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U.S. economy added 252,000 jobs in December

By Chico Harlan   January 9, 2015

The United States capped a yearlong hiring spree with another strong month of job growth in December, according to government data released Friday, helping to drive down the unemployment rate to 5.6 percent, a post-recession low.

The 252,000 jobs added last month gave the nation its sharpest year of labor market growth since 1999, evidence of what President Obama described this week as an American economic comeback.

Economists expect a strong 2015, buoyed by cheap oil and increased consumer spending that together can likely help the U.S. weather slumps in Europe, China and Russia. The unemployment rate has fallen from 6.7 percent one year ago, and nearly 3 million jobs were added during that time — an average of 246,000 per month.

Still, the U.S. comeback is not yet complete. It was only several months ago that the economy made up for the millions of jobs that disappeared during the recession — and that return to the old level doesn't account for the population increase. Meantime, wages for most workers are still stuck. Data from December showed that average private hourly earnings fell backward by five cents, to $24.57, a sign that the tighter labor conditions haven't yet translated into a boost to workers. U.S. stocks were down slightly Friday on the jobs news.

Earnings are up 1.7 percent from $24.17 one year ago. But adjusted for inflation, wages are essentially flat, and have been for most workers throughout the recovery.

The numbers released Friday "demonstrate that the economy has a very good tailwind, and they also demonstrate that there is a tremendous amount of unfinished business," Department of Labor Secretary Thomas E. Perez said in an interview. Perez said it was a priority to "make sure we address the business of stubbornly low real wage growth."

That wage decrease over the past month indicates that the nation has not yet reached "full employment" — a condition in which demand from employers is broad enough that workers have a degree of leverage and a chance to see pay raises. The latest numbers pose a dilemma for the Federal Reserve, which is using wage growth as one of its barometers for when to raise short-term interest rates. The Fed has indicated a hike could come in the middle of this year, but December's data likely buttresses the claim that it shouldn't come sooner.

Entering 2015, wages will get a slight push from minimum wage increases that go into effect in 21 states this month.

"I think the unemployment rate might have to go down to the low 5s before we start to see some upward pressure on wages," said Alan MacEachin, an economist at the Navy Federal Credit Union. "There are still too many folks out there that are willing to grab the jobs that are available."

Adding to the mixed signals, at least some of the unemployment rate drop in December was driven by people leaving the labor force — normally a sign of discouragement. The labor force participation rate fell by 0.2 percent in December. Workers who give up on a job hunt aren't counted in the unemployment rate.

Otherwise, the U.S. economy finished the year strong. The labor market expanded by an average of 246,000 jobs per month in 2014, and by an average of 284,000 jobs in the final four months. In the labor data released Friday, the government also revised upward the jobs growth from November — to 353,000, up from the original 321,000.

In a research note, Wells Fargo Securities called the late season job growth "an encouraging sign that the U.S. economic expansion is set to not only continue, but most likely accelerate in the coming year."

The job growth in December was broad-based and suggested strength in some traditional middle-class industries — particularly construction, which added 48,000 positions. Another strong sector was professional and business services — accountants, architects, consultants — which added 52,000 positions. The pick-up in better-paying industries is in noted contrast to periods earlier in the recovery, when growth was concentrated in part-time positions and the retail and health sectors.

The latest data also comes amid a flurry of encouraging domestic economic news. The United States has seen two quarters of gross domestic product growth unmatched since 2003. The Dow is near a record-high. The median duration of unemployment is about half what it was six years ago. And consumer confidence is at a post-recession high.

Even with wages stagnant, Americans are getting a boost from oil prices that have plummeted below $50 per barrel, down from around $110 in June. Cheaper oil leads most directly to cheaper gasoline. It also shaves off some of the transportation costs that are built into most consumer items, whether groceries or televisions. While both businesses and consumers benefit, cheap oil threatens to curb investment — and lead to job cuts — in oil-dependent states like Texas and North Dakota. Most economists say that the oil price drop is a net positive for the U.S. economy.

Noting the oil prices, the pace of job growth, and the GDP expansion, **Bernard Baumohl, the chief global economist of The Economic Outlook Group**, said in an e-mail that the U.S. was seeing “a perfect alignment of positive forces.”

“If these factors do not set the stage for more sustainable economic growth, faster hiring, and — yes — even larger wage increases, then we have to go back to the drawing board and revisit everything we know about how economies work,” he said.

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