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U.S. economy adds a robust 321,000 jobs in November

BY DON LEE - December 5, 2014

Providing a surprising and much-needed bit of momentum to a shaky global economy, U.S. employers ramped up hiring last month and reported a significant rise in wages — welcome news for American workers feeling left behind by the nation's slow recovery.

The U.S. economy added a robust 321,000 jobs in November across a broad spectrum of low- and high-paying positions, the government said Friday.

That was the biggest hiring spurt in nearly three years and puts the economy on track this year to create the highest number of new jobs since 1999.

"We waited a long time for this bounce-back," said Harry Holzer, a Georgetown University professor and former chief economist at the Labor Department. "It's been a full seven years since the Great Recession ... and now we're in a place fundamentally where we are stronger."

For American workers, average hourly earnings rose nine cents in November, the largest increase in 18 months and just in time for the critical holiday shopping period.

"Perhaps this is the first sign of a turning point," said Justin Wolfers, a senior fellow at the Peterson Institute for International Economics.

He cautioned that it was too soon to know whether the rise in earnings was a temporary fluctuation, following two previous months of unusually low growth, or the start of a long-term pickup. Throughout the recovery, average wages have barely kept up with inflation.

The nation's unemployment rate held steady at 5.8% last month as more people entered or returned to the job market in search of work.

For Douglas Price, manager at an audiovisual company in Michigan, there's no question that things are looking up. The 49-year-old remembers when he and his co-workers took a 12% pay cut during the recession and sluggish recovery. Now they're making up the lost ground.

"It's been getting slowly better," he said Friday. "Especially this year, it's been a real improvement. It's been a good sign."

To be sure, income growth for most American households has yet to return to pre-recession levels. And the jobs picture still has big dark spots, such as a high percentage of long-term unemployed and workers stuck in part-time work. The overall share of the working-age population in the labor market also didn't budge last month, remaining at the lowest level in 36 years.

But November marked the 10th straight month of job growth exceeding 200,000. And the latest acceleration was particularly encouraging given that much of the rest of the global economy is struggling with stagnant or slowing growth, something that President Obama noted in hailing Friday's employment news.

"Over the last four years, we've put more people back to work than Europe, Japan and all other industrialized advanced countries combined," Obama said.

Stock markets overseas and in the U.S. rose after the report, with the Dow Jones industrial average nearing 18,000. The dollar strengthened further, which could dampen American exports.

Moreover, the latest jobs report increases the likelihood that the Federal Reserve will start to raise its benchmark interest rate earlier than June, as many were expecting. The Fed rate has been pinned near zero since December 2008, and its eventual rise is likely to lead to higher costs for mortgages and other loans.

For now, though, the focus is on the pickup in hiring and the potential for higher earnings. Taken together with the recent plunge in gasoline prices, they buoyed hopes for strong retail sales during the holiday season amid rising consumer confidence.

Public views of the economy have improved with the job market. Gallup reported earlier this week that economic confidence in the U.S. had risen to its highest level in a year and a half, matching a post-recession high point.

Ratings of current economic conditions and expectations for the economy's future have both improved throughout the fall, Gallup's numbers show. Reflecting the country's partisan divide, Democrats are significantly more positive about the economy than Republicans, which has been true through most of Obama's tenure, but sentiment has improved among both groups.

"The year's last employment report left little ambiguity about labor market conditions," said **Bernard Baumohl, chief global economist at the Economic Outlook Group**. "The rebound in hiring, hours worked, overtime and wages all reflect an economy that is ready to enter 2015 with lots of momentum."

The strong finish to this year sharply contrasts with the grim start. Employers added just 144,000 jobs in January as the unusually frigid weather pummeled the economy. But since the first quarter, economic activity has rebounded strongly and is expected to stay fairly robust next year.

One of the most promising elements of Friday's report was the breadth of the job gains. Every major industry group bulked up their payrolls.

There were strong gains at retailers ahead of the holiday season, and a burst of new hires in the better-paying business-services category that includes computer programmers and engineers. Manufacturing, construction, healthcare and even financial services added a solid batch of jobs last month.

In November, the average hourly earnings for all private-sector employees saw a relatively large bump to \$24.66. That was an impressive month-to-month gain, but on a year-over-year basis, it was an increase of only 2.1%, just a notch higher than in October.

A better mix of new jobs, however, should give a lift to average wages. There are also signs that more workers are quitting jobs for better-paying work elsewhere, and employers' costs for compensation have edged higher.

As the U.S. job market tightens and economic growth advances, experts said companies will need to pay more for qualified workers.

"You can only squeeze so much out of them," said Sophia Koropecy, a labor economist at Moody's Analytics. "By next year, we'll see a real acceleration in wage growth."