

Background and Overview

The U.S. economy has been in a modest recovery that began in June 2009, gradually emerging from a contraction that started December 2007, and has been widely referred to as “The “Great Recession”. Twelve consecutive quarters of GDP growth (through 2012Q2) of widely varying levels, have been slowly, and unevenly, adding jobs and reducing the nation’s jobless ranks.

U.S. employment averaged 131,359,000 in 2011, a gain of 1,485,000 jobs from 2010—the first positive annual average change since 2007. Employment had reached a trough in February 2010—seven months after the recession ended. Jobs have been added since then in all but four months, including the last 21 (through June 2012), though some gains have been minimal. The job count remains more than 493,000 below the peak employment level reached in January 2008, one month into the recession.

Unemployment has likewise been trending in a positive direction, but recently appears to have stalled. After topping out in October 2009 at 10.0% (seasonally adjusted), U.S. joblessness fell to a post-recession low of 8.1% in April 2012, then crept up to 8.2% for May and June—high by historic standards. The number of unemployed was down 2,672,000 from its peak to an estimated 12,749,000 in June. Through the first half of 2012, however, joblessness has remained largely unchanged, as the weak labor market has not been creating enough jobs to significantly lower unemployment.

Maryland’s job market, too, has been recovering slowly and somewhat unsteadily. Typically, the state weathers economic downturns better than much of the nation and state unemployment consistently falls below the U.S. average. A number of elements serve to provide stability, both seasonally and cyclically, including the state’s services-dominated job market, a sizable professional / technical workforce, a strong federal government presence, and a well-educated labor force. But the length and depth of the most recent contraction has taken its toll.

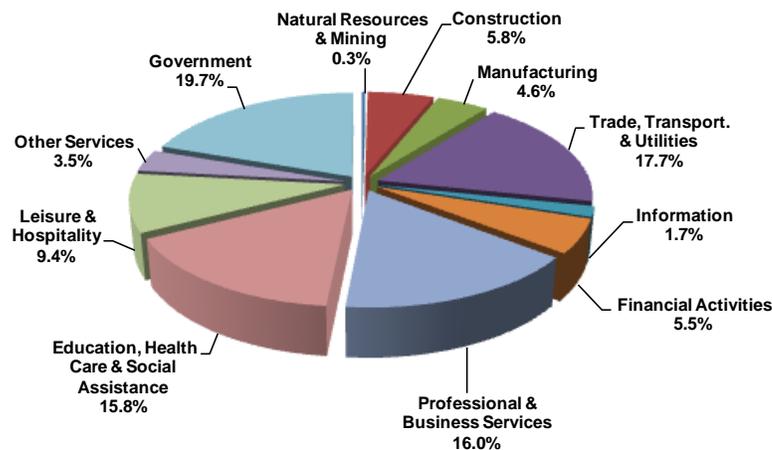
Maryland payroll employment peaked at 2,617,200 (seasonally adjusted) in February 2008, two months after the recession began, then fell to a low of 2,472,500 in February 2010—a decrease of 144,700 jobs, or 5.5% of employment. Since then the economy has recovered an estimated 94,300 jobs (through June 2012, preliminary), though gains have been inconsistent. Annual average employment counts indicate a net increase from 2010 to 2011, following three straight years of job decline.

The state’s unemployment status has also improved. Annual average joblessness declined to 7.0% in 2011 from a peak of 7.8% in 2010. The monthly jobless rate topped out at 8.0% (seasonally adjusted) in December 2009, remaining unchanged through March 2010. Unemployment subsequently fell, attaining a post-recession low of 6.5% in January and February 2012. The state’s jobless rate has been lower each month in 2012 (through June, preliminary) compared with the same month last year, but has been inching upward.

Maryland Employment and Wage Trends

The labor market in Maryland is diverse in industry composition, providing a variety of opportunities at all skill levels. It is strongly services-oriented, however, with the services sector accounting for about nine out of ten payroll jobs. Nearly 20% of employment is in the public sector. Services-providers generally tend to be less cyclically-sensitive than the goods-producing industries of Construction, Manufacturing, and Natural Resources and Mining. Their dominance in Maryland's job market is a factor in the state's relative economic stability. However, the Great Recession revealed the vulnerability of the services-sector to downturns as well.

**Employment Distribution by Industry Sector
Maryland, 2011**



Source: Quarterly Census of Employment & Wages

Maryland payroll employment averaged 2,479,122 in 2011, as reported by employers filing quarterly unemployment insurance tax reports. This increase of 24,704 jobs (1.0%) over the year marked the first net positive annual average job change since 2007. Nearly 21,000 jobs were added in the private sector and about 3,800 in government. Seven private sector aggregate industries posted gains; in 2010 only three did. Among those shedding jobs, losses slowed over the year.

Employment change varied among industry sectors. Professional and Business Services, the state's second largest private aggregate sector, added the most jobs (10,451) and had the highest over the year growth rate (2.7%). Job gains were more than three times those in 2010. One likely factor was growth among federal government contractors connected to Defense Department expansion. Education, Health Care and Social Assistance, another key industry, also grew at an above average rate, adding 6,829 positions. This sector is one segment of the economy that had continued to expand throughout the recent recession. Trade, Transportation, and Utilities, the largest private supersector, grew about average, advancing by 4,995. The industry had been shedding jobs for the last three years. Leisure and Hospitality reversed its course of the past two years, increasing at a slightly above average rate, and gaining 3,927 jobs. Construction added a net 378, a very small increase but a significant change for this industry, which has not seen any growth since 2005. Heavy and civil engineering construction and specialty trades contractors expanded, while construction of buildings declined. Last year Construction lost over 10,000 positions, and the year before, nearly 25,000. This sector has borne the brunt of the recession and its aftermath, which strongly impacted the housing market. Financial Activities, another industry central to the downturn, shed 1,513 jobs—

less than half the number lost in 2010. Manufacturing decreased by 2,037—a smaller loss than last year. This industry has been in a long term structural decline, and has not added employment since the early 2000's; the recession exacerbated the trend. A few manufacturers expanded over the year, however, including chemical manufacturing and machinery production. Among those reducing jobs were computer and electronic product manufacturing, and printing and related activities. The small Information sector declined by 4.8%--the highest rate of loss for any industry—shedding 2,117 jobs. Still, this represents a lower rate of decline than for the past two years. The tiny Natural Resources and Mining division gained 33 jobs; Other Services was virtually unchanged, up by 12.

