

## Overview

In December 2007 the U.S. economy entered a recession (as determined by the National Bureau of Economic Research), ending an expansion that began in November 2001. High energy prices, a housing market collapse, and turmoil in the financial markets combined to bring to a halt 73 months of economic growth. Nonfarm employment peaked at 137.9 million (seasonally adjusted) in December 2007, beginning a slide that appears to have ended in December 2009. All told, some 8.36 million jobs -- 6.1% of the nation's payroll -- were eliminated during that two year period. Unemployment began a climb from a recession-low of 4.8% (seasonally adjusted) in February 2008 to a high of 10.1% in October 2009. More than 8.9 million individuals were estimated to be unemployed in 2008 -- an average of 5.8% of the labor force, accelerating to an average of over 14.2 million jobless in 2009, for an unemployment rate of 9.3%. Since the recession began every state has been impacted by rising unemployment and nearly all have experienced a net decline in jobs.

Historically, Maryland has tended to weather economic downturns better than the national average. A heavily services-dominated economy (less cyclically-sensitive than a goods-producing market), a large proportion of professional and technical jobs, a strong federal government presence (as both a non-cyclical employer and purchaser of goods and services) and a well-educated labor force have factored into the state's relative economic stability.

While Maryland's labor market has continued to outperform the national average -- as measured through employment change and unemployment trends -- the recession's impact has affected every county and nearly all industry sectors. Maryland's job market declined for the second straight year in 2009 as deteriorating national economic conditions continued to erode the state's job base and pushed joblessness up to levels not seen since the early 1980's. Although Maryland's jobless rate (7.0% in 2009) remains significantly below that of the nation, the state's annual average unemployment ranking has slipped from 9<sup>th</sup> lowest in 2007 to 15<sup>th</sup> in 2009.

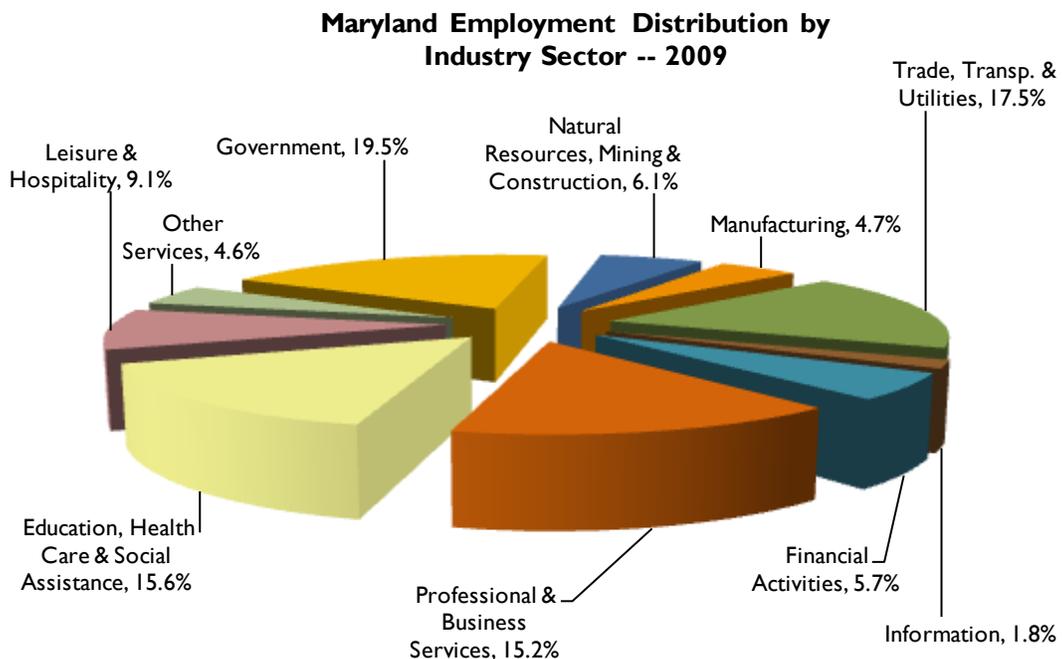
## Job Trends

Maryland's economy remained on a relatively even keel during the first five months of the "official recession" and when payrolls began to decline in May 2008, losses were muted compared to those occurring nationally. Maryland's economy did sustain job loss in 2008; however, the rate of decline through December 2008, at 1.7%, was less than half of the national slide. However, in 2009, Maryland employers shed 79,600 jobs -- losses which essentially wiped out 3 years (2005-2007) of expansion and returned business payrolls to a level only slightly above the 2004 level of 2,517,600.

