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Economy Gains Impetus as U.S. Adds 290,000 Jobs

By MOTOKO RICH

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Despite growing unease in the financial markets, the American economy is gathering steam, adding an unexpectedly large number of jobs last month.

The Labor Department's monthly snapshot of the job market, released on Friday, showed that employers added 290,000 jobs in April — the largest gain in four years — and that they did so across a broad swath of industries. The United States has now added jobs for four consecutive months.

The unemployment rate, however, crept up to 9.9 percent, from 9.7 percent in March, mostly because of a significant increase in the number of people who had previously given up deciding to look for work again.

Major stock gauges in the United States rose briefly on the unexpectedly strong job growth report before gyrating in a trading day marked by continuing fears about spreading European debt woes and concern about structural weaknesses in the stock markets that may have contributed to a terrifying sell-off on Thursday.

European leaders were meeting in Brussels over the weekend on ways to reassure investors that the heavily indebted countries within the euro zone would not face debt defaults and to restore confidence in European banks.

The stock market has raced higher this year, before retrenching the last few days, and some American companies have posted record profits. But stock investors increasingly fret that the economic recovery in the United States could be threatened by a European-led debt crisis.

Economists suggest that as long as the debt crisis is primarily contained to Greece, or even a few other countries, the effect on the United States will be minor.

A full-blown financial crisis across Europe, however, could affect banks in the United States, and in turn, how much credit they offer American companies or consumers.

Another potential risk for the American economy is foreign investors fleeing to the dollar and abandoning the euro. That would strengthen the dollar, making it difficult for American companies to sell their goods abroad.

“I think at this point the U.S. economy has a very good chance of being able to continue its recovery despite the uncertainty in Europe,” said **Bernard Baumohl**, chief global economist at the Economic Outlook Group. “But the threat is real, and we have to be vigilant and very nimble.”

President Obama called April’s job report “particularly heartening.” He noted that “this week’s job numbers come as a relief to Americans who’ve found a job, but it offers, obviously, little comfort to those who are still out of work.”

All manner of businesses were hiring, including those in manufacturing, leisure and hospitality and health care. One of the strongest gains occurred in manufacturing, which added 44,000 jobs, the largest increase since 1998.

The Census Bureau contributed 66,000 temporary jobs last month.

Yet, in a sign that many people will struggle to find a job even as the economy improves, the number of people who have been out of work for more than six months hit 6.7 million, nearly 46 percent of the unemployed. “The economic recovery and expansion is entrenched, sustained and sustainable,” Allen L. Sinai, chief global economist at Decision Economics, said. But he warned that the economy faced numerous challenges, including the need for the United States to deal with its own domestic debt and a possible downturn in exports to Europe.

“It’s like having symptoms of a heart attack,” Mr. Sinai said, “either you ignore them or take preventive action to make sure there will be no heart attack.”

The increase in April was accompanied by a revised gain for March of 230,000 jobs, up from 162,000. While the levels of the last two months exceeded the 150,000 jobs a month that many economists say is necessary to accommodate new entrants to the job market, they were still not nearly as high as the average after previous recessions.

The number of unemployed people actually rose slightly from March, to 15.3 million. And the so-called underemployment rate — which includes people whose hours have been cut as well as those working part time because they cannot find full-time jobs — rose to 17.1 percent, from 16.9 percent in March.

At the current rate, the economy will take years to absorb the more than eight million people who lost their jobs during the recent downturn.

Thomas J. Duesterberg, president and chief executive of the Manufacturers Alliance/MAPI, a trade association, said that increases in exports as well as consumer demand for automobiles and computers were driving part of the rebound. But he pointed out that 16 percent of all manufacturing jobs were lost during what has come to be known as the Great Recession and that a tiny portion of those had been added back so far.

Mr. Duesterberg said the alliance was forecasting that slightly more than half of all manufacturing jobs lost during the [recession](#) would return — but not until 2014.

On the home front, he said consumers were only cautiously returning to the market, battered by declines in housing and personal savings.

Leisure and hospitality added 45,000 jobs, and the health care industry, which has shown growth throughout the recession, added 20,100.

Economists were of two minds about whether to be worried about the rise in the unemployment rate. Some suggested that it was a temporary move associated with transitions in the labor market, while others saw extended pain for the unemployed.

The rise in the unemployment rate was associated with a growing willingness by people who sat on the sidelines during the recession to once again look for work as the economy picked up. The government figures showed that 195,000 people returned to the work force in April.

“The unemployment number went up for the right reasons,” said Joshua Shapiro, chief United States economist for MFR. “It was a sign of strength, because you just had more people reentering the labor force, which is typically what happens in turning points.”

As expected, state and local governments lost 6,000 jobs in April. Their budget cuts probably foreshadow further job losses in the public sector.

Labor market experts also focused on wages and average hours worked in a week. Although the average workweek inched up to 34.1 hours, suggesting that workers are taking home slightly bigger paychecks, actual hourly wages were up only 1 cent, to \$22.47, in April. Average hourly earnings were up 1.6 percent over the last 12 months.

Economists suggested that such anemic wage increases, if they were to slow any further, could contribute to a deflationary environment. And labor market specialists said they were concerned about what would happen as the effects of the government [stimulus package](#) wound down and unemployment benefits began to run out.

Such fears confront Antoinette F. Vitacco, a 53-year-old Queens woman who worked as the supervisor at a New York call center in 2007 when her company downsized.

In early 2008, she found herself unemployed and, for the first time in her life, receiving unemployment benefits. “I went from making \$65,000 a year to making \$430 a week,” said Ms. Vitacco.

Over the last two years, she said, she has sent out 200 to 300 résumés, tailoring each one to fit the potential job.

She has been unable to find any work, she said, and her unemployment benefits ran out this month. She has no health insurance and she fears she is aging out of the work force.

“I have worked my whole life,” Ms. Vitacco said. “Now I have no more safety net, and it terrifies me.”

Christine Hauser contributed reporting.