

Maryland Labor Market Conditions Deteriorated in June According to Latest Reports

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

The latest labor report indicated that the Maryland labor market weakened in June as both surveys indicated deterioration in conditions for the month. Payroll employment declined by 11,000 jobs—the fourth consecutive monthly decline and the largest one month decline since March 2009 (excluding the storm-related decline in February 2010). The decline in private payrolls was slightly greater as government employment rose for the month. In the household survey, the unemployment rate edged higher by two-tenths to 6.9 percent. Despite the deterioration in labor market conditions in recent months, the latest results of our Maryland Survey of Business Activity remained positive as more respondents indicated that they expanded their workforce than shed workers in July.

Looking at the payroll numbers more closely, the weakness in private employment was broad based across sectors. The only major sectors not to register a decline were financial services and information. Employment in education fell sharply, by 6,100 jobs, and there was a sizeable decline in leisure and hospitality of 3,100 jobs. Employment in the health care sector decreased by 1,500 while trade, transportation and utilities jobs declined by a similar amount. Construction and manufacturing lost 800 and 600 jobs, respectively. Employment within the professional and business services sector was mixed as gains in professional, scientific, and technical services were offset by declines in administration, waste management and remediation services. As a result of the decline in payroll employment over the last four months the year-over-year change in total payroll employment continued to decline, dropping back to 1.1 percent growth from 1.9 percent in the beginning of the year. Private payroll employment growth over the last year was slightly higher at 1.3 percent, five-tenths below the national rate of 1.8 percent.

The household survey also indicated deterioration in labor market conditions. The unemployment rate edged higher by two-tenths to 6.9 percent—up four-tenths from its recent low of 6.5 percent in February. The number of unemployed increased for the fifth consecutive month, this time by 3,600—higher than the average of 2,400 over the past five months. The labor force decreased for the second consecutive month. As a consequence the labor force participation rate declined to 67.2, the lowest level since 1983. Overall, both surveys indicated weakness in the labor market in June which, taken with results over the past five months, suggested a significant change in the direction of the labor market from the steady improvement in the second half of 2011 and during the first two months of 2012.

The results of the Maryland Survey of Business Activity have been more positive than the labor market reports in recent months. The latest survey results suggested modest improvement in the labor market in July. Almost one-third of respondents indicated that they expanded their workforce for the month while 14 percent shed workers. However, the number of firms expecting to expand their workforce over the next six months declined in recent surveys. In the July survey, roughly one-quarter of respondents indicated that they anticipate hiring over the next six months, down from near 50 percent earlier in the year. In addition, the number of firms anticipating to reduce their workforce over the next six months continued to edge higher.