<b>Maryland Payroll Employment</b> <b>2008 - 2009 Annual Averages</b> <i>(seasonally adjusted, in thousands)</i>				
Industry	Employment		Change 2008-2009	
	2009	2008	Number	Percent
<b>Total</b>	<b>2,520.5</b>	<b>2,600.1</b>	<b>-79.6</b>	<b>-3.1</b>
<b>Natural Resources, Mining &amp; Construction</b>	<b>154.2</b>	<b>180.1</b>	<b>-25.9</b>	<b>-14.4</b>
<b>Manufacturing</b>	<b>118.6</b>	<b>128.1</b>	<b>-9.5</b>	<b>-7.4</b>
<b>Trade, Transportation &amp; Utilities</b>	<b>440.4</b>	<b>465.1</b>	<b>-24.7</b>	<b>-5.3</b>
Wholesale Trade	88.1	93.0	-4.9	-5.3
Retail Trade	276.3	293.2	-16.9	-5.8
Transportation, Warehousing, Utilities	76.0	78.9	-2.9	-3.7
<b>Information</b>	<b>46.0</b>	<b>49.7</b>	<b>-3.7</b>	<b>-7.4</b>
<b>Financial Activities</b>	<b>144.5</b>	<b>153.0</b>	<b>-8.5</b>	<b>-5.6</b>
Finance & Insurance	101.9	106.8	-4.9	-4.6
Real Estate & Rental & Leasing	42.6	46.2	-3.6	-7.8
<b>Professional &amp; Business Services</b>	<b>384.2</b>	<b>397.6</b>	<b>-13.4</b>	<b>-3.4</b>
Professional, Scientific & Technical Svcs.	224.4	225.2	-0.8	-0.4
Management of Companies & Enterprises	20.3	21.5	-1.2	-5.6
Administrative & Support Services	139.5	150.8	-11.3	-7.5
<b>Education, Health Care &amp; Social Assistance</b>	<b>393.9</b>	<b>384.1</b>	<b>9.8</b>	<b>2.6</b>
Educational Services	73.2	72.5	0.7	1.0
Health Care & Social Assistance	320.8	311.6	9.2	3.0
<b>Leisure &amp; Hospitality</b>	<b>230.3</b>	<b>236.5</b>	<b>-6.2</b>	<b>-2.6</b>
Arts, Entertainment & Recreation	35.2	36.5	-1.3	-3.6
Accommodation & Food Services	195.1	200.0	-4.9	-2.5
<b>Other Services</b>	<b>115.9</b>	<b>118.1</b>	<b>-2.2</b>	<b>-1.9</b>
<b>Government</b>	<b>492.4</b>	<b>487.8</b>	<b>4.6</b>	<b>0.9</b>
Federal	131.7	127.1	4.6	3.6
State	110.1	109.3	0.8	0.7
Local	250.6	251.3	-0.7	-0.3

Job losses were spread throughout the private sector in 2009 though declines varied among industry sectors. Natural Resources, Mining & Construction, a sector which began to react

quickly and declined without interruption throughout 2008 and 2009, had both the largest numerical and percentage decrease, down 25,900 jobs and 14.4%. Just over two-thirds of all construction losses were among specialty trade contractors. Initially, sluggishness in the housing market -- both building and remodeling -- caused business conditions to waver. As the recession deepened, the non-residential market was impacted as well. Trade, Transportation & Utilities was reduced by 24,700 jobs, most notably in motor vehicle and parts dealers, and durable goods wholesalers. Close to fifteen Maryland auto dealerships were shuttered as the auto industry attempted to restructure. Consumer-sensitive retailers such as clothing stores and consumer electronics cut jobs or closed stores. Building material and garden supplies stores, whose fortunes are in part tied to the housing market, lost jobs. Professional & Business Services dropped by 13,400, largely in administrative and support services, where jobs in employment services receded. These three major industry sectors, which when combined account for about 39% of Maryland's business base, absorbed 80% of the job loss experienced during 2009.



