

September Labor Report Indicates Maryland Labor Market Continues to Struggle

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The Maryland labor report for September highlighted the uneven and slow recovery in the state's labor market. Payroll employment rose by 6,800 for the month. Gains in the private sector were considerably larger, however, with the state economy picking up 10,000 private jobs in September. However, the unemployment rate rose for a fourth consecutive month, this time by one-tenth to 7.4 percent. The latest results of our Maryland Survey of Business Activity suggest only modest improvement in the labor market in October, and the number of respondents indicating that they plan to add workers over the next six months has declined notably over the past three months.

Looking at the payroll employment numbers more closely, there were considerable differences in job growth across sectors. There were increases in employment in health care, professional and business services, education, construction, and information—with the gain in the information sector aided by the end of the Verizon strike. However, partially offsetting those gains were notable declines in retail trade, leisure and hospitality, manufacturing, finance and insurance, and local government. With the September gain, the percentage increase in payroll employment over the past 12 months rose to 0.4 percent, an improvement over the 0.1 percent registered in August but still well below the national rate of 1.0 percent. Over the past 12 months several sectors continued to outperform the average, including health care, and professional and business services. Within the latter, a number of sectors showed considerable strength including professional, scientific and technical services, computer systems design, legal services, and employment services.

The household survey indicated continued labor market weakness in September. The unemployment rate rose to 7.4 percent from 7.3 percent in August—its fourth consecutive increase after reaching a post-recession low of 6.8 percent in April and May. The labor force increased by 8,300 workers for the month, more than the number of positions available, resulting an increase in the number of unemployed by 2,400 workers. Overall, despite the rise in payroll employment, the increase in the unemployment rate, continued 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 Survey of Business Activity suggest moderate growth in the 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 October survey, less than 20 percent of respondents indicated that they anticipate hiring over the next six months—down from over 30 percent last spring—while an equal percentage of firms 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 increase at an uneven and sluggish pace.