Government has been a weak spot nationally in this post-recession period. State and local governments have been challenged by declining revenues, and the federal government has sought to reduce spending. Overall, the public sector in Maryland gained 3,811 positions. Federal Government increased by 4,586 positions, likely a result of the Base Realignment and Closure (BRAC) initiative, which brought thousands of Defense Department jobs to Maryland in 2011, and offset other federal losses. State government was nearly unchanged, increasing by 55, and local government employment fell by 830.

Maryland Payroll Employment 2010 - 2011 Annual Averages				
Industry	Employment		Change 2010-2011	
	2010	2011	N	%
TOTAL EMPLOYMENT	2,454,418	2,479,122	24,704	1.0
Total Private Sector	1,970,310	1,991,203	20,893	1.1
Natural Resources & Mining	6,520	6,553	33	0.5
Construction	142,774	143,152	378	0.3
Manufacturing	115,086	113,049	-2,037	-1.8
Trade, Transportation & Utilities	434,661	439,656	4,995	1.1
Wholesale Trade	85,512	86,227	715	0.8
Retail Trade	277,335	280,649	3,314	1.2
Transportation & Warehousing	62,093	62,718	625	1.0
Utilities	9,721	10,062	341	3.5
Information	43,830	41,713	-2,117	-4.8
Financial Activities	138,000	136,487	-1,513	-1.1
Finance & Insurance	95,808	94,564	-1,244	-1.3
Real Estate & Rental & Leasing	42,192	41,923	-269	-0.6
Professional & Business Services	386,796	397,247	10,451	2.7
Professional, Scientific & Technical Svcs.	224,223	229,577	5,354	2.4
Management of Companies & Enterprises	19,546	21,776	2,230	11.4
Administrative & Support Svcs. & Waste Mgmt.	143,027	145,894	2,867	2.0
Education, Health Care & Social Assistance	385,013	391,842	6,829	1.8
Educational Services	60,117	61,263	1,146	1.9
Health Care & Social Assistance	324,896	330,579	5,683	1.7
Leisure & Hospitality	229,797	233,724	3,927	1.7
Arts, Entertainment & Recreation	35,532	36,119	587	1.7
Accommodation & Food Services	194,265	197,605	3,340	1.7
Other Services	87,759	87,771	12	0.0
Unclassified	74	9	-65	-87.8
Government	484,108	487,919	3,811	0.8
Federal	139,927	144,513	4,586	3.3
State	102,312	102,367	55	0.1
Local	241,869	241,039	-830	-0.3

Source: Quarterly Census of Employment & Wages

A more detailed look at industry dynamics in 2011 (combining both private and public employers) found more industry groups on the upswing than in 2010, and among those industries that declined, job losses were smaller. Four high growth industry groups were components of Education, Health Care and Social Assistance. Professional and Business Services accounted for two more of the top ten growth industries. Government-related functions comprised three of the largest declining industry groups, and Financial Activities, and Information were the sources for two each in the loss column.

Industry Groups* with the Largest Employment Change 2010-2011			
Maryland			
Growth		Decline	
Professional & technical services	4,214	Administration of economic programs	-1,914
Ambulatory health care services	3,813	Credit intermediation & related activities	-1,708
Administrative & support services	3,642	Telecommunications	-1,156
Food services & drinking places	2,904	ISPs, search portals & data processing	-864
Hospitals	1,888	Insurance carriers & related activities	-733
General merchandise stores	1,740	Printing & related support activities	-661
Social assistance	1,110	Postal service	-517
Executive, legislative & general government	871	Publishing industries, except Internet	-415
Educational services	869	Justice, public order & safety activities	-379
Motor vehicle and parts dealers	819	Food manufacturing	-369

Source: Quarterly Census of Employment & Wages

Note: Data for some industry groups are not shown due to disclosure suppression.

* Industry groups include all ownerships, public & private.

Job market analysis at the industry group level illustrates the importance of a well-educated workforce. The two largest groups—education, and professional and technical services, which together employed a total of 488,000—are staffed by many positions requiring a bachelor’s degree or more education. Three of the top eight industry groups were in health care, where some post-secondary education is often requisite. But the largest industries also represent a variety of skill and education levels, a mix of occupations, and offer both full and part time positions, underscoring the need for a workforce diverse in interests, abilities, and training.

Largest Industry Groups* & Wages			
Maryland - 2011 Annual Averages			
NAICS Code	Industry Title	Employment	Ave. Wkly. Wage
611	Educational services	251,086	\$962
541	Professional & technical services	236,960	1,671
722	Food services & drinking places	174,128	324
561	Administrative & support services	137,134	701
621	Ambulatory health care services	113,002	1,150
622	Hospitals	112,796	1,063
238	Specialty trade contractors	98,307	1,021
623	Nursing & residential care facilities	71,930	603
921	Executive, legislative & general government	71,052	1,090
445	Food & beverage stores	65,166	485
923	Administration of human resource programs	63,299	1,669
452	General merchandise stores	54,566	387
624	Social assistance	46,984	525
522	Credit intermediation & related activities	44,599	1,181
423	Merchant wholesalers, durable goods	43,003	1,444

Source: Quarterly Census of Employment & Wages

* Industry groups include all ownerships, public & private.

Total wages paid by Maryland employers rose for the second straight year in 2011. The average weekly wage also advanced. Total payrolls grew by more than \$4.9 billion (3.9%) to over \$131.9 billion. By industry, wages paid increased for all sectors except Information and Local Government--two industries which lost jobs. Average weekly pay for all industries was up from \$995 to \$1,023. All sectors posted a gain in the weekly wage with the exception of Local Government, which declined marginally.

