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## August Addition of 144,000 Jobs Seen As Positive in Light of Weaker June, July

Chicago Tribune

Sep. 4--The job market picked up steam in August but failed to clarify much about the economy as the presidential campaigns moved into the home stretch.

The Labor Department reported Friday that employers added 144,000 jobs during the month and 59,000 more jobs than originally thought in June and July.

The unemployment rate dipped to 5.4 percent, its lowest level since 2001. But the decline owes mostly to a drop in the overall labor pool rather than a big gain in employment. The number of unemployed Americans remained stuck at about 8 million and almost 21 percent of them have been out of work for six months or more, the Labor Department said.

"It's good news relative to the dismal numbers we've seen this summer," said Ethan Harris, chief U.S. economist for Lehman Brothers in New York. "The bad news is that the economy can't really seem to restore itself to full health."

Given the surprising weakness in June and July, many economists -- Harris included -- viewed the August report with relief. The job gains were broad if not deep as hiring picked up in key sectors like manufacturing and professional services.

Still, most experts noted that 144,000 jobs are hardly the stuff of a robust recovery.

Sung Won Sohn, chief economist for Wells Fargo in Minneapolis, said that the nation needs at least 150,000 jobs a month merely to keep up with population growth and that 200,000 or more are the historical sign of a truly healthy economy. Over the last three years, there have been only three months with gains of 200,000 or better as employers use technology and outsourcing to do more with fewer workers.

"It's not a very exciting report," Sohn said.

The August number was middling enough, though, that both the Bush and Kerry camps found ways to spin it to their advantage.

Speaking before a crowd of several thousand in Moosic, Penn., on Friday, President Bush trumpeted the August job gain as evidence that the economy is still benefiting from the administration's tax cuts.

"Because we acted, our economy is growing again," Bush said. "Because we acted, we've overcome recession, scandal, stock market decline, and a terrorist attack."

Not surprisingly, Democratic hopeful Sen. John Kerry saw things differently. He quickly jumped on the fact that the economy remains 900,000 jobs in the red since Bush took office in 2001, despite adding 1.7 million jobs over the last year.

"President Bush is now certain to be the first president since the Great Depression to face re-election without creating a single job," Kerry told neighbors gathered in front of a modest ranch home in Newark, Ohio. "If you believe lost jobs mean that America is heading in the right direction, you should support George Bush and his policies of failure."

For job seekers, the truth lies somewhere in the middle, economists said. The August report did show broad improvement in hiring, but with consumer spending on the wane, bigger increases may be necessary to keep the economy growing.

The good news was that manufacturers added 22,000 jobs during August and the construction industry took on 15,000 new workers. Retailers continued to shed workers amid sluggish consumer spending at the low end but professional service industries like computer systems design and accounting looked strong. Finance companies, especially insurers, also picked up hiring.

All told, more industries added jobs than lost them, giving economists hope that businesses will continue to hire this fall. But there was also evidence that employers continue to hire gingerly as executives grapple with geo-political uncertainty, the high cost of benefits and general qualms about the economy's staying power.

Tom Gimbel, president of a Chicago staffing firm called The LaSalle Network, said he's seen a pick up in demand for temporary and contract workers in recent weeks but that executives are reluctant to commit to full-time hires. One client said he wants to see four quarters of solid economic growth before adding new workers.

"He told me, 'I can't get caught with an increased payroll if our business dips,'" Gimbel said.

Navistar International Corp. has been operating on a similar principal.

Over the last several years, Navistar has improved productivity and increased the flexibility of its workforce. Automation at a plant in Indianapolis, for instance, means it can get by with 600 fewer workers than in the past. And a new contract with the United Auto Workers frees the company to use overtime whenever it wants, meaning there is less need call back laid off workers to meet demand.

Even so, said a spokesman, demand has been strong enough lately for Navistar's medium duty trucks that the company has hired 35 new workers at its Melrose Park engine plant. The number is small, he explained, but it shows that demand is finally overcoming the structural changes the company has made to improve productivity.

"Those are our first new employees at the plant in a long, long time," he said.

Because the hiring doldrums owes to both structural changes -- a long-term issue -- and executive jitters about the economy -- a shorter-term factor -- economists are finding the future especially hard to predict.

But the August report gave them hope that the trend line is improving. Wall Street is betting that the momentum is strong enough that the Federal Reserve will once again raise short-term interest rates later this month.

Most economists also agree, however, that more jobs and increased business spending will be essential in making up for flagging consumer spending. Weak auto sales in August and a continued drop off in sales at low-end retailers indicate that the consumer spending binge of the last few years may be falling off as the effects of tax cuts and record mortgage refinancings wear off.

"The consumer has been gimmicked up with all kinds of inducements to spend," said Harris of Lehman Brothers. Now, he added, it's time for business to take up the slack.

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