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Job Growth Suggests Resilience of U.S. Recovery

By MICHAEL POWELL

The United States economy showed signs of kicking into gear in March, adding 216,000 jobs and prompting President Obama to proclaim a corner finally turned.

The president and his fellow Democrats pointed to the latest jobs report on Friday, and to an unemployment rate that fell a touch to 8.8 percent, as evidence that their policies, like stimulus spending and the payroll tax cut, were working. All of this, they made clear, could become ammunition in their showdown with House Republicans, who have spoken of cutting deeply into the federal budget and have threatened a government shutdown.

An emboldened Mr. Obama spoke of the political implications before several hundred workers at a United Parcel Service shipping center in Landover, Md.

“If these budget negotiations break down, we could end up having to shut down the government, just at a time when the economy is starting to recover,” Mr. Obama told the workers. “So given the encouraging news we received today on jobs, it would be the height of irresponsibility to halt our economic momentum because of the same old Washington politics.”

Administration officials hit the same points over and over on Friday. The private sector has added, on average, 188,000 jobs in the first three months of 2011, and 1.8 million jobs since the recovery began. March was the 12th consecutive month of private sector job growth, and the stock market moved slightly higher on the report from the Labor Department.

Manufacturing continued its unlikely — if still modest — revival in March, adding 17,000 jobs. Health care added 37,000 jobs in the month, and professional and business services added 78,000, although 37 percent of that came from increases in temporary help. The job figures for January and February were revised slightly higher, as well.

Yet March’s numbers also offered more than a few cautionary signs that the national economy was not cured of all its ills. The ranks of Americans who have been without a job for 27 weeks or more remain painfully high, at more than six million. And the labor force has shrunk steadily since the beginning of the recession, to a point that just 64.2 percent of adults are either in the work force or looking for a job. That is the lowest labor participation rate in a quarter-century.

For several months now, economists have expressed hope that unemployed Americans will take heart from signs of new hiring and re-enter the work force. That did not happen in March; the labor participation rate was unchanged.

“It is still a very inhospitable market for unemployed workers,” said Heidi Shierholz, an economist with the liberal Economic Policy Institute. “We still have five unemployed workers for every opening, and those are desperate times.”

The average workweek, too, was unchanged, at 34.3 hours, and average hourly earnings remained static. Such indicators point to an economy with much slack demand, hints of deflation and little upward pressure on wages. Real earnings, the Brookings Institution noted on Friday, have fallen 1.1 percent since last October.

“With excess supply of labor at very high levels, it is unlikely that we are going to see any meaningful acceleration in wage rates anytime soon,” Joshua Shapiro, an economist at MFR Inc., said Friday morning.

Though the overall unemployment rate has fallen to 8.8 percent — from 8.9 percent in February and from a peak of 10.1 percent in late 2009 — the rate remains especially high for blacks, at 15.5 percent, and for Latinos, at 11.3 percent. (In 2007, black unemployment stood at 8.3 percent, and was 5.6 percent for Latinos.)

In addition, local governments are experiencing a months-long bleed-off. Local governments have shed 416,000 jobs since an employment peak in September 2008, and dropped 15,000 jobs in March.

Teenage unemployment remains off the charts and long-term unemployment is only a tenth of a point below its record peak, said Heather Boushey, senior economist at the Center for American Progress, a liberal group. “Although, after years of watching things get worse, it’s good to see overall employment growing.”

The tension between Ms. Boushey’s two views of the economy, its deep problems and distinct signs of hope, can be seen in a Bureau of Labor Statistics summary that breaks the economy into 16 sectors. It shows construction workers with a 20 percent unemployment rate, and hotel and leisure workers at 13.2 percent. Yet the jobless rate has dropped in 13 of the 16 sectors since March 2010.

It also poses a policy conundrum for the Federal Reserve, whose governors will meet in April to consider their interest rate policy. How should the board view the economy: Is the economic engine at last beginning to purr, in which case some argue for throttling back and raising rates later this year? Or are the weaknesses still pronounced enough that it makes sense to keep flooding the motor with inexpensive money?

The Obama administration takes the view that it's too early to raise rates. Recoveries from financial shocks as severe as that of 2008 are often long and sluggish, and they argue against risking another setback.

Another question is what the midterm future augurs. Will jobs continue to expand through the spring, and with enough vigor — 300,000 a month, say — to substantially reduce the unemployment rate? As Ms. Shierholz said, if the economy adds 200,000 jobs a month, it will be 2019 before it reaches the employment rate that preceded this recession.

Many economists speak optimistically of the coming few months. "The private sector of the economy has been the locomotive pulling the economy forward," said Sung Won Sohn, an economics professor at California State University, Channel Islands. "Record exports, better-than-expected retail sales and the increase in business capital spending are part of the good news."

But some grow wary after that. The international storm clouds are many — spectacular debt problems in Europe, uprisings sweeping the oil-rich Middle East, and Japan's many crises. The worry is that these ills might press on consumer and business confidence.

"The first half of this year will be the best job market that we'll see in this whole expansion," said David Levy of the Jerome Levy Forecasting Center. "After that, and looking toward 2012, the situation is questionable."

For now, the United States economy weathered last month's global storms and still gained a healthy number of jobs. Austan Goolsbee, chairman of the President's Council of Economic Advisers, sounded content to leave it at that, for now. "We don't totally know the answer" about the effects of global turbulence, he said. "For now, it's a good sign that you had winds in March that appeared to put a hit on consumer confidence and yet that did not slow the engine."

This article has been revised to reflect the following correction:

Correction: April 1, 2011

An earlier version of this article mistakenly described the number of long-term unemployed -- those jobless for 27 weeks or more -- as the highest in a generation.

This article has been revised to reflect the following correction:

Correction: April 5, 2011

An article on Saturday about the jobs report for March misstated a statistic from a Brookings Institution analysis of the report. Real earnings have fallen 1.1 percent since last October, not "in the last year." (Before October, as the analysis noted, real earnings were trending slowly upward.)