

West Virginia's Unemployment Rate Increased in September for the First Time This Year

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West Virginia's labor market suffered a modest setback in September as its unemployment rate rose for the first time this year. After hitting its cyclical peak in December of last year at 9.7 percent, the state enjoyed eight straight months of declines in its unemployment rate. However, in September, the rate increased by a tenth of a percentage point to 8.2 percent. While the bump in the unemployment rate was relatively modest, the change in direction was disappointing. First, that increase in the unemployment rate translated into a net increase of 1,600 workers who were without jobs and still looking for work—the largest increase in the unemployment level since July of 2009. And second, the unemployment rate, while having declined by 1.5 percentage points so far this year, is still roughly twice the level that prevailed in 2007—before the recession took hold. Like the nation as a whole, the state's labor market continues to struggle, even though the national recession officially ended some two years ago.

Much like in August, job losses in September were concentrated in the private sector and in three industries in particular: trade, transportation and utilities (TTU), professional and business services (PBS), and leisure and hospitality (LH). Employment in each declined about 1 percent in September from a month earlier. Yet, each one has been following a significantly different path since the recession began. The largest of the three, TTU, was among the hardest hit by the recession and was making modest progress in job recovery over the last year until losing nearly 2,000 jobs over the last two months. Hiring in the PBS industry, which surprisingly was little affected by the recession, has been fairly robust over the last year, despite the loss of nearly a 1,000 jobs last month. And, while LH jobs started strong in the early stages of the state's employment recovery, the industry lost over 3,000 jobs since peaking in February. These three industries account for nearly half of all private sector jobs. And, while the private sector as a whole is still on an upward trend over the last year, weakness in these three industries has made progress for the market as a whole very difficult.

In contrast to the private sector, government jobs increased for the second straight month in September, adding an average about 1,000 jobs per month. However, the government sector, which employs only about 10 percent more workers than TTU, has been on a downward slide since May of last year. As such, gains over the last two months have done little to offset the nearly 8,000 jobs the sector lost over the previous 13 months. And one has to wonder if the recent gains can be retained. With many states in the nation facing budgetary problems, weakness in government sector jobs might not be too surprising, although West Virginia's financial balance sheet is stronger than most other states.

On balance, what had been a promising upward trend in total state employment now appears to be stalling, and the uptick in unemployment may be a warning sign. Whether the labor market can resume its upward trend will depend on the ability of the state's economy to get both its private and government sectors pulling in the same direction.

