent to 7.3 percent. The number of employed in the household survey fell sharply for a second consecutive month, resulting in an increase in the number of unemployed and the unemployment rate. The latest results of our Maryland Survey of Business Activity suggest very modest improvement in the labor market, although the number of respondents indicating that they have added workers or plan to add workers over the next six months decreased notably in August.

Looking at the payroll employment numbers more closely, the decline in employment resulted from a large increase in local government that only partly offset private sector declines. Private sector industries that experienced increases included construction (which rose for a second consecutive month), manufacturing, wholesale trade, transportation and utilities, and health services. Those increases were more than offset by sizeable declines in retail, information, finance, professional and business services, leisure and hospitality, and other services. It is important to note that there is considerable volatility in looking at the monthly numbers. Over the past year, payroll employment edged higher by 3,600, with 1,000 of the increase in the private sector. Essentially, the large monthly changes in the payroll survey have been canceling each other out on balance, with overall employment up just 0.1 percent over the past 12 months—considerably less than the national rate of 1.0 percent.

The household survey indicated continued labor market weakness in August. The unemployment rate rose to 7.3 percent from a revised 7.1 percent in July—its third consecutive increase after reaching a post-recession low of 6.8 percent in April and May. Unemployment rose by 5,300 while nearly 6,000 workers left the labor force. Over the past three months, the number of employed in the survey has fallen by 29,000. Overall, the decline in payroll employment, the increase in the unemployment rate, elevated claims for unemployment insurance and weaker results from our business activity survey 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.

