



Insights exchange for the model-driven economy

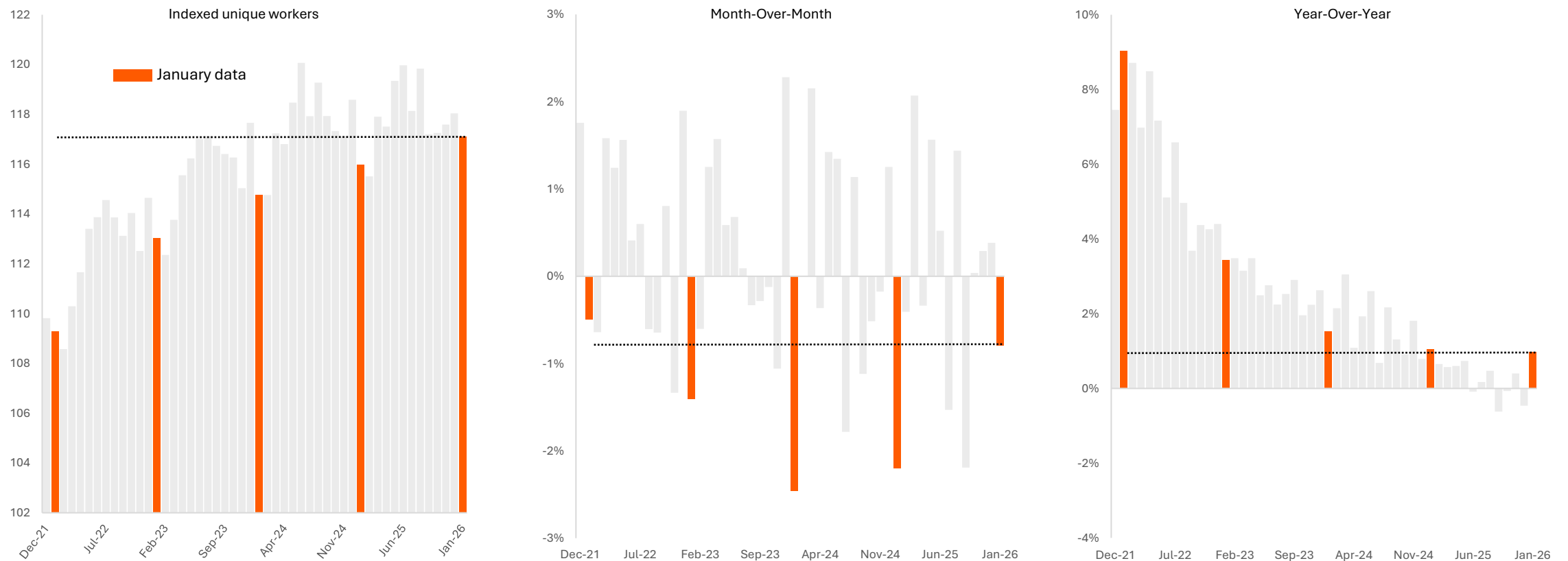
# SMB Workforce Changes in January Showed Stability at the National Level with Familiar Yet Divergent Regional and Sector Themes

1. The SMB workforce displayed a seasonal contraction in January, -0.79%, and a Y/Y growth rate in-line with a year ago, but well below the prior three years.
2. The West South Central census division continues to be a standout from both an SMB workforce growth and wage growth perspective, although its regionally leading wage growth slowed in January.
3. The Manufacturing sector had the second largest SMB workforce expansion in January, trailing only the much smaller Management of Companies & Enterprises segment. The Manufacturing sector's Y/Y growth trails only the much smaller Utilities sector.
4. Median full-time wage growth appears to have leveled off near 3.2% over the last several months. While the West South Central region maintained the highest wage growth, only the East South Central's SMB workforce has seen Y/Y wage growth grow over the last three months.
5. The Pacific region was a drag on national SMB payroll statistics from both a workforce and wage growth perspective in January, which has been an enduring theme for several months.

# SMB Workforce Had a Moderate Seasonal Contraction in January, and Stable Y/Y Increase

SMB data showed a -0.79% M/M workforce decline for January. Y/Y data suggests the SMB workforce grew at a very similar rate to last year at this time, +0.97% vs. +1.06%, but well below rates of the prior three years.

