Virginia Employment Monthly

Virginia Employment Commission

September 2022

Virginia Unemployment Rate for August 2022

Virginia's August Unemployment Rate Declined 0.1 Percentage Point in August to 2.6 Percent; Labor Force Participation Rate Decreased to 63.7% and Employed Virginians Fell by 5,186

- Virginia's **seasonally adjusted unemployment rate** decreased in August to **2.6 percent,** which is 1.0 percentage point below the rate from a year ago. According to household survey data in August, the labor force decreased by 7,142 to 4,346,858 as the number of unemployed residents decreased by 1,956 to 114,103. Virginia's seasonally adjusted unemployment rate continues to be below the national rate, which rose to 3.7 percent.

- The Commonwealth's **labor force participation rate** edged lower to **63.7 percent** in August. The labor force participation rate measures the proportion of the civilian population age 16 and older that is employed or actively looking for work.

- Virginia's **nonagricultural employment**, from the monthly establishment survey, rose by 16,700 jobs in August to **4,085,300**. July's preliminary estimate was revised down by 2,200, subtracting from that month's job gain. In August, private sector employment increased by 7,400 jobs to 3,361,900 while public sector employment climbed by 9,300 to 723,400. Increases within that sector occurred in local government (+8,700 jobs), federal government (+300 jobs), and state government employment (+300 jobs).

- Employment rose in eight of eleven major industry sectors, was unchanged in one, and declined in two. The largest job gain during August occurred in government employment, with an increase of 9,300 jobs to 723,400. The second largest increase occurred in miscellaneous (+2,400 jobs) to 188,000. Education and health services was third, with a gain of 2,100 jobs, rising to 568,600.

- The largest job loss during August occurred in leisure and hospitality (-2,400 jobs) to 410,300. The second largest decrease occurred in finance, with a decrease of 900 jobs to 205,900.

Virginia Employment - August 2022 (seasonally adjusted)

United States Unemployment Rate (August 2021 - August 2022 percentage point)	**3.7%** (-1.5)
Virginia Unemployment Rate (August 2021 - August 2022 percentage point)	**2.6%** (-1.0)
Civilian Labor Force (August 2021- August 2022 Change)	**4,346,858** (2.1%)
Labor Force Participation Rate (August 2021 - August 2022 Change)	**63.7%** (1.6%)
Total Nonfarm Employment (August 2021 - August 2022 Change)	**4,085,300** (3.0%)
Number of Establishments, 1st Quarter 2022 (1st Quarter 2021 - 1st Quarter 2022 Change)	**310,760** (3.1%)
Average Weekly Wage, 1st Quarter 2022 (1st Quarter 2021 - 1st Quarter 2022 Change)	**$1,366** (6.6%)

Unemployment Rates (percent) - July 2022 (not seasonally adjusted) (July2021 - July 2022 percentage point)

Virginia	**2.9 (-1.3)**
Blacksburg-Christiansburg-Radford MSA	3.0 (-0.6)
Bristol MSA (VA part)	3.1 (-1.1)
Charlottesville MSA	2.8 (-0.9)
Harrisonburg MSA	3.0 (-0.6)
Lynchburg MSA	3.3 (-1.0)
Northern VA MSA (VA part)	2.5 (-1.3)
Richmond MSA	3.1 (-1.3)
Roanoke MSA	2.9 (-1.0)
Staunton-Waynesboro MSA	2.7 (-0.9)
Virginia Beach-Norfolk-Newport News, Virginia/NC MSA (VA part)	3.3 (-1.4)
Winchester, Virginia/WV MSA (VA part)	2.4 (-0.8)

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What's Really Happening to Workers' Earnings?

