In Fits and Starts

Virginia's Modest Jobs Recovery and the Challenges Ahead

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The Commonwealth Institute

January 2011

Executive Summary

The challenges facing the economic recovery in Virginia are significant.

- Virginia needs to add over 263,000 jobs in order to return to pre-recession employment levels. To fill the current 263,000 jobs-gap by the beginning of 2012, Virginia would need to add roughly 24,906 jobs per month every month this year. To fill the gap by the beginning of 2013, Virginia would need to add roughly 13,929 jobs per month every month of the next two years. But the fastest average monthly job growth ever in a year, going all the way back to 1939, was only 10,683 jobs between 1996 and 1997

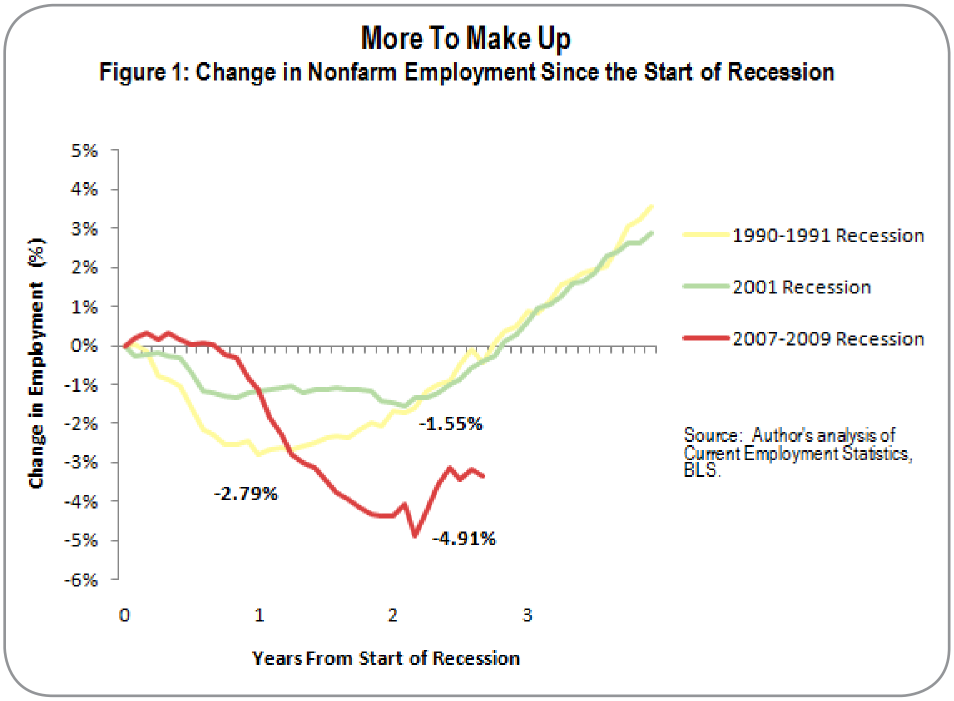
- Despite headlines touting the creation of 50 jobs here and 100 jobs there, Virginia has made no real progress in jobs creation since the recession ended in June 2009. Virginia's weak recovery has seen a few months of extremely high net gains in jobs but not consistently enough to make a return to pre-recession unemployment levels realistic anytime soon. When we look at the average monthly job growth under the McDonnell Administration (starting in February 2010 through December of 2010), the Commonwealth saw just 5,036 net jobs added per month. At this rate, it will take Virginia well into 2022 to dig out of the hole created by the Great Recession.

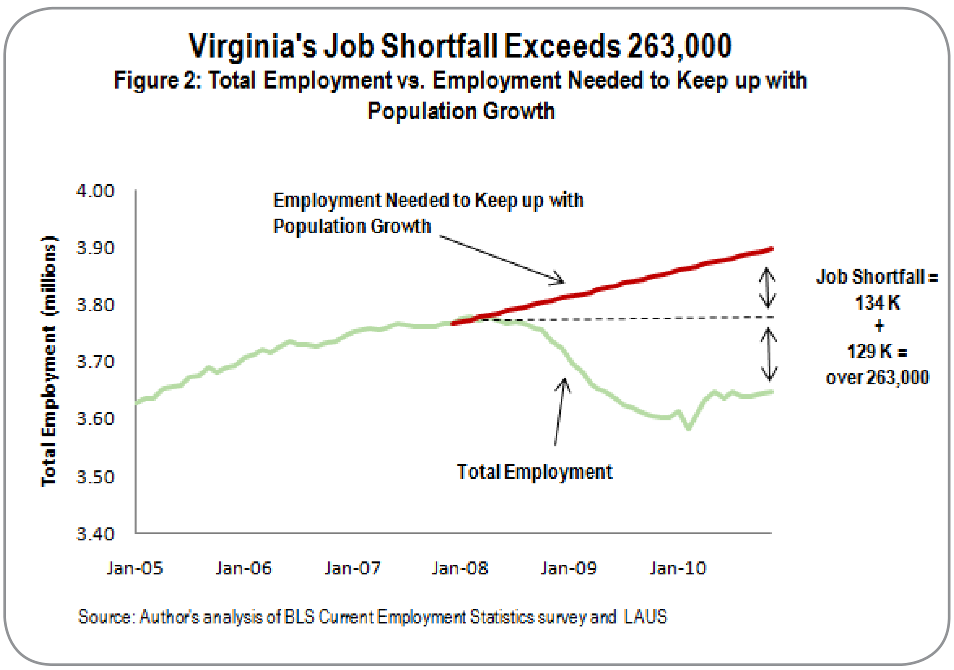
- Most Virginia industries continue to employ fewer workers now than before the downturn. The hardest hit industries are Construction, Manufacturing, and Retail Trade.

