

# Job growth in December at 199,000, lower than forecast

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## FULL TEXT

Yet unemployment rate fell further, with wages and jobs up for 2021

The U.S. economy sent more confusing signals in December, adding just 199,000 jobs while pushing the unemployment rate down to a new pandemic low, according to the Labor Department's monthly jobs report. It was the second month during which job growth came in well below expectations - economists had forecast more than 400,000 added jobs in the month - while the unemployment rate sank, from 4.2 percent in November to 3.9 percent. That means unemployment is nearing what was a 50-year low of 3.5 percent achieved in February 2020. The October and November initial reports, with 546,000 and 210,000 jobs added, respectively, were revised upward by a combined 141,000 jobs.

In interviews Friday, many economists said they felt the report was stronger than the top-line jobs figure. But the numerous economic forces unleashed by the pandemic in 2020, including inflation, labor shortages and supply chain woes, continue to weigh on the labor market and make it hard to predict what will happen next.

"The headline number was disappointing, but it is good to see the unemployment rate tick down to a pandemic low," said Odeta Kushi, an economist at First American Financial Corporation.

Augustine Faucher, chief economist at the PNC Financial Services Group, said the report was similar to November's and agreed that the report was encouraging overall. He said the upward revisions for recent months, including October and November, indicated that December also was likely to be revised upward next month. Wage growth shows that demand for workers is still strong.

"We have a weak headline number, but the details were much better," he said. "The job market was still good at the end of 2021."

The two numbers are calculated from different surveys that are released in the same report: The figure for jobs comes from a survey of businesses, while unemployment comes from a survey of households. The two surveys are generally aligned but also occasionally tell divergent stories, as in the past two months.

Stepping back, the December report sums up a year of historic growth in the labor market.

The country averaged 537,000 jobs added per month in 2021, making for one of the best years for the labor market in U.S. history. The market is still down by 3.6 million jobs from its pre-pandemic levels in February 2020, but it has gained back some 6.4 million jobs on the year. Wages also grew markedly in 2021, as record numbers of Americans quit their jobs to find alternatives with better pay and benefits.

President Biden touted the jobs figures as well as the yearly haul in a news conference Friday.

"Today, America is back to work and there are more historical accomplishments," he said. "There's been a lot of press coverage about people quitting their jobs. Well, today's report tells you why: Americans are moving up to better jobs with better pay and better benefits."

Still, more than 2 million Americans have left the workforce entirely during the pandemic, causing the country's participation rate to sink. The pandemic prompted many people to retire early, stay home to care for children or family members, or avoid jobs with significant risks of exposure and wait for the public health picture to improve. Economists have been waiting for the recovery to entice some of those people back into the labor force, but the participation rate stayed flat for the month. It rose over the year, from 61.4 percent to 61.9 percent, but remains

well below the 63.4 percent from February 2020.

When broken down demographically, groups that saw modest declines in the participation rate in December included men, Black men, and Asian and Hispanic people. The unemployment rate also increased for Black workers.

The report is a snapshot of the economy from the earlier part of December, before the omicron surge had begun in force, so it does not capture any effects from the latest wave of cases. At that time, cases nationally were mostly flat, averaging about 120,000 new infections a day.

Employment growth for the month came from leisure and hospitality, which added 53,000 jobs; professional and business services, which added 43,000 jobs; manufacturing, which added 26,000 positions; construction, adding 22,000 jobs; and warehousing and transportation, with 19,000.

Average hourly earnings increased by 4.7 percent on the year, the Bureau of Labor Statistics said, but some sectors, such as bars and restaurants, have seen much higher wage growth. Unemployment began the year at 6.4 percent.

The new labor market numbers come as polls continue to show that voters disapprove of Biden's handling of the economy, as concerns about inflation and labor shortages overshadow other achievements. Inflation has been rising at its fastest pace in 40 years. And employers in many industries have complained about having trouble finding workers at the wages they want to pay.

There have still been some positive indicators recently. The ISM manufacturing survey continues to register strong numbers, indicating in its December report that the manufacturing sector continued to grow, and that slowdowns from labor and material shortages appeared to be lessening somewhat.

Another monthly Labor Department survey on job turnover and openings has been reporting record numbers of both workers changing jobs and job openings at various points over the past year. The most recent report showed a record 4.5 million workers changed jobs or quit in November - the fourth time that number had hit a record in 2021. Job openings, at 10.6 million, remain near the historic high of more than 11 million set in July.

The data is a reflection of how leverage has tilted toward workers during the recovery, as companies and businesses race to outcompete each other with wages and bonuses to address a scarcity of available workers. Dantavius Enescu, 27, a software developer in Phoenix, accepted a new job with a database management company in December after two months out of work. The new position comes with a significant raise, he said, and is for a more prestigious company. He felt in demand during his brief stint out of work, saying he was getting more interviews and interest than he ever had before. And the number of places offering remote work, a preference for him, had drastically increased since his last job search, right before the pandemic began.

"It's a positive thing," he said, of the new labor market dynamic.

The number of new weekly unemployment claims has fallen below pre-pandemic numbers in recent weeks, with the four-week average around the time the jobs report was gathered reaching a mark not seen since 1969. Those numbers have remained low since, indicating that many companies are probably hanging on to workers even if they are running into head winds from the coronavirus surge.

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