An Overview of Inflation and Real Earnings

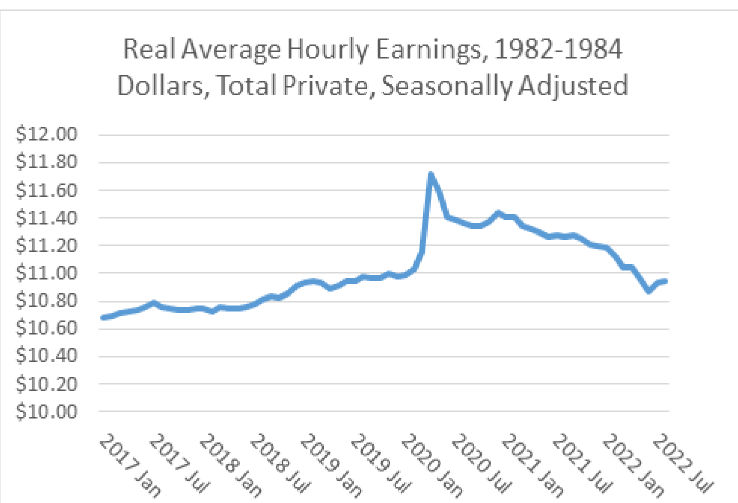
Data emerged from the Bureau of Labor Statistics in September 2022 indicating a 0.2 percent increase in real average hourly earnings for all employees from July 2022 to August 2022 and a 2.8 percent decrease from August 2021 to August 2022, seasonally adjusted. Real average weekly earnings decreased 0.1 percent over the month due to the 0.2 percent increase in real hourly earnings combined with a 0.3 percent decrease in average workweek. Over the year, real average weekly earnings decreased 3.4 percent as real hourly earnings decreased 2.8 percent and average workweek decreased 0.6 percent.

Why should we care what happens to real earnings?

Real earnings are earnings adjusted for inflation, as opposed to **nominal earnings**, which refer to earnings in terms of current dollars. **The consumer price index (CPI)**, which is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services, is used to measure inflation and adjust nominal earnings for inflation. Changes in the CPI and changes in the value of real earnings indicate changes in purchasing power, or how much "bang you get for your buck." In other words, when nominal earnings experience a smaller increase than the increase in prices, consumers lose purchasing power.

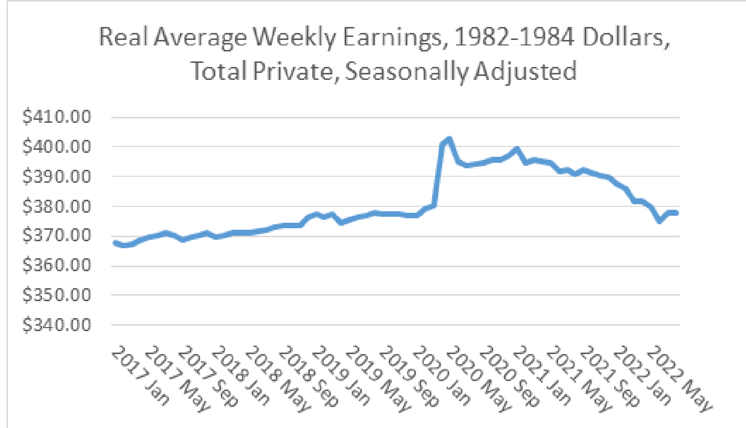
Although August saw a slight increase in real average hourly earnings, real earnings have been trending down both over-the-month and over-the-year for most of 2022, as can be observed in **Figures 1-4. Figures 1** and **2** show real average hourly earnings and real average weekly earnings for all employees in 1982-1984 dollars for the last five years from 2017-2022, respectively. **Figure 3** shows the over-the-month and over-the-year percent change in real average hourly earnings, while **Figure 4** shows the same calculations for real average weekly earnings.

