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# *The U.S. Added 261,000 Jobs in October; Here's the Upshot*

**By BEN CASSELMAN**
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*Workers clearing debris from a cafe damaged by Hurricane Harvey in Texas. The storm depressed September's employment figures, keeping some leisure and hospitality workers off the job, but their return and rebuilding efforts improved the picture in October.* *Credit Eric Gay/Associated Press*

The hurricane-battered job market surged back to life in October, the government reported on Friday, the latest sign that the American economy has entered perhaps its strongest stretch of growth in years.

Yet the latest round of jobs data did nothing to resolve the question that has bedeviled the economic recovery for years: When will job growth translate into strong wage gains for American workers? Average hourly earnings were 2.4 percent higher in October than a year earlier, barely keeping pace with inflation.

Considering the tight labor market, with unemployment at its lowest level since Bill Clinton was president, many economists say the dividends have been paltry.

"It's certainly trending the right way, but it's surely still unexciting — even unacceptable — wage growth at this point," said Dan North, chief economist at Euler Hermes North America.

Employers added 261,000 jobs in October, the Labor Department said, the most in more than a year. A strong rebound in job creation had been expected after hurricanes in Florida and Texas kept tens or even hundreds of thousands of workers away from work — and off payrolls — in September.

The storms' effects were clearest in the weather-dependent leisure and hospitality sector, which lost 102,000 jobs in September, then gained them all back and more — 106,000 jobs — in October.

The hurricanes' damage to the labor market also was not quite as bad as initially believed. The Labor Department on Friday revised its estimate of September payrolls from a decline of 33,000 — the first net loss in jobs in seven years — to an 18,000-job gain. With the revision, the economy has now added jobs for 85 straight months, a record.

Economists recommended setting aside both the September and October reports and instead focusing on the longer-term picture. The United States has been adding about 170,000 jobs a month this year, the slowest pace since 2010 but still a rate most economists consider fundamentally healthy.

The unemployment rate, meanwhile, fell yet again to 4.1 percent, its lowest level since 2000. The labor force shed 765,000 workers in October, but most economists dismissed the drop as a correction after four straight months of gains.

"The trend is rock-solid," said Ryan Sweet, director of real-time economics at Moody's Analytics. "The labor market just continues to chug along, and it's showing very little evidence of slowing."

Indeed, there are signs that the economy as a whole is gaining strength. Last week, the government reported that gross domestic product rose at a 3 percent annual rate in the third quarter, the second-straight quarter of solid growth. Consumer spending, the dominant driver of economic growth in recent years, has stayed strong: Retail sales posted a big gain in September, and consumer confidence hit a nearly 17-year high this week.

But consumers are no longer alone in driving the economy forward. Stronger global growth (along with a weaker dollar) has led to higher demand for American goods and services in recent months, aiding the manufacturing sector and increasing exports.

"It's finally feeling like the economy is starting to fire on multiple cylinders rather than relying solely on consumers," said Brett Ryan, an economist at Deutsche Bank in New York.

President Trump hailed the strong jobs report on Friday afternoon, tweeting "JOBS, JOBS, JOBS!" Many economists, however, argue that the president deserves little credit for the strong job market, which predates his time in office. And the recent run of strong economic data could complicate the Republican argument that a tax cut is needed to promote economic growth.

The solid jobs figures on Friday, combined with the other recent economic data, also make it likely that the Federal Reserve will push ahead with plans to raise interest rates despite sluggish inflation. The Fed this week left interest rates unchanged but hinted that it expected to raise rates at its December meeting unless the economy changes course.

The strong economy, however, only adds to the enduring mystery of anemic wage growth. Average earnings actually fell slightly in October compared with September, and although that was partly a statistical quirk caused by the hurricanes, the slowdown was larger than most economists expected. The year-over-year pace of growth, at 2.4 percent, was the weakest since early last year.

The problem is hardly a new one. Throughout the recovery, there have been predictions that wage growth would accelerate as unemployment fell. And throughout the recovery, those hopes have been dashed. Mark Hamrick, a senior economic analyst for Bankrate.com, likened wage growth to a baseball team that keeps crushing fans' hopes for a championship.

"We'll continue to 'wait till next month' for better growth in wages," Mr. Hamrick said. "It's been disappointing for years now."

There are hints of progress. Earnings growth, at least before adjusting for inflation, has accelerated a bit in recent years. And more sophisticated measures show somewhat stronger gains. The Employment Cost Index, a measure of compensation that considers benefits as well as cash pay, was up 2.5 percent in the third quarter from a year earlier, its fastest pace in two and a half years.

Some industries are seeing faster growth — and not just for high-earners. In recent months, there have been hints that wage gains are filtering down to workers in fast food and other low-wage industries. In September, the retail giant Target announced that it was raising pay for all its workers to at least $11 an hour and would pay at least $15 an hour by the end of 2020. That move, and others like it, is putting pressure on other low-wage employers to increase pay.

"It's really hard to retain employees when those companies are saying, 'Any employee in our company is getting at least $15 an hour,'" said Jennifer Durham, chief development officer for Checkers and Rally's, a drive-through burger chain with 860 locations across the country.

So far, however, Checkers and Rally's has resisted broad-based pay increases, choosing instead to focus on helping employees earn more through advancement.

"Base pay is a starting point, but it's not the entire proposition," Ms. Durham said.

Republicans in Washington in recent weeks have proposed their own solution to slow wage growth: lower taxes on businesses, which they argue would lead to big pay increases for workers. Many economists are skeptical that companies would pass tax savings on to workers, or argue that the benefits of the Republicans' proposed tax plan would be far smaller than its authors claim.

Instead, economists point to another factor holding back wage gains: productivity. Growth in productivity — how much workers can produce in an hour, on average — has been slow, making it harder for companies to improve wages without eating into profit margins.

"It's hard to get wages really taking off without productivity growth," Mr. Ryan said.

Productivity growth accelerated in the third quarter, though it is too soon to know whether the that represents the start of a longer-lasting rebound. And despite the disappointing pay data, there are signs that companies are being forced to work harder to attract employees, and to keep the ones they have from bolting to competitors. A report from the payroll-processing firm ADP this month found that people who switch jobs are seeing significant pay gains, which suggests workers are jumping ship in search of better opportunities.

David Staszewski, executive vice president of sales for Wireless Zone, a cellphone retailer, said that over the last six months, the company's franchisees had increasingly complained about holding on to workers. Many of them have had to raise pay or restructure commissions to keep employees, he said.

“They’ll move at the blink of an eye and really not care,” Mr. Staszewski said. “A friend of theirs will call up and say, ‘Hey, it’s better over here,’ and they will up and leave.”

***Correction: November 3, 2017***

*An earlier version of this article misstated the labor-force trend for October. The labor force fell by 765,000; it did not grow.*

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