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FEBRUARY 2026



U.S. Labor Market Shows New Signs of Strain as Key Data Delayed

Fresh labor market data is raising new concerns about the durability of the U.S. employment picture, complicating earlier expectations that conditions were stabilizing after a prolonged period of tightness. The latest Job Openings and Labor Turnover Survey shows job openings falling sharply in December, down 386,000 to 6.5 million.

Hiring activity edged slightly higher to a 3.3 percent rate, but the increase offers limited reassurance. Current hiring levels resemble the slow recovery period that followed the Great Recession, suggesting employers are growing more cautious even as the broader economy avoids an outright contraction.

Other indicators point to rising stress beneath the surface. Outplacement firm Challenger, Gray & Christmas [reported](#) the highest level of announced January job cuts since 2009. Initial jobless claims also jumped by 22,000 in the most recent reading. Perhaps most telling, the balance of power in the labor market has shifted meaningfully, with fewer than one job opening available per unemployed worker. Just four years ago, that ratio stood near two to one.

Financial markets reacted nervously at the end of the week, as investors faced an unusual “jobs Friday” without the closely watched nonfarm payrolls report. At the same time, crypto markets sold off sharply, with [Bitcoin down](#) more than twenty percent on the week, amplifying broader risk aversion across financial markets. A brief government shutdown delayed the release, leaving traders to rely on smaller data points and commentary from Federal Reserve officials. Equity futures softened amid the uncertainty, reflecting unease about growth momentum and inflation risks.

The Bureau of Labor Statistics has rescheduled the January employment report for Wednesday, Feb. 11, and pushed the consumer price index release to Friday, Feb. 13. Until then, businesses and policymakers alike are navigating a labor market that appears to be cooling faster than many anticipated, with implications for hiring plans and monetary policy in the months ahead.

TARIFF WHIPLASH

Recent trade data presents a more nuanced picture than short-term headlines might imply. Early tariff gains faded as trade data swung back above last year's levels.

In November, the U.S. trade deficit widened sharply, rising 94.6 percent to \$56.8 billion. U.S. Census Bureau data shows the cumulative trade deficit through November 2025 at \$839.5 billion, about 4 percent higher than the same period last year. Taken together, the data suggests that earlier declines reflected short-term fluctuations rather than a lasting change in trade patterns.

Month-to-month trade figures are often influenced by timing and inventory decisions. Earlier in the year, import activity was elevated as companies adjusted purchasing schedules in response to changing trade conditions. That surge was followed by a brief slowdown, which temporarily reduced the deficit. As inventories normalized, import volumes increased again. In November, the U.S. trade deficit with the European Union rose by \$8.2 billion, contributing to the overall increase.

Economists generally caution against reading too much into isolated monthly swings. Trade balances are shaped by a combination of factors, including domestic consumption, savings behavior, global supply chains, and international demand. Policy measures can influence trade flows in specific areas, but they operate alongside these broader structural forces.

For manufacturers, the key takeaway is operational rather than political. Recent data underscores the volatility of trade conditions and the importance of planning for uncertainty. Shifts in sourcing, pricing, and labor needs are increasingly tied to global dynamics that can change quickly, reinforcing the value of flexibility and scenario-based planning as trade conditions continue to evolve.

BUY NOW OR PAY MORE: 6 Items to Stockpile

US trade deficit has nearly doubled, signaling massive cost hikes for imported goods in 2026.

STRATEGIC STOCKPILING TODAY WILL SHIELD YOUR HOUSEHOLD BUDGET FROM LOOMING PRICE ADJUSTMENTS.

SMALL KITCHEN APPLIANCES



Global supply chain shifts and tariff adjustments make coffee makers and air fryers more expensive.

SUPPORTIVE WALKING SHOES



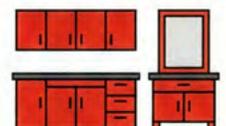
NRF warns of 10% to 20% price increases as trade rules are implemented.

LAPTOPS AND TABLETS



Recent \$6.6 billion influx in computer imports is a precursor to higher retail costs for gadgets.

KITCHEN CABINETS & VANITIES



Import tariffs projected to double from 25% to 50% at start of 2026.

UPHOLSTERED FURNITURE



High sensitivity to trade shifts means sofas and recliners will see significant price jumps.

PROFESSIONAL POWER TOOLS



Rising steel and aluminum costs combined with 20% duties are driving up workshop essential prices.