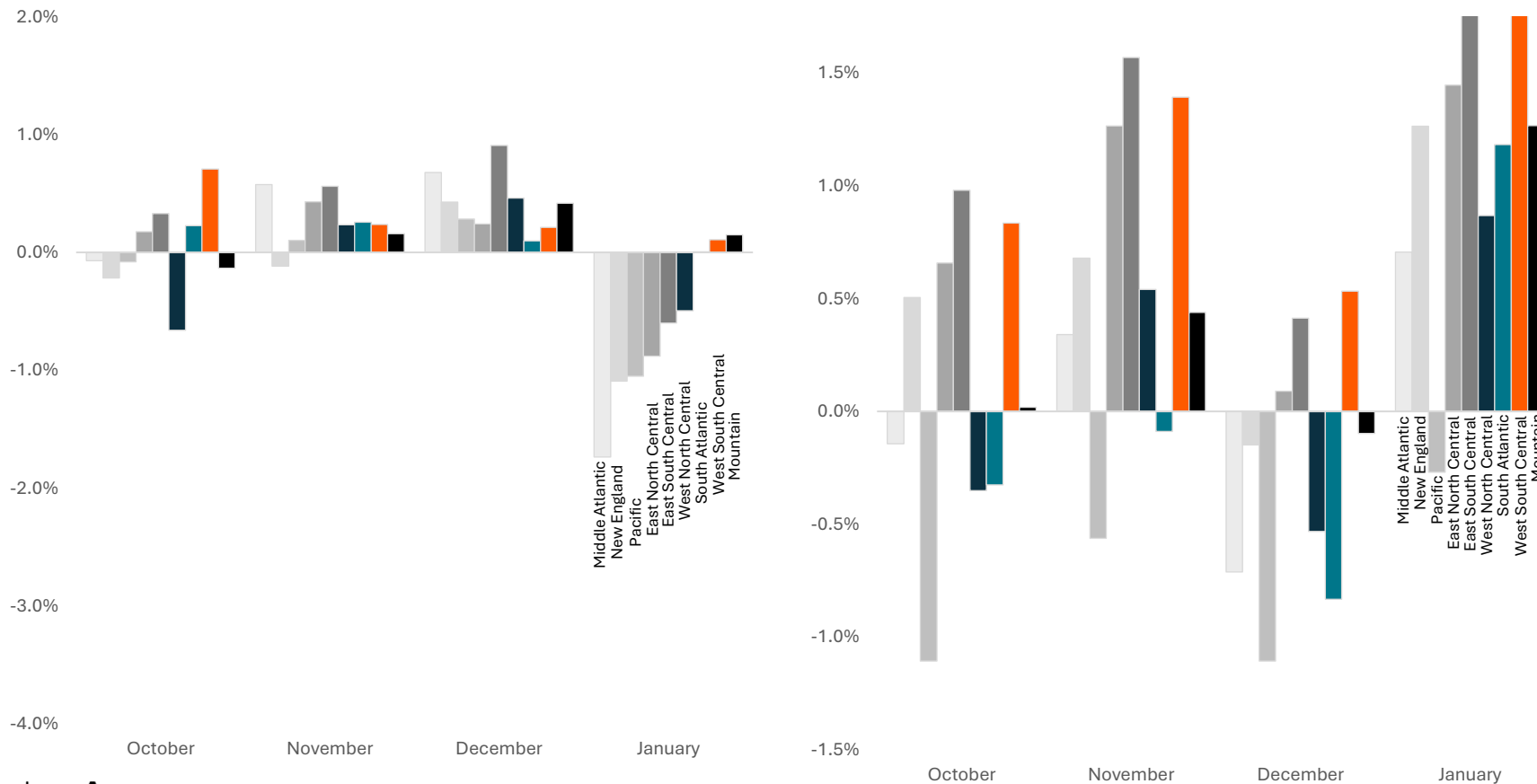
Indexed SMB workforce (left), month-over-month (center) and year-over-year change (right) in unique workers through January 2026



# SMB Workforce Data Illustrates Regional Strengths and Weaknesses

The SMB workforce contraction was not universal across the nine census divisions in January. Two regions showed expansion in January, with differing longer-term trends, while one continued to grow faster than the rest.