One of the bright spots in 2009 was Education, Health Care & Social Assistance, which added 9,800 positions -- a gain of 2.6%. Job expansion occurred in ambulatory health care, hospitals, education, and nursing and residential care facilities. This aggregate sector has continued to grow in general throughout the current economic downturn in Maryland as it has nationally.

In the public sector, employment was up 4,600 over the year, with growth particularly strong at the federal level. Significant gains were evident in the national security and international affairs area.

Industries With the Largest Employment Change 2008-2009	
Growth	Decline
Ambulatory health care services Hospitals Educational services Nursing and residential care facilities National security & international affairs	Specialty trade contractors Administrative & support services Construction of buildings Motor vehicle and parts dealers Merchant wholesalers, durable goods Food services & drinking places Credit intermediation & related activities Building material & garden supply stores Electronics & appliance stores

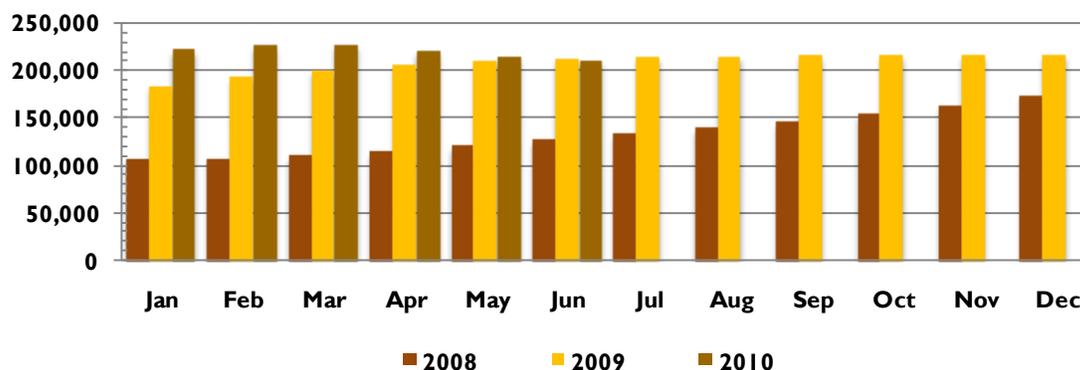
## Labor Force and Unemployment Trends

As the economy slowed, the demand for workers declined – a decline which was clearly reflected in labor force movements. From 2008 to 2009 the civilian labor force declined by 39,478 persons (-1.3%) to 3,026,411 --the lowest level since 2005. The number of employed Marylanders fell by 116,168 and the jobless ranks increased by 76,690 -- an over the year gain of 57.8% out of work and 4% fewer holding jobs. Average unemployment rose from 4.4% of the labor force in 2008 to 7.0% in 2009 -- the highest annual rate since 1983.

Labor Force Status				
	Annual Average		Change	
	2008	2009	Number	Percent
<b>Maryland</b>				
<b>Civilian Labor Force</b>	3,026,411	2,986,933	-39,478	-1.3%
<b>Employment</b>	2,893,778	2,777,610	-116,168	-4.0%
<b>Unemployment</b>	132,633	209,323	76,690	57.8%
<b>Unemployment Rate</b>	4.4%	7.0%	-	-
<b>U.S. Rate</b>	5.8%	9.3%	-	-

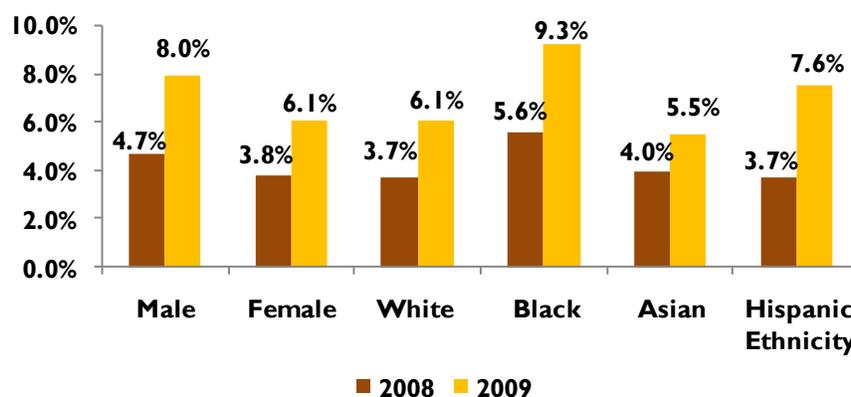
The number of unemployed began rising in January 2008 (107,233, seasonally adjusted), climbing rapidly throughout the year, continuing upward through 2009, and finally peaking (228,088) in March 2010. The jobless rate followed suit -- starting to increase in February 2008 (3.6%), elevating further through 2009, and topping out in February and March 2010 (7.7%).

