Nonfarm payrolls grew by 271,000 in January, continuing the fourth quarter's string of vigorous increases. The gain was broad-based, with every major sector of the economy adding to its payrolls. Services continued to expand as a fraction of total employment, while manufacturing advanced a solid 2.1% on an annual basis. Strong growth in business services was led by continued expansion of the nation's temporary help agencies.

Although overall employment rose, the jobless rate increased slightly for the month, from 5.3% to 5.4%, a statistically insignificant change. The source of this apparent conflict can be traced to the increasing number of people looking for work who previously were neither employed nor searching for a job. While an influx of people into the labor market is expected when employment prospects are good, the current business expansion has yielded particularly large inflows. Both the employment-to-population ratio and the labor force participation rate stand at record highs.

Average weekly earnings increased moderately in 1996, up 3.2% over 1995's level and only slightly above the 1996 inflation rate. The January numbers did not break with this pattern, as average hourly pay rose only 1 cent, to $12.06.