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America's Job Market Enters the Slow Lane

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Last year was a slog for the U.S. labor market.

Companies throttled back hiring. The U.S. government shed over a quarter million jobs. Uncertainty over President Trump's tariff policies kept many companies from taking on new workers. Others decided they would first like to wait and see how artificial intelligence will allow them to do more with fewer people. High-profile layoff announcements spooked workers, who decided to stay with the jobs they have—leaving less room for new workers to get a foothold.

Employment growth slowed markedly in 2025. The U.S. economy added just 584,000 jobs over the course of last year—about 49,000 a month. That wasn't only low relative to 2024's average gain of 168,000 jobs a month, but it was also low compared with a much longer timeline. Outside of the two most recent recessions, 2025 clocked the lowest pace of average monthly job growth in more than two decades.

But even with much slower hiring, the unemployment rate stayed low by historical standards. That might be partly a function of a shrinking base of workers. The Trump administration's large-scale deportations and immigration restrictions have drastically reduced the number of potential workers coming into the country.

The Congressional Budget Office estimates that net immigration—the number of people coming into the U.S. minus those leaving—fell to about 410,000 last year from 2.27 million a year earlier. As a result, economists believe the pace of jobs the U.S. needs to create to keep the unemployment rate stable is much lower than before.

Employment gains in 2025 were driven by the health-services sector, which includes healthcare and social assistance. It added about 713,000 jobs. Employment there tends to grow through thick and thin, in part because of the growing needs of an aging population. Without those jobs, private-sector employment would have hardly grown at all.

The leisure and hospitality sector also grew solidly, with a gain of 188,000 jobs. That might reflect increased spending among the more affluent, who have enjoyed strong wealth gains as a result of the rally in stocks.

On the flip side, manufacturing, transportation and warehousing and temporary help were among the sectors where employment fell. And the federal government shed 274,000 jobs.

The unemployment rate drifted higher over 2025, closing out the year at 4.4%, versus 4.1% a year earlier.

Although that is a full percentage point higher than the multidecade low of 3.4% it hit in April 2023, it is still modest. More important, it isn't showing the sharp move higher that tends to occur when the labor market is in real trouble, putting the economy at risk of falling into a recession.

While the unemployment rate remains relatively tame, some groups are facing a much tougher market than others.

Unemployment rates for younger workers have risen much more sharply than for their older counterparts.

Black workers are also facing a tougher job market, with their unemployment rate rising to 7.5% in December from 6.1% a year earlier.

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