

# Private Employment Declines in Maryland While Unemployment Rate Continues to Edge Higher

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The latest labor report indicated that the Maryland labor market remained weak in August. Payroll employment rose by a modest 1,400 jobs, its first increase in six months. However, the increase was entirely attributable to gains in government employment. Private payroll employment declined 2,500 jobs, its fourth decline in five months. In the household survey, the unemployment rate edged higher by one-tenth to 7.1 percent. Despite the weakness in labor market conditions in recent months, the latest results of our Maryland Survey of Business Activity remained positive—more respondents indicated that they expanded their workforce than shed workers in September.

Looking at the payroll numbers more closely, the decline in private employment was mixed across sectors. Employment in educational services, financial services, transportation and public utilities, and information fell by a combined 5,500 jobs, with the largest decreases in educational and financial services of 2,300 and 1,400, respectively. In addition, employment in wholesale trade, construction, and manufacturing edged slightly lower. Partially offsetting those declines were employment increases in professional and business services, accommodation and food services, and other services totaling 2,600 jobs. Health care services employment was flat for the month. Government employment rose by 3,900 due to a surge of 6,700 in local government jobs that offset a combined decline of 2,800 jobs in federal and state government jobs. The year-over-year change in total payroll employment was 0.9 percent—down considerably from a recent high of 1.9 percent year-over-year growth in February. Private payroll employment growth over the last year was slightly higher at 1.0 percent, eight-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 one-tenth to 7.1 percent—the fifth increase over the last six months. The number of unemployed increased for the seventh consecutive month, this time by 3,500, while the number of employed in the survey fell by 9,100 workers. The labor force decreased for the fourth consecutive month. As a consequence the labor force participation rate edged lower again in August to 66.9 percent, the lowest level since 1978. Overall, both surveys indicated continued weakness in the labor market in August which, taken with results over the past six months, indicated a significant change in the direction of the labor market from the steady improvement in the second half of 2011 and early 2012.

The recent results of the Maryland Survey of Business Activity have been more positive than the labor market reports in recent months. They suggested modest improvement in the labor market in September. Twenty percent of respondents indicated that they expanded their workforce for the month, while just 8 percent shed workers. However, the number of firms expecting to expand their workforce over the next six months declined in recent surveys. In the September survey, roughly 20 percent of respondents indicated that they anticipate hiring over the next six months, down from nearly 50 percent earlier in the year.

