

Job-seekers, including Sophonias Gizaw, center, of Seattle, wait in line in April to attend a job fair, in Tacoma, Wash. TED S. WARREN/AP

JOBLESS AID CLAIMS DIP TO 5-YEAR LOW

Layoffs have returned to pre-recession levels

By Christopher S. Rugaber
Associated Press

WASHINGTON — The number of Americans who applied for unemployment benefits fell by 4,000 last week to a seasonally adjusted 323,000, a five-year low. Layoffs have returned to pre-recession levels, a trend that could lead to more hiring.

The Labor Department said Thursday that the less volatile four-week average dropped 6,250 to 336,750. That the fewest since November 2007, one month before the Great Recession began.

Applications are a proxy for layoffs. Weekly applications have fallen about 9 percent since November and are now at a level consistent with a healthy economy. The last time weekly applications were lower was in January 2008, when they were 321,000.

Economists were largely encouraged by the decline.

"This is a very positive trend and we should embrace it," Jennifer Lee, an economist at BMO Capital Markets, said in an email to clients.

The job market has also improved over the past six months. Net job gains have averaged of 208,000 a month from November through April. That's up from only 138,000 a month in the previous six months.

Much growth has come from fewer layoffs — not increased hiring. Layoffs fell in January to the lowest level on records dating back 12 years, though they have risen moderately since then. Overall hiring remains far below pre-recession levels and unemployment remains high at 7.5 percent.

For hiring to increase enough to rapidly lower the unemployment rate, companies must gain more confidence in the economy. But some have held off adding new workers in recent months, possibly because of concerns about the impact of federal spending cuts and tax increases.

The Federal Reserve said last week that the federal government's policy changes are "restraining economic growth."

But Dean Maki, an economist at Barclays Capital, pointed out that the decline in unemployment aid applications suggests companies are not too worried about the fiscal drag. He notes they are responding to the government's actions by reducing hiring and cutting back on their employees' hours — not laying off workers. That means they anticipate the weakness will be temporary.