

Job market ekes out

While growth modest, continuing trend upward encourages analysts

By Christopher S. Rugaber

The Associated Press

WASHINGTON — The American job market improved modestly in October, and economists looking deeper into the numbers found reasons for optimism — or at least what counts for optimism in this agonizingly slow economic

recovery.

The nation added 80,000 jobs. That was fewer than the 100,000 that economists expected, but it was the 13th consecutive month of job gains. Fears of a new recession that loomed over the economy this summer have receded.

The unemployment rate nudged down, to 9 percent from 9.1 in September.

"Those are pretty good signs," said Michael Hanson, senior economist at Bank of America Merrill Lynch. "We're hanging in there."

No one looking at Friday's report from the Labor Department saw a quick end to the high unemployment that has plagued the nation for three years. The jobless rate has been 9 percent or higher for all but two months since June 2009.

The government uses a

survey of mostly large companies and government agencies to determine how many jobs were added or lost each month. It uses a separate survey of households to determine the unemployment rate.

The household survey picked up a much bigger job gain — 277,000 in October, and an average of 335,000 per month for the last three months. The household survey picks up hiring by companies of all sizes, including small busi-

nesses.

The household survey is more volatile and less comprehensive than the other survey, and is not followed as closely by economists. Still, job growth in the household survey has not been this strong for three months since the end of 2006.

People counting themselves self-employed increased by 200,000 in October, accounting for most of the increase, but it is difficult for economists to ex-

gains

plain the three-month trend.

Economists pointed out other bright spots in the unemployment report:

» Average hourly wages rose 5 cents a week, to \$23.19. More pay for workers means they have more spending power in the economy. Many businesses are waiting for customer demand to pick up before they hire in big numbers again.

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» August and September turned out to be much better months for job creation than first thought. The nation added 104,000 jobs in August and 158,000 in September, a total of 102,000 more than earlier estimates. The August figure was first reported as zero.

» The number of people considered long-term unemployed, meaning they have been looking for work for at least six months, fell by 366,000, to 5.9 million. That is the fewest since April.

"Overall, while this report is not good enough, several key numbers are now moving in the right direction," Ian Shepherdson, an economist at High Frequency Economics, a data analysis company, told clients. He said the prospects for the next few months "seem to be improving."

The job gain was the smallest in four months. And because the popula-

tion is always growing, it takes many more jobs, about 125,000 a month, to keep up with growth, more to bring down the unemployment rate.

The job market turned consistently negative in February 2008. The nation lost jobs for 25 months in a row — almost 8.8 million in all. Since then, the economy has only recovered 2.3 million jobs. The adult non-military population has grown 7.5 million.

The Federal Reserve earlier this week lowered its economic forecast for the rest of this year, and said unemployment is not expected to fall significantly through the end of next year. It should still be at 8 percent even through 2013, the Fed said.

President Barack Obama will almost certainly go before voters next November with the highest unemployment of any sitting president seeking re-election since World War II. The highest so far was Gerald Ford, who faced 7.8 percent unemployment in 1976 and lost to Jimmy Carter. Ronald Reagan faced 7.2 percent unemployment in

1984 and beat Walter Mondale in a landslide.

Obama, appearing at the G-20 economic summit in Cannes, France, said the U.S. economy is growing "way too slow." He repeated his call for Republicans in Congress to pass his \$447 billion jobs bill, a mix of tax cuts and spending on roads and rail lines.

"There's no excuse for inaction," the president said.

On Thursday, Republicans in the Senate blocked a \$60 billion measure for building and repairing infrastructure, the third in a string of defeats for Obama's jobs agenda. Republicans opposed it because it was tied to a tax surcharge for the wealthy and because they said it cost too much.

Republicans laid blame on Obama and Democrats in Congress for the economy's problems.

"At virtually every step of the way, President Obama and Democrats have increased uncertainty," said Rep. Kevin Brady, R-Texas. "This has discouraged businesses from making new investments."

Hiring last month was broad. Professional and business services, which includes the accounting, engineering and temporary help industries, added 32,000 jobs. Hotels, restaurants and entertainment companies added 22,000. Health care added 12,000.

The construction industry cut 20,000 jobs for the month, the most since January. That industry is examined closely because a pickup in the housing market could add force to the economic recovery.

The private sector added 104,000 jobs for the month, but state and local governments cut 24,000 jobs, resulting in the net increase of 80,000. State and local governments have cut 288,000 jobs this year. That's unusual for an economic recovery, when state, local and federal governments typically are hiring workers.

But as the economy recovers and they receive more tax revenue, those layoffs should be limited in the months ahead, said Carl Riccadonna, senior U.S. economist at Deutsche Bank.

The number of discouraged workers, those who have given up looking for work and are no longer counted as unemployed, is down 47,000 from last year, at about 2.55 million. And there were fewer people with part-time jobs who were looking for full-time work, another positive sign.

The economy grew at an annual rate of 2.5 percent in July, August and September, its best performance in a year. In the first half of this year, the economy expanded at the slowest pace since the Great Recession ended in June 2009.

The stronger economy over the summer was powered by consumer spending, which grew three times as fast as it had this spring. Americans spent more even in the face of fears of a new recession and wild gyrations in the stock market.

Still, companies appear to be waiting for customer demand to pick up even more before they hire again in great numbers. People have been dipping into savings to finance their spending, and that

may not be sustainable.

Companies learned during and after the recession to live with fewer employees. Worker productivity rose from July through September by the most in a year and a half. More productivity is usually good because companies can pay workers more without raising prices. But workers generally are not getting raises this time.

The Federal Reserve this week lowered its forecast of economic growth to 1.7 percent for this year, down from a forecast of 2.7 percent issued over the summer. It also says unemployment will not come down substantially through the end of 2012.

The economy has absorbed a series of body blows this year.

In the spring, the devastating earthquake and tsunami that struck Japan disrupted manufacturing of cars and other products in this country. The price of gas rose to a national average of almost \$4 a gallon.

Then in the summer, Washington was seized by gridlock over the nation's long-term debt problem.