- Virginia's unbalanced job growth poses some challenges for the workers currently trying to navigate the state's labor market. Of the seven sectors with net jobs gains, two are the lowest paying industries in the state's economy and five pay average weekly wages below the statewide average of $929.

The Great Recession Left a Deeper Hole

Before jumping into the specifics of Virginia's labor market, it is helpful to place the current situation into historical context. By looking at where we have been and what we have overcome in the past, we can gain a greater understanding of what it will take to get us back to where we were before the Great Recession wreaked such havoc on Virginia's labor market. Compared to the past two recessions, this one cut deeper and longer into the state's employment base, setting the requirements for a robust recovery much higher than in the past (See Figure 1). Hitting its lowest point in February 2010, the total jobs gap since the start of the Great Recession was more than three times that of the 2001 recession (-4.91 percent vs. -1.55 percent). Even the 1990 recession, which was deeper than the 2001 recession, saw only a 2.79 percent total decline in employment at its lowest point in March of 1991.





Because Virginia has an extremely diverse economy, tracking employment trends at a regional level can paint a more accurate picture of the state's job crisis. Northern areas of the state have a higher concentration of jobs and more affluent industries. While those areas maintained employment levels relatively well during the downturn, job losses hit harder in other Metropolitan Statistical Areas (MSAs) of the state -- especially the Blacksburg-Christiansburg-Radford MSA, Danville MSA, and Winchester MSA. (See Appendix A for more regional information.) The Winchester MSA was hit the hardest: job losses were over -10.6 percent at the lowest point of the recession. In the Danville area, employment levels continued to plummet for much longer. Danville did not hit its lowest point of -7.3 percent until August 2010. The Danville area lost about twice as many jobs as the Northern Virginia MSA. Northern Virginia's steepest decline in job losses during the most recent recession was only -2.86 percent, two percentage points lower than the statewide decline.

Digging Out of the Ditch

Virginia needs to add over 263,000 jobs in order to return to pre-recession employment levels. Since the start of the recession in December 2007, Virginia should have added nearly 134,000 new jobs just to keep up with growth in the state's working age population. Instead, the Commonwealth has lost approximately 129,000 net jobs, putting the total job shortfall at over 263,000 (see Figure 2).

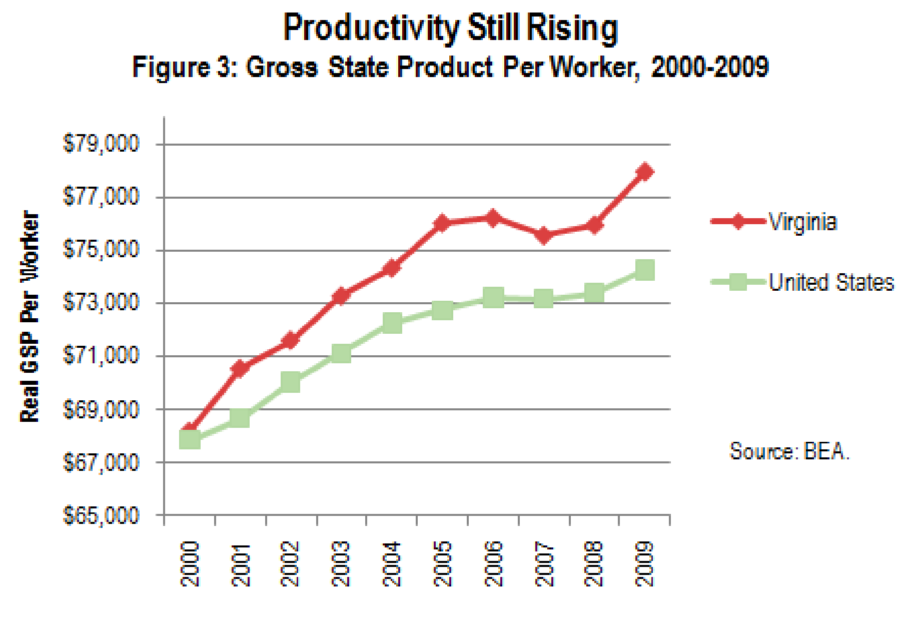
To fill the current 263,000 jobs-gap by the beginning of 2012, Virginia would need to add roughly 24,906 jobs per month every month this year.