COUNTING ON KEVIN

PRESIDENT TAPS KEVIN WARSH TO SUCCEED JEROME POWELL AS FEDERAL RESERVE CHAIRMAN



On January 30th, 2026, President Donald Trump nominated former Fed Governor Kevin Warsh to succeed Jerome Powell as Chair of the Federal Reserve in May 2026. Trump praised Warsh as “central casting” and a leader who will not disappoint, signaling a shift toward the lower interest rates the White House has long demanded.



FORMER FED GOVERNOR (2006–2011)

Appointed by George W. Bush, served as the youngest governor in Federal Reserve history.



INSTRUMENTAL 2008 CRISIS RESPONSE ARCHITECT

Helped broker the sale of Bear Stearns and managed the government bailout of AIG.



ACADEMIC & PRIVATE SECTOR EXPERT

Currently a senior fellow at the Hoover Institution and a strategist for investor Stanley Druckenmiller.



VISION FOR FED “REGIME CHANGE”

Advocates for lowering interest rates, downsizing Fed staff, and shrinking the central bank’s balance sheet.

Warsh, 55, is a **vocal critic** of current Fed policy, advocating for a “regime change” that includes steep rate cuts, a slimmer balance sheet, and reduced bank regulation. He contends that productivity gains from AI will naturally curb inflation, allowing for more aggressive easing.

However, the nomination faces a precarious path in the Senate. Senator Thom Tillis (R-N.C.) has vowed to block any nominee until a DOJ criminal probe into Powell is resolved. With a narrow 13-11 Republican majority on the Banking Committee, Tillis’s opposition could create a deadlock if Democrats also oppose the pick.

The transition comes amid a historic clash over central bank independence. Powell, who views the DOJ probe as a pretext for political pressure, may stay on as a governor to safeguard the institution. Markets reacted with a rising dollar and plunging gold prices as investors weighed Warsh’s history of favoring liquidity.

FED PAUSES ON 'SOLID' GROWTH AND PERSISTENT INFLATION

The Federal Reserve held interest rates steady on Wednesday, January 27th, pausing after three consecutive cuts to assess a stabilizing economy amid intensifying political pressure.

The Federal Open Market Committee voted to keep the federal funds rate between 3.5% and 3.75%, noting that economic activity has expanded at a “solid pace,” an upgrade from its previous assessment,. The decision highlighted a divide within the central bank; Governors Stephen Miran and Chris Waller dissented, voting for a quarter-point cut. Fed Chair Jerome Powell described the current policy stance as “loosely neutral,” arguing that rates are not significantly restrictive given the improved growth outlook.

FED HOLDS STEADY: POWELL'S 'FIRM FOOTING'

**RATES HELD AT
3.5% – 3.75%**



Benchmark rate steady in non-unanimous decision following three previous cuts

**ECONOMIC GROWTH
UPGRADED TO 'SOLID'**



Outlook moved from “moderate” to “solid pace,” noting labor market stabilizing

**TARIFFS DRIVING
3% CORE INFLATION**



Inflation elevated due to tariff effects, expected to fall later this year

QUOTING POWELL:

**“MONETARY
POLICY IS NOT
PRESET”**

Fed remains independent from political control, lets data “light the way”

**US ECONOMY:
FIRM FOOTING**

HIGH YIELDS ON CASH PERSIST

Rate pause keeps yields on high-yield savings accounts and CDs attractive



The meeting occurred against a backdrop of threats to the central bank’s independence. President Donald Trump has ramped up criticism of the Fed, and the Justice Department has reportedly opened an investigation into Powell. Simultaneously, the administration is challenging the tenure of Governor Lisa Cook in the Supreme Court, a dispute Powell called perhaps the “most important legal case” in the Fed’s history. Powell strongly defended the institution’s autonomy as a necessary safeguard against the politicization of monetary policy.

Looking forward, Powell emphasized that policy is not on a “preset course” and decisions will be made “meeting by meeting”. While inflation remains “somewhat elevated”

due to tariff impacts on goods, Powell expects these pressures to wane, potentially allowing the Fed to loosen policy later this year. Analysts generally expect rate cuts to resume later in 2026 as inflation moderates.

BRAIN DRAIN

From Wage Advantage to Wage Gap

MICHIGAN HAD THE WAGE EDGE IN THE '90S. WHAT HAPPENED?

Michigan manufacturing is currently doing that fun thing where it's expected to keep producing like it's 1999... while hiring like it's 2049. The labor market isn't just "tight." It's bumping into what economists call a "demographic speed limit"—fewer working-age people, an aging population, and lower labor force participation. Translation: the talent pool isn't expanding fast enough to bail you out with endless new hires.

