

Maryland Labor Market Continues to Improve According to Latest Report

By Andy Bauer, Regional Economist (andy.bauer@rich.frb.org)

The Maryland labor report for February indicated continued improvement in the state's labor market. Payroll employment rose by 8,000 jobs as gains in private payrolls offset a sharp decline in government payrolls. The gains within the private sector were fairly broad-based across industry sectors. At the same time, in the household survey, after five months of decline the unemployment rate remained unchanged at 6.5 percent. The latest results of our Maryland Survey of Business Activity were more positive as a greater number of respondents indicated that they expanded their workforce and added hours to the workweek in March.

Looking at the payroll numbers more closely, the increase in February employment resulted from a relatively broad-based increase across private industry sectors. There were sharp increases in professional and business services, and health care along with sizable gains in natural resources, mining, and construction; education; and leisure and hospitality. Notably, employment in natural resources, mining, and construction increased by more than 2,000 jobs for a second consecutive month and has increased in six out of the last eight months. There were notable declines in retail trade and other services along with more modest declines in wholesale trade; transportation and public utilities; and manufacturing. Government payrolls fell due to a sizeable drop in local government employment that was tempered by a slight increase in state employment. The year-over-year change in total payroll employment in February was 1.9 percent — four tenths above the national rate of 1.5 percent. Private payroll employment growth over the last year was slightly higher at 2.1 percent, the same as the national rate.

The household survey also indicated that the labor market improved in February. However, the improvement according to the survey was not as strong. The unemployment rate was unchanged at 6.5 percent after five consecutive months of decline. The labor force increased by 4,600 for the month with 2,800 of those workers successful in finding employment. The number of employed workers in the household survey increased in seven out of the last eight months. However, the number of unemployed increased by 1,800 in February — the first increase since July 2011. Overall, both surveys indicate continued improvement in the labor market at a pace stronger than previously anticipated. Steady declines in weekly initial and continuing claims for unemployment insurance also point to a steadily improving labor market.

Looking ahead, the latest results from the Maryland Survey of Business Activity suggested improvement in the labor market in March as well as stronger conditions in coming quarters. In the March survey roughly 30 percent of respondents indicated that they expanded their workforce for the month while 20 percent increased the average workweek. In addition, 45 percent of respondents indicated that they anticipate hiring over the next six months. Still, with expectations for moderate growth in 2012, the strength of the recovery in the labor market remains unclear. While recent employment gains and decline in the unemployment rate are positive developments, continued sluggish growth in the economy may restrain the pace of employment growth in the near term and may keep the unemployment rate from continuing on its recent downward trend.

