

NEWS BRIEF

Provided by: ToughComp

U.S. Adds Over 500,000 Jobs in January

The U.S. Bureau of Labor Statistics (BLS) found in its January [jobs report](#) that the United States added an astonishing 517,000 nonfarm jobs in January, indicating that the labor market is not cooling down. January's added jobs were above December's gain of 260,000 and the Dow Jones estimate of 187,000 jobs to be added this month. They were also higher than 2022's average monthly gain of 401,000—a year that had strong job growth—and the largest increase since July 2022. The largest gains were in leisure and hospitality, professional and business services, and health care.

The unemployment rate fell from 3.5% in December to 3.4% in January. This is the lowest rate since May 1969. Experts expected the unemployment rate to increase to 3.6% in January. The labor force participation rate edged up from 62.3% in December to 62.4% in January, the highest rate since March 2022. However, the current labor force participation rate is still well below pre-pandemic levels of 63.4%. A larger labor supply helps ease a tight labor market and puts downward pressure on wages since there's less competition among employers for candidates.

Despite January's stronger-than-expected jobs report, wage growth came in as expected at 0.3%. January's report also revealed that wage growth moderated on an annual basis. Wage growth has now slowed to 4.4% after reaching its peak of 5.9% in March 2022.

In January, individuals worked, on average, 34.7 hours a week, up from 34.4 in December. This is the most since March 2022, signaling that the demand for workers will likely persist for the foreseeable future.

Employer Takeaways

January's surprising jobs report comes as the Federal Reserve (Fed) continues to increase interest rates in an attempt to fight inflation, cool the labor market and ease pressure on wages. The Fed has raised its benchmark interest rate eight times since March 2022. This month's report indicates that the job market is currently stronger and more resilient than expected; however, economists think that January's job gains may be influenced by seasonal factors and the early year job and wage environment.

January's numbers cast doubt on concerns that the U.S. economy is in a recession or approaching one. While this month's jobs report indicates that the labor market is stronger than previously believed, wage growth is slowing, potentially easing pressure on employers to increase wages to attract talent. However, since the labor market is still not cooling down, employers' struggles to attract and retain workers will likely continue for the foreseeable future. As such, employers should continue to monitor employment trends to stay competitive in today's evolving market.

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