Total & Average Weekly Wages by Industry Sector, Maryland 2010-2011				
Industry Sector	Total Wages		Ave. Weekly Wage	
	2010	2011	2010	2011
TOTAL, All Industries	\$127,000,916,857	\$131,936,230,859	\$995	\$1,023
Total Private Sector	97,508,908,418	101,431,370,700	952	980
Natural Resources & Mining	235,225,365	246,715,613	694	724
Construction	7,711,010,519	7,861,215,248	1,039	1,056
Manufacturing	7,588,426,942	7,611,521,907	1,268	1,295
Trade, Transportation & Utilities	17,386,662,536	17,923,762,302	769	784
Information	3,181,187,513	3,140,176,689	1,396	1,448
Financial Activities	9,944,210,106	10,141,676,394	1,386	1,429
Professional & Business Services	26,077,142,501	27,517,922,488	1,297	1,332
Education, Health Care & Social Assistance	17,929,167,328	18,680,832,466	896	917
Leisure & Hospitality	4,447,831,702	4,606,360,951	372	379
Other Services	3,002,450,475	3,700,832,806	658	811
Government	29,492,008,439	30,504,860,159	1,172	1,202
Federal	12,435,209,692	13,448,220,773	1,709	1,790
State	4,881,501,465	4,960,677,817	918	932
Local	12,175,297,282	12,095,961,569	968	965

Source: Quarterly Census of Employment & Wages

The Industry Impact of the Maryland Workforce Development System

Maryland's workforce development system, operated by the Department of Labor, Licensing and Regulation, Division of Workforce Development and Adult Learning, provides workforce services for jobseekers and employers primarily through two federally-funded programs: the Wagner-Peyser Act, and the Workforce Investment Act (WIA). During Program Year (PY) 2010 (July 2010 through June 2011) the programs served a total of 209,275 participants.

The mission of Maryland's workforce programs is to promote the efficient functioning of the job market through two focuses: 1) by assisting unemployed Marylanders obtain gainful employment, and 2) through connecting businesses with qualified workers who can help them grow and succeed.

The Wagner-Peyser program provides labor exchange services to jobseekers and employers. Jobseekers are assisted through job placement, job-seeking and resume preparation workshops, and labor market information. During PY 2010 Wagner-Peyser served 205,241 individuals.

The Workforce Investment Act program serves the unemployed and underemployed through three sections: the WIA Adult program, which provides employment and training services to eligible adults, and helps match workers to employers; the WIA Dislocated Worker program, which assists recently laid-off workers return to work through enhancing work readiness and occupational skills and connecting them to jobs; and the WIA Youth program, which focuses on educational attainment and

pre-employment skills for low-income and other eligible youth. In PY 2010 the Adult program served 3,844; the Dislocated Workers program assisted 4,034; and the Youth program served 2,302.

During PY 2010 a total of 68,094 previously unemployed persons entered employment after receiving some level of assistance from the state's two main workforce programs. The WIA program assisted 3,174 persons in employment placement. Wagner-Peyser activities provided assistance for another 64,920 individuals—about 95% of all clients placed in or entered employment.

Maryland's workforce programs not only help jobseekers return to the job market more quickly, but also assist businesses remain competitive through providing training for in-demand skills and facilitating placement of qualified workers with employers in need of a skilled workforce.

Data available for 43,722 of the 68,094 participants who entered employment reflected a broad base of placements. The industry distribution of those placed was quite similar to the state's total industry breakdown, suggesting that businesses were being served across the board. Professional and Business Services accounted for proportionally more job placements than its share of the job market. As this sector was both the fastest growing industry and created the most jobs of any industry in 2011 this was a very positive outcome—an indication that workforce services were helping fulfill the needs of a high-demand industry. Government, which employed nearly one out of five in the state, comprised relatively few placements. But public sector job demand has slowed, and growth has slipped below average.

Wagner-Peyser Act & Workforce Investment Act						
Participants Entered and Placed in Employment by Industry Sector						
Program Year 2010 (July 2010-June 2011)						
Industry	WIA		Wagner-Peyser		Both Programs	
	N	%	N	%	N	%
Total Entered Employment	3,041	100.0	40,681	100.0	43,722	100.0
Natural Resources & Mining	29	1.0	554	1.4	583	1.3
Construction	164	5.4	2,475	6.1	2,639	6.0
Manufacturing	173	5.7	1,814	4.5	1,987	4.5
Trade, Transportation & Utilities	609	20.0	8,786	21.6	9,395	21.5
Information	60	2.0	538	1.3	598	1.4
Financial Activities	146	4.8	1,632	4.0	1,778	4.1
Professional & Business Services	693	21.0	10,894	26.8	11,587	26.5
Education, Health Care & Social Assistance	719	23.6	6,162	15.1	6,881	15.7
Leisure & Hospitality	202	6.6	4,837	11.9	5,039	11.5
Other Services	83	2.7	1,153	2.8	1,236	2.8
Government	142	4.7	1,339	3.3	1,481	3.4
No NAICS	21	0.7	497	1.2	518	1.2

Source: University of Baltimore, Jacob France Institute and Maryland Department of Labor, Licensing & Regulation

Employment and Wage Trends by Workforce Area

Seven of Maryland's twelve Workforce Investment Areas (WIA's) recorded employment growth in 2011 including: Montgomery County (6,437), Mid-Maryland (4,717), Anne Arundel County (4,550), Susquehanna (2,848), Baltimore City (2,142), Western Maryland (620), and Southern Maryland (592). In 2010 only four WIA's gained jobs. Three areas were virtually unchanged in 2011: the Upper Shore (-16), Baltimore County (-31), and Prince George's County (-84). More significant declines were sustained by Frederick County (-1,339) and the Lower Shore (-297). The highest growth rates were posted by Susquehanna (2.6%), Mid-Maryland (2.3%), and Anne Arundel County (2.0%). The Susquehanna area and Anne Arundel were the localities most strongly impacted by the 2011 BRAC expansions.

Payroll Employment by Workforce Investment Area 2010 - 2011 Annual Averages				
Area	Total Employment		2010-2011 Change	
	2010	2011	N	%
Anne Arundel County	225,546	230,096	4,550	2.0
Baltimore City	326,842	328,984	2,142	0.7
Baltimore County	359,584	359,553	-31	0.0
Frederick County	92,006	90,667	-1,339	-1.5
Lower Shore	73,626	73,329	-297	-0.4
Mid Maryland	201,182	205,899	4,717	2.3
Montgomery County	441,347	447,784	6,437	1.5
Prince George's County	299,018	298,934	-84	0.0
Southern Maryland	102,687	103,279	592	0.6
Susquehanna	108,289	111,137	2,848	2.6
Upper Shore	58,357	58,341	-16	0.0
Western Maryland	104,602	105,222	620	0.6

Source: Quarterly Census of Employment & Wages

The largest employers in the Workforce Areas were in large part a reflection of the state's top industries. Educational services (Maryland's largest industry group) ranked first or second in eleven WIA's and third in one. Public school systems are major employers in all areas, and public colleges and universities supply additional education jobs in some locales. Baltimore City, with a large K-12 system and the site for several university campuses, had the greatest concentration of education employment of any WIA. Prince George's County, location to a sizable public school system and a major state university campus, ranked second in education jobs.