**Number of Unemployed by Month for Maryland (seasonally adjusted)  
January 2008 -- June 2010**



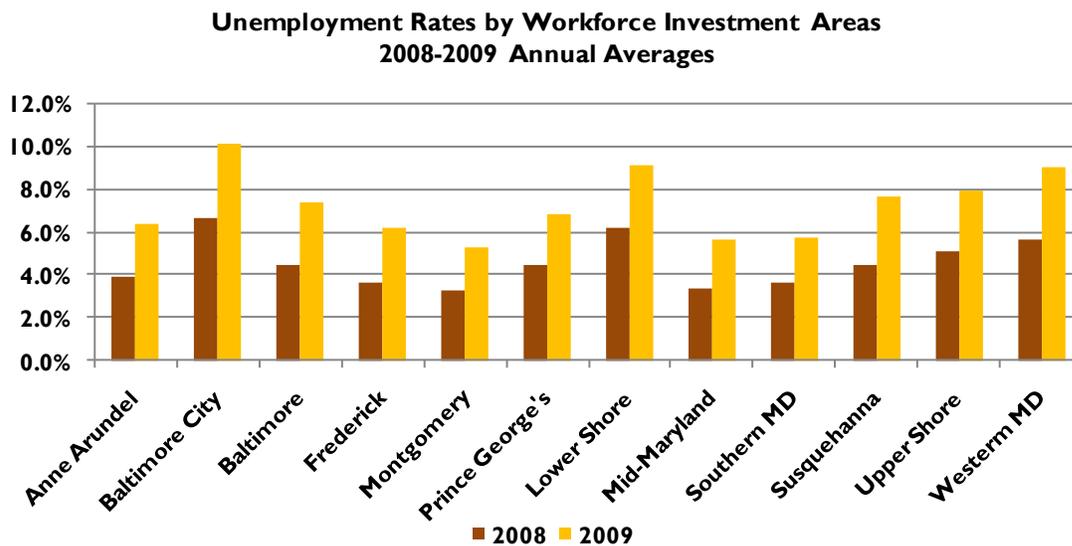
Unemployment rose for all major demographic groups in 2009. As was the case in 2008, joblessness was not equitable, and the increase was more pronounced for some groups than others. For the second straight year the unemployment rate for men was higher than for women, rising more rapidly in 2009, to extend the jobless gap between the two cohorts. In 2007 unemployment was higher for women. But sizable job losses in industries more likely to employ men, such as construction and manufacturing, combined with the relative strength of health care and education, where women dominate, gave women a statistical advantage in this downturn. The group with the largest proportional gain in unemployment was Hispanic/Latino workers; the number of unemployed and the unemployment rate among workers in this ethnic group more than doubled between 2008 and 2009. Hispanic workers are often employed in construction or consumer-sensitive services.

