

## January's Job Figures Reflect Diverging Performance Across Economic Sectors

### Beleaguered by infections, hiring gets off to slow start in 2021.

Employers expanded payrolls by a modest 49,000 jobs last month following a loss of 227,000 positions in December. January's mild employment gain underscores the ongoing weight of the health crisis on economic growth, with some sectors recovering and others struggling. Continuing vaccinations and fewer infections in early February, however, may point to improved hiring in the weeks ahead.

### Recruiting of temporary workers highlights office ambiguity.

Outside of a major ramp up by educational institutions, January's job growth was driven by professional and business services. The bulk of that hiring was temporary roles, though. This suggests that while firms need additional human capital, they want to maintain a level of flexibility under the health crisis. This behavior extends to office properties as well. While most companies see a physical office as a permanent and necessary part of their culture and operations, the exact timing and nature of when and how employees return in mass remains unclear. This short-term uncertainty has contributed to a marked rise in office vacancies over the past 12 months, especially for Class A urban space. The long-term demand for the asset type, however, is reflected in the average sale price, which rose moderately last year.

### Hotel, restaurant and retail trade losses limit net job gains.

Leisure and hospitality employment contracted again last month, but the decline was smaller than in December. Health restrictions continue to limit business at bars, restaurants and hotels, where revenue per available room remains half of what it was 12 months prior. Loosening restrictions around travel and dining in California and New York should help these businesses in the weeks ahead. Retail trade jobs were also cut as holiday spending ended. As with the economy at large, some retail concepts are performing better than others. Grocers and other food vendors hired personnel in January while electronics stores and general merchandisers eliminated seasonal hires.

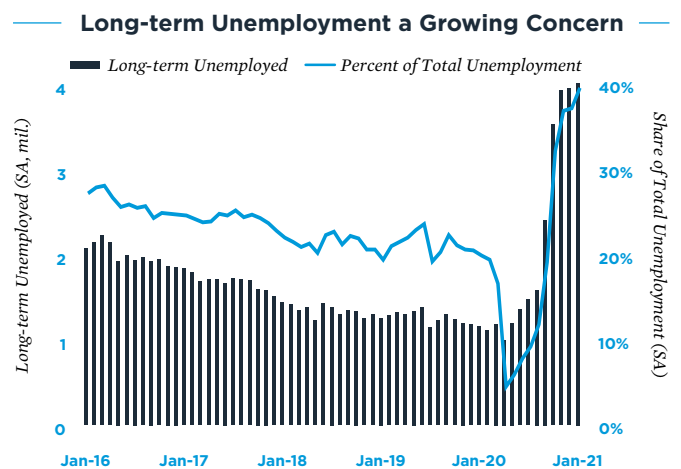
## Developing Trends

**Job numbers reflect stimulus importance.** The labor market's tepid start to the new year highlights the need for additional fiscal aid to support the economy until mass vaccinations can temper infections. The Biden administration's \$1.9 trillion proposal is being facilitated through the Congressional budget process, where it has a stronger likelihood of approval. Although anticipated to be modified, if some form of stimulus is implemented by mid-March, when many current support systems expire, the aid could go a long way to bolstering the economy until widespread reopenings pave the way for pent-up consumer savings to carry momentum.

**Lower joblessness belies longer-term issue.** The unemployment rate fell to 6.3 percent in January, driven more so by fewer people re-entering the labor pool to find a job than by fewer people being released from current roles. The number of those who have been out of work for 27 weeks or longer also remained largely unchanged last month at 4 million, up 250 percent year over year. Reducing this figure will be a critical part of the recovery going forward.

**-6.5%** Net Employment  
Contraction  
Feb. 2020 - Jan. 2021

**12.5M** Jobs Recovered Since  
April 2020



Long-term unemployed are those who have been without work for 27 weeks or longer.  
Sources: IPA Research Services; Bureau of Labor Statistics

