Hiring starts to pick up across nation

New data encouraging, but experts expect jobs problems to linger

By Paul Davidson
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WASHINGTON — Employers shed just 11,000 jobs in November, far fewer than expected, as the pace of job losses in construction, manufacturing and retail slowed and companies began hiring temporary workers to handle increased demand.

The unemployment rate fell to 10 percent from 10.2 percent, the biggest drop since April 1998, the Bureau of Labor Statistics reported. The rate hit double digits in October for the first time in 26 years.

"It's a very encouraging," says James O'Sullivan, chief economist at MF Global.

But Clemson University economist Bruce Yandle, writing in his monthly report, "The Economic Situation," said he expects the jobless rate "will rise a bit more."

"We can expect to see an average of 9.5 percent for all of 2010 and 8.4 percent for 2011. By 2012, we should begin to see lower single-digit unemployment rates again, provided no major disturbances occur along the way," he said.

The 11,000 jobs lost are the fewest since the recession started in December 2007. BLS also revised down the number of jobs lost in October from 190,000 to 111,000, and in September from 219,000 to 139,000.

Analysts had expected a loss of about 123,000 jobs in November.

The November jobs report was packed with encouraging milestones. The number of unemployed people fell 325,000 to 15.4 million, the biggest decline in 10 years.

John Ryding of RDQ Economics says the report signals the nation could start to gain jobs in December, several months earlier than many economists expected.

But others were more cautious. Wells Fargo chief economist John Silvia says while the trend is distinctly positive, the numbers are seasonally adjusted, so the estimate of job losses might be low as a result of huge cuts a year ago. Both he and O'Sullivan believe job losses will continue for several months, with unemployment peaking around 10.5 percent in the first quarter.

Still, economists are heartened by clear signs that employers are increasing work hours and hiring temporary employees to meet rising demand, first steps before hiring permanent workers. The number of temporary workers jumped 52,400, largest increase in five years.

The average work week ticked up to 33.2 hours from a record low 33 hours. Since May, the work week for factory employees has increased by an hour to 40.4 hours. Average hourly earnings also edged up to $18.74 from $18.73 in October.

Meanwhile the pain eased a bit for some hard-hit sectors of the labor market. The jobless rate for adult men dipped to 10.5 percent from a record 10.7 percent, while teen-age unemployment eased to 26.7 percent from a record 27.6 percent. The underemployment rate — which includes the unemployed, people working part time even though they wanted full-time work and those who stopped looking for worked — slipped to 17.2 percent from a record 17.5 percent.

A discouraging note: the number of Americans out of work six months or longer hit a new high of 5.9 million, or 38.3 percent of those unemployed, up from 5.6 million the previous month.

Among industries, manufacturers cut 41,000 jobs, down from 61,000 in October.

The construction industry shed 27,000 jobs, vs. 62,000 the previous month.

And retailers sliced 14,500 jobs, down from 40,000.

Besides temporary services, the health care industry continued to add jobs, boosting payrolls by 21,000.

In another positive economic report, the Commerce Department says orders to U.S. factories unexpectedly rose in October, the sixth gain in the past seven months. It was further evidence that the manufacturing sector is beginning to recover, which will help support the overall economy.

Orders rose 0.6 percent in October, much better than the flat reading that economists had expected. A jump in demand for commercial aircraft and petroleum products led the gain.

Orders for durable goods, items expected to last three years, rose 0.6 percent, unchanged from a preliminary estimate last week. Orders for nondurable goods rose 1.6 percent, propelled by gains in demand for petroleum, chemicals, plastics and food.

The services sector gained 58,000 jobs last month, while manufacturing and construction shed 69,000. Education and health services added 40,000 jobs, and government employment rose 7,000.

The participation rate, or the percentage of the population employed or looking for work, fell to 65 percent, lowest since the recession began. Once laid-off people stop hunting for jobs, they are no longer counted in the unemployment rate.

Even as layoffs are easing, the slow pace of hiring is causing headaches for political leaders. The employment report comes a day after President Barack Obama hosted a "jobs summit" at the White House, where he told economists, business executives and union leaders that he is "open to every demonstrably good idea" to create jobs.

Democrats in Congress, meanwhile, are considering legislation that would extend jobless benefits for those who have run out and help the unemployed pay for health care coverage. Those measures could cost up to $100 billion.

Jobs remain scarce even as the economy is growing slowly. The nation's dross domestic grew at a 2.8 percent pace in the July-September quarter after shrinking for a record four straight quarters. Economists expect it is growing at a similar pace in the current quarter.

Still, that may not be enough to generate large numbers of jobs. Federal Reserve Chairman Ben Bernanke warned Thursday that "unemployment could remain high for some time even if, as we anticipate, moderate economic growth continues."

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