Figure 1



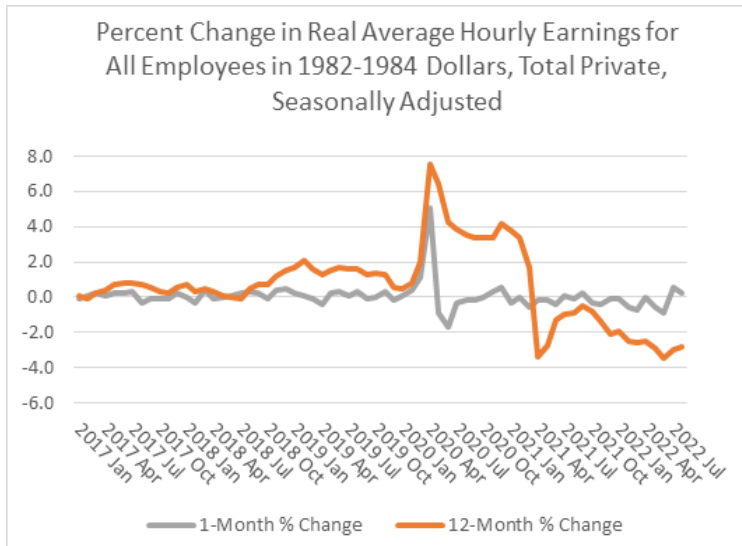
Source: Bureau of Labor Statistics

Figure 2



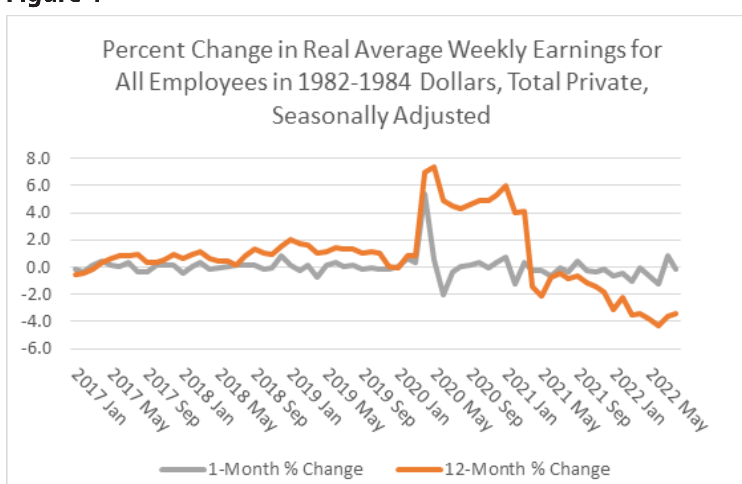
Source: Bureau of Labor Statistics

Figure 3



Source: Bureau of Labor Statistics

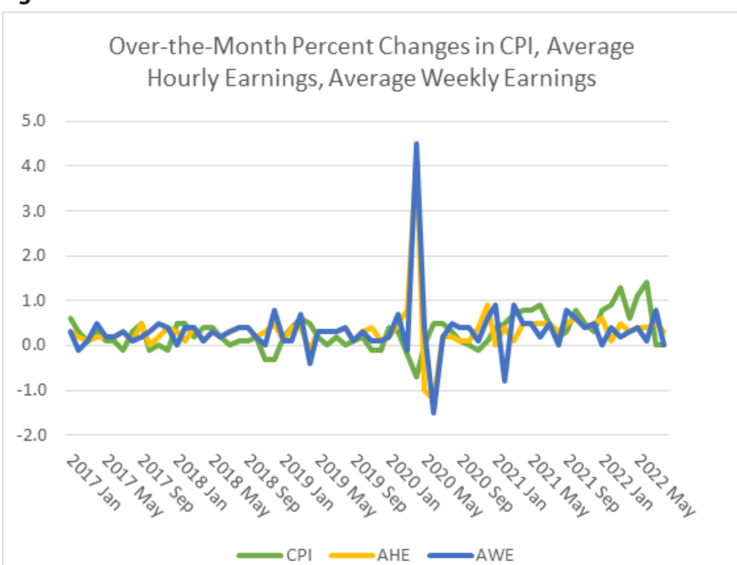
Figure 4



Source: Bureau of Labor Statistics

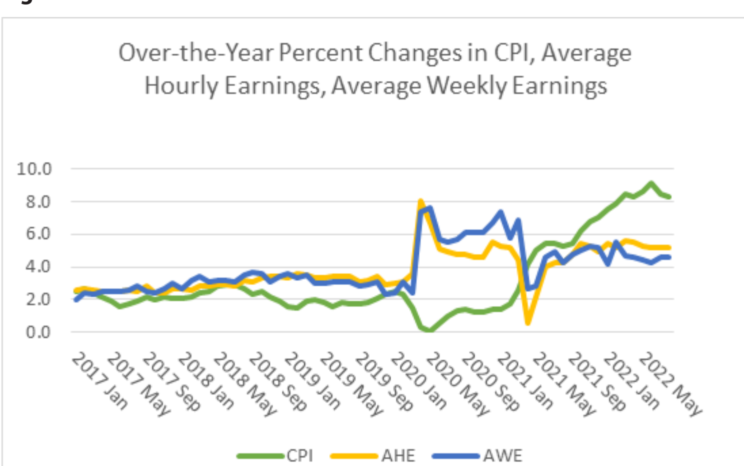
This recent trend of declining real earnings comes at a time of increased concern over inflation and a potential recession. According to the Bureau of Labor Statistics, the 12-month period ending with June 2022 saw consumer prices rise 9.1 percent, the largest increase in 40 years since the 12-month period ending with November 1981. Over the same year, the nominal average weekly earnings for all employees increased by only 4.2 percent. From this, we can surmise that although nominal earnings are increasing, real earnings are decreasing. In a labor market as tight as today's, where available jobs are plentiful and available workers are scarce, there is an expectation that real earnings would be on the rise as employers attempt to lure in workers, or at least that nominal earnings would increase as much as inflation. However, as the data suggests and as you can see from **Figure 5** and **6** below, which compare percent changes in CPI with percent changes in nominal average hourly and average weekly earnings, nominal wage increases have not been keeping up with price increases for parts of 2021 and most of 2022, bringing employee's purchasing power down and putting additional pressure on consumers who are also faced with increased interest rates.