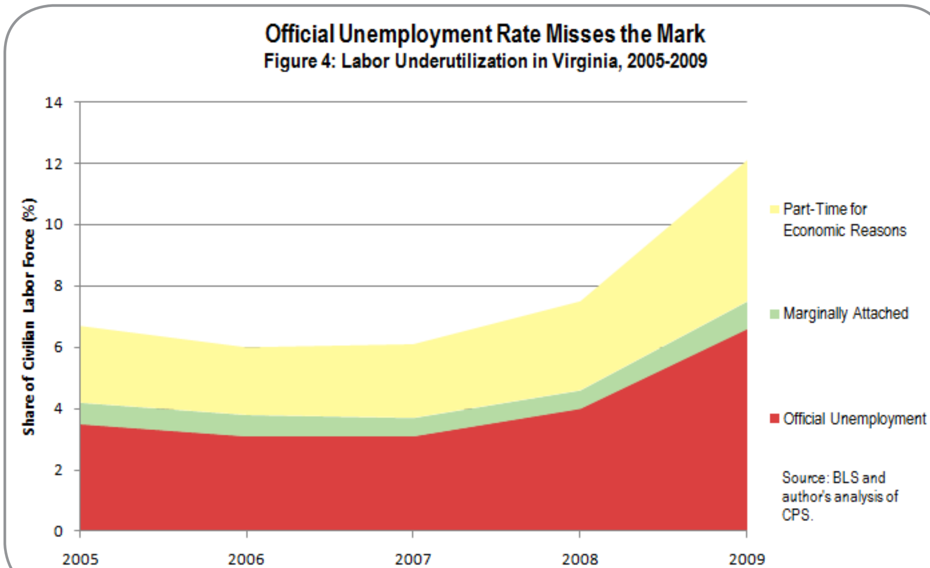
- To fill the gap by the beginning of 2013, Virginia would need to add roughly 13,929 jobs per month every month of the next two years.
- To fill the gap by the beginning of 2014, Virginia would need to add roughly 10,279 jobs per month every month of the next three years.

• To fill the gap by the beginning of 2015, Virginia would need to add roughly 8,460 jobs per month every month of the next four years.

To put these job growth rates in perspective, consider that the fastest average monthly job growth in a given calendar year, going all the way back to 1939, was roughly 10,683 between 1996 and 1997. If the Commonwealth were to somehow achieve this same high level of job growth and sustain it, it would take until mid-2013 for Virginia to see pre-recession levels of employment.

Virginia's weak recovery has been speckled with a few months of extremely high net gains in jobs, but not consistently enough to make a return to pre-recession unemployment levels realistic anytime soon. Virginia experienced substantial job gains in the months of March and April 2010. Between February 2010, which marked the lowest employment level in Virginia since June 2004, and March 2010, the Commonwealth added roughly 25,000 net jobs. This growth continued between March and April, as the state added another 26,000 net jobs. But these high job growth rates are exceptionally high and rare. When we look at the average monthly job growth of the McDonnell Administration between February and December 2010, the Commonwealth saw just 5,036 net jobs added per month. At this rate, it will take Virginia well into 2022 to dig itself out of the hole created by the Great Recession.





A Closer Look

The Great Recession has coincided with a spike in productivity among Virginia's working population. Virginia's workers were the 12th most productive in the nation in 2009 – and their growth in productivity (over 2.6 percent) ranked the 8th highest in the nation. Figure 3 illustrates how Virginia's workers have consistently outperformed the national average since the start of the decade. In 2009, the average Virginia worker produced goods and services totaling $77,966. This compares to a national average of $74,239.

But many Virginia workers are not being utilized optimally in the state's economy. The official unemployment rate significantly underestimates the number of idle and underutilized workers in Virginia. As shown in Figure 4, the rate rises dramatically when the definition of "unemployed" is expanded to include other segments of the state's working age population.

Once an unemployed individual stops actively seeking work, they are considered to have dropped out of the labor force, and are no longer considered unemployed.

To the extent that jobless workers are losing faith in the labor market and are ending their job searches, the unemployment rate will underestimate the share of workers without jobs. Individuals who want jobs and are available to work, but who have not pursued employment in the past four weeks are referred to as "marginally attached" to the labor force. When added into the picture, these discouraged workers raise Virginia's unemployment rate between 0.6 and 0.9 percentage points.

It's worth considering yet another group of working Virginians who are not being utilized optimally in the economy: those who are working part-time but would prefer to work full-time and have either seen their hours reduced (to 34 or less per week) or cannot secure full-time employment. As shown in Figure 4, adding in workers who are employed part-time involuntarily raises the state's share of the workforce that is underutilized to over 12 percent in 2009. This measure is referred to as the "underemployment rate" and most economists agree it is a more comprehensive measure of slack in the labor market.

Because of so much slack in Virginia's labor market, as conditions improve and employers look to expand, the unemployment rate may linger at high levels for quite some time. As job prospects look better, discouraged workers may begin active job searches again. Holding all else constant, a shift in jobless workers from being marginally attached to officially unemployed would result in an increase in the unemployment rate. Depending on how quickly Virginia's economy is able to add enough jobs to get its unemployed back to work while absorbing re-entrants to the labor force, the unemployment rate may take some time to fall.

