

More jobs and fewer people, but limp raises

By Associated Press

WASHINGTON — Companies have posted a record number of job openings just when a diminished proportion of Americans are either working or looking for work.

That combination ought to push up pay. Yet it hasn't worked out that way, at least not yet. Wage growth actually dipped in September.

The ongoing mystery of sluggish pay growth is important to everyone who wants a raise. It's also frustrating for the Federal Reserve, which wants to see the steady job gains of the past several years translate into higher pay. This would boost the Fed's confidence that the economy's growth is sustainable and that inflation will return to the central bank's 2 percent target.

U.S. businesses certainly seem interested in hiring. There were nearly 5.8 million open jobs at the end of July, the most since record-keeping began in 2000. At the depths of the recession in 2009, that figure was barely above 3 million.

Yet on Friday, the government's monthly jobs report showed that the percentage of people in the workforce — those who either have a job or are looking for one — reached a 38-year low of 62.4 percent.

Why? Because many Americans who were once unemployed have become discouraged, returned to school or chosen to stay home, in some cases to care for relatives. Their exodus has helped shrink the unemployment rate to a seven-year low of 5.1 percent. That's because people who aren't actively looking for a job aren't counted as unemployed.

So with fewer Americans on the hunt, employers, who face a record number of advertised jobs, should be feeling pressure to raise pay. But average wages in September rose just 2.2 percent from a year earlier, a tepid pace far below the 3.5 percent gain typical of a healthy economy.

One likely reason pay isn't growing faster, economists say, is that the low unemployment rate overstates the job market's strength. That is, some people who the government thinks have "dropped out" and whom it no longer counts as unemployed would actually take a good job if it were available. If those people had left the workforce permanently, employers would be compelled to offer more pay to draw from a smaller pool of potential hires.

If so, this has implications for the Fed's interest-rate policies, economists say: It suggests that the Fed should keep rates lower for longer. Stronger economic growth and more robust hiring could spur more discouraged workers to look for a job. Only then might pay levels broadly increase.