

Virginia's Labor Markets Show Signs of Continued Stress in August

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By all accounts, August was a rough month for Virginia. If a “one-in-a-hundred-year” earthquake was not enough to literally shake us up, Virginians also had to contend with the disruption of Hurricane Irene – all within a one-week span. However, the economic slowdown that we have experienced in the state, at least as measured by employment, likely must be blamed on other factors at play in the national and global economy, with Mother Nature taking a back seat.

Virginia lost a seasonally adjusted 6,300 jobs in August, based on the most recent monthly survey of business establishments. In addition, the previously reported loss of 1,200 jobs in July was revised to a net change of no new jobs. This newest report extends to four months the period of time with no net job growth in the state. Since April, the state lost over 24,500 jobs, with private sector losses exceeding declines in government payrolls. In contrast to many other states and the nation, Virginia actually added a small number of government sector jobs in August, which means that all of the job loss occurred in the private sector. Since August 2010, state employers added 4,800 jobs, representing a scant 0.1 percent increase. In contrast, nationally, employers held headcount steady from July to August and increased payrolls by 1.0 percent over the past year. Virginia was one of 30 states registering a decline in employment for August. The 10 largest metropolitan areas lost a combined 900 jobs for the month, suggesting that job losses were more concentrated in smaller metro and rural areas of the state.

Among industry sectors, professional and business services and the information sector accounted for most of the jobs losses for the month of August, together accounting for a reduction of 8,000 jobs. Smaller declines occurred in construction, manufacturing, and leisure and hospitality. Job gains were dispersed across several industry sectors including trade, transportation and utilities; private education and health services; and financial activities. None of these sectors added more than 1,000 additional jobs for the month. Over the 12 months through August 2011, professional and business services added more jobs than any other sector (9,700) and had the greatest percentage increase (1.5 percent). Meanwhile, the smaller information sector lost 10 percent of its jobs, shedding 7,500 positions during the year.

The unemployment rate in Virginia edged up for a second consecutive month, based on the August household survey, reaching a level of 6.3 percent. Although the size of the labor force increased in August, which would otherwise bring down the unemployment rate, the number of unemployed increased enough to maintain upward pressure on the unemployment rate. The number of initial claims for unemployment insurance increased in August after falling in July, although the trend for most of this year has been toward an increase in claims.

Virginia's economy grew compared to the same period last year, but the rate of job growth has declined in recent months and employment is still down significantly relative to the peak in early 2008. The pace of job growth will need to increase significantly before much progress can be made to lower Virginia's rate of unemployment.