What We've Lost and What's Coming Back

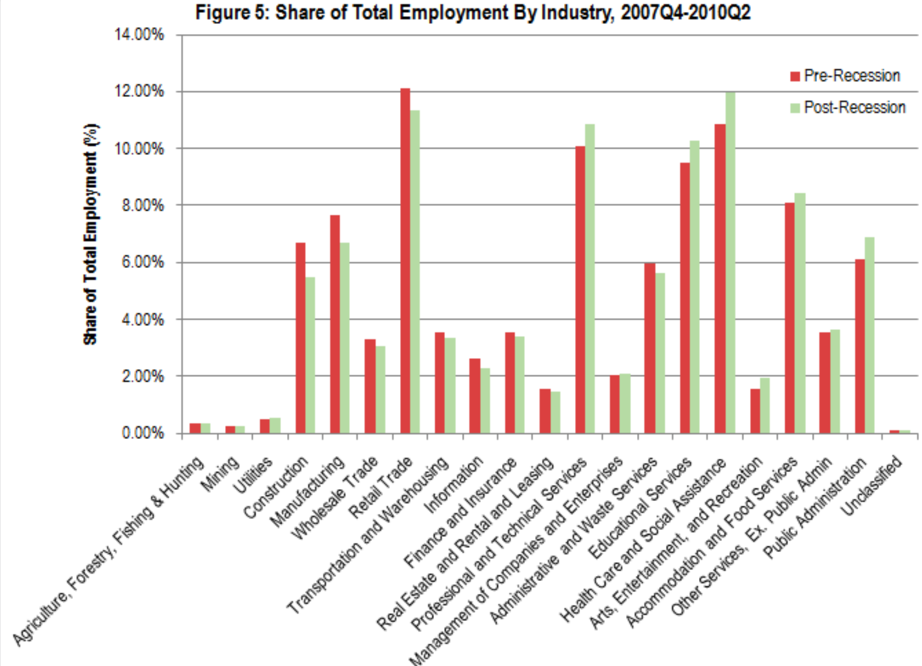
As Virginians struggle to find their way amid the state's anemic recovery, the types of employment opportunities available to them matter. Figure 5 shows the distribution of jobs by industry across the Commonwealth's economy – both before and after the Great Recession. The differences between the pre-recession and post-recession shares show that net job growth has not been spread evenly across Virginia's economy. This shift in the concentration of jobs from certain industries to others has important, real world implications for Virginia's workers.

All but seven of Virginia's industries continue to employ fewer workers now than before the downturn. Virginia's hardest hit industries are Construction, Manufacturing, and Retail Trade. Collectively, these three industries employed roughly 26 percent of Virginia's workforce going into the recession – yet the downturn has wiped out over 142,000 jobs in these areas of the state's economy. Over 1 in every 5 Virginia construction jobs, for example, has vanished since the start of the Great Recession.

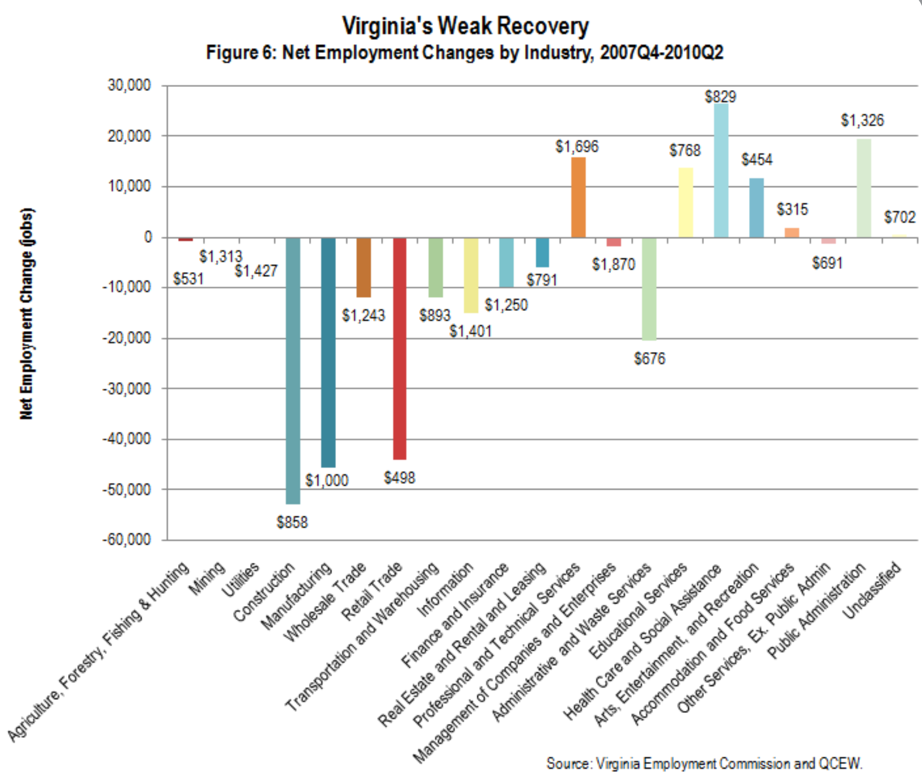
On the other end of the spectrum are seven Virginia industries that have managed to expand employment despite the massive downturn. The areas of Virginia's economy that have seen the greatest gains in jobs include Health Care and Social Assistance, Public Administration, and Educational Services. Since the start of the downturn at the end of 2007, these three industries have added over 59,000 net new jobs. While these three industries have experienced the largest raw jobs gains, the Arts, Entertainment and Recreation industry has experienced the fastest growth. Since the onset of the downturn, Arts, Entertainment, and Recreation has increased total employment by over 20 percent. The second highest growth rate, however, is among Health Care and Social Assistance, which experienced a 6.58 percent increase in employment since the recession began.

Where Virginia Works

Figure 5: Share of Total Employment By Industry, 2007Q4-2010Q2



Source: Virginia Employment Commission and QCEW.



