BUSINESS

Job gains could increase in '13

Experts cite growing economy, need to replace laid-off workers, more than were necessary

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Friday's economic reports delivered seemingly incongruous messages: The economy shrank in the fourth quarter for the first time since the recession, but job growth was more robust than initially estimated.

In fact, job growth the past two years was noticeably stronger than initial estimates, according to revised Labor Department figures released, even while the economy has plodded along at a lackluster pace.

That makes forecasting job gains for 2013 especially tricky. Will the same pattern continue? Will the economy shift into a higher gear and catch up to the job market? Or will job growth lose steam without stronger economic gains?

The answer depends on which economist you ask. Several top economists expect stronger payroll gains to continue this year due to both an ongoing need to make up for excessive layoffs in the recession and an improving economy.

Another possibility is that the weak economic growth will be revised up, more closely matching the job gains.

Last week initially brought the jarring news that the economy contracted at an annual rate of 0.1 percent in the fourth quarter, mostly because of temporary factors. Still, the economy has grown at a tepid pace of 1.5 percent to 2 percent each of the past two years.

Then, the Labor Department said that monthly job growth averaged 175,000 in 2011 and 181,000 in 2012. It previously estimated monthly gains of 153,000 each of those years.

"It suggests the economy has been creating jobs at a meaningfully faster clip," said Mark Zandi, chief economist of Moody's Analytics.

Typically, however, economic growth of more than 3 percent is needed to create that many job additions, said Jim O'Sullivan, chief U.S. economist of High Frequency Economics.

This isn't a typical recovery, however. Even modest economic growth is requiring strong hiring because employers cut more workers than necessary in the recession and were reluctant to hire early in the recovery. Instead, they worked existing employees harder.

"That can only go on so long" as employees become overtaxed, said Dean Maki, chief U.S. economist of Barclays Capital.

O'Sullivan doesn't think such strong job growth can be sustained this year without a more robust economic expansion.