Hospitals, prominent employers in most areas, require multiple shifts for round the clock staffing, and are usually a significant job producer. Baltimore City, home to a number of large hospitals, accounted for more hospital employment than any other WIA—over three times the next highest area, Montgomery County.

Professional and technical services was the first or second largest employer in seven workforce areas, as well as the top paying employer in six, illustrating its key role in the job market. This industry group includes many of the federal government contractors that are integral to the state's economic base, including a number connected to BRAC growth.

Largest Industries* & Wages by Workforce Investment Area, 2011 Annual Averages

Anne Arundel County		
Industry Title	Employment	Weekly Wage
Food services & drinking places	21,336	\$349
Professional & technical services	19,588	1,690
Educational services	17,689	807
Administrative & support services	12,237	813
Ambulatory health care services	10,646	1,135
Specialty trade contractors	9,597	1,029
Computer & electronic product manufacturing	9,516	2,201
Executive, legislative & general government	7,916	975
Hospitals	6,556	993
Food & beverage stores	6,270	515

Baltimore County		
Industry Title	Employment	Weekly Wage
Educational services	34,031	\$844
Professional & technical services	26,048	1,372
Food services & drinking places	24,548	320
Ambulatory health care services	20,821	1,063
Administrative & support services	19,979	627
Nursing & residential care facilities	17,670	616
Specialty trade contractors	15,177	1,081
Administration of human resource programs	14,357	1,709
Hospitals	12,659	1,013
Food & beverage stores	10,066	489

Baltimore City		
Industry Title	Employment	Weekly Wage
Educational services	49,169	\$1,221
Hospitals	46,269	1,126
Professional & technical services	18,236	1,648
Food services & drinking places	17,168	368
Administrative & support services	16,450	597
Ambulatory health care services	14,237	1,246
Justice, public order & safety activities	13,209	1,127
Administration of human resource programs	12,390	1,013
Administration of economic programs	8,682	953
Social assistance	7,801	676

Frederick County		
Industry Title	Employment	Weekly Wage
Professional & technical services	11,578	\$1,592
Educational services	9,946	797
Food services & drinking places	7,616	305
Specialty trade contractors	5,141	917
Administrative & support services	4,098	668
Ambulatory health care services	3,883	1,092
Executive, legislative & general government	3,453	896
Credit intermediation & related activities	3,408	1,124
Food & beverage stores	2,599	484
Hospitals	2,473	916

Lower Shore		
Industry Title	Employment	Weekly Wage
Food services & drinking places	8,542	\$308
Educational services	7,900	802
Hospitals	4,121	913
Ambulatory health care services	3,558	1,165
Accommodation	2,956	405
Executive, legislative & general government	2,909	759
General merchandise stores	2,652	361
Nursing & residential care facilities	2,482	540
Administrative & support services	2,380	574
Specialty trade contractors	2,240	845

Mid-Maryland		
Industry Title	Employment	Weekly Wage
Professional & technical services	30,214	\$1,839
Educational services	19,809	860
Food services & drinking places	14,607	312
Administrative & support services	11,409	724
Specialty trade contractors	10,583	972
Ambulatory health care services	7,227	1,064
Merchant wholesalers, nondurable goods	6,720	995
Merchant wholesalers, durable goods	5,748	1,783
Food & beverage stores	5,519	479
Hospitals	5,415	945

Montgomery County		
Industry Title	Employment	Weekly Wage
Professional & technical services	65,969	\$1,824
Educational services	32,464	1,092
Administrative & support services	29,042	762
Administration of human resource programs	28,829	2,083
Food services & drinking places	26,785	360
Ambulatory health care services	24,125	1,291
Specialty trade contractors	13,450	1,011
Hospitals	13,318	1,178
Nursing & residential care facilities	13,297	588
Executive, legislative & general government	12,550	1,125

Prince George's County		
Industry Title	Employment	Weekly Wage
Educational services	41,104	\$945
Professional & technical services	20,689	1,609
Food services & drinking places	20,442	312
Specialty trade contractors	19,936	1,153
Administrative & support services	15,431	709
Executive, legislative & general government	14,150	1,495
Ambulatory health care services	10,191	1,143
Food and beverage stores	9,472	555
Administration of economic programs	7,915	1,714
General merchandise stores	7,293	372

Southern Maryland			Susquehanna		
Industry Title	Employment	Weekly Wage	Industry Title	Employment	Weekly Wage
Professional & technical services	12,031	\$1,556	Educational services	10,672	\$826
Educational services	11,382	919	Food services & drinking places	9,191	274
Food services & drinking places	9,644	277	Professional & technical services	7,567	1,322
Ambulatory health care services	4,458	1,056	Hospitals	5,026	1,095
Specialty trade contractors	4,299	901	Food & beverage stores	4,501	382
General merchandise stores	4,136	360	Ambulatory health care services	4,142	897
Executive, legislative & general government	3,916	901	Specialty trade contractors	3,908	847
Food and beverage stores	3,731	439	General merchandise stores	3,827	395
Administrative & support services	3,209	728	Administrative & support services	3,312	597
Hospitals	2,842	932	Executive, legislative & general government	3,046	957

Upper Shore			Western Maryland		
Industry Title	Employment	Weekly Wage	Industry Title	Employment	Weekly Wage
Educational services	6,086	\$820	Educational services	8,761	\$774
Food services & drinking places	5,315	294	Food services & drinking places	8,237	259
Ambulatory health care services	2,584	1,011	Credit intermediation & related activities	5,964	835
Professional & technical services	2,560	1,110	Hospitals	5,555	878
Hospitals	2,492	899	Ambulatory health care services	5,393	1,032
Executive, legislative & general government	2,398	751	Nursing & residential care facilities	5,263	564
Nursing & residential care facilities	2,389	523	Administrative & support services	4,061	439
Food manufacturing	1,994	613	Specialty trade contractors	3,166	820
Specialty trade contractors	1,947	763	Justice, public order & safety activities	3,113	890
Food & beverage stores	1,942	395	General merchandise stores	3,025	344

Source: Quarterly Census of Employment & Wages

* Industry groups include all ownerships, public and private.