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Virginia's unbalanced job growth poses some challenges for the workers currently trying to navigate the state's labor market. In addition to potential concerns over skill mismatches, the uneven recovery has implications for families' incomes and consumer demand. Of the seven sectors with net jobs gains, two are the lowest paying industries in the state's economy and five pay average weekly wages below the statewide average of $929.[1] The average weekly wage of Accommodation and Food Services (up 1,902 jobs) is just $315 – the lowest of any industry in the state. The average weekly wage of the Arts, Entertainment, and Recreation industry (up 11,785 jobs) is $454 – which is a decline of 12 percent from the average weekly wage of the industry going into the recession.

Of the 14 industries experiencing declines in employment, seven pay average weekly wages above the statewide average. The state's highest paying industry, Management of Companies and Enterprises, has lost 2.33 percent of its total employment since the recession began. As shown in Figure 6, average weekly wages in this industry are over double the statewide average weekly wage at roughly $1,870. Another hard hit and high paying industry – Information – has lost over 15 percent of its employment. Average weekly wages in the Information industry are just over $1,400. Finally, the 45,714 manufacturing jobs lost in Virginia paid an average weekly wage of $1,000 – just above the statewide average.

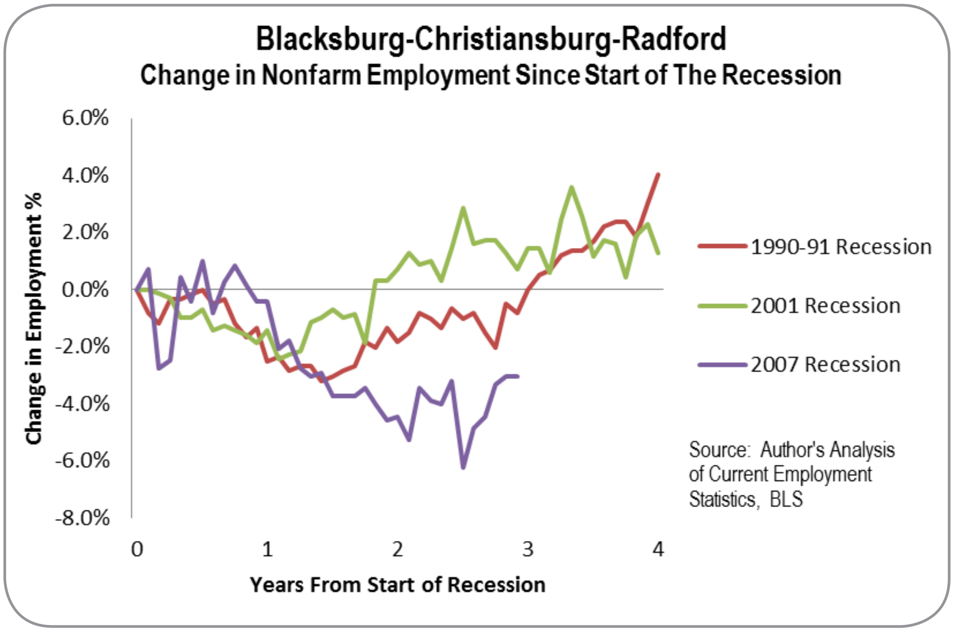
Conclusion

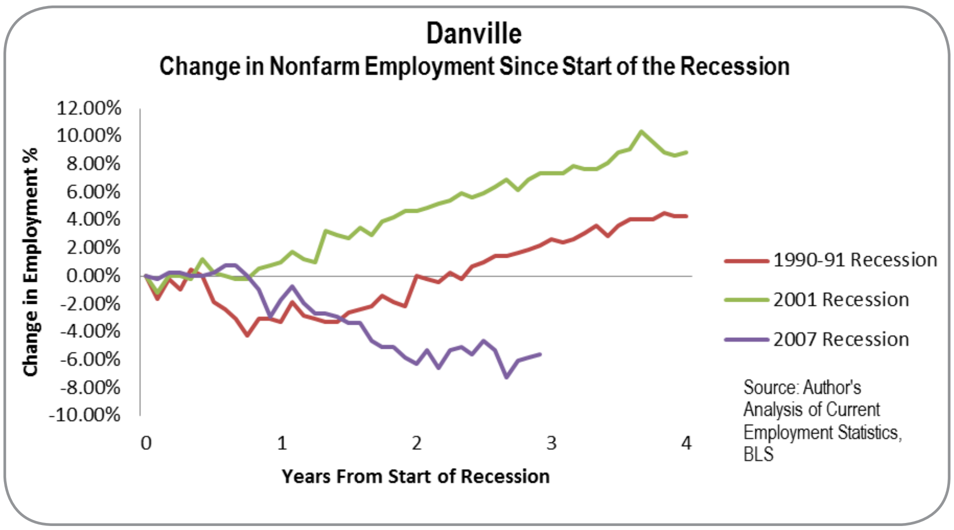
The bottom line is this: Despite the job growth of 2010, Virginia remains near the bottom of a very large jobs hole. A recession does not end for the Virginia families struggling to make ends meet until they are able to find and keep jobs that allow them to meet their basic needs. Unfortunately, that time remains far off for a large number of Virginia workers and their families.