Figure 5



Source: Bureau of Labor Statistics

Figure 6



Source: Bureau of Labor Statistics

So why are nominal earnings increases not keeping up with inflation rates?

One reason for this could be wage rigidity, or the tendency for wages to resist change. Although this phenomenon typically describes wages' resistance to downward trends, the general concept may still apply here: real wages will not rise until there is sufficient pressure for them to rise; they have the tendency to stay the same. It takes not only pressure but time for wages to adjust. In our current economic situation, it appears wages are "stickier" than prices. Perhaps prices are simply rising too fast this year and wages cannot adjust quickly enough. On the other hand, the downward trending real earnings that we see may be a result of wage trends regaining balance and sustainability as earnings decrease from the 2020 spike when firms were attempting to lure in workers and keep them participating in the work force during the beginnings of the COVID-19 crisis.

Another theory from the Federal Reserve Bank of St. Louis' blog proposes that the labor market is not quite as tight as it seems, and employers are not as focused on luring in workers as the data may suggest. David Andolfatto and Serdar Birinci from the St. Louis Fed suggest that the conventional measure of available workers may be an inadequate measure when it comes to estimating the "tightness" of the labor market. The traditional calculation of labor market tightness uses the number of job vacancies and the number of unemployed persons actively seeking a job. However, this figure does not encapsulate those that are currently employed and job seeking. Many workers do not become unemployed before finding a new job. When the category of persons seeking a job that are currently employed are added to the calculation, the measure of vacancies per available worker is relatively lower than only accounting for unemployed workers seeking a new job. Therefore, the job market may be a little looser than the traditional calculation suggests, and there may be less pressure on firms to attract workers using higher wages. Andolfatto and Birinci also suggests that perhaps workers, instead of receiving increased real wages, are seeing an increase in non-pecuniary benefits such as more flexible work schedules.

In many ways, Andolfatto's and Birinci's theory lines up with data from other sources such as ADP Research Institute. In their August 2022 monthly employment report, ADP reported that Americans who have changed jobs over the past 12 months have seen their pay climb 16.1% over the year ending with August 2022. Comparing this figure to that of job-stayers, who experienced a pay increase of only 7.6%, it is evident that job quitters are the ones who are making the biggest wage gains. Without including those job seekers who are currently employed, the calculation for labor market tightness may not be fully representative of reality, as proposed by the St. Louis Fed's blog post.

Another important measure related to real earnings is labor productivity. Labor productivity measures how efficiently workers convert resources or inputs to outputs of goods and services. It is measured in real economic output per labor hour. If a firm's labor productivity increases, one would expect an increase in real earnings, as workers are bringing more value to the firm per hour and would be compensated for their marginal value. On the other hand, a loss in worker productivity typically leads to changes like layoffs and budget cuts. In the first quarter of 2022, the Bureau of Labor Statistics reported the largest decline in quarterly nonfarm business sector labor productivity since 1947: an overall decline of 7.3 percent, as output decreased 2.3 percent and hours worked increased 5.4 percent. An environment of falling labor productivity is not conducive to rising real earnings, except in instances where a real earnings increase is used by firms as an incentive to encourage increased worker productivity.

Does this mean we are in a recession?

A recession is a period of temporary economic decline typically signified by a decrease in GDP for two successive quarters. Although the Bureau of Economic Analysis has indeed reported two successive quarters of decreasing GDP, many economists are in debate over whether America is truly experiencing a recession. According to the general, traditional definition of recession, the United States entered a recession during the summer of 2022. However, other economic indicators such as the low unemployment rate and high corporate earnings are not indicative of a recession just yet. Additionally, the National Bureau of Economic Research (NBER), the organization that defines U.S. business cycles, maintains a slightly different definition of recession. For NBER, a recession is a significant decline in economic activity that is spread across the economy and lasts more than a few months. The United States, which maintains a strong job market and maintains relatively small declines in GDP, may not have hit this marker just yet.