That means HR leaders and manufacturing execs need to stop treating this like a temporary staffing headache and start treating it like a structural reality. The good news: Michigan isn't out of options. It just needs to use the options it actually has.

The structural challenge: the wage advantage is gone.

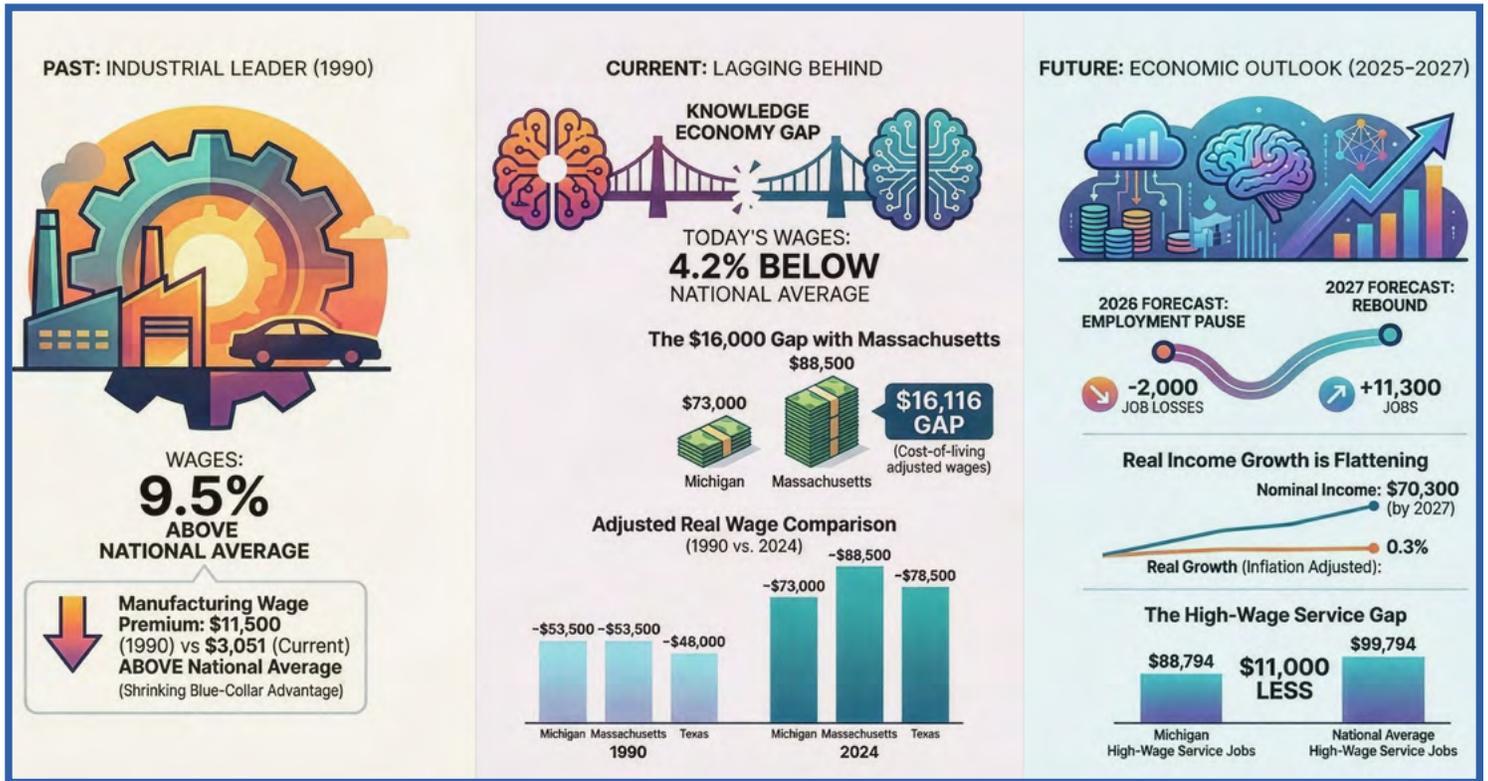
For decades, Michigan had a built-in recruiting cheat code: higher-than-average wages. Back in 1990, the state enjoyed a 9.5% wage premium over the national average. Hiring wasn't "easy," but it was easier when you could pay well and still feel competitive.

Fast-forward to now: Michigan wages sit 4.2% below the national average, and the state hasn't transitioned smoothly into the "knowledge economy" that helped boost incomes in places like Massachusetts and Texas. So if your retention plan is "we'll just outpay everyone," you may want to sit down before you see what that does to your labor budget.