Maryland Labor Force and Unemployment Trends

The labor force averaged 3,072,246 persons in 2011, up from 3,057,271 in 2010. The number of employed rose by 37,906 and the jobless ranks fell by 22,930—a 9.6% decline. This marks the second year that the number of employed has increased and the first drop in unemployment since 2007. The annual jobless rate declined from 7.8% to 7.0%, reversing an upward climb that began in 2007, when Maryland unemployment averaged 3.4%.

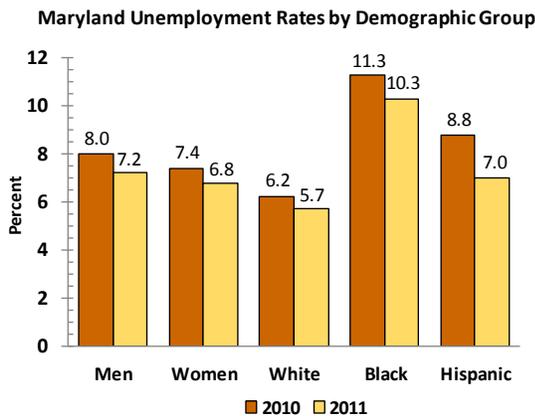
Maryland has been trading a path parallel to the U.S. economy, but on a more positive level. Annual average U.S. unemployment reached 9.6% in 2010 (a level not seen since the early 1980's), then fell to 8.9% in 2011. Maryland's jobless rate typically falls below the national level. The state was ranked 15th lowest in state unemployment rates in both 2010 and 2011.

On a month to month basis, 2011 unemployment peaked in January at 7.3% (seasonally adjusted) then slid downward (with a marginal increase during the summer months) to its lowest point of the year, 6.6%, in December. This followed a similar pattern in 2010, an apparent indication that the state's job market was recovering.

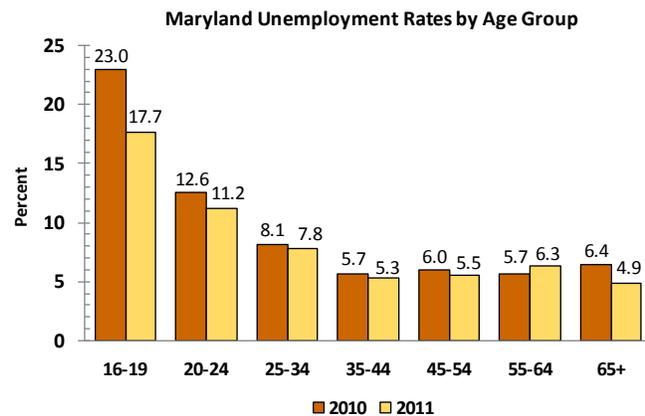
Labor Force Status				
Maryland	Annual Average		Change	
	2010	2011	N	%
Civilian Labor Force	3,057,271	3,072,246	14,975	0.5%
Employment	2,817,830	2,855,735	37,906	1.3%
Unemployment	239,441	216,511	-22,930	-9.6%
Unemployment Rate	7.8%	7.0%	-	-
U.S. Rate	9.6%	8.9%	-	-

Source: Local Area Unemployment Statistics & Current Population Survey

Unemployment can vary considerably from the “average” among different population groups. The recession and subsequent slow recovery have exaggerated this trend. Education and the types of industries and occupations of workers affect job market experiences. The higher one’s education level, the less likely a person is to be unemployed. Those more likely to work in cyclically-sensitive fields such as in construction and manufacturing, endure disproportionately more unemployment during a downturn and its aftermath. This post-recession period, however has been unique in that state and local government employment has been sluggish, affecting those who usually work in that area as well.



Source: Current Population Survey



Source: Current Population Survey

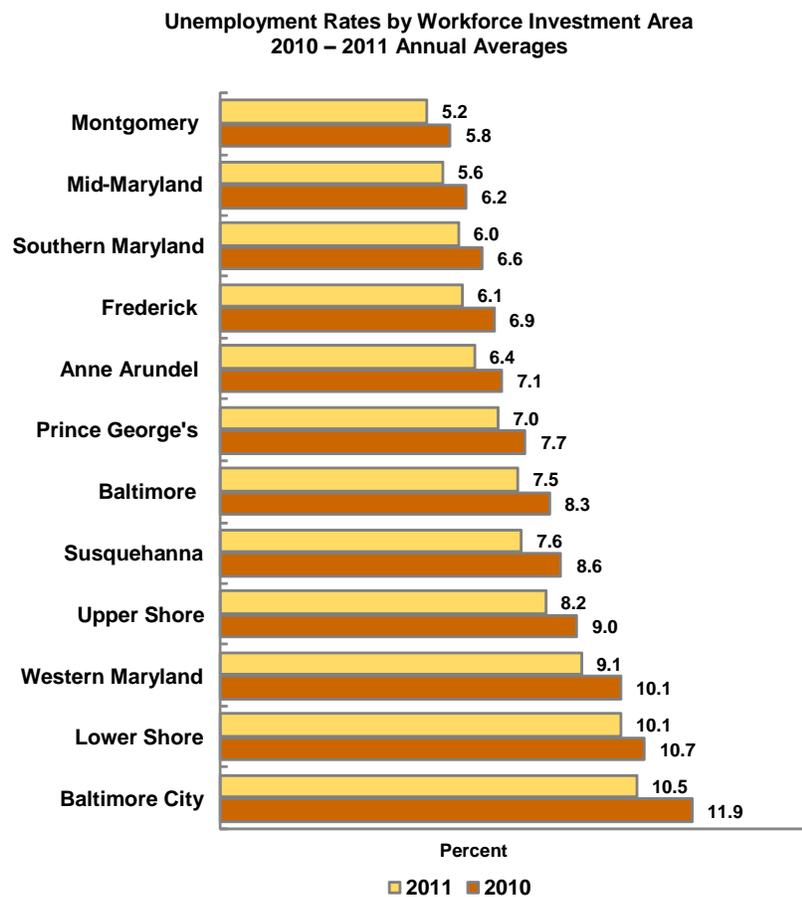
In 2011 jobless rates declined for all demographic groups, indicating that the recovery has had a widespread positive effect. Unemployment fell a full percentage point for black workers, but still remained stubbornly high. The greatest improvement was for Hispanic workers, for whom joblessness dropped 1.8 percentage points.