Regardless of whether or not these factors indicate a recession, a decrease in real earnings is arguably one of the worst outcomes of the current economic situation. While a reduction in GDP indicates a lack of efficiency and a decrease in overall economic activity, a decrease in real earnings means that purchasing power has decreased. This potentially hits the poorest sectors of the economy the hardest, as a loss in purchasing power on already minimal earnings means that some families may not be able to afford their basic necessities, especially if they are already living paycheck to paycheck. Overall, could this be a warning sign that a recession is beginning? Only time, expectations, and the choices of economic agents will tell.

What does this recent trend mean for our economic way of thinking?

Measures of inflation indicate the health of an economy and help economists and government agents create monetary and fiscal policy. Inflation can come from a variety of sources, including an increase in production costs leading to a decline in supply (cost-push inflation), a sustained surge in demand (demand-pull), or fiscal and monetary policy (such as tax laws and interest rates). Once inflation begins, the expectation of inflation is set. Economists have related the inflation rate to unemployment with the Phillips curve, which shows an inverse relationship between unemployment rate and inflation. Common thinking behind the Phillips curve suggests that inflation can begin with an increase of earnings, which causes an increase in overall demand (workers now have more money to spend!), shifting the demand curve and increasing the overall prices of goods. The general hope is that lower unemployment sparks higher wage growth, and higher inflation is just a necessary by-product of this. Many economists believe that this process can lead to what is called a wage-price spiral. In a wage-price spiral, rising earnings increase disposable income, which raises demand for goods and services and causes prices to rise. Rising prices increase demand for higher earnings, which increase production costs and puts further upward pressure on prices, creating a vicious cycle of inflation. This kind of price-wage spiral can perpetuate indefinitely without intervention by the government with fiscal and monetary policy. While the wage-price spiral theory makes sense and is plausible, there is a breakdown when it comes the current economic situation. Rising prices may be increasing demand for higher wages, but nominal wages are only increasing slightly, and it is not enough to maintain the real wage in the face of high inflation. In this economic situation, the demand for higher wages is not translating to higher real wages, whether it is because of a decrease in employee bargaining power, sticky wages, lack of information about inflation, or simply the fact that prices increased too quickly.

One last thing to note is that, of course, this does not mean that everyone gets a pay cut. While the CPI is a reliable indicator of inflation, consumers have different demands and differing baskets of goods and services that they purchase. Some prices factored into the CPI have increased more than others, particularly the price of gas and energy. While unfortunately demand for energy is relatively inelastic and increased prices will affect most consumers, not everyone will consume the same amount nor the same basket of goods. Reality is much more nuanced.

What can be done?

For workers, this decrease in real earnings is bad news. Consumers, on average, are losing purchasing power, cost of production is up for firms, and the poorest consumers may find themselves not being able to afford their basic necessities.

The good news is that real earnings can still increase without contributing to even more inflation. With monetary policy and quantitative easing, The Federal Reserve should be able to keep inflation at bay while allowing sustainable real earnings growth as well.

Additionally, now is the time for inventors to come out and show their stuff! If new technology can help increase labor productivity across the board, real wage growth can occur without raising inflation as much as in the wage-price spiral. Workers can become more productive with new inventions, raising the real wage.

Trust Fund Data - August 2022

Financial Data

- Trust Fund Balance (millions) $1,451.7
- Tax Revenue (Monthly) (millions) $26.3

Benefits Data

- Benefits Paid (Monthly) (millions) $20.7
- Average Weekly Benefit $350.44
- Initial Claims (YTD) 121,683

Initial and Continued Claims

Initial Claims:

- There were 28,304 initial claims in August
- Initial claims rose by 58.1% over the month.
- Year-to-date initial claims were over 73.6% lower in August 2022 compared to the same period in 2021, though that magnitude of difference has trended steadily downward since last March.

Continued Claims:

- There were 77,703 continued claims in August 2022.
- This was a 16.5% increase over-the-month and a 59.8% decrease over-the-year.
- Year-to-date continued claims were 76.0% lower than during the same period in 2021.

*Claims counts include interstate and intrastate.

Claims Data

	Initial Claims	Recipients	Final Payments
August 2022	28,304	13,430	4,724
July 2022	17,908	10,796	2,376
August 2021	49,863	26,181	5,036

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Upcoming Events

Virginia Department of Corrections

If you're thinking about a career change and want to make a difference in others lives, please join us! We are looking for Correctional Officers and Probation Officers.

