Jobless rate falls to nine-year low

Unemployment now at 4.6%; solid 178,000 jobs added in November

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The labor market perked up modestly in November as employers added 178,000 jobs and the unemployment rate fell to a nine-year low, providing more evidence of a solid economy in the final payroll report before an expected Federal Reserve interest rate hike.

The unemployment rate, which is calculated from a different survey than the payroll total, fell from 4.9% to 4.6%, lowest since August 2007, the Labor Department said Friday. That's because 226,000 Americans left the labor force, which includes those working and looking for jobs. Economists surveyed by Bloomberg expected 180,000 job gains.

Businesses added 156,000 jobs, led by professional and business services. Federal, state and local governments added 22,000.

Payroll gains for September and October were revised down by a total 2,000. September's was revised to 208,000 from 191,000, and October's to 142,000 from 161,000.

Average hourly wages pulled back after two solid advances, falling 3 cents to $25.89. Earnings are up 2.5% the past year, down from a seven-year high of 2.8% the previous month. The Fed is seeking faster wage gains as a sign of accelerating inflation before boosting its benchmark interest rate for the first time this year. Yet monthly wage figures are volatile, and the Fed is likely "to downplay the significance of one weak reading," economist Jim O'Sullivan of High Frequency Economics says.



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Edgar Colomer, left, speaks to a recruiter for IHOP restaurants during a job fair Nov. 15 in Sunrise, Fla.

Barclays economist Michael Gapen thinks the Fed will place more emphasis on the sharply declining unemployment rate and smaller labor force, which "are likely to place further upward pressure on inflation" as employers lift paychecks to attract workers.

"There's absolutely nothing (in the report) that says to the Fed they shouldn't" raise rates at a mid-December meeting, economist Joel Naroff of Naroff Economic Advisors says.

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Meanwhile, a broader measure of unemployment that includes discouraged workers on the sidelines and part-time employees who prefer full-time jobs, as well as the unemployed, dropped from 9.5% to 9.3%, lowest since April 2008.

Hurricane Matthew, which hit the Southeast in early October, seemed to suppress employment that month as some workers in the region stayed home, and many economists expected a positive snapback effect in November. More broadly, however, average monthly job growth has moderated this year to about 180,000 from a pace of 229,000 in 2015. While employer demand remains solid, the low unemployment rate has spelled a reduced supply of workers, slowing hiring.

The November employment gains "are about as good as you can get given the lack of available workers," Naroff says.

Yet noting the economy has created jobs for a record 74 consecutive months, Deputy Labor Secretary Chris Liu said in an interview, "It highlights the stark contrast of the economy we inherited and the one we're passing off to our successor." The U.S. was in the throes of the Great Recession and losing hundreds of thousands of jobs each month when President Obama took office in January 2009.

Fed officials have said monthly additions of only about 100,000 are needed to continue to bring down the jobless rate. But earlier this year, a return of discouraged workers to the labor force kept unemployment elevated and appeared to temper wage pressures, giving policymakers more leeway to leave rates lower a bit longer without stoking inflation.

With the labor force shrinking in October and November, some economists think that trend largely has played out, keeping the Fed on track to lift rates.

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Rate hike still on table for Fed

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