

Small business leading job market back

Written by Administrator
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Take Tammy Krings, owner of the Travel Solutions agency based in Columbus, Ohio. She is about to boost her staff of 125 by 65 more people because larger companies are chasing higher growth markets outside the United States.

“Where they’ve consolidated their travel in the U.S. or North America, they’re now saying we want to look for opportunities in these other markets,” Krings said.

As the job market slowly gets back on track, much of that hiring is coming from small businesses that have weathered the storm of the past four years. Job openings and hiring plans in December hit the second-highest levels since the recession of 2007, according to a December survey of the National Federation of Independent Businesses.

series of strong signals could translate into a positive surprise Friday, when the government publishes December employment figures in one of the most closely watched economic reports of the month. On average analysts estimate the economy added 155,000 jobs last month, up from 120,000 in November. But that is unlikely to move the jobless rate much from its current 8.6 percent level, according to Briefing.com.

“The big firms aren’t growing employment; it’s the small firms that fired everybody during the recession,” said NFIB chief economist William Dunkelberg. “Those jobs are now coming back. The barber shop that used to have five chairs working and fell to three when people cut back on spending -- now they’re getting back to five.”

The pickup in hiring is showing up in a series of economic reports, beginning with last month’s sharp drop in the unemployment rate to 8.6 percent from 9.0 percent. On Thursday, payroll processor ADP reported that its monthly survey of businesses showed a net gain of 325,000 jobs in December, roughly twice what economists had expected, after reporting 204,000 private jobs added in November.

Large companies (with 500 or more workers) added 37,000 jobs, according to the survey, so the bulk of the hiring came from small to mid-sized firms.

Many economists sounded a note of caution about the ADP data, saying the number may have been distorted by seasonal factors. But it added to other data that point to an upbeat job outlook.

In a separate report Thursday, the Labor Department said weekly applications for unemployment benefits dropped to a seasonally adjusted 372,000 last week. That’s 11 percent lower than the same time last year and the lowest level since June 2008. A pace of new applications below 375,000 is generally seen when hiring is strong enough to lower the

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unemployment rate.

There were other signs of a pickup of hiring in the services sector. An index tracked by the Institute for Supply Management trade group rose to 49.4 from 48.9 in November. A reading below 50 means overall employment levels are shrinking, above 50 they're expanding. In the ADP report, of the 148,000 jobs created by small businesses, 130,000 of them were in the services sector.

Even as the job market improves, it will take some time to hire back the large pool of workers laid off following the biggest financial collapse since the Great Depression. Despite the sharp drop in the jobless rate in last month's report, the current pace of growth is barely strong enough to keep up with the growth of the workforce.

The job market recovery is expected to remain uneven across regions of the country and industry sectors. The two sectors that suffered the most job cuts in 2011 -- government and financial services -- are expected to continue to struggle again this year, according to John Challenger, CEO of Challenger, Gray & Christmas, the consulting firm that tracks mass layoffs.

Hiring will also get a boost in 2012 from new small businesses that haven't even been created yet. As the 2007 recession took hold, small businesses were failing at a rate faster than new ones were being created. That trend reversed in early 2010: Businesses are now being started at a rate that outpaces the failures.

Many of those old jobs, though, have been replaced by new positions requiring entirely different skills. That's why many laid-off workers are having a hard time finding work.

Krings, for example, has applied new technology to provide service to customers around the world outside Ohio's normal business hours. That meant looking for workers with a new set of skills.

"We need talent, but were having a very difficult time trying to secure it," she said. "We need multilingual people. We need people who have traveled the world, but who also understand the technical side of what we're doing here. Those types of people are hard to find."

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