

July 2, 2010

# Job Creation in Private Sector Remained Weak in June

By MICHAEL POWELL

The United States added just 83,000 private-sector jobs in June, a dishearteningly low number that could add to the growing number of economists who warn that the economic recovery has slowed to the point that it cannot generate enough job growth.

Over all, the nation lost 125,000 jobs, according to the monthly snapshot of the job market released by the Labor Department on Friday. Most of the lost jobs came as temporary workers hired by the federal government to help with the census exited their jobs. The unemployment rate, based on a different survey, declined to 9.5 percent in June from the previous 9.7 percent. This decline came only because the nation's labor force shrank by 652,000 jobs.

Just as last month's government job report appeared deceptively robust, as it was swollen by 411,000 workers hired by the federal government to help with the census, so the June report appears deceptively anemic, as the government shedding many of those same temporary census workers.

And signs of strength could be spotted. Although quite weak by historic standards, the 83,000 private-sector jobs created in June more than doubled the count in May. And in the first six months of last year, the nation lost 3.7 million private-sector jobs; during the first six months of this year it gained 590,000. Manufacturing continued a modest revival, as manufacturers added 9,000 jobs after hiring 32,000 in May. Amusement, gambling and recreation businesses added 28,000, as one might expect coming into the summer.

Health care inched up 9,000, for a 12-month gain of 217,000 jobs. And professional and business firms continued to add temporary workers, with 21,000 more last month. In past recessions, such hiring often was seen as a precursor to permanent hires.

President Obama focused on the positive aspect of the jobs report while acknowledging that it indicated the economy was still not recovering as quickly as the country needs. He pointed out that the report marked the sixth straight month of private-sector job growth.

"Make no mistake — we are headed in the right direction," Mr. Obama told reporters at Andrews Air Force Base before boarding Air Force One to fly to West Virginia for the funeral of Senator Robert Byrd. But he added: "We're not headed there fast enough for a lot of Americans. We're not headed there fast enough for me either."

He said the United States was still caught up in broader economic trends. "We continue to fight headwinds from volatile global markets," he said.

Indeed, the overall Labor Department numbers remain weak. The median forecast from economists was that the nation would add 110,000 jobs. The economy needs about 130,000 to 150,000 jobs just to keep pace with new workers entering the market. The labor pool is already packed with 15 million Americans looking for work.

Construction, hurt by plummeting home sales and depressed office market, shed 22,000 jobs — on top of 30,000 lost in May — and state and local governments cut another 12,000 jobs, numbers that most expect to accelerate sharply in coming months.

And the underlying data shows many signs of slippage. The labor-force participation rate — that is, the number of workers counted as participating in the national economy — fell by 0.3 percentage point, and there were slight decreases in the number of hours worked and average hourly earnings.

The picture remained unyieldingly grim from the long-term unemployed. The median duration of unemployment rose to 25.2 weeks in June, from 23.2 in May. And the percentage of long-term unemployed, those Americans who have been without a job for 27 or more weeks remained unchanged, stuck at its highest peak since the Labor Department began collecting such data shortly after [the Great Depression](#).

Digging a little deeper, the recovery from the Great Recession appears to be leaving more and more Americans behind. In June, about 2.6 million people were marginally attached to the labor force, an increase of 415,000 from a year earlier. This means they are not counted in the unemployment numbers but that they have looked during the past year and they want a job.

The overall unemployment rate, incorporating those discouraged and marginalized workers, stood at 16.5 percent.

"This economic recovery does not have enough momentum to sustain on its own without government help," said Sung Won Sohn, an economist at [California State University](#), Channel Islands, and former chief economist at [Wells Fargo](#). "It is a Catch-22 situation. Businesses are reluctant to hire for fear of a double-dip [recession](#). Without jobs, the economy can't grow limiting job growth and spending."

The week or so leading up to Friday's report had offered a grim rat-a-tat of statistics pointing to a slowing economy, and caused even a number of notably bullish economists to pull in their horns a bit. Auto sales were off more than expected, as sales plunged 30 percent in May, a far greater drop than expected. And unemployment claims rose by 13,000 to 472,000, which is far higher than usual if one is looking for signs that private payrolls are growing in a sustained fashion.

Private job growth has risen every month this year. But that growth slowed to a worrisome trickle in May, as the economy created just 33,000 jobs that month, according to revised figures released Friday. By way of comparison, the economy has lost 7.4 million jobs since the recession began in December 2007.

The stakes grow too, economically and politically, with each new jobs report. This summer's unemployment numbers unfold during the run up to the midterm Congressional elections loom this fall, with incumbents feeling particularly precarious.

In his remarks Friday morning, President Obama promised a "relentless effort" to create more jobs and announced nearly \$800 million in stimulus grants to expand broadband access to parts of the country where it is weak or nonexistent. The 60 projects to be financed, he said, would create 5,000 construction and installation jobs directly but also benefit tens of millions of Americans, 685,000 businesses, 900 health care centers and 2,400 schools. "We're investing in our people and we're investing in our future," he said.

[Christina Romer](#), chairwoman of the president's [Council of Economic Advisers](#), offered muted optimism. "These continued signs of healing are important, particularly given the recent volatility in world markets and the mixed behavior of other recent economic indicators," she said. "However, much stronger job gains are needed to repair the damage caused by the financial crisis and put the millions of unemployed Americans back to work."

The Obama administration has drawn criticism even from a number of prominent liberals, who worried that it was focusing on health care and financial reform rather than on jobs. But of late the administration has put much political currency into its effort to grow the economy, and most to the point, jobs. Only a month ago, after an April jobs report that showed employers added 290,000 jobs — a number revised Friday to 313,000 — Mr. Obama declared the numbers "particularly heartening."

Just two weeks ago, Vice President [Joseph R. Biden Jr.](#) christened this "Recovery Summer," with an emphasis on the jobs created by the administration's \$787 billion economic stimulus measure passed in February 2009. In fact, reports have found that millions of jobs were saved or created by the stimulus, but those numbers have been enough, at most, to tamp down the highest peaks of unemployment.

And it is not clear that even this can be sustained.

Many see consumers tapped out, states readying plans to lay off tens of thousands, and now a declining stock market, and they wonder where the economy will derive the fuel for a robust takeoff. The underlying narrative remains fairly

grim, as there are nearly five unemployed people for every job opening, and nearly half of those have been out of work for at least six months. And 3.2 million workers are about to lose their unemployment benefits because Congress declined to pass a bill authorizing that. "If this should occur," Joshua Shapiro, chief United States economist at MFR, noted Thursday, it "would obviously not be a sign of economic strength."

*Peter Baker contributed reporting.*