

Unemployment Rate Edges Higher in August, as Private Sector Employment Wanes

By Bob Schnorbus, Regional Economics Manager (bob.schnorbus@rich.frb.org)

The unemployment rate in West Virginia continued to rise in August, as total nonfarm payroll employment suffered its seventh consecutive monthly decline. The labor market has now given back half of the nearly 25,000 jobs gained over the state's job recovery between early October 2010 and January 2012. While a reversal in the state's unemployment rate did not begin until this April, it too has given up nearly half of the gains that were achieved during the employment recovery. With labor market conditions nationwide remaining clouded by economic and political uncertainty, the volatility of employment among sectors in West Virginia continues to leave some question about the underlying strength of the labor market.

At the aggregate level, recent trends seem to leave few doubts about where the state's labor market is headed. After gaining back virtually all of the jobs lost during the last recession by January of this year, seasonally adjusted payroll employment declined by 13,200 jobs so far this year—just over half of the 24,900 jobs gained during the recovery phase. That is not too far off the pace of job losses set at the beginning of the last recession, when 17,500 jobs were lost in the first seven months (starting from September 2008). However, over a quarter of the job losses this year occurred in August and nearly half (40 percent) in just the last two months. Either the market's decline is gaining momentum or is simply experiencing an exceptionally severe but temporary diversion from an underlying (albeit somewhat volatile) recovery path.

Looking across major industries in the state, the pattern of employment change does little to bring clarity to the nature of the recent job losses. Most notable, perhaps, are the 4,600 jobs lost in the government sector since the beginning of this year (mostly state and local government jobs). That represents nearly 40 percent of the losses from a sector that accounts for only about 20 percent of total employment. And that loss is after the sector added over 1,000 jobs in August, making it the largest source of job gains in an otherwise dismal month. Among private sector industries, the major sources of job loss so far this year were leisure/hospitality (-2.9 percent), manufacturing (-2.7 percent), trade/transportation/utilities (-2.2 percent), and "other services" (-2.0 percent). However, only leisure/hospitality and "other services" were significant contributors to the total decline in August. Another major contributor to August's decline was professional/business services, but that sector was down only slightly (-0.6 percent) over the last seven months. On the positive side, health/education was a major contributor to job gains so far this year (3.0 percent) and a moderate contributor in August.

Despite the rebound in government employment in August, weakness among private sector jobs helped push the unemployment rate up to 7.5 percent—virtually back to where it started this year, after falling to 6.7 percent in April. That increase was substantially less than the change that occurred over the four-month period after payroll employment started to decline in late 2008. So, the change in the unemployment rate was relatively less severe than the change in employment, leaving unclear how much higher it might rise before employment resumes its upward trend.