Bring your resume, same day interview and offer.

Date:

Wednesday, October 19, 2022 -

9:00am to 5:00pm

Address:

1400 E. Market St. Harrisonburg, VA 22801

Type of Event:

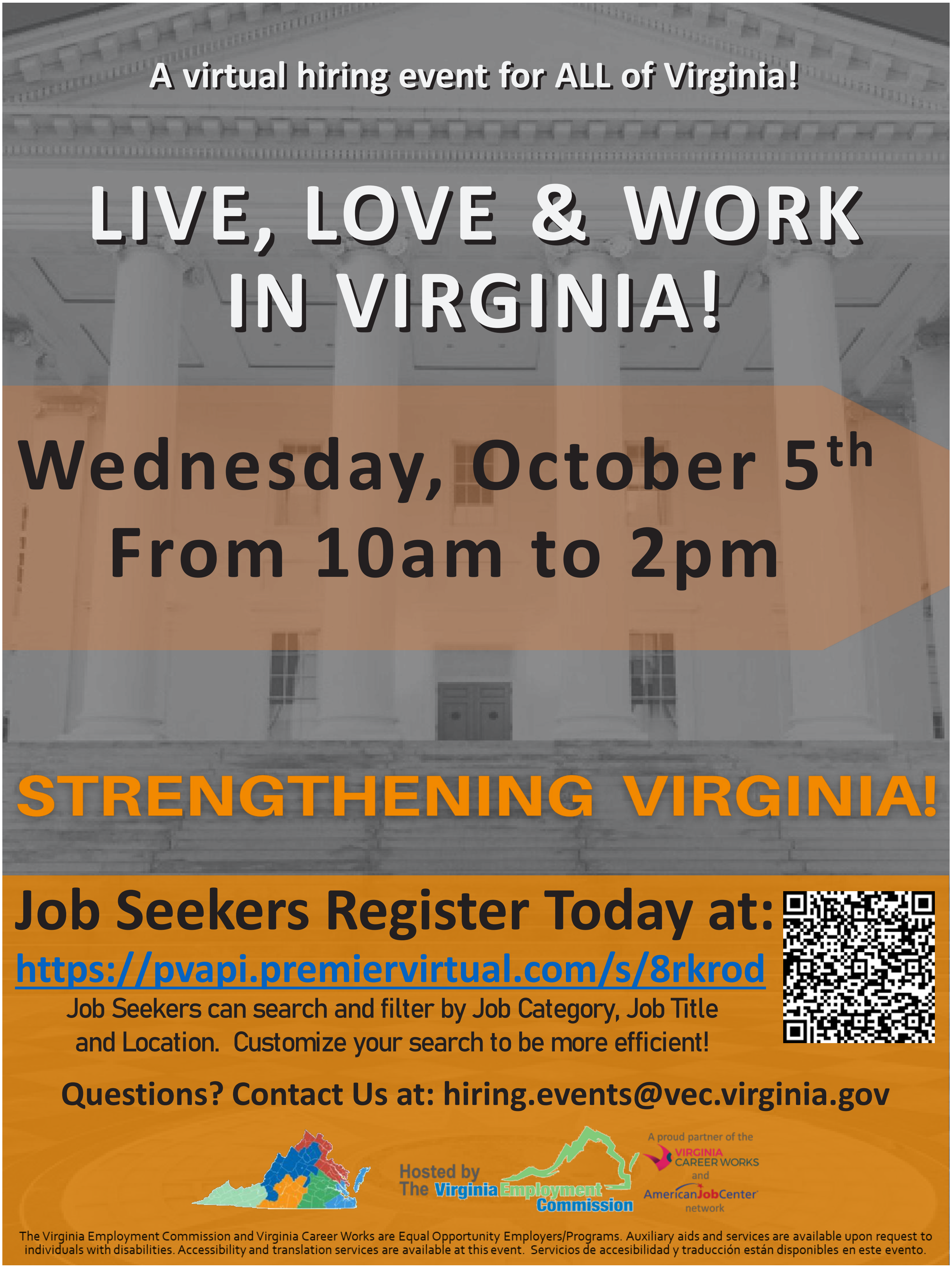
VEC Sponsored Job Fair

Target Area:

Statewide

For more Info on Upcoming Job Fairs, Visit the Job fair page at

https://www.vec.virginia.gov/job-fairs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From 10am to 2pm
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