

Labor Data Indicate Stronger Maryland Labor Market Recovery

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The Maryland labor report for January indicated continued improvement in the state's labor market. Payroll employment rose by 5,000 jobs while the unemployment rate continued its decline to 6.5 percent. In addition, revisions to the employment data over the last several years indicated a stronger labor market than previously believed. According to the revised data, the level of payroll employment in December 2011 was roughly 30,000 higher than previously estimated. At the same time, revisions to the household data indicate that the unemployment rate was higher in 2009 and early 2010 and declined by a greater amount over the past year than previously estimated. Despite the more positive numbers, the latest results of our Maryland Survey of Business Activity continued to suggest relatively sluggish labor market conditions.

Looking at the payroll numbers more closely, the increase in January employment resulted from a relatively broad based increase across private industry sectors. There were sizable increases in construction, retail trade, leisure and hospitality, and other services along with moderate gains in manufacturing and professional and business services. Total government employment was flat due to a decrease in federal payrolls that offset increases in local government, while there were sizable declines in real estate and health care.

The data revisions indicated that the labor market performed much better in the second half of 2010 and 2011 than previously believed. Prior to the revisions, total employment fell by close to 24,000 in the second half of 2010 and increased by roughly 25,000 in 2011. With the revised data, payroll losses in the second half of 2010 were closer to 5,000 and employment increased 33,600 in 2011 on a seasonally adjusted basis. It should be noted however, that the improvement in the estimates for 2010 was due to fewer private sector losses whereas the improvement for 2011 was mostly due to higher estimates of federal and local government employment.

The household survey indicated that the labor market improved in January. The unemployment rate declined to 6.5 percent from 6.6 percent last month—its fifth consecutive decline. Over the past five months the unemployment rate declined by sixth tenths of a percent. The decline in the unemployment rate resulted from a decrease in the number of unemployed by 3,100 workers. The labor force declined for the first time since June 2011, however. The revisions to the household survey data indicated that the unemployment rate peaked at 8.0 percent in late 2009 and early 2010—four tenths higher than previously estimated—and declined more quickly in 2011.

Looking ahead, the latest results from the Maryland Survey of Business Activity suggested that expectations for future growth remained positive with more respondents anticipating hiring over the next six months. In the February survey, roughly half of the respondents anticipated greater business activity over the next six months with close to 40 percent indicating that they anticipated hiring over that period. Still, with expectations for moderate growth in 2012, the strength of the recovery in the labor market remains unclear. While the recent increase in employment and decline in the unemployment rate are promising, continued sluggish growth in the economy may restrain employment gains and keep the unemployment rate from continuing on its downward trend.

