

West Virginia's Unemployment Rate Improved Despite Moderate Job Losses in July

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West Virginia's labor market suffered a modest setback in July, reinforcing a downward trend that began three months earlier. Total nonfarm employment (seasonally adjusted) declined by 2,300 jobs, reversing all the gains from June. After an encouraging start to the year with over 9,000 jobs added over the first four months of the year, the labor market lost 3,700 jobs since April. While employment is still above its level at the end of last year, the state is experiencing a more pronounced slowdown in its employment growth than the nation.

Despite the loss of jobs, West Virginia's unemployment rate in July declined for the seventh straight month. Dropping to 8.1 percent in July, the unemployment rate was nearly half a percentage point below the previous month. Unfortunately, the improvement in the unemployment rate was mostly due to a reduction in the labor force. The level of unemployment fell by 2,900 jobs and the labor force declined by more than twice as much during the month (after gaining 2,000 workers since the start of the year). In other words, it is possible that many workers who lost their jobs may have become discouraged and dropped out of the labor force.

Employment losses during the month were unevenly distributed. The largest single loss was in the government sector, with a decline of 3,500—greater than the loss in total employment. The government sector was down nearly 9,000 jobs since peaking in June of 2010, with over half of that reduction occurring this year. Other significant losses for the month occurred in financial activities (down 600), leisure and hospitality (down 500), and education and health services (down 400). Industries that posted solid gains included trade, transportation and utilities (up 1,000); and professional and business services (up 500).

Interestingly, the largest employment losses among metropolitan areas occurred in Morgantown (down 300), which is a major health and education services center in the state, while Charleston, the state capital and a government center, gained jobs (up 300). While its decline may be fairly modest (0.2 percent), Morgantown was the only major metro area to have a net job loss in July. The metropolitan area lost 1,000 jobs (or 1.5 percent) since the start of the year. The only major metropolitan area to lose more jobs than Morgantown so far this year was the Hagerstown/Martinsburg area (down 1,400). The only metropolitan area to lose more jobs on a percentage basis since December was the Cumberland area (down 1.8 percent).

Putting the latest numbers into perspective, it should be noted that West Virginia's labor market was later to enter the last recession than the nation and somewhat earlier in beginning its recovery—West Virginia began to recover on a year-over-year basis in June 2010 roughly three months before the nation started to recover in September. Rising global demand for coal has boosted the state's recovery, and rising activity related to natural gas in the Marcellus Shale has spilled over into other sectors of the state's economy. However, lingering effects of the recession on government revenues may be a major factor holding back the state's job recovery.

