

U.S. job growth picks up the pace, but wages lag behind

By Patricia Cohen

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Automobile sales may be slowing, e-commerce is putting the squeeze on bricks-and-mortar stores, and overall economic growth is limp. But the labor market has nevertheless managed to charge ahead.

Employers added an impressive 222,000 jobs in June, the government reported on Friday. Although the jobless rate ticked up slightly to 4.4 percent, it was because some people who had dropped out of the labor force were lured back.

But the hunger for workers and mounting complaints of labor shortages have raised a vexing question: Why isn't the heightened demand for workers driving up pay?

The Federal Reserve pointed to that conundrum in the updated report on the American economy it sent to Congress on Friday. "Despite the broad-based strength in measures of employment," it said, "wage growth has been only modest, possibly held down by the weak pace of productivity growth in recent years."

The Fed's report reflected its overall confidence in the country's economic direction, which has led it to begin raising interest rates for businesses and consumers after years of holding them near zero to encourage investment and risk-taking. After increasing its benchmark rate last month, the Fed is expected to do so at least once more before the year's end.

One of its aims is to head off any inflation that might result from a tight job market that prompts employers to offer higher pay to get the workers they need. Yet prices have been rising at a slow pace, and sluggish wage growth suggests that the fear may be premature.

"The payroll number is well above expectations," said Jim O'Sullivan, chief United States economist for High Frequency Economics. "It's pretty clear that the trend in employment growth is strong enough to keep the unemployment rate trending down." Revisions to earlier estimates brought the monthly average gain since April to 194,000. But year-over-year wage growth plodded along at 2.5 percent.

"The wage numbers are certainly weaker than expected," Mr. O'Sullivan said, "so it keeps alive the whole debate about the relationship between slack and inflation, and how far the Federal Reserve should allow the unemployment rate to fall."

June was the eighth anniversary of the end of the recession, when the economy hit bottom, with employers shedding hundreds of thousands of workers and the jobless rate more than double what it is today. But many workers have yet to fully benefit from the expansion.

"This is not a market we have typically seen," said Michael Stull, senior vice president at the staffing company Manpower North America. "We have not before seen unemployment drop, low participation rates and wages not move. That tells you something's not right in the labor market."

Employers are very aware that the pool of workers is shrinking and they are rethinking traditional qualifications like length of experience, Mr. Stull said.

"Employers will take on hard-working, reliable workers even if they don't have an opening," he said.

At the same time, he said that workers were "pushing back a little bit about driving an hour

for a \$10-an-hour job at a distribution center on the outer rim of the city.”

“You need a car for that,” Mr. Stull said, “and you can’t have a car on \$10 an hour.”

That’s a familiar problem to Tom Thompson, owner of Star Cleaning Systems in Columbus, Ohio. He is looking to add two or three part-time workers to his 20-member staff.

“Very few people show up for interviews, and if they do, they don’t show up for the job,” Mr. Thompson said. “I’m spending 80 to 90 percent of my time recruiting. I triple-book appointments for interviews, and I’m lucky if I get one person to show up.”

He is offering \$9.25 an hour to start, with bonuses and increases for workers who stick around. Running a new company, he said, he cannot afford to pay significantly more.

Nearby distribution centers for big companies like Amazon are sucking up most of the available labor, Mr. Thompson said. “I sometimes wish there was actually a higher unemployment rate,” he said.

Like Star Cleaning, Rooforia Home Exteriors in Omaha often finds customers through Thumbtack, an online marketplace for hiring people to complete tasks. These days it is the workers who are tougher to find.

“We did everything we could to recruit people and had not one application,” said Rooforia’s owner, Sarah M. Smith.

She is depending on guest-worker visas to fill openings for the season, which runs from the spring through November. “It’s hard work in Nebraska,” Ms. Smith said. “We have hot summers, and you’re on a black asphalt roof.”

At \$17 an hour, she said, “the pay is fair.”

“We get a lot of people saying the visa program is taking jobs away from Americans,” Ms. Smith said, “but in reality, they’re not taking the jobs because there is no one even willing to do the jobs.”

“We had one person we recruited,” she said. “He didn’t even show up the next day.”

Patrick Bass, chief executive of Thyssenkrupp North America, part of a German multinational conglomerate, said his company was increasingly relying on methods common in Germany like apprenticeships, partnerships with colleges, and internships.

“We’re willing to invest in the people and bring them in and train them,” Mr. Bass said. “But for the basic-skill job, we’re seeing a higher turnover rate than normal. People are job shopping a bit, because they can. They’re trying different things to see what they like.”

While the government’s statistics offer a bird’s-eye perspective, hiring is essentially local. “Even in an era of low national unemployment, with recent jobs reports showing the national unemployment rate ticking down close to 4 percent, jobs are not always available and not everyone who wants work can find it,” Martha Ross, a fellow at the Metropolitan Policy Program at the Brookings Institution, noted in her blog. “There is no one-size-fits-all approach to help people prepare for and find jobs.”

Professional services showed a healthy gain in jobs last month, possibly reflecting the hiring of new college graduates. Other sectors that showed substantial gains included health care, social assistance and food services.

Reviews of the economy tend to reflect political affiliations, with Republicans more optimistic since the election than Democrats. Ideology aside, however, uncertainty about federal policy may be weighing on the economy. Businesses reported a burst of optimism after President Trump’s election, in part because of expectations that the new administration would enact fiscal measures like tax cuts. But that buoyant outlook is fading.

“This cautious approach to investment may in part reflect uncertainty about the policy

environment,” Stanley Fischer, the Fed’s vice chairman, told an audience in Vineyard Haven, Mass., on Thursday. “Providing more clarity on the future direction of government policy is highly desirable.”

Representative Kevin Brady, Republican of Texas, the chairman of the House Ways and Means Committee, said in a statement, “This new report shows positive gains: Job creation came in higher than expected and the labor force grew,” but he added, “We have a lot more work to do.”

Much of Mr. Trump’s pro-business agenda remains stalled in Congress. Although Republicans control the White House and both

legislative chambers, they have so far been unable to agree on a final budget, a new health care plan, a tax overhaul or an infrastructure program.

“This is an unprecedented level of political uncertainty,” said William E. Spriggs, chief economist for the A.F.L.-C.I.O. “That is creating a drag on the economy.”

Juanita Duggan, chief executive of the National Federation of Independent Businesses, said, “Small-business owners seem to be in a holding pattern while they wait to see what Congress will do with taxes and health care.”