



The Daily Dish

Labor Market Direction? Look to the Details

FRED ASHTON | MARCH 5, 2026

When the jobs report is released on Friday, most eyes will go directly to Summary Table B to see the monthly change in nonfarm payrolls, and then back to Summary Table A to check the unemployment rate.

But those data show the past. They are coincidence indicators that provide little information about inflection points and the future direction of the labor market. It's the often glanced-over details that can provide a better signal of where we are headed.

Recent headline data show the labor market is, as we know, somewhat frozen. Monthly payroll gains averaged just 30,000 per month over the prior 12 months and the unemployment rate has remained relatively steady. Firms aren't hiring and they aren't firing. It's possible - and perhaps likely - that many firms are still operating with the scars of being caught flat-footed in the hiring spree that followed the COVID-19 pandemic shutdown and, consequently, hesitant to slash headcount in the event the economy accelerates or add workers in case of a downturn.

So, how can we predict what's coming next?

One place to start is average weekly hours worked. Firms are likely to adjust hours - either by cutting them in the event of a downturn or increasing them during an expansion - before slashing or adding headcount. This indicator is flashing yellow as it has trended downward since 2021. After a peak of 35 hours in January 2021, the annual average has steadily declined to 34.2 in 2025. And while a drop of 0.8 hours may not seem consequential, the cumulative effect of this reduction across nearly 160 million workers is significant. Relatedly, average weekly overtime hours in the manufacturing sector have experienced a similar downward trend, falling from 3.2 hours in 2022 to just 2.9 hours over the last three years.

In a similar vein, those classified as working part-time for economic reasons – employees who want full-time work but cannot find it, or had hours cut – can show hidden slack in the labor market. Before a company moves to layoffs, it could transition full-time roles to part-time or only hire for part-time roles. After bottoming in 2022 at 3.65 million, the number of workers employed part-time for economic reasons has trended higher to 4.89 million in January 2026, but has come down by 600,000 since November 2025.

Ultimately, while the headline figures suggest a stale labor market, fluctuations in the details, like involuntary part-time work and weekly hours, could help determine whether the current stagnation is temporary or a precursor to a bigger shift.

FREDDY'S FORECAST: JANUARY JOBS

After last month's jobs Wednesday, we are back on schedule. A quick recap of where we've been: The January jobs report showed hiring accelerated to 130,000, the quickest pace of hiring since December 2024. The unemployment dipped for the second-straight month by 0.1 percentage point to 4.3 percent, the lowest level since August 2025.

Since the last report, data from ADP showed the pace of private sector hiring picked up as employers added 63,000 workers to payrolls, well above the downwardly revised 11,000 in January. Hiring was largely concentrated among small businesses which added 60,000 jobs, while large firms added 10,000. Medium-sized establishments cut 7,000 workers. Construction led the goods-producing industry gains, adding 19,000 jobs, while manufacturers continued to lag, cutting another 5,000 from their payrolls. Service-providing industries added 47,000 workers, again led by the education and health services sector (+58,000). Professional and business services weighed on the industry, cutting 30,000 roles.

Data from the Institute for Supply Management were mixed in February. Economic activity in the manufacturing sector remained in expansion territory, but at a slower pace than in the prior month as growth in new orders and production downshifted. The employment index ticked higher but remained in contraction. Prices jumped 11.5 percentage points to 70.5 percent, the highest reading since June 2022 (78.5 percent) amid higher primary metals prices. The January services index improved in February, jumping to 56.1 percent, lifted by stronger business activity, new orders, and employment.

Initial jobless claims held steady at 213,000 for the week ending February 28. Continuing claims, meanwhile, increased by 46,000 during the week of February 21 to 1.868 million, but remained below 1.9 million. The four-week moving average, which smooths out weekly volatility, was 1.851 million, up slightly from the previous week.

For the February report, expect payroll growth of 80,000 and the unemployment rate to remain at 4.3 percent. Growth in average hourly earnings holds steady at 0.3 percent for a 3.7-percent annual gain.