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U.S. Jobless Rate Falls to 8.3 Percent, a 3-Year Low

By MOTOKO RICH
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The United States economy gained momentum in January, as employers added 243,000 jobs, the second straight month of better-than-expected gains.

And in a separate measure, the unemployment rate fell to 8.3 percent, giving a cause for optimism as the economy shapes up as the central issue in the presidential election.

Measured by both the unemployment rate and the number of jobless — which fell to 12.8 million — it was the strongest signal yet that an economic recovery was spreading to the jobs market. The last time the figures were as good was February 2009, President Obama's first full month in office.

The report sent stocks up by over 1 percent in trading on Wall Street.

The White House used the new numbers as a platform to appeal for an extension of the payroll tax cut and unemployment benefits. President Obama, speaking at a Washington-area firehouse to promote a jobs initiative for veterans, and warned that more help was needed and called on Congress to aid with the economic recovery.

“These numbers will go up and down in the coming months, and there's still far too many Americans who need a job or a job that pays better than the one they have now,” he said. “But the economy is growing stronger, the recovery is speeding up, and we have got to do everything in our power to keep it going.”

From the Republican side of the aisle, the House majority leader, Eric Cantor, welcomed the “encouraging” numbers but said there was still a need for “bold, pro-growth policies that reduce red tape and will help our nation's small businesses to succeed, expand and create new jobs.” The House speaker, John Boehner, called for a “new approach” to replace “the same policies that simply haven't worked as advertised.”

The job growth followed a December gain that was revised Friday to 203,000, from the original 200,000.

The private sector remained the engine of new job gains. While federal agencies and local governments continued to lay off workers, private-sector employers added 257,000 net new jobs in January. The industries with the biggest gains were manufacturing, professional and business services, and leisure and hospitality.

The promising numbers came as various economic indicators have painted an ambiguous picture of the recovery's strength.

Layoffs appear to be slowing as fewer people are filing claims for unemployment benefits, and factory orders have picked up.

But while sales of existing homes have started to rise, home prices continue to fall. Consumer spending is still restrained, and could come under further pressure with gas prices edging higher over the last four months and as consumers revert to building up savings.

Economists were encouraged by the strong numbers for January and broad-based increases in private sector employment. Seasonal factors may have affected some industries, like restaurants or construction, that showed strong hiring numbers in January.

Nevertheless, said Steve Blitz, senior economist for ITG Investment Research, the report exhibited strong gains in both manufacturing and related job categories, like transportation and warehousing and wholesale trade.

“You’ve got to give credit when things are moving in the right direction,” said Mr. Blitz, who has been cautious in his assessment of the recovery. “This is not a process that is going to be done in a month or two months or a year. It could take five or 10 years to get there, but what you’re going to continue to see is what is inside this report, which is the manufacturing sector is improving.”

Others were not convinced that job growth would be sustained at this high level.

“The problem is that there is this bifurcation here in the numbers,” said **Bernard Baumohl, chief global economist at the Economic Outlook Group**. “On the one hand we see rather impressive job growth, but on the other hand we’re also seeing other economic indicators that are telling us that the economy is fundamentally weak.” Mr. **Baumohl** cited moderate consumer spending and an overall economic growth rate that typically does not support this level of hiring.

The strong job numbers certainly belied the much gloomier picture of the economy painted by the Federal Reserve last month, when it declared it would extend plans to hold down short-term interest rates near zero through the end of 2014. In its statement, the Fed described weak hiring, a depressed housing market and continuing concerns in Europe.

“We’re going to have to really very carefully dig deep below the surface for these and a lot of other economic statistics to find a consistency of what is happening in the U.S. economy,” Mr. **Baumohl** said.

Although the number of unemployed people has been falling, the number is still about equal to the entire population of Pennsylvania, and long-term unemployment is one of the most crushing legacies of this recent recession. According to an analysis of December’s Labor Department numbers released earlier this week by the Pew Fiscal Analysis Initiative, nearly a third of the people who are jobless have been unemployed for a year or more. In January, the Labor Department reported that 5.5 million people had been out of work for six months or more.

Underemployment is another stubborn problem. The number of people working part time because they could not find full-time work was 8.2 million in January. Including that group and those who have stopped looking for work altogether, the broader measure of unemployment was 15.1 percent.

“You have an interesting situation where you have some permanent part-time workers,” said John Silvia, chief economist at Wells Fargo. “These people are in jobs and the jobs are not likely to become full-time.” He added: “That’s just a new flavor of the labor market.”

Sandy Pochapin, a 54-year-old former marketing manager, was laid off for the second time last May from a small business in Newton, Mass. Just before the start of the year she picked up a part-time job as a media consultant at an advertising agency. Her husband, a real estate lawyer, has also experienced severe cutbacks in his income.

The couple, who are now paying three times what they were paying for health care before Ms. Pochapin lost her job, have cut back on dinners out, and Ms. Pochapin said that replacing her eight-year-old Toyota Highlander was “not on the cards.” More painfully, the couple have had to dip into their college-aged son’s educational fund to keep up with mortgage payments and other expenses.

Ms. Pochapin, a member of several networking groups, said she compiles job leads and recently sent out a list with more openings than she had ever seen. "I would say things are picking up," she said. "But where they're picking up is not where people who have been unemployed long-term have skills." She noted that there were many job openings for jobs in mobile marketing or for digital media specialists.

Indeed, one of the perennial complaints of employers is that they cannot find workers with the skills they need. At Ancestry.com, a genealogy Web site in Provo, Utah, that wants to hire 150 engineers, data mining specialists and developers of mobile applications, Eric Shoup, a senior vice president, said that "while we find a lot of people who are unemployed, they are not the people who bring the skill sets we need for our business."

He said that virtually all the hiring that the company is doing now is of people it recruits from other firms. "We have very low unemployment in these specialized skill areas, so we are always hiring them away from somebody else," Mr. Shoup said.

Economists are beginning to worry about the self-fulfilling intransigence of long-term unemployment. "It's almost starting to look like there are two job markets," said Cliff Waldman, the economist at the Manufacturers Alliance, a trade group. "In spite of what is a nice fall in the unemployment rate for good reasons of employment gains and falls in unemployment, long-term unemployment is very sticky."

The labor market may also be shifting toward a world in which an increasing number of people will be working on a contract basis. Kathy Kane, senior vice president for talent management at Adecco Group, a job placement group, said the company was increasingly handling contracts to run entire manufacturing lines, call centers or accounting divisions.

Ms. Kane said companies were focusing on hiring a core group of people and leaving more support services to groups of contract workers. She said companies preferred the flexibility that allowed them to change the size of their work forces quickly.

"If they have to fluctuate those staffing levels, it's expensive for companies to lay people off and create severance packages or pay benefits," she said. "So if they employ them through a company like us, it's a good risk-management strategy."