U.S. companies in May add 248,000 new jobs

WASHINGTON (AP) - U.S. employers hired almost a quarter-million new workers in May, swelling payrolls by nearly 1.2 million for the year so far in a jobs market steadily gaining steam ahead of November's presidential election.

The nation's unemployment rate held steady at 5.6 percent as more jobless workers renewed their searches and re-entered the labor pool, the Labor Department said Friday.

May's payroll increase of 248,000 was on top of revised employment figures for March and April showing 74,000 more jobs were added than previously reported. Three quarters of the total jobs created this year were added in the past three months.

"These blowout numbers so far this year are the convincing evidence that the economic recovery is here to stay," said Sung Won Sohn, chief economist at Wells Fargo & Co. in Minneapolis. "The last piece of the puzzle, jobs, has fallen into place."

The job-creation numbers exceeded analysts' expectations and cemented predictions of the first interest rate increase in four years when the Federal Reserve next meets June 29. A quarter-point increase in the Fed's key federal funds rate is close to certain, followed by another hike in August.

On Wall Street, the report sent stocks moderately higher. The Dow Jones industrial average gained 47 points to 10,243, while the Standard & Poor's 500 index was up 6 points to 1,123. The Nasdaq composite index rose 18 to 1,979.

Hiring last month was widespread, with the biggest gains in construction, health care, professional and business services and hotels and restaurants.

"What is really key is that every major sector had improvements," said John Silvia, chief economist for Wachovia Securities. "That suggests these gains are sustainable."

The struggling manufacturing sector also is reawakening, adding 32,000 new jobs last month. Based on revised figures, it was the fourth straight month of payroll increases after almost three years of continuous losses.

Friday's report was good news for President Bush, who has been counting on continued employment growth to boost his re-election prospects. His campaign rushed out a new television ad praising the new job-creation numbers.

Bush, in Rome, said: "Today's job report shows that the American economy is strong, and it's getting stronger - 248,000 jobs for last month is good for the American workers. It shows that our economy is vital and growing."

His Democratic presidential opponent, John Kerry, said it was terrific that the economy had created more than 240,000 new jobs, but there remained "too many people struggling while at the top end people get ahead."

"I think it ought to be the reverse," he said at a rally at the University of Minnesota in Minneapolis. "I think we need to make it possible for every American to get ahead, for the economy of this country to work for all people."

Despite the nine-month hiring spree, more than 1.2 million jobs have been lost since Bush took office in January 2001. The losses, however, are shrinking.

"I'm pleased to see strong job growth, and that's what I am concerned about," Labor Secretary Elaine Chao said in an interview. "Every month of strong job growth is good news to me and it's good news for America."

The Bush administration was criticized widely for an overly optimistic forecast that 2.6 million jobs would be created this year. Economists now say the chugging economy could approach that mark.

David Wyss, chief economist at Standard & Poor's in New York, said he expects continued payroll increases of about 200,000 for several months.

"The jobs market is back," said David Wyss, chief economist at Standard & Poor's in New York.

Still, the economy is far from the booming 1990s. Last (See Jobs, Page 15)

Plan could end fixed-rate student loans

Special to Sentinel-Voice

For students with loans to pay off, times have never been better. And they may never be this good again.

Rates on federal student loans have fallen to around 3 percent — a 35-year low. Even better, students can lock in those rates, potentially saving thousands of dollars by ensuring their payments won't increase even if interest rates do.

But a proposal in Congress could shut down the party. The measure would end the fixed-rate option, making all federal student loans issued after July 2006 subject to variable rates. Repayments would then rise and fall each year in sync with interest rates.

The change — just one part of the reauthorization of the mammoth Higher Education Act now wending through Congress — is intended to shift federal subsidies away from those who already have a degree, freeing up money for programs targeted at students who may be struggling to get to college at all.

The proposed change has split both Democrats and Republicans on the House Education and Workforce Committee. Chairman John Boehner, R.-Ohio, and Rep. Rob Andrews, D.-N.J., have introduced different versions, but other members oppose the proposal. Presumed Democratic presidential nominee Sen. John Kerry, has also criticized it, saying variable rates would harm students and enrich lenders.

Education groups are also divided. The United States Student Association opposes the idea, but supporters include, along with lenders, the National Association of Student Financial Aid Administrators and College Parents of America.

"This is the most visible and contentious issue in the reauthorization," said Terry Hartle, senior vice president of the American Council on Education.

His group supports variable rates but wants the rate capped at 6.8 percent. The current proposal would keep the existing cap of 8.25 percent.

The debate comes amid growing anxiety over college costs and student debt. Figures released last week by the Department of Education show the share of full-time college students who borrowed to pay for college rose from 30 percent in 1990 to 45 percent in 2000.

An estimated 7 million Americans receive more than $50 billion in federally backed student loans each year. For the average undergraduate borrower graduating this year, a variable rate loan would cost an extra $3,000 over 10 years, the Congressional Research Service estimated.

Yet when rates are falling, variable rates are good for borrowers. The CRS also found that in 13 of the last 18 years, average borrowers would have been better off with a variable rate — sometimes by as much as $4,000 over the course of a loan.

Backers of the change say variable rates also are more fair. All borrowers would pay the same rate, whether or not they were lucky enough to graduate and consolidate in a year when rates were low.

The government began allowing students to consolidate loans in 1986 as a convenience that would let them make a single monthly payment. But as interest rates (See Loans, Page 15)