Worker age is a factor in job market outcomes. Teenagers sustain the highest jobless rates of any age group. Unemployment declines as workers enter their 20’s, then drops further as workers mature out of the education years and into prime working age. From 2010 to 2011, unemployment dropped 5.3 percentage points for 16-19 year olds, paralleling job gains in food services and retail trade, their most frequent employers.

Local Area Labor Force and Unemployment Trends

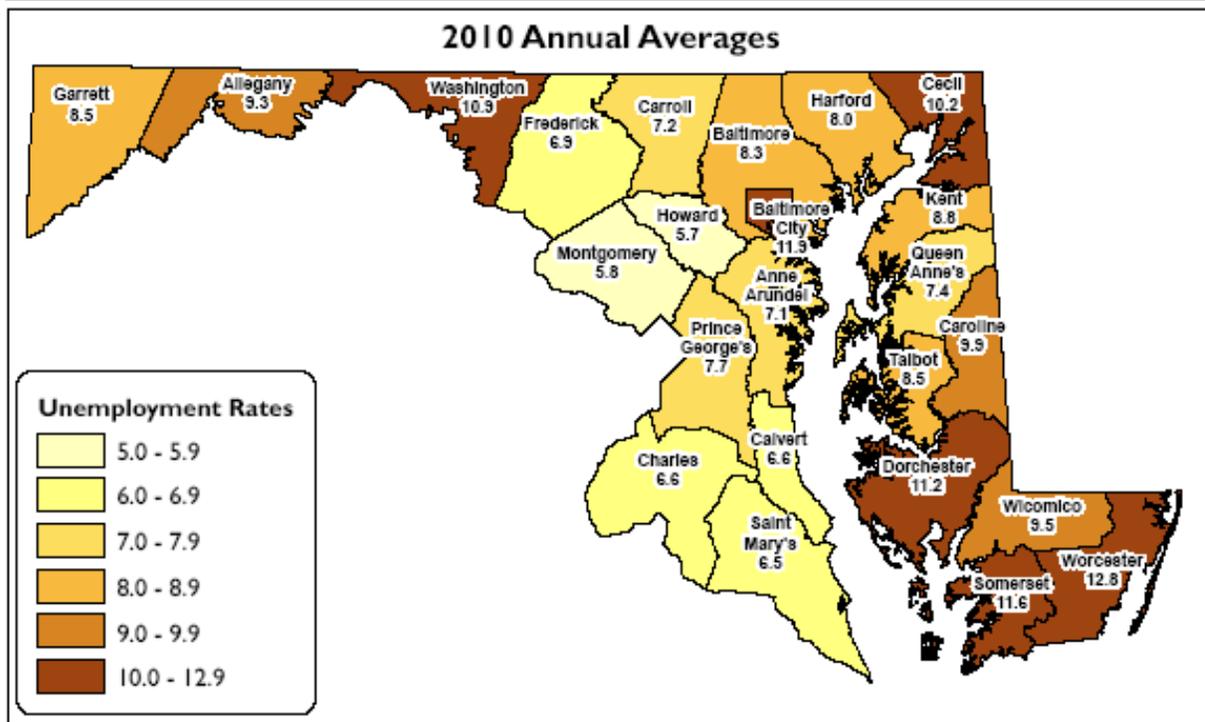
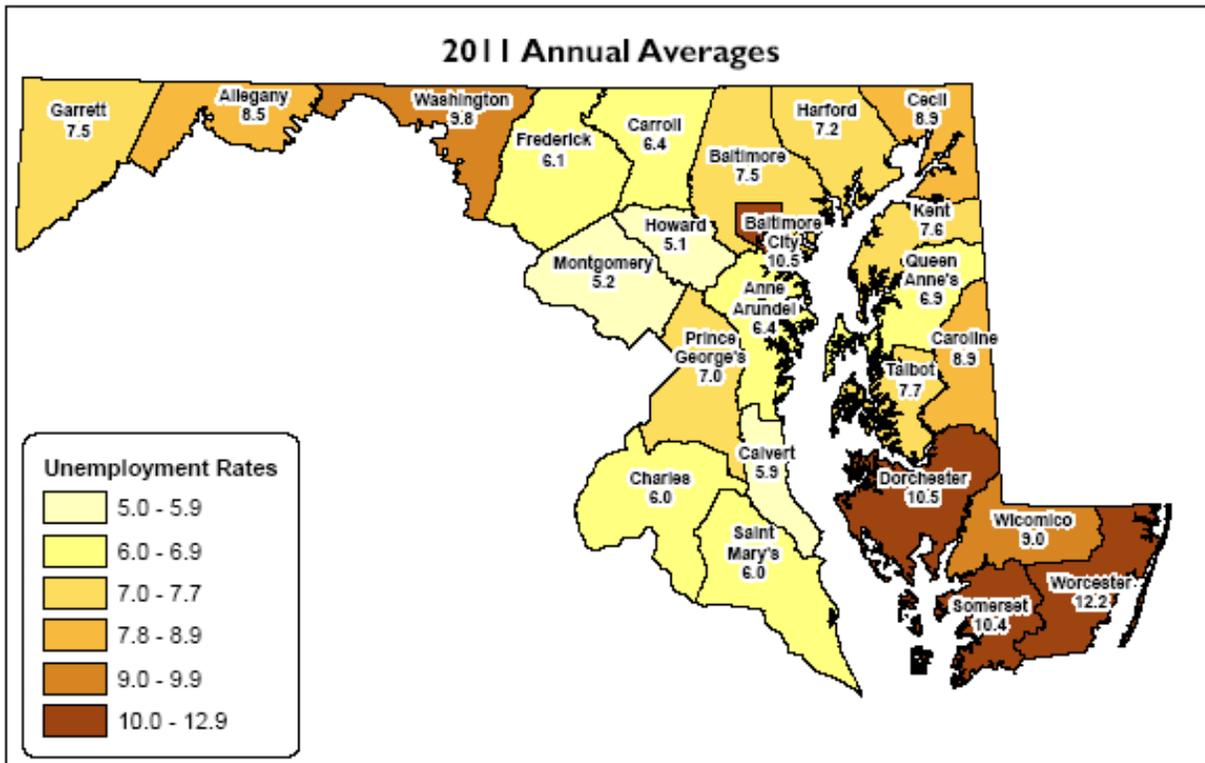
Economic recovery was evident in labor force activity throughout the state in 2011. Residential employment rose, the jobless ranks dwindled and unemployment rates improved in every Workforce Investment Area as well as in every local jurisdiction. Unemployment rates among the Workforce Areas ranged from 5.2% in Montgomery County to 10.5% in Baltimore City.

