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. . . The job outlook has brightened the past two months as higher consumer spending, improved business confidence and a stock market rally have somewhat eased concerns about further shocks from Europe's financial turmoil.

Strong job gains this year are crucial for President Obama's re-election campaign. But many economists expect the unemployment rate -- 8.5% -- to remain above 8% this year -- possibly to his opponent's advantage.

Economists recently surveyed by the Associated Press expect employers to add 2.1 million jobs in 2012, an average of 175,000 a month. That would top the monthly pace of 136,000 last year and 78,000 in 2010, though still fall short of the 250,000 to 300,000 needed to cut unemployment quickly.

The USA has recovered just 2.6 million of the 8.8 million jobs lost in the recession.

"It's not going to be a breakout year," says Mark Zandi, chief economist of Moody's Analytics. Moody's projects job gains of about 130,000 a month -- about 1.6 million for the year -- in line with 2011.

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Big companies cautious

Many large companies, in turn, are holding off on permanent hiring and relying heavily on contractors and temporary workers to complete projects, says Janette Marx, senior vice president of staffing company Adecco. The good news: That's fattening payrolls for third-party providers, such as engineering and accounting firms.

While big corporations are hiring cautiously, they're sitting on record cash reserves and driving job growth more than consumers, who make up 70% of the economy

but remain burdened by debt. Companies, for instance, are boosting travel budgets and shifting their computer software systems to remote, cloud-based networks.

The expenditures are forcing professional and business services to beef up staffing. Cleveland-based accounting firm Cohen & Co. is enlarging its 250-employee staff by about 10% this year as highly profitable corporations seek to reduce taxes, weigh mergers and navigate increasingly complex banking rules stemming from financial reform, says CEO Randall Myeroff.

Engineering firm Black & Veatch, of Kansas City, with about 6,000 U.S. employees, plans to add several hundred this year as utilities retrofit power plants to meet stricter pollution limits and smartphone carriers expand networks, says CEO Len Rodman. Yet that's far less than the 1,000 U.S. employees the firm added last year. Rodman worries that electricity providers could rein in spending if the European crisis hurts their customers' exports. "We have taken a conservative approach," he says.

Health care providers are scrambling to meet the needs of an aging population. Philadelphia-based Genesis HealthCare, whose 40,000 employees provide rehab services in nursing homes in the Eastern U.S., is expanding to Arizona, New Mexico and Oklahoma, hiring 10,000 workers. "The Baby Boomers are getting older," says Vice President Mike Guglielmo.

Hotels, meanwhile, are looking for bellhops, front desk clerks and maids as companies replenish travel budgets slashed in the recession and tourism picks up moderately. That's a boon for Texas, where a population boom and business growth are feeding off each other. Joseph DePalma, president of DePalma Hotel, says occupancy at his eight franchise hotels in Texas has risen to about 65% from 55% the past year. "Companies are back to traveling again," he says. DePalma plans to increase his Texas staff of 1,200 by more than 100 this year.

Texas is again projected to top the nation in total job gains, with more than 200,000.

Meanwhile, North Dakota, home to one of the nation's biggest untapped oil reserves, is expected to lead in the pace of job growth, at 2.8%. Continental Resources is adding 50 to 75 workers to its existing base of about 160 in the Bakken oil field as it drills about 240 new wells, says Chief Financial Officer John Hart. Much of the activity has been fueled by benchmark crude oil prices that have hovered around \$100 a barrel. "I have a better return that enables me to take a risk," Hart says.

The frenzy has turned North Dakota, with a population of 684,000, into a job hunter's magnet that added 17,000 workers last year, a 4.5% gain. Continental's recent advertisement for a computer specialist drew 518 applicants from as far away as South Africa.

Uneven job growth

Not every sector is expected to grow robustly. Retailers likely will pull back hiring as consumer spending moderates, according to the Moody's study. State and local governments will continue to shed jobs amid budget constraints, though likely at a slower pace than last year. And factory payrolls could flatten or even contract slightly amid a slowdown in exports.

That could hurt Obama in four Rust Belt states that Moody's says will grow jobs more slowly than the nation as a whole and that USA TODAY has identified as swing states that could vote Democratic or Republican in the election: Michigan, Ohio, Pennsylvania and Wisconsin. Yet other swing states -- Florida, Nevada, New Mexico and Colorado -- are projected to be among states generating jobs most rapidly.

Some manufacturers plan to add workers because they can't wring more output from existing ones. Paulson Manufacturing in Temecula, Calif., laid off more than half its 220 employees in the recession, though revenue fell just 25%. The company, which makes face shields for industrial and public safety use, installed automated technology to boost efficiency and got more out of each worker, helping it increase profits, says CEO Roy Paulson.

But with sales expected to rise about 15% this year, Paulson plans to hire 12 to 15 employees.

"We might have worn out some of these people a little bit," he says. If he forced his workers to shoulder a still bigger burden, "Worker compensation costs go up and your sick rate goes up."

Even more encouraging: Small businesses -- which create an outsize share of jobs - - appear to be launching and expanding again. The number of establishments opening hit a record low of 1.1 million in 2011's first quarter, the most recent data available, according to the Labor Department. But anecdotal evidence suggests the pace of business start-ups has increased lately, says Dane Stangler, research director for the Kauffman Foundation, which studies entrepreneurship. The

International Franchise Association expects the number of U.S. franchise locations to rise 2% this year after dipping three years in a row.

Franchise company Driven Brands, which owns Meineke and Maaco, sold more franchise licenses in November than in the past five years combined, says CEO Ken Walker. "We are beginning to get businesses financed," he says.

Franchisee Stephen Keel, who owns a Maaco auto body outlet in Catonsville, Md., sought for a year to move it to nearby Randallstown and add a Meineke auto repair shop at the new site. But he couldn't get a \$1.7 million loan from seven banks despite a \$2.2 million appraisal of his planned new land and building.

Recently, he snared a loan from Susquehanna Bank and plans to add four to seven workers to his 12-employee staff after he opens the new location in April.

"I was tickled to death," Keel says. "It was a very long, dreadful, painful process."