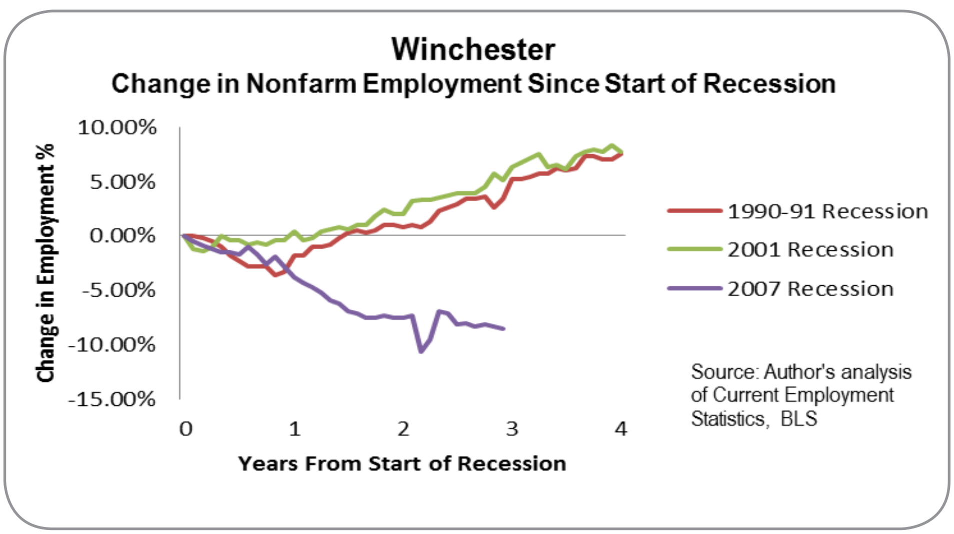
[1] Average weekly wages are used here because they are the measure included in the Quarterly Census of Employment and Wages and this data series provides the most current assessment of both state-level employment levels by industry and corresponding state-level compensation by industry. Using average weekly wages is not ideal. Median wages would paint a more realistic picture of how "average" workers in an industry are faring.

Appendix A: Metropolitian Statistical Areas Change in Nonfarm Employment Since the Start of the Recession

*Note: Virginia consist of eleven Metropolitan Statistical Areas. The Kingsport-Bristol MSA is not included due to the lack of comparable data. Due to differences in data availability, employment levels are seasonally adjusted. Employment data counts the total number of people on establishment payrolls, in cluding part-time and temporary employees. The data excludes proprietors, self-employed, unpaid, farm and domestic workers.