At the local level, labor force participation increased in all but four jurisdictions (Cecil, Somerset, Washington, and Wicomico Counties) where unemployment declines outpaced employment growth. The largest numerical decrease in unemployment occurred in Baltimore City where 3,581 fewer were jobless (down 11.0%) in 2011. The greatest percent change in unemployment, -13.6%, was recorded in Cecil County (709 fewer jobless). Local area unemployment rates varied significantly, as is typical in Maryland. Joblessness ranged from lows of 5.1% in Howard County and 5.2% in Montgomery County to a high of 12.2% in Worcester County.



Source: Local Area Unemployment Statistics

Unemployment Rates by County



Source: Maryland Department of Labor, Licensing & Regulation, Office of Workforce Information & Performance

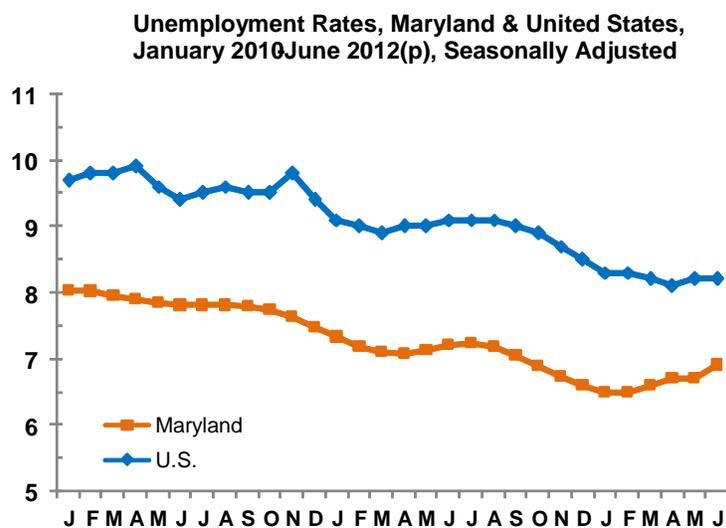
Unemployment Insurance Claims and Layoff Activities

Unemployment insurance claims filed against the Maryland tax fund slowed in 2011—the second straight year of decline in regular UI activity. Initial claims fell over the year by 31,519 (-8.4%) to 345,317; weeks compensated decreased 384,276 (-13.2%) to 2,535,342; and final pays (claimants exhausting benefits) were down 14,705 (-17.5%) to 69,388. Total benefits paid by the Maryland UI fund were reduced by \$104,943,137 (-11.7%) to \$795,707,606. These numbers represent a significant change for the UI program which at peak activity level in 2009 handled over 416,000 initial claims, compensated more than 3.5 million weeks of benefits, made final pays to more than 93,000 exhaustees, and paid out nearly \$1.069 billion in total regular benefits.

Data collected by the Mass Layoffs Statistics (MLS) program also showed improvement. A mass layoff is a layoff event that produces 50 or more initial claims for unemployment insurance from a single employer, filed within a five week period. In 2011 Maryland recorded 109 such events, down from 128 in 2010. Initial claimants resulting from these layoffs totaled 10,234 in 2011, reduced from 11,022 the year before.

Job Market 2012: Trends and Outlook

The U.S. job market improved during the latter part of 2011, increasing an average of 173,500 jobs per month (seasonally adjusted) from September through December. Solid growth continued through the first quarter of 2012 then abruptly slackened in the second. Job gains through the first half of 2012 averaged 149,300 per month. The modest job growth brought to a halt the gradual decline in unemployment that had begun in 2010. Although jobless rates have been lower every month in 2012 compared with the same month in 2011, unemployment has essentially stalled as rates have not budged from the 8.1-8.3% range.

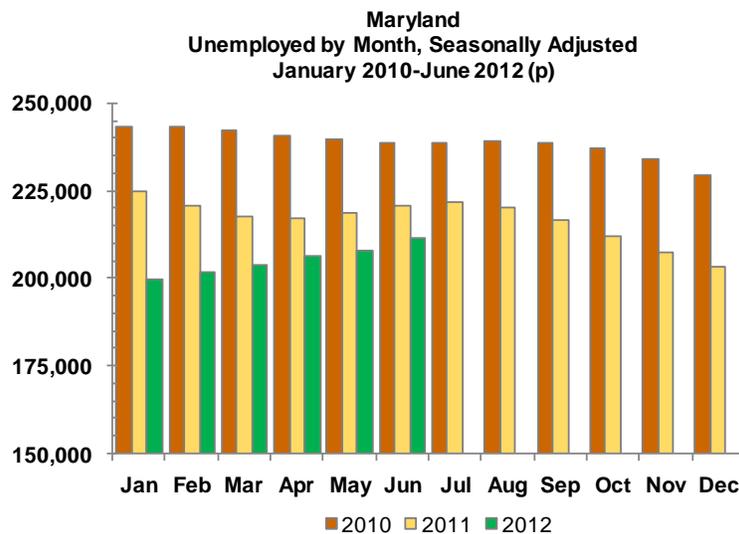


Source: Current Population Survey and Local Area Unemployment Statistics

Maryland is positioned more favorably than much of the nation—its unemployment rate is more than one percentage point below the U.S. average. But the state’s job market, too, has reached a plateau. Unemployment had been declining year over year since October 2009, and almost steadily receding month to month since then. The state reached its lowest post-recession unemployment levels in January and February 2012, but joblessness has inched up each month since then to a preliminary rate of 6.9% in June. (Historically it is not uncommon for Maryland to see a rise in unemployment from May to June). The number of unemployed increased from an estimated 199,908 (seasonally adjusted) in January to a preliminary 211,778 in June. The number of Marylanders holding jobs was estimated to be 2,879,164 in January, but slipped to 2,869,516 by June.