**Unemployment Rates by Demographic Group  
Maryland -- 2008 - 2009 annual averages**



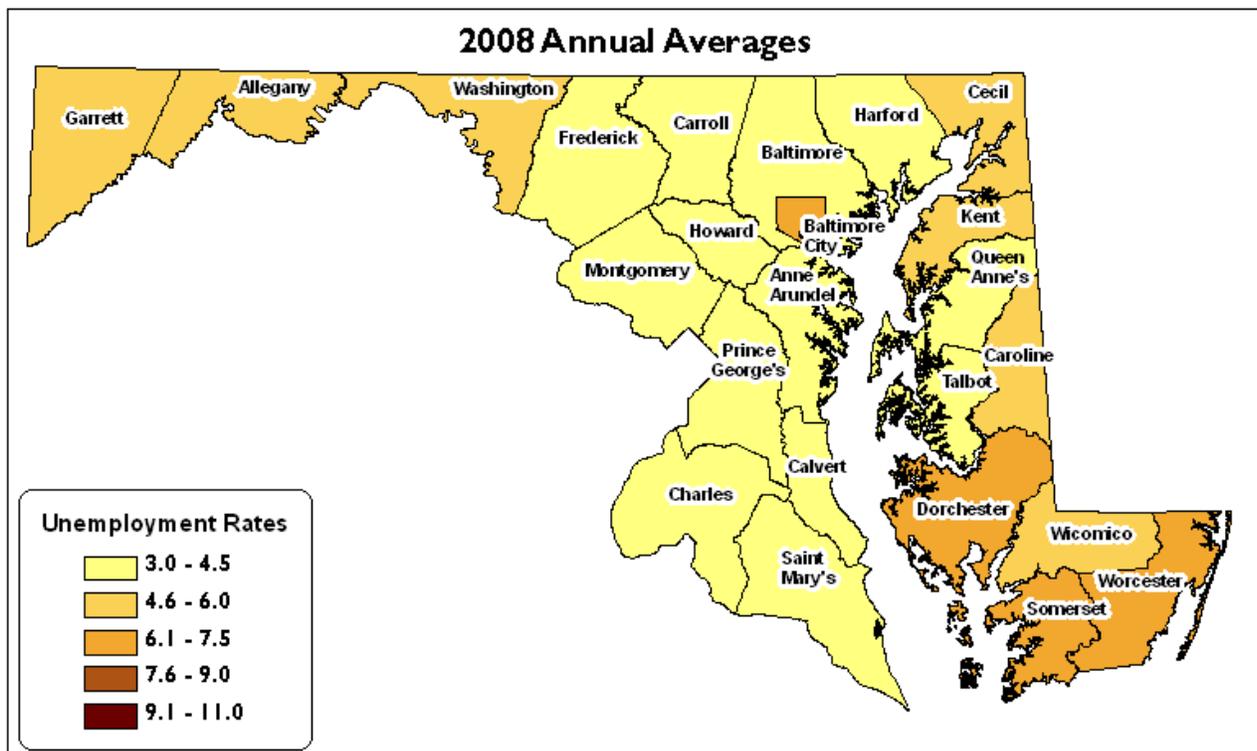
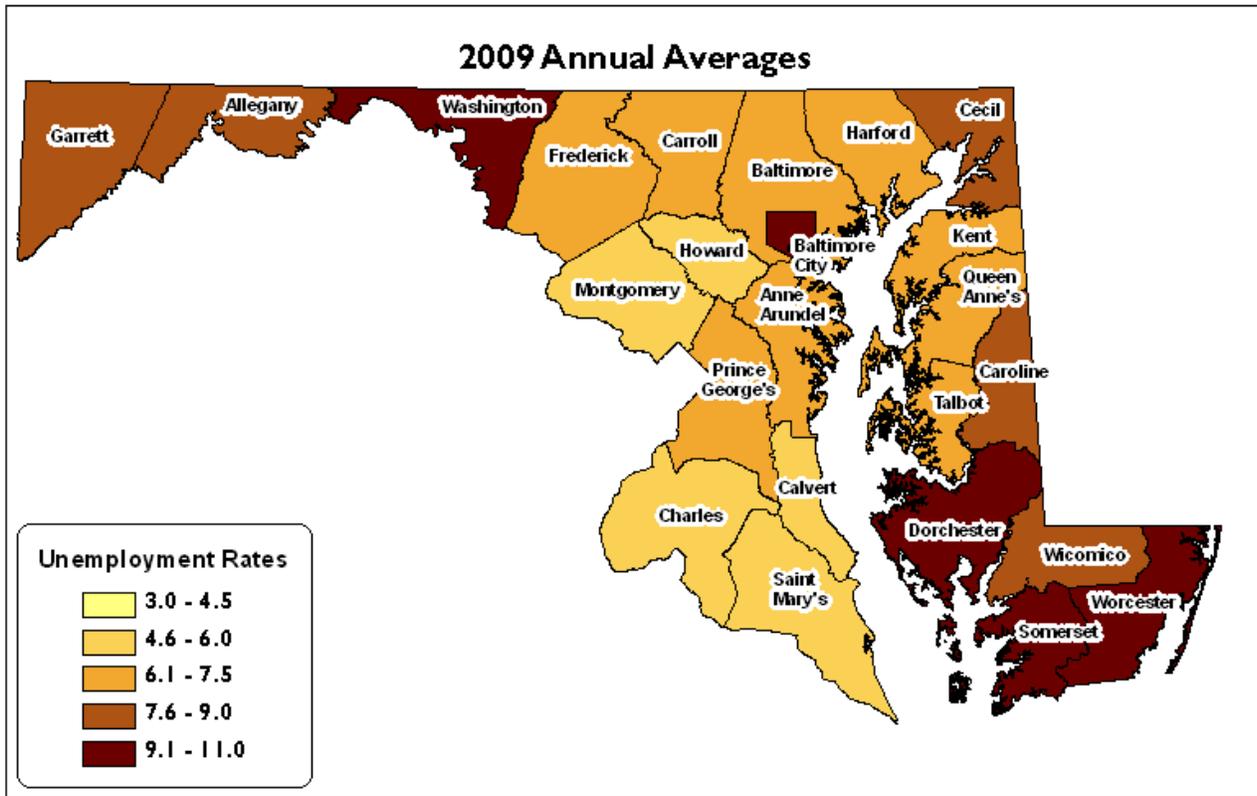
Market conditions tightened across the state during 2009, challenging the resources available to serve the growing numbers of unemployed. Residential employment declined and joblessness advanced in each of the State's Workforce Investment Areas (WIAs). Jobless rates moved ahead by two full percentage points or better between 2008 and 2009 in each WIA, with rates ranging from a low of 5.3% in Montgomery County to a high of 10.2% in Baltimore City in 2009.