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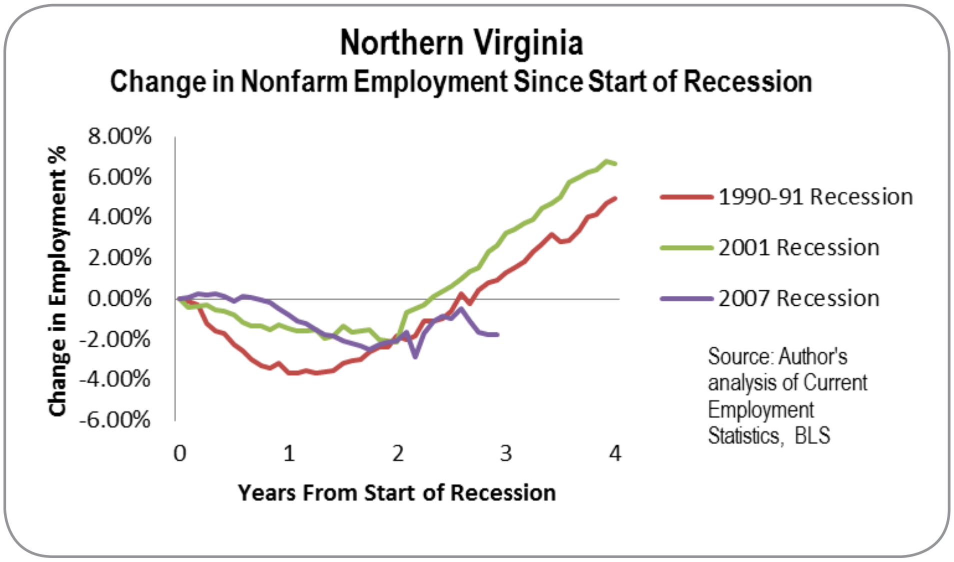
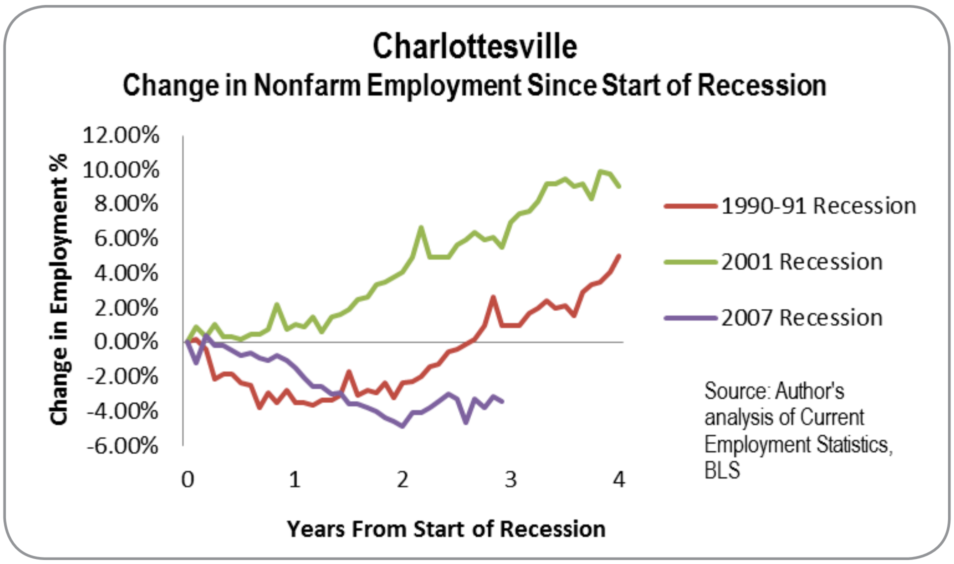
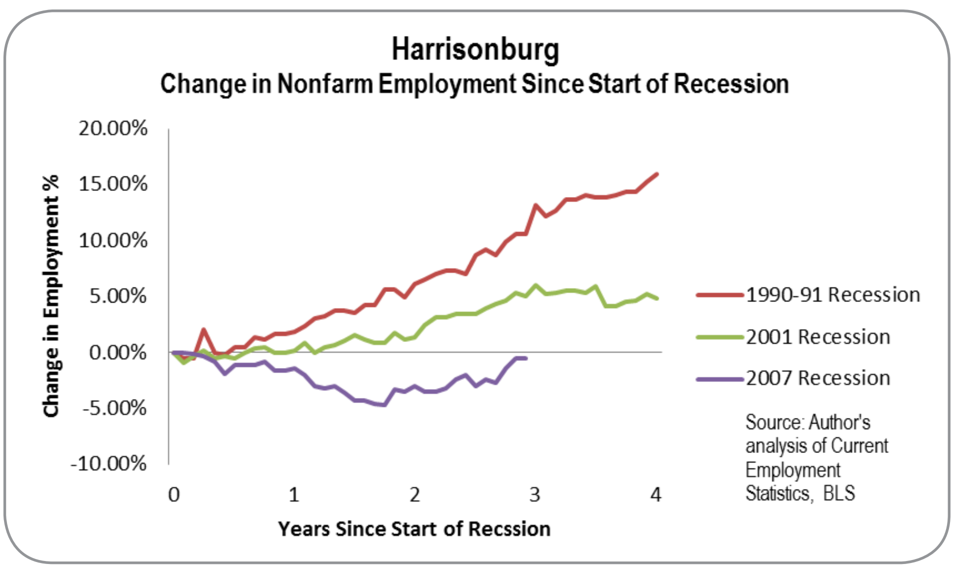
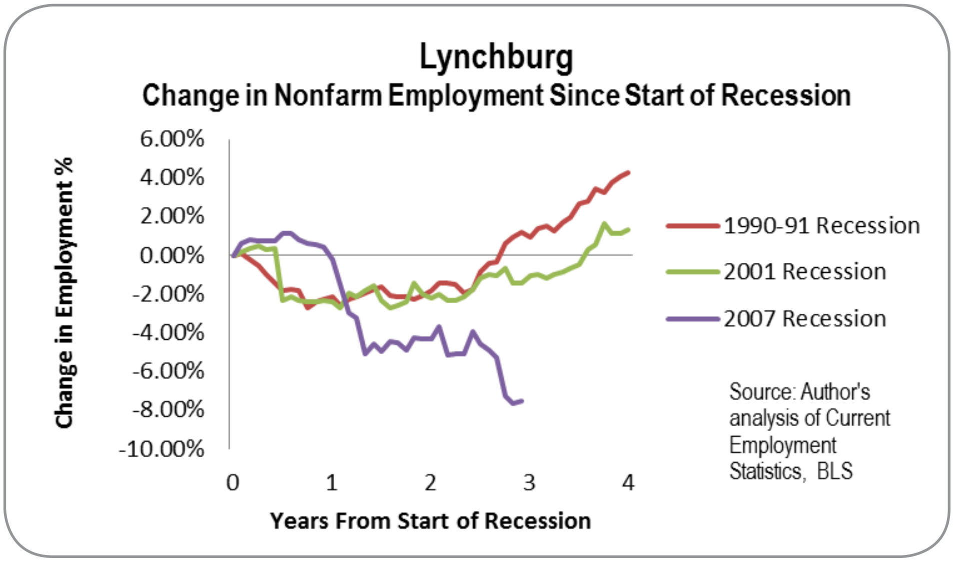
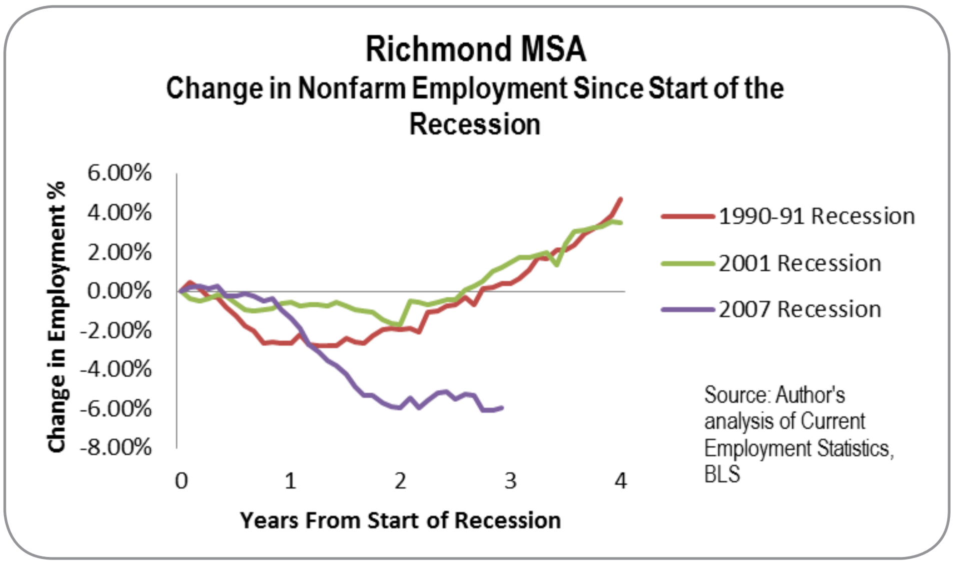
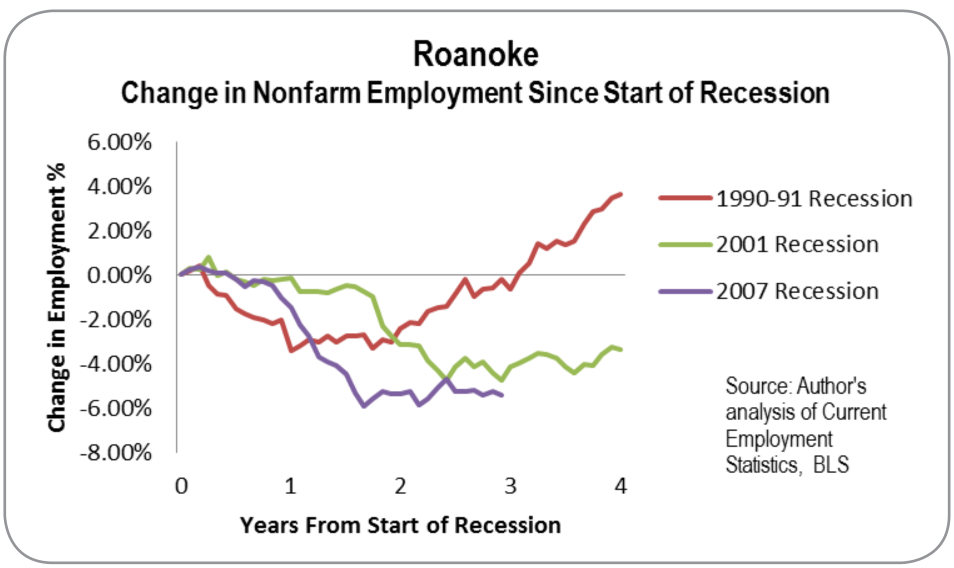




