

2011: A hiring boom, even at 9% unemployment

By Chris Isidore

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NEW YORK (CNNMoney) -- After three years of economic pain, a growing number of economists think 2011 will finally bring what everyone's been hoping for: More jobs and a self-sustaining recovery.

"We're looking at some leading indicators on employment, and they're all flashing green lights," said **Bernard Baumohl** of the Economic Outlook Group, a Princeton, N.J. research firm.

Though most economists still expect a painfully high unemployment rate of about 9% at the end of this year, some think that stat masks more important signs of strength.

Baumohl and some other economists forecast between 2.5 million and 3 million jobs being added to U.S. payrolls in 2011, about triple the gains likely to be recorded in 2010 and what would be the best one-year jump since the white hot labor market of 1999.

That wouldn't be enough to climb out of the 8-million job crater created by the Great Recession and won't bring down the unemployment rate by a significant amount. An improved job market could even bring a short-term rise in the jobless rate, as those discouraged from job hunting resume looking for work and are once again counted as unemployed.

But the forecasted hiring boom could get the economy back into gear and provide real relief for many Americans.

Those projecting better hiring in 2011 point to a number of factors. Among them, job openings by employers rose 17% from June to October of this year, the most recent reading available from the Labor Department, and are up by about a third compared to a year earlier.

And there has been a downward trend in newly laid-off workers filing for **initial jobless claims, which fell below 400,000** in the most recent reading for the first time since the summer of 2008. That might have been distorted by the holiday season and bad weather, but the four-week average is also at a two-plus year low.

On the business front, capital expenditures -- typically followed by expansion and hiring -- have been on the rise.

"Forecasters generally underestimate the strength of a recovery once it is underway," said Bill Cheney, chief economist for Manulife Asset Management. He's forecasting 2.5 million to 3 million new jobs this year.

"Once things get moving, they feed on themselves," he said. "There is so much pent-up demand. People have been frugal for three years. There will be a lot of new cars, a lot of new furniture, a lot of people moving out of their parents' basement."

A rebound in the creation of new jobs has the potential to help both the still struggling housing market and the economy as a whole. Many recent college grads or those who lost their homes or jobs have been stuck living with friends or family members. As they find work and move back out on their own, they'll have to spend.

About 3 million fewer jobs were added over the course of the past three years compared to the annual average of first eight years of the last decade.

"Jobs feed income and income feeds more consumer spending. Consumer spending hasn't come back in a meaningful way compared to other

recoveries," said Brett Ryan, economist with Deutsche Bank. His firm forecasts consumer spending will finish 2010 up between 1.4% to 1.7% when the final numbers are in, but that will jump to more than 3% growth next year.

Baumohl says another non-traditional employment indicator, the number of day-care workers, has been edging up for four months and is now about 2% higher than a year ago. "People need more day care when they've got jobs to go to," he said.

The more bullish outlook is widespread. Of the 19 economists who responded to CNNMoney's surveys at the end of both the third quarter and fourth quarters, 16 had raised their growth forecast for 2011 from three months earlier.