BUSINESS

Job hopes rise as layoffs decline

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WASHINGTON — A handful of economic reports released Thursday raised hopes for an improving job market with fewer layoffs and more hiring.

Productivity slowed more than initially estimated in the first quarter of the year, a sign that employers are struggling to squeeze more work out of leaner staffs.

The number of people filing first-time jobless claims dipped for the second consecutive week but remains elevated for the year.

And an index that tracks activity in the U.S. service sector showed job growth in May — the first time in 28 months.

Economists anticipate Friday's employment report will show that 513,000 jobs were added in May. Still, many are approaching the report with caution, noting that a majority of those jobs are expected to be temporary census work.

"The jobs data so far this morning haven't screamed strength, but they continue to set an encouraging tone," said Jennifer Lee, an economist at BMO Capital Markets.

Productivity advanced at an annual rate of 2.8 percent in the January-March period, the Labor Department said Thursday. That is the slowest pace in a year and lower than the 3.6 percent rate the government initially reported last month. Labor costs declined at a 1.3 percent annual rate, slower than the 1.6 percent drop initially estimated.

The downward revision in productivity reflected the government's revised estimate of total output as measured by the gross domestic product. GDP was revised to show the economy growing at a 3 percent rate in the first quarter, down from an initial estimate of 3.2 percent.

Less output translated into slower growth in productivity, which is a measure of the amount of output per hour of work.

The first-quarter rise in productivity was the smallest increase since a 0.9 percent gain in the first quarter of 2009. Productivity soared in final three quarter of 2009.

A separate Labor report Thursday showed layoffs fell for a second straight week. They dipped by 10,000 to 453,000 last week. Still, the declines come after a sharp increase three weeks ago and claims remain at elevated levels.

Jobless claims are closely watched by economists because they are considered a gauge of layoffs and a measure of companies' willingness to hire new workers.

After falling steadily in the second half of last year, claims have leveled off and are now only slightly below the level they were at the beginning of this year. That's raised concerns among some economists that hiring is still sluggish.