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Trickle of new jobs creates hope

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The economic recovery shifted into a higher gear in recent months as businesses started creating a trickle of new jobs, spurring optimism that the days of double-digit unemployment levels of 10 percent and more are over.

The Labor Department's unemployment report last week showed more than 200,000 jobs have opened since November, providing the clearest sign to date that the recovery has entered a new stage, where it could become self-perpetuating without further assistance from Congress or the Federal Reserve.

The news of job growth after a two-year drought signals the beginning of what economists call a "virtuous cycle" in the economy. New jobs — even temporary ones — provide consumers with incomes, giving them the wherewithal to steadily increase spending. The growth in consumer spending, in turn, propels the economy forward, spurring businesses to further increase hiring and make new investments.

"The resumption of job growth suggests the recovery is sustainable," said Aaron Sweet, an economist at Moody's Economy.com. Even excluding a 48,000 increase in temporary hiring by the Census Bureau last month for the decennial census, 123,000 jobs were created in a variety of private industries, from manufacturing and construction to health, education, hospitality and temporary business services.

That unexpected development "should ease concerns that the labor market rebound will falter when census jobs end this summer," Mr. Sweet said. "The recovery appears to have plenty of momentum."

The re-emergence of job growth — which began with a 64,000 increase in jobs in November that wasn't previously reported — raises the prospect that the unemployment rate, which has held steady at 9.7 percent since January, may have peaked after hitting a high of 10.1 percent in October.

Forecasters — including White House economic advisers — have widely predicted another uptick in unemployment into the double-digit range as discouraged workers see the availability of new jobs and respond by surging back into market looking for work. An estimated 2.3 million people are too discouraged to look for jobs and have dropped out of the labor force, artificially holding down the unemployment rate.

But some economists say that history shows that a big and sustained drop in unemployment like the one since October is unlikely to reverse, especially since job growth may prove sufficient to absorb new entrants into the work force. The level of monthly job growth needed to keep the unemployment rate from rising is about 100,000, and any growth above that might be sufficient to slowly draw down unemployment.

"The unemployment rate has probably peaked, but it will not fall quickly," said William C. Dunkelberg, chief economist at the National Federation of Independent Business, a small-business organization. New jobs often are created by small businesses, and he said members of his association are starting to hire again, but they are showing "little enthusiasm" about the recovery because sales continue to be weak.

That may be about to change. Consumers are showing signs of spending more as they find jobs and gain income. Reports released last week showed strong growth in auto sales, and retailers have been reporting steady gains and a pickup in shopping at all kinds of stores this year.

"The consumer seems to be recovering faster than expected," said David Wyss, chief economist at Standard & Poor's Corp., noting the revival of auto spending last month after two weak months of car sales. "Only the construction sector remains as a major drag on the economy, and even construction jobs rose in March after sharp drops during the stormy winter months."

Bernard Baumohl, chief global economist at the Economic Outlook Group, said consumers and businesses have begun to realize that "this economic recovery may just be the real deal."

"We've waited for a long time for a report that shows companies are back in a hiring mood again," and that came on Friday, he said. "After two years of unrelenting bad employment news, we finally got some good news."

While the number of jobs being created is "not strong enough to warrant any uncorking of champagne bottles," **Mr. Baumohl** said, the momentum will continue to build. "With each successive economic report showing the recovery is genuine, employers will post more [help] wanted ads."