While the numbers of unemployed were higher in each of the WIAs during 2009, the demographics of unemployed workers were little changed, with males and workers between the ages of 30-44 years accounting for higher percentages of the unemployed.



When viewing the impact of the economic downturn on local area residents, the largest percentage reductions in resident employment were posted in the relatively small Eastern Shore counties of Wicomico and Somerset, and in Cecil. The highest numerical losses in employment occurred in the big suburban counties of Baltimore, Montgomery, and Prince George's. Joblessness climbed significantly in all areas, with the three latter counties claiming the largest absolute gains in unemployment. Proportional increases in unemployment were greatest in Cecil, Washington, Harford, and Carroll Counties -- with each adding about 2/3 more individuals to their jobless ranks. The types of industries prevalent in (or near) each jurisdiction and a county's proximity to employment centers were among the factors influencing local labor force conditions.

# Unemployment Rates by County



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

## Unemployment Claims Activity

Unemployment insurance (UI) activity accelerated in 2009 -- the third straight year that claims for unemployment insurance and benefits paid expanded. Initial claims filed against the Maryland Unemployment Insurance Tax Fund were up 120,468 to 295,832 in 2009 -- a gain of nearly 41% over the year. Total weeks compensated topped 3.5 million -- rising by over 1.4 million (a 2/3 increase) from 2008. Final payments (exhaustees) more than doubled in 2009, adding 48,948 to total 93,347. The average duration of benefits lengthened from 15.1 to 18.8 weeks. The Maryland UI Trust Fund was strained by these developments. In 2009 \$1,068,773,978 in benefits were paid out, up from \$633,490,389 the previous year -- a nearly 69% increase.

Data from the mass layoffs statistics program have not been so dramatic. A mass layoff is defined as a filing of at least 50 initial claims of 30 days or longer duration, within a five week period, from one employer. Maryland posted 141 mass layoff events in 2009, up from 85 in 2008 and 128 in 2007. Initial claimants from those events numbered 11,932 in 2009, up from 7,116 the prior year, but down from 12,127 in 2007.

## The Job Market 2010

The labor market situation moving into 2010 has evidenced positive, though uneven, movements. At the national level, jobs were added each month from January through May, declining in June primarily due to temporary Census 2010 positions ending (which were also a source of some of the year's growth). Net job gain through June was about 0.7%, seasonally adjusted. Last year, the economy lost jobs every month. Though employment has been on the upswing, every month through June 2010 has recorded fewer jobs than the same month in 2009. Nationally, unemployment registered 9.5%, seasonally adjusted, in June -- the same as June 2009 -- but down from its peak of 10.1% last October.

Maryland's job market performance in 2010 has moved in a positive direction, stronger than the national trend. From January through June a seasonally adjusted 40,200 payroll jobs were added, a gain of 1.6% for the two quarters. Last year, 30,000 jobs were lost over the same period. Advances occurred among construction contractors, professional, scientific and technical services, arts, entertainment and recreation businesses, accommodation and food services, and federal government. Year over year job activity by month was negative from January through April, with May unchanged. In June, however, 7,000 more jobs were recorded than a year ago -- the first June posting over the year job growth since 2007.