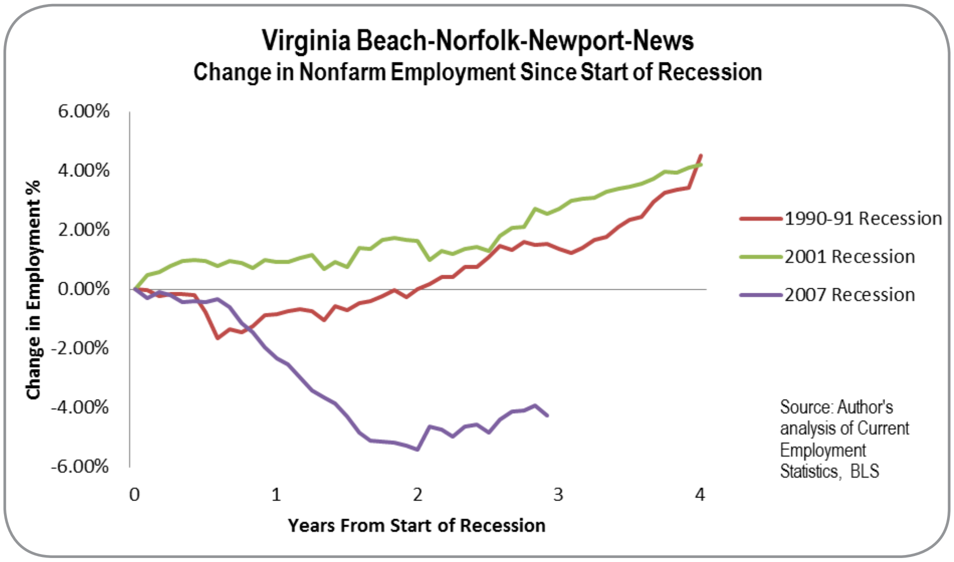



Lynchburg
Change in Nonfarm Employment Since Start of Recession
6.00%
4.00%
2.00%
0.00%
-2.00%
-4.00%
-6.00%
-8.00%
-10.00%
Change in Employment %
0
1
2
3
4
Years From Start of Recession
1990-91 Recession
2001 Recession
2007 Recession
Source: Author's analysis of Current Employment Statistics, BLS


Richmond MSA
Change in Nonfarm Employment Since Start of the Recession
6.00%
4.00%
2.00%
0.00%
-2.00%
-4.00%
-6.00%
-8.00%
Change in Employment %
0
1
2
3
4
Years From Start of Recession
1990-91 Recession
2001 Recession
2007 Recession
Source: Author's analysis of Current Employment Statistics, BLS


Roanoke
Change in Nonfarm Employment Since Start of Recession
6.00%
4.00%
2.00%
0.00%
-2.00%
-4.00%
-6.00%
-8.00%
Change in Employment %
0
1
2
3
4
Years From Start of Recession
1990-91 Recession
2001 Recession
2007 Recession
Source: Author's analysis of Current Employment Statistics, BLS

Appendix A continued



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