With the demographic speed limit in play, the strategy shift is pretty clear: less frantic hiring, more aggressive retention and upskilling. If fewer new workers are entering the market, the best workforce is the one you already have—assuming you keep them. Even with Michigan's statewide "growth pause," some regions are proving the trend can be nudged in the right direction—especially when development and lifestyle line up.



The Michigan Wage Come-Down: From Top Paychecks to Playing Catch-Up



Bright spots: growth isn't dead, it's just selective

Detroit is leading the “wait, really?” category. After decades of decline, the city recently posted a 1.1% population gain, which is double the statewide average. That’s being driven largely by new housing development and better retention of younger residents. The takeaway for employers is blunt: talent will move—or at least stay—when housing and quality of life make it feel possible.

Meanwhile, West Michigan keeps quietly outperforming. Economists point to the region’s proximity to Lake Michigan, which attracts investment and talent (including, yes, wealthy Chicagoans looking for a change of scenery). It also helps that the region has a strong healthcare anchor. Major expansions—like Corewell Health’s new facilities—are expected to support nearly 20,000 additional jobs in private education and health services in 2025. Even if you’re not in healthcare, growth in that sector stabilizes communities and strengthens the broader labor ecosystem manufacturers rely on.

The retention lever nobody wants to talk about: stability

If you don’t want wage costs spiraling into the stratosphere, here’s the underused angle: stability sells. Consumer confidence has dipped, and people are increasingly anxious about their financial future. In that environment, the promise of steady work matters more than ever.

Michigan’s core industries can lean into that—especially automotive. The auto sector is getting regulatory “breathing room” through the removal of strict electric vehicle mandates and fuel economy penalties, which plays directly to the strengths of the Detroit Three and supports continued dominance in gas-powered trucks and SUVs.

On top of that, extended tariff rebates on imported parts are helping keep domestic assembly lines competitive.

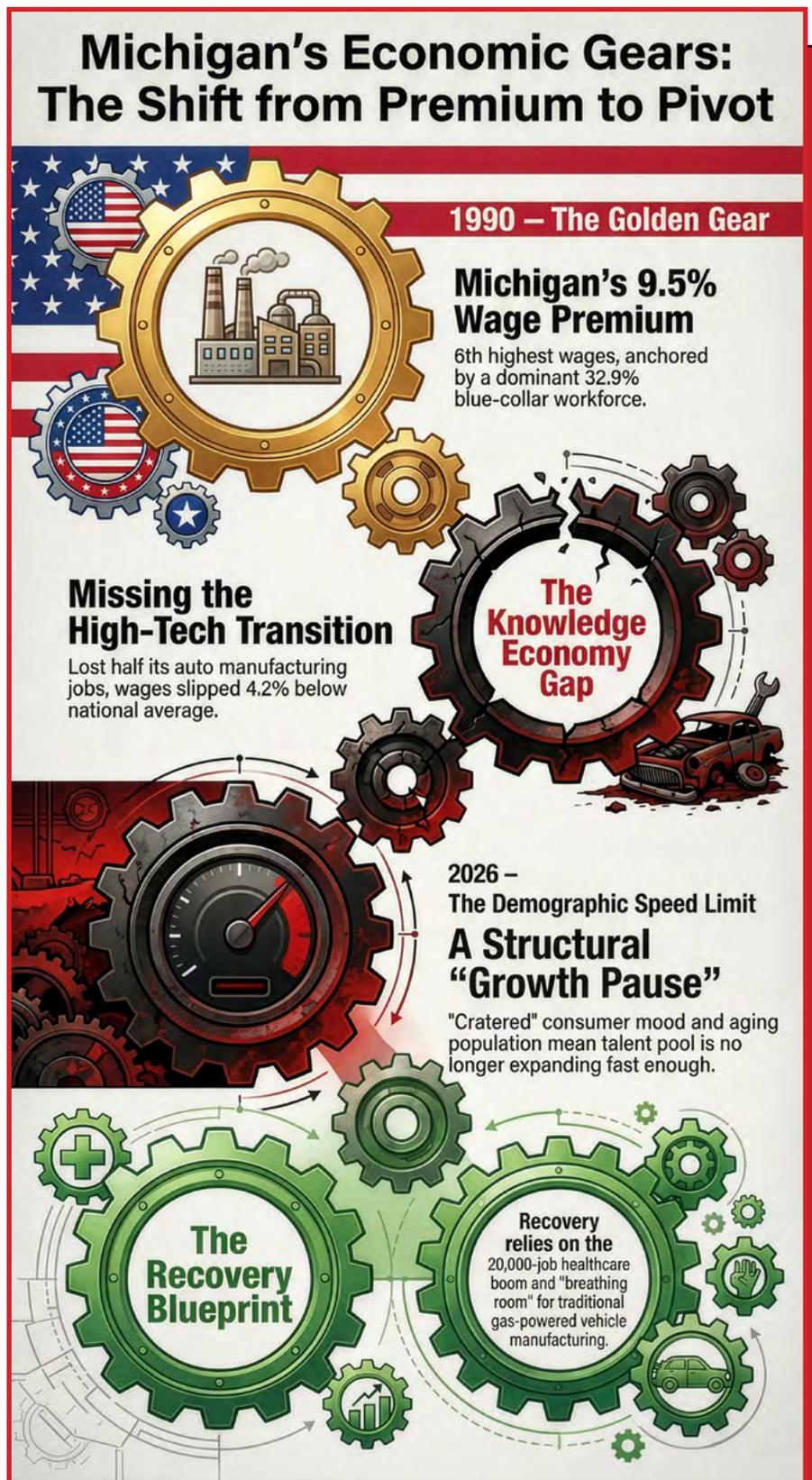
That policy shift is expected to support steadier employment: manufacturing is projected to add 4,500 jobs in 2027 after a brief dip. HR teams should be marketing that security loudly to a workforce that's tired of economic whiplash.