State labor force trends in 2010 have improved somewhat. Resident employment had been on a downswing every month since February 2008. But, this year after a dip in February (likely the result of unusually severe weather conditions), the number of employed rose each month from March (2,733,915 persons, seasonally adjusted) through May (2,754,230), falling by 5,338 in June. Unemployment began the year on the rise, topping out in March, and declining over the next 3 months to 211,097 persons in June. June's jobless rate of 7.1% was unchanged from a year ago. The state's unemployment rate may have reached its high point of the current downturn at 7.7% for both February and March. Monthly jobless levels have not been that high since 1983.

The short-term outlook for the economy is unclear. The U.S. has now had four consecutive quarters of GDP growth; however, the rate of expansion has slowed for the past two quarters, leveling off at 2.4% for the second quarter of 2010. More robust growth is necessary to stimulate enough job creation to lower unemployment significantly. The Federal Reserve System's Open Market Committee, in its June meeting, forecast a moderately growing economy and a steadily declining unemployment rate, falling to around 7.1 to 7.5% by the end of 2012 – still high by pre-recession standards. Some economists believe that the recession has ended, but the business cycle dating committee of the National Bureau of Economic Research has not so ruled. The NBER monitors economic indicators for many months before determining that a business cycle has turned.

In Maryland unemployment has tended to lag the business cycle in recent downturns. Following the July 1990-March 1991 contraction, the state reached an annual high of 6.6% for unemployment in 1992. The 2001 March-November recession was followed by jobless peaks of 4.5% for both 2002 and 2003. During the course of that downturn monthly unemployment never rose higher than 4.5%.

Maryland is better positioned than many parts of the country for recovery. As low as the job market has ebbed it is still stronger than in many states. Over 130,000 federal government jobs, impervious to the business cycle, are based in Maryland, with many more located within easy reach of Maryland commuters in Washington, D.C. and northern Virginia. The long-run expansion of the state's services-providing economy and the relative (and absolute) decline in manufacturing has helped smooth cyclical trends. This downturn, has reached deep into the services and consumer-driven side.

Maryland's relatively stable economy is receiving a boost from federal fiscal policy and national defense decisions. More than \$4 billion has been committed to the state from the American Recovery and Reinvestment Act (ARRA). The state has been investing those funds throughout the economy, targeting education, health care, transportation, workforce development, and supporting the UI system, among other programs. The Department of Defense's Base

Realignment and Closure (BRAC) initiative will result in Maryland being a net recipient of tens of thousands of jobs located at five DOD installations spread throughout Maryland. Some positions will be re-locating from elsewhere in Maryland, many will be moving in from out of state, and others will be newly created. The majority of the positions will be either DOD civilian personnel or embedded contractors. BRAC will be a multi-decade process. The first personnel moves are underway, with a major influx of employment to occur in 2011. In addition to the BRAC-related growth, the National Security Agency (NSA), based in central Maryland, is also projected to expand by several thousand workers, including employees and contractors. BRAC and NSA contractor firms will be primarily professional, technical, and scientific services, but facilities and worker support services will also be required.

This type and scope of economic expansion is unprecedented in Maryland. Following on the heels of a deep recession, the federal dollars flowing into the state for this initiative are likely to have a very positive impact. The challenge will be in using this long-term project to produce some short-term results for the state's jobless and under-employed. A number of organizations and programs are in the process of trying to connect the supply with the demand.

Aside from federal initiatives noted, Maryland recently initiated a job creation tax credit in an attempt to stimulate expansion. The H.I.R.E. Maryland Program offers tax rebates to employers who, when hiring, tap into the labor pool of persons currently collecting unemployment benefits.

Much of the state's job growth so far this year has occurred in consumer-driven industries. But stronger and more widespread gains are needed to effectively move the state's economy forward. The upcoming openings of slots casinos in Cecil and Worcester counties will hopefully help to jumpstart regional economic development activities.

#### Statistical Source Data

Maryland Department of Labor, Licensing & Regulation, Office of Workforce Information & Performance -- Current Employment Statistics, Local Area Unemployment Statistics and Quarterly Census of Employment and Wages Programs

U.S. Department of Labor, Bureau of Labor Statistics – Current Population Survey

U.S. Department of Labor, Employment & Training Administration, Unemployment Statistics