

## 7 Reasons The Job Gains Could Last This Time

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

---

## 7 Reasons The Job Gains Could Last This Time

Paul Wiseman, AP Economics Writer

WASHINGTON (AP) — Wait — haven't we seen this movie before?

Companies are generating waves of jobs, and unemployment is down.

The same thing happened last year around this time. Then everything faded to black starting with the earthquake in Japan, which struck a year ago Sunday.

Does a happier ending await the job market this time? Economists seem to think so.

For reasons ranging from progress on Europe's debt crisis to a slowly improving housing market to slightly less gridlock in Congress, the economy and the job market appear better able to withstand setbacks than they were in 2011.

"The internal dynamics of the U.S. economy look pretty good right now," says Bill Cheney, chief economist at John Hancock Asset Management.

U.S. employers added 227,000 jobs in February, the third straight month of 200,000-plus job growth. The unemployment rate remained 8.3 percent, but it was 9 percent as recently as September. By all measures, the job market is strengthening by the month.

Then again, the numbers can conjure an unsettling sense of déjà vu. Last year, the job market had a similar three-month run. From February through April, the economy added an average 239,000 jobs each month.

Helping drive that growth was a new Social Security tax cut that put more money in paychecks for 160 million Americans. The tax cut gives \$1,000 a year, or nearly \$20 a week, to someone making \$50,000. It gives up to \$4,272 or roughly \$82 a week, to a household with two high-paid workers.

The Social Security tax cut was supposed to expire at the end of 2011. But under election-year pressure, Congress has extended it through 2012.

On top of that, a bond-buying program by the Federal Reserve drove interest rates on mortgages and other consumer loans to historic lows.

Yet just as things were perking up, a freeze descended on the economy and job market.

The March 11 earthquake and tsunami cut off supplies from Japanese factories to U.S. and other manufacturers. The Arab Spring protests escalated oil prices. And gasoline prices followed them up, to a painful \$3.98 a gallon by mid-May.

## 7 Reasons The Job Gains Could Last This Time

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

---

A clash in Washington over the federal debt limit brought the nation to the verge of default and sapped consumer and business confidence. Europe's debt crisis panicked investors and further shook confidence.

From May through August last year, job growth averaged less than 80,000 a month before regaining strength in the fall.

Economists expect the 2012 sequel to improve on the 2011 original. Here are seven reasons the job market appears on surer footing this time:

### — COMPANIES CAN'T SQUEEZE MORE OUTPUT FROM WORKERS

During and right after the Great Recession, companies shrank their work forces because demand plunged and fewer workers were needed.

Once demand started growing again, companies were reluctant to hire immediately. They managed to produce more with the employees they had. But now many companies are finding they can't continue to do more with less. As demand grows, they're finding they have to hire.

### — CONSUMERS ARE STURDIER

Since the recession, households have cut their debts and rebuilt savings. One key measure of household debt burdens — debt payments as a percentage of after-tax income — is at its lowest point since 1994, according to the Federal Reserve.

"Consumer finances are fundamentally healthier than they were," says Stuart Hoffman, chief economist at PNC Financial Services Group.

As the labor market has healed, Americans have worried less about losing their jobs. As a result, they're less likely to curtail spending — even in the face of shocks such as a 29-cent jump in gasoline prices in the past month to an average \$3.78 a gallon.

### — TENSIONS EASE IN WASHINGTON

The debt-limit showdown waged last summer between the Obama administration and congressional Republicans rattled confidence in America's leadership. It looked as if the United States might default on its debts for the first time in history because leaders couldn't reach a deal.

Since then, thanks in part to election-year pressures, tensions have eased. Republicans dropped threats to let the payroll tax expire. And in an unusual show of cooperation, House lawmakers from both parties backed a bill last week to make it easier for small businesses to obtain financing they need to hire and expand.

### — HOUSING IS INCHING BACK

The collapse of real estate lies at the heart of America's economic problems. House

## 7 Reasons The Job Gains Could Last This Time

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

---

prices have plunged 30 percent since 2006. The drop has wiped out \$7 trillion in homeowners' equity. Millions of construction workers have lost jobs.

Now, there are tentative signs of recovery. Apartment construction is growing. Construction jobs are slowly returning. Home builders are seeing more foot traffic and gaining confidence that sales will pick up in the spring buying season.

No one expects another boom. But real estate is no longer subtracting from U.S. employment. And there's hope among economists that higher sales could stop prices from falling further by spring.

Once home prices stabilize, more people will likely decide it's time to buy. And consumers who worry less about a loss of home equity — the main source of wealth for most people — are more likely to keep spending.

### — STATE AND LOCAL GOVERNMENT CUTS SLOWING

The Great Recession and the housing collapse dried up tax revenue for state and local governments. Many were forced to lay off teachers and other public workers. Since December 2008, state and local governments have slashed 613,000 jobs, offsetting some of the hiring by private companies.

But the cuts appear to be easing. State governments have added 10,000 jobs so far this year. Local governments last month added 2,000 — a modest total but only the third increase in two years.

"There's only so many teachers you can cut, so many police officers, so many firemen," says Mark Vitner, senior economist at Wells Fargo Economics.

### — EUROPE'S THREAT HAS SUBSIDED

Investors panicked last year over the prospect that Greece and some other European countries would default on their debts, stick banks with huge losses and trigger a global credit crunch. Such fears sent stocks tumbling and helped diminish U.S. consumer confidence in the second half of 2012.

But confidence is rebounding. Greece has received a \$172 billion bailout, pushing back the threat of a destructive default. And the European Central Bank has made more than \$1.3 trillion in low-rate three-year loans to banks since December, making clear it won't let the European banking system fail.

### — U.S. BANKS LENDING MORE TO BUSINESSES

After the September 2008 collapse of Lehman Brothers shook the financial system, U.S. banks cut loans to businesses in 2009 and 2010. The credit crunch fed the economy's misery by starving many companies of financing needed to grow and hire.

But banks are healthier now. So are the prospects for their business customers.

## **7 Reasons The Job Gains Could Last This Time**

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

---

Bank lending to businesses rose nearly 14 percent last year to \$1.35 trillion, according to the Federal Deposit Insurance Corp. Loans to small businesses grew at the end of last year for the first time since the FDIC started tracking them nearly two years ago.

William Dunkelberg, chief economist of the National Federal of Independent Business, says the outlook for hiring by small businesses offers "a better picture than we have seen for years."

Economists are still cautious. A shock like the Japanese quake or further Middle East turmoil could always reverse the gains. Ever-higher oil prices would hurt. And even with the improvements, the recovery from the 2007-2009 remains weaker than past recoveries.

But economists say the job market has likely gained enough momentum to avoid a repeat of mid-2011's gut-churning drop.

"This year will not be the same," PNC's Hoffman says. "We won't be sitting here in six months saying, 'Uh-oh, it was another false dawn.'"

**Source URL (retrieved on 08/01/2014 - 10:32am):**

<http://www.impomag.com/news/2012/03/7-reasons-job-gains-could-last-time>