Unemployment Insurance claims data have been more positive, however. Initial claims filed through the first half of 2012 numbered 164,426, compared with 174,710 for the same period last year. Though UI claimants account for only a fraction of the jobless, initial claims activity is an indicator used to help forecast the direction of the economy.

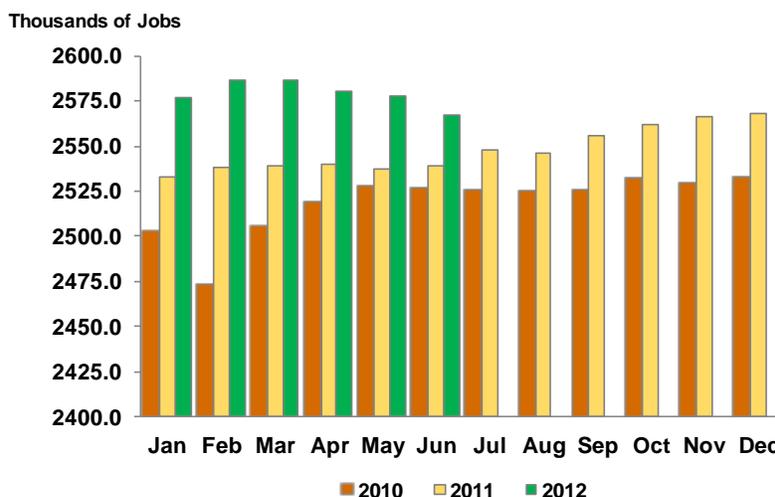
A key factor in recent labor force activity has been the inconsistent payroll employment trends of 2012.



Source: Local Area Unemployment Statistics (p): preliminary

Maryland payroll employment was estimated to be 2,568,800 (preliminary) in June 2012, a gain of 28,200 jobs from June 2011. The year began with two months of robust job growth (9,100 in January; 9,600 in February) capping six consecutive months of expansion. But from March through June the trend was reversed, with over the month job losses recorded each month. Declines were widespread, affecting multiple industries and both private and public sectors. Despite these over the month job losses each month’s job tally was greater than the same month a year ago, but the difference has fallen.

**Maryland Nonagricultural Payroll Employment by Month
January 2010- June 2012(p), Seasonally Adjusted**



Source: Current Employment Statistics

(p): preliminary

The reason for the job market slowdown is unclear. Some of the early year job gains may have been due to the unusually mild winter; employment that normally would have been created in the spring occurred earlier instead. But it is likely that Maryland is affected by the same economic doldrums that have stymied the nation as the year progressed.

One job market flag is the Worker Adjustment and Retraining Notification (WARN) log, which compiles notices given by large employers of anticipated major layoffs. The Maryland log for January through June 2012 listed 17 layoffs or shutdowns planned through the period, from a variety of industries, including retail trade, warehousing, construction, manufacturing, and healthcare services. As many as 4,000 workers could be involved. A June shutdown of a primary metals producer has been responsible for separations of about half this estimate.

Employment projections for Maryland for 2011-2013, produced by the Office of Workforce Information and Performance of the Maryland Department of Labor, Licensing and Regulation, forecasts growth of 1.3% for total wage and salary employment for the period. This net gain of 32,380 jobs is expected to be dispersed throughout the job market at varying rates. Industries projected to expand above average include: healthcare and social assistance; professional, scientific, and technical services; education; and food services and drinking places. Declines are expected for manufacturing, and information. The state jobs forecast does not assume any major boost in or shock to the national economy during the projection period.

Most economists expect the U.S. economy to continue in a moderate recovery; expansion, however, will not be sufficient to significantly lower unemployment. Full recovery is expected to be a long process, with unemployment likely to remain high for some time. Several key factors remain unsettled. Effects of the last recession continue to influence the present. The considerable loss in wealth incurred by U.S. households through the decline in value of homes and other investments has affected consumption and the housing market. Despite historic lows in interest rates, borrowing is often difficult for both businesses and households as lenders remain cautious. It continues to be a challenge for businesses to grow and would-be homeowners to buy.

There are signs of improvement in the housing market, however, which bodes well for the larger economy. Housing construction and sales in turn stimulate demand for commodities such as appliances, furniture, carpet, and other household goods and home building components. Nationally, new housing unit permits in 2011 were up by 3.2% from those recorded in 2010. Comparable data for Maryland indicated a net increase of 1.3% for permits over the year. In addition, permitting activity was stronger from January through June 2012 compared with a year prior for both the U.S. and Maryland. Building permits do not necessarily translate into an equal number of completions. However, recent data also point to growth in residential sales, another positive indicator.

There are some unknowns in the economic future, including the effects of current widespread recession in Europe and the consequences posed by European sovereign debt problems. Of more immediate impact may be the U.S. fiscal situation scheduled to reach a “cliff” at the end of this year if Congress and the administration do not act beforehand. Automatic tax increases and spending cuts will go into effect if no action is taken. This could produce a shock to an already weak recovery. How this fiscal dilemma is handled will affect both businesses and households.

In Maryland, which has long capitalized on its economic relationship with the federal government, the effects could be substantial. The sizable federal contribution to Maryland’s economy makes the state vulnerable to fiscal reform. The federal government has been an important component of the state’s job market strength, moderating the swings of the business cycle with well-paying jobs little affected by downturns. The government accounts for nearly 6% of Maryland payroll employment, and employs of thousands of Marylanders, both in and out of state.

The federal government is also a major buyer of goods and services in the state and stimulates private sector employment through contracting. In federal fiscal year 2010, government expenditures in Maryland topped \$96.2 billion. The BRAC process, now essentially completed, consolidated thousands of DOD jobs in Maryland in 2011. Some agencies will continue to grow over time as will demand for contractor employment and employee support services. But Defense spending, too, will be subject to budget constraints. Any compromise solution to the federal budget impasse will involve some combination of tax increases and spending cuts and will, at least in the short run, soften the economy.

As the U.S. economy continues to recover in an uncertain environment, Maryland, too, will be challenged. The state must rely on the underlying strengths of its solid economic foundation and diverse employment base to sustain growth. Its services-driven private sector, well-educated labor force, and high income levels will be keys to moving Maryland forward.

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