The path forward: sell Michigan as the full package

Experts say Michigan needs a major revamp of its economic development strategy—something beyond the 1990s playbook. But the state also has assets other places would kill for: water, natural resources, and world-class universities. University of Michigan economist Don Grimes has said closing the wealth gap requires thinking differently, while also acknowledging Michigan's inherent strengths.

For manufacturers, the near-term path isn't mysterious—it's just harder than tossing another dollar on the hourly rate. To stop the brain drain and keep production humming, sell what Michigan actually offers: lower cost of living than coastal hubs, lifestyle benefits rooted in natural resources, improving housing options in growing hubs, and the stability of the industrial base.

The labor market is still tight, but the data points more toward stabilization than collapse. Companies that focus on upskilling the people they already have and that lean into the housing and lifestyle renaissances in places like Detroit and Grand Rapids will be the ones still fully staffed when everyone else is still "urgently hiring" for the same role they posted last spring.



Parent company of La Colombe, Chobani is doubling down in Norton Shores.

BREWING GROWTH IN WEST MICHIGAN

La Colombe's \$479M Historic Expansion: Brewing Growth in Norton Shores



La Colombe Coffee Roasters is brewing up a massive economic boost for West Michigan with a historic \$479 million expansion of its Norton Shores production facility. The ambitious multi-phase project, backed by parent company Chobani, will nearly double the facility's shop floor and install \$347 million in state-of-the-art equipment to support the brand's booming ready-to-drink coffee line.

Local officials have celebrated the move as a "historic amount of investment" for Muskegon County, signaling a vibrant future for the region's manufacturing sector. The expansion is set to create 100 new jobs at the plant, which already operates 24/7 to meet consumer demand.

This projected surge in hiring presents a prime opportunity for Recruitment Process Outsourcing (RPO) divisions to partner with high-growth manufacturers, providing the strategic support necessary to rapidly source and onboard skilled talent for the enlarged facility. With foundation work expected to begin within weeks, this investment cements La Colombe's commitment to driving Norton Shores' economic momentum.



This is not a clean expansion cycle. It is not a collapse either. It is something harder to navigate. Hiring has slowed, confidence has softened, and decision making feels heavier than it did a year ago. Yet production continues, investment is still happening, and employers who stay adaptive are quietly positioning themselves for what comes next.

Periods like this reward flexibility over certainty. Demand shifts faster. Trade conditions swing. Capital gets cautious. In that environment, locking yourself into a single workforce strategy is often the bigger risk. The organizations that fare best are the ones that can scale up or down without losing momentum or talent.

Flexible staffing gives employers room to move while the picture clarifies. It allows operations to stay productive without committing too early or pulling back too hard. For companies preparing to expand ahead of the next rebound, Recruitment Process Outsourcing offers a way to build hiring capacity now, without building permanent overhead. For employers searching for specialized or hard to find talent, direct hire remains a powerful tool when precision matters more than speed.

The labor market may feel unsettled, but it is not directionless. Opportunity still exists for companies willing to plan, adjust, and stay disciplined. WSI supports every stage of that strategy. Whatever the economy hands you next, we help make sure your workforce is ready.

