

Virginia's labor force showing new signs of life



By **Aaron Gregg** November 25

Virginia's employment pool—those gainfully employed or looking for work—has been steadily shrinking for years, mirroring a national decline that has reshaped the labor force.

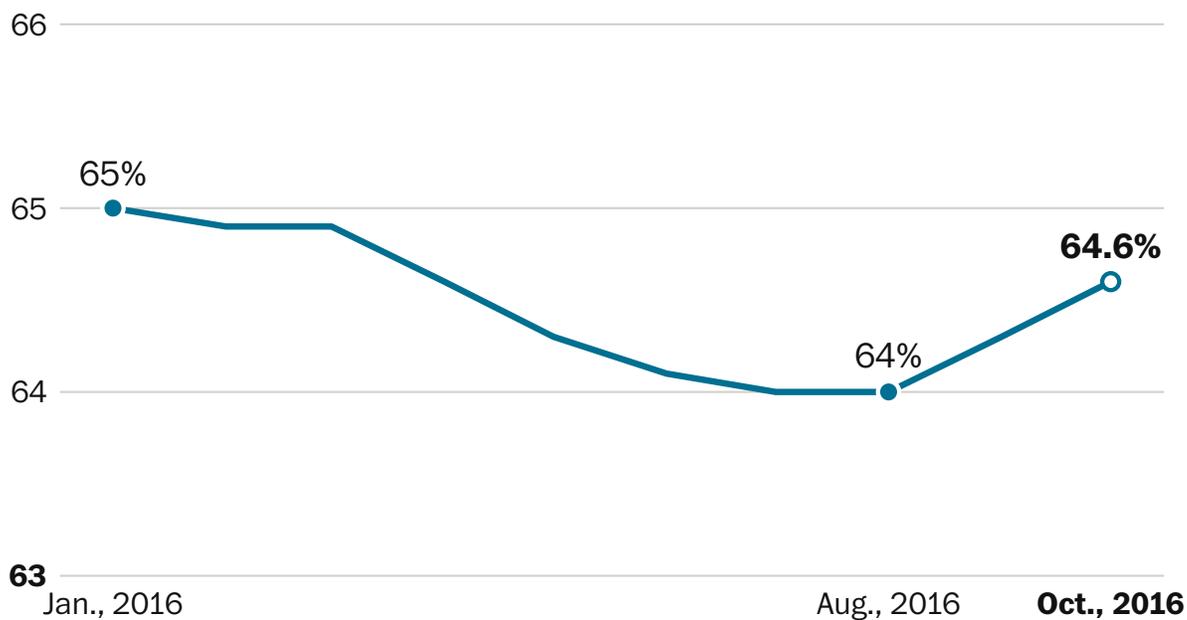
But in the Old Dominion, that might be starting to change.

Between September and October, 27,000 new job-seekers stepped back into the Virginia economy, by far the largest month-over-month increase in the size of the labor force since the survey began in 1976, according to seasonally-adjusted government data released last week.

The influx drove a 0.6 percentage point increase in the share of the state's population that is working or looking for work.

Virginia's labor force has been declining for years, but recent data suggest it is recovering

Virginia's labor force as a percent of total population, seasonally adjusted.



Source: Bureau of Labor Statistics/Washington Post WASHINGTON POST

The declining labor force has attracted notice from experts on both ends of ideological spectrum. A recent report from Brookings Institution documented stark racial disparities in those who are out of work nationally, possibly contributing to economic inequality. Business groups say it has put a damper on economic growth by making it harder for some businesses to fill key positions.

The causes of the decline are unclear. Some say it's driven by aging baby boomers retiring in large numbers, leaving long-held positions vacant. Others worry that young workers are deliberately choosing to stay at home, disillusioned by poor prospects and still-low pay amid a fragile recovery.

“It’s been worrisome for quite a while that we haven’t had labor force participation gains,” said Stephen Fuller, a regional economist with George Mason University. “And we know there is a large percentage of that potential workforce who have been unemployed for a lengthy period...they just haven’t gone to work for years.”

If there was one silver lining, it was that the declining labor force nationally has been accompanied by plunging unemployment rates, as more and more people actively looking for jobs found them.

But those trends could be reversing themselves in Virginia, as the state's unemployment rate quietly edges upwards. The state's unemployment rate bottomed out at 3.7 percent in July before climbing by half a percentage point to 4.2 percent leading up to October. Economists say the jump in the ranks of the unemployed is probably related to the subsequent influx of new workers, and not to any weakness in hiring.

“The fact that [unemployment] increased matters less than the reason for its increase,” said Anirban Basu, a regional economist with Sage Policy Group, “and the reason is a positive one: more people believe that their search for a job will prove fruitful.”

The spike in new workers was so large in October that some prominent regional economists want to see more data to be sure the number was not a blip. The Bureau of Labor Statistics often retroactively modifies estimates downward as it collects more information, so it's possible the 27,000 additional workers will be corrected downward a few months from now.

“It's such a big number I can't imagine that's the truth,” Fuller said. “There's no obvious explanation as to where that huge number of workers came from compared to the previous months.”

And yet the size of the state's labor force has grown for three successive months, suggesting more workers and slightly higher unemployment rates could be here to stay. That shift would run contrary to what is happening nationally. The national labor force participation rate has changed little in the past two years, remaining more than three percentage points below its pre-recession perch.

One difference in Virginia is that job creation has been strong. The state's economic engine of Northern Virginia has been adding jobs at a faster rate than the nation as a whole, a 2 percent growth rate compared to this time last year.

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Those watching the local economy say more people in the labor force is probably a good thing for the state's economy, even if it takes a while for them to find new jobs.

"You can't grow your economy without having more workers," Fuller said.

Wage growth is yet to take off for the average worker, but economists have noticed pay rates are starting to edge up for certain high-skilled jobs across the state, perhaps giving idle workers a stronger incentive to rejoin the labor market. Richmond Fed economist Andy Bauer reports hearing anecdotally that businesses are thinking about using pay increases to help fill vacant jobs.

The skills mismatch has caused pay rates to rise sharply in a few hyper-specific job categories like cybersecurity and software development, even as raises are hard to come by in more traditional industries.

In Northern Virginia, these jobs are driven primarily by the region's classified military and intelligence contractors, an employment pool available mainly to those with some combination of technical skills and military experience. D.C.-based Sparks Group, a recruiting firm that works with local employers, said positions that require security clearances are currently growing at the fastest rate since 2002.

Aaron Gregg covers the local economy for Capital Business, the Post's local business section. He studied music (Jazz guitar) and political science at Emory University in Atlanta, and has a graduate degree in public policy from Georgetown. [🐦 Follow @Post_AG](#)

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