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Hiring in U.S. Slowed in May With 54,000 Jobs Added



Kevork Djansezian/Getty Images

Job seekers at Los Angeles Mission's Skid Row Career Fair on Thursday.

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After several months of strong job growth, hiring in the United States slowed sharply in May, suggesting the economy may be running out of steam once again.

The Labor Department reported on Friday that the nation added 54,000 nonfarm payroll jobs last month, after an increase of about 220,000 jobs in each of the three previous months. The gain in May was about a third of what economists had been forecasting. The unemployment rate, meanwhile, edged up to 9.1 percent from 9.0 percent in April.

"The economy clearly just hit a brick wall," said Paul Ashworth, chief United States economist at Capital Economics. "It's almost as if it came to a complete standstill."

While most analysts do not believe that the country will slide back into a recession - which would technically mean that the economy would start shrinking again - they acknowledge that with such low levels of hiring, the recovery is barely perceptible to many Americans.

In Washington, today's hiring challenges have been receiving less attention than tomorrow's fiscal ones. But a week of dismal news on manufacturing, housing and car sales may shift the discussion. Some pressure is building on the Obama administration and Congress to delay federal spending cuts, which economists say will weigh down the fragile recovery. Liberal groups have renewed their calls for more aid to the states and more aggressive action from the Federal Reserve.

In some ways the moment is reminiscent of a year ago, when the economy also slowed abruptly just as it seemed to be gaining momentum. At the time, the slowdown was attributed to worries over the European debt crisis, just as Friday's report was partly attributed to temporary stresses from higher energy prices and natural disasters. Last year's downshift was followed by additional federal spending and another round of asset purchases by the Federal Reserve.

In remarks to Chrysler workers in Toledo, Ohio, President Obama conceded that the economy was still weak, and that policy makers had more work to do.

"Even though the economy is growing, even though it's created more than two million jobs over the past 15 months, we still face some tough times," he said. "You know, it's just like if you had a bad illness, if you got hit

by a truck, it's going to take a while for you to mend. And that's what's happened to our economy. It's taking a while to mend."

Republicans, meanwhile, countered that Democratic efforts to revive growth through public spending programs have failed and renewed their calls for sharp cuts in federal spending and regulation to spur corporate investment.

Though the White House cautioned against putting too much weight on one report, Friday's release showed disturbing trends across the economy.

Job growth for April and March was revised downward. State and local governments, struggling with severe budget shortfalls, continued to shed jobs in May. They are expected to keep laying off workers for months to come.

Private companies added jobs, but the pace of hiring fell to its lowest level in a year. The biggest gains were in professional and business services and in health care services, which grew steadily even during the recession.

One particularly unsettling note was the lack of a pickup in temporary help services. Temp hiring is considered a bellwether for broader hiring, since employers often try out temporary employees when considering whether to take on additional permanent staff. Employment in temporary help services was essentially unchanged in May and April.

Another leading indicator - the length of the workweek - was also disappointing. Usually businesses have existing employees work longer hours before hiring more workers. But the average did not budge in May.

Manufacturers delivered another blow by ending a six-month streak of job gains. They instead eliminated 5,000 jobs in May.

"They were our bright spot for so many months," said Heather Boushey, a senior economist at the Center for American Progress, a liberal research organization. "They were what was pulling the economy forward."

Stock prices had fallen earlier in the week as expectations about the jobs report had deteriorated. The latest numbers initially sent markets tumbling on Friday, with oil prices and bond yields declining. The Dow Jones industrial average was down 133 points, or 1.1 percent, within minutes after the opening bell, though stocks later recovered some of those losses.

For the last few months, economists had been predicting that the recovery was speeding up and that a sharper bounce-back was imminent, only to be disappointed again and again. They are now left to hope that once certain temporary problems pass - like the automotive supply chain disruption caused by the Japanese earthquake and tsunami, and higher oil prices caused by unrest in the Middle East - a robust recovery will finally burrow out from beneath the rubble.

"You are always going to have some good things and some bad things that happen, always," said Neal Soss, chief economist at Credit Suisse. "Why do the downs feel so much more threatening these days? Because economic growth should be much faster. Any little adversity feels much worse when growth is so much closer to zero."

Research from economists like Carmen Reinhart and Kenneth Rogoff has shown that recoveries after financial crises are often slow and bumpy. But policy makers have been more focused on fiscal concerns - pushed by a recent warning from Moody's about the country's credit rating - as opposed to finding ways to accelerate the recovery.

"My fervent hope is that this shocks policy makers into realizing the most urgent problem in front of us right now is jobs," said Ms. Boushey.

Economists said that the pace of job growth thus far has been too slow to reverse much of the damage wrought by the recession, which has left nearly 14 million people unemployed. Six million have now been out of work for more than six months.

"There are just so many people jumping around with great specialized résumés and willing to work for nothing," said Bob Hiller, 64, an architect in Tucson who was laid off in October 2009. "It's hard to compete."

Mr. Hiller's jobless benefits will soon run out because Arizona's Legislature never updated a state law that would allow workers to receive more federal money. Unable to find work, he is trying to start an architectural consulting business to help older people renovate their homes to accommodate them as they age.

"Everybody seems to think it's a great idea and that I should do it," he said, "but it's hard to take it to the next level when I barely have enough money to keep the lights on."

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