



Washington Examiner

Economy struggled in January, with just 49,000 jobs added and unemployment down to 6.3%

Tyler Van Dyke

February 05, 2021

The economy added 49,000 jobs in the first month of the year, according to the Bureau of Labor Statistics, indicating the labor market is struggling to regain health and adding pressure on President Biden to negotiate additional federal relief.

The unemployment rate fell 0.4 percentage points to 6.3%.

Friday's report just barely met economists' expectations and relayed the bad news that job growth was significantly weaker in the previous two winter months than previously thought. December's job losses were revised down to 227,000.

"This is not a good start to 2021. Today's report is essentially the opposite of what we need almost a year into the pandemic," Indeed economic director Nick Bauer said.

Restaurants shuttered by the pandemic bore the brunt of the losses. The leisure and hospitality sector lost 61,000 jobs in January and remains more than 20% below pre-pandemic averages. These losses were offset in January primarily by an 81,000 increase in professional and business services.

Altogether, 14.8 million people said that they had been unable to work because their employer closed or lost business due to the pandemic. Total employment is roughly 10 million lower than it was before the pandemic.

The United States gained more than 100,000 government and private education jobs in January after losing tens of thousands of jobs the previous month.

Retail saw a reverse trend — after gaining more than 100,000 jobs in December, retail trade lost 38,000 in January.

The labor force participation rate remained unchanged from December but, at 61.4%, is near its lowest level since 1970. The number of permanent job losers, at 3.5 million, is 2.2 million higher than pre-pandemic levels.

Positive forecasts and slowly recovering jobs reports have prompted some economists and Republican lawmakers to call for a smaller, more targeted federal response as Biden and Democratic lawmakers push for their \$1.9 trillion relief package.

"Hundreds of billions of dollars more in stimulus state bailouts are not the answer," Republican Rep. Jason Smith, ranking member of the House Budget Committee, told the *Washington*

Examiner. "What's needed are more policies that strengthen America's working class and an end to job-destroying executive orders from President Biden."

Cato Institute economist Ryan Bourne specifically criticized Biden's commitment to sending out \$1,400 stimulus checks.

"The economic rationale for sending out yet more checks on top of other support programs is baffling to me given the primary economic problem is a virus and lockdowns to reduce the prevalence of the virus," Bourne said. "Politicians seem to act as if this is all about spending, and that checks are needed to counter consumer belt-tightening because of fears about incomes."

"I would question whether we should be administering another big dose of stimulus checks at all," Bourne added. "Again, other, more targeted support programs exist, including expanded unemployment insurance."

Joe Brusuelas, chief economist at accounting firm RSM, said he was "unimpressed" by appeals for fiscal austerity amid one of the country's worst economic downturns and cautioned lawmakers against paring back relief measures.

"A better-than-expected jobs report will certainly stiffen the spines of the deficit hawks that make up a minority of the House and Senate. The rediscovered religion of fiscal austerity on the part of some does seem more than a bit disingenuous given the orgy of spending that occurred over the past four years," Brusuelas told the *Washington Examiner*.

"Given the 17 million people on some form of unemployment insurance, the roughly 10 million jobs that have been lost over the past year, and an unemployment rate of approximately 20% in households that make under \$40,000 per year," he continued, "Biden's \$1.9 trillion fiscal aid and stimulus program has broad public support, and it will garner just enough support from the GOP for it to be branded a bipartisan victory."

"But make no mistake about it," Brusuelas added. "The Democrats intend to use their majority status to implement their aid package whether the GOP supports it or not."

As the White House and Capitol Hill hammer out the details on a new round of relief, more than 27 million people have received at least one dose of the COVID-19 vaccine, according to the Centers for Disease Control and Prevention. Widespread vaccination is largely seen as the key to returning to pre-pandemic levels of economic activity.