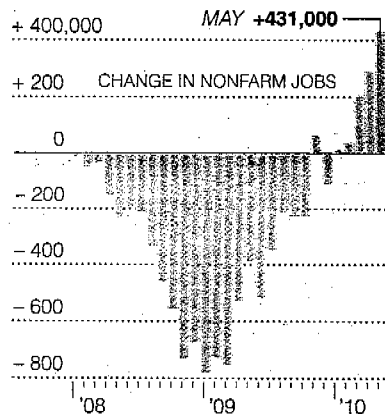


Bright job report hides darker story

Job creation

Government hiring of temporary workers accounted for most of the U.S. jobs added last month.



Source: Bureau of Labor Statistics

NEW YORK

Obama appears upbeat, but markets dip on signs that recovery will be slow

BY MICHAEL POWELL AND CHRISTINE HAUSER

A shadow fell across America's economic recovery on Friday, as the Labor Department's monthly report showed that private-sector job growth was considerably weaker than expected.

The headline numbers suggested a reason to be optimistic — employers added 431,000 jobs and the jobless rate fell to 9.7 percent from 9.9 percent in April. But the underlying numbers showed that almost all of the job growth came from the 411,000 workers hired by the federal government to help with the once-a-decade census of the U.S. population. Most of those jobs will disappear in a few months.

By contrast, the private sector added only 41,000 employees, far short of expectations of 150,000 to 180,000 jobs. And the number of long-term unemployed, those who out of work for 27 or more

weeks, remained at its highest rate since the Labor Department began collecting such data in the 1940s.

The Dow Jones industrial average was down 2.6 percent in midafternoon trading, while the Euro Stoxx 50 index, a barometer of euro-zone blue chips, closed 3.1 percent lower after reports from Hungary that its fiscal problems were escalating. The FTSE-100 index in London fell 1.6 percent.

Meanwhile, the euro slipped to \$1.1992 in afternoon trading in London from \$1.2162 late Thursday. (Page 15)

"It's a very, very grudging labor market," said Joshua Shapiro, chief economist for MFR. "A growing amount of evidence now points to this recovery taking a long time."

President Barack Obama tried to put a positive gloss on the report, telling workers at a trucking company in Hyattsville, Maryland, that the numbers showed an economy that was "getting stronger by the day."

Mr. Obama gave a nod toward the fact that hiring by the Census Bureau accounted for almost all of the new jobs. But he noted that the economy had added jobs in each of the last five months. "We are moving in the right direction," he said. "There are going to be ups and downs."

In fact, the May figures suggest a job market wheezing a bit after months of growth. The economy must add more than 100,000 jobs a month just to keep pace with new workers entering the labor market. And those new entrants — including a large batch of high school and college graduates — will join 15 million Americans looking for work.

More than eight million jobs were lost in the United States from the start of the recession in December 2007 through the end of last year.

Several economists, including some who had been prescient about the upswing that began a year ago, expressed worries about the shape of a future constrained by a weakening European economy and slow consumer spending in the United States.

"Although we would not extrapolate this month's disappointment for what we believe should be decent private-sector job gains in coming months,"

said Michael T. Darda, chief economist for MKM Partners, "we remain concerned over the effect of tightening financial conditions on the trajectory of second half growth."

Lawrence Mishel, president of the union-supported Economic Policy Institute, said in a statement: "These new data do not present a picture of a healthy private-sector growth, and nothing closely resembling the job growth needed to dig us out of our very deep hole."

A sliver or two of hope could be found in the report. Manufacturers hired 29,000 workers last month, and both hours worked — 40.5 hours per week — and wages rose in that sector. Factory employment has risen steadily, adding 126,000 jobs over the past five months.

And growing numbers of Americans who had worked part time have now been able to find full-time work. What's more, the census jobs will put money into the pockets of the nation's hard-pressed working and lower-middle classes. As these workers have little economic margin for error, they will spend these dollars quickly.

"You could not have planned that temporary hiring to come at a more critical time," said Heather Boushey, chief economist for the Center for American Progress, a liberal research group. "That money will be spent immediately."

But that, most economists acknowledged, was the end of the good news. The number of long-term unemployed



Il brillante rapporto sul lavoro nasconde una storia più cupa (ca)



remained at about 6.8 million, accounting for 46 percent of the jobless rolls. And the number of "discouraged workers," which is to say people not looking for work because they see no jobs available, rose by 291,000 from a year earlier.

Bill Dunkelberg, chief economist for the National Federation of Independent

Business, had forecast near-flat private-sector job growth in May. But he was not crowing about his foresight Friday.

He noted that, unlike stock market bubbles — which can pop quickly and often reinflate quickly — housing bubbles offer lingering downturns and slow recoveries. He does not forecast an economy so weak that it will fall into the ditch

of a second recession.

But that is not to suggest he is particularly optimistic. "We won't have a second down, but it's going to be grimly slow," he said.

And, save for the hiring of census workers, Ms. Boushey saw little good news in the report. She notes that the consumers account for 70 percent of the recovery, and that people cannot spend what they have not earned.

"At this point, it looks like the labor market is stabilizing into an L-shaped pattern, without sufficient job creation to bring unemployment down," she said. "This would not only be devastating for workers and their families but also threaten the path of the economic recovery overall."

For now, the nation has more workers like Robert Mucha than at any time since the 1930s. A Chicago-based engineer, the 43-year-old Mr. Mucha has been looking for work since losing his job in 2008. After putting in résumé after résumé, Mr. Mucha finally took a job as a census worker.

He's happy to draw a salary, but he has no illusions about his future.

"I keep hearing about how there's a job waiting around the corner, but I never seemed to get it," he said. "And when I'm finished with the census, I'll be looking again."

