

A Welcome Jobs Rebound

REVIEW & OUTLOOK

The good news is that the job market isn't as stagnant as many feared, as private employers returned to hiring in January. The report helps to offset the other news in the month's labor report, which is that employment in 2025 was even worse than it looked.

The economy created a net 130,000 new jobs in the first month of the year, according to the Labor Department. But the story is better than that because the private economy created 172,000, offset by a decline of 42,000 jobs in government.

The Biden years were a boom time for government, and the Trump course correction is much needed. Federal jobs fell by 34,000 in the month, continuing the trend of the last year as workers who accepted buyouts finally came off the rolls. The Bureau of Labor Statistics reports that federal government employment has fallen 327,000, or 10.9%, since reaching a peak in October 2024. Since most of these jobs involved spending money or regulating business, rather than creating wealth, this decline is an economic boon.

As for the private economy, most job growth continues to be in healthcare and social assistance—123,500 of the 136,000 new jobs in private services. One bright spot was 33,000 in construction. But a healthier labor market would be throwing off new jobs in a much wider range of businesses. The manufacturing revival is still aborning, for example, with only 5,000 new jobs after months of declines.

The January report also included the annual BLS "benchmark" revisions based on more complete data collected over the year. This included a huge revision in total nonfarm employment over the year—more than a million fewer workers than previously thought. This means the net change in total employment was only 181,000, down from 584,000.

That also makes the first year of the Trump Administration one of the most unusual non-recession years for employment in history. An economy growing by more than 2% should create more jobs.

The reasons for this jobs stagnation aren't clear, though one culprit might be the uncertainty created by up-down, willy-nilly tariff policy. It's hard to hire new workers if you don't know what your costs are going to be. Hesitation to hire as employers await the onset of AI could also play a role, especially at large companies that are able to deploy AI sooner.

A major complication in this data is the impact of the Administration's mass deportation policy. The National Foundation for American Policy (NFAP) looked at the BLS data and found a decline of 534,000 foreign-born workers in the U.S. since a peak in March 2025. That's a reduction of about 1.4 million foreign-born workers than would be expected from previous government estimates.

Employers have long depended on foreignborn workers, legal and illegal, and there have been far fewer to hire. This would matter less if American workers were flooding into the workplace to take their place, but there's little evidence of that.

NFAP says the unemployment rate for U.S.-born workers was 4.7% in January, compared to 4.3% in January 2025. The jobs that foreign workers filled may simply go away over time, as the deportation wave continues. But at least in January the labor market showed signs of a welcome rebound.

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