M/M (left) and Y/Y (right) change in SMB workforce by census divisions for the last four months ending December



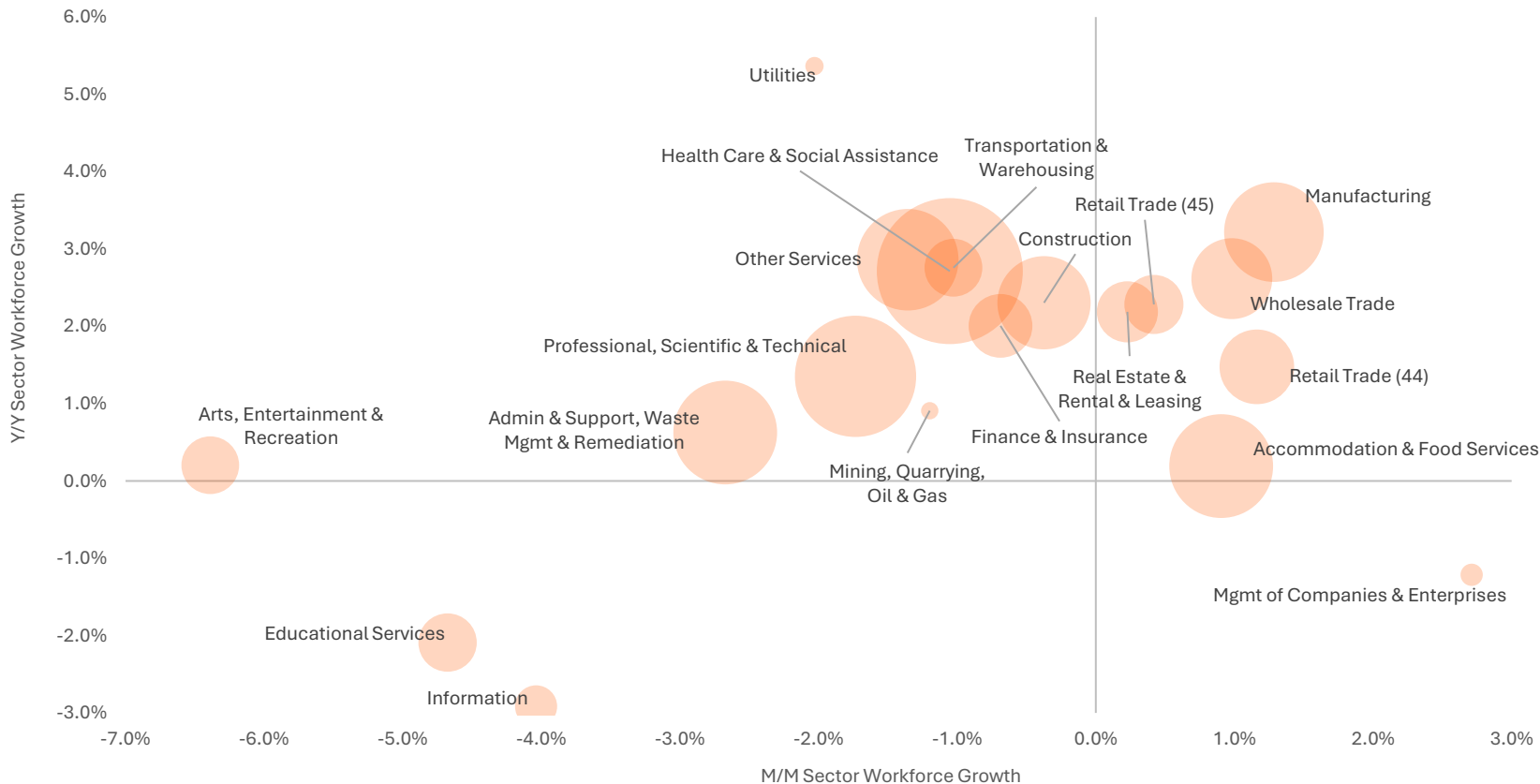
## Key Takeaways:

- Both the East and West South Central census divisions have shown consistent Y/Y growth, but only the latter's workforce continued to expand into 2026.
- The Pacific is the only census division whose SMB workforce contracted Y/Y in January. It has been a consistent Y/Y drag on workforce expansion in recent months.
- The East South Central region, despite contracting M/M in January, continued to show very strong relative Y/Y growth rates.

# The Manufacturing Sector Supported SMB Workforce Levels Entering 2026

Most sectors mirrored the national SMB workforce contraction in January and its Y/Y growth, but to significantly differing degrees with some sectors under-performing and others over-performing.

Y/Y (y-axis) and M/M (x-axis) changes in SMB workforce by NAICS-2 sectors through December 2025



## Key Takeaways:

- The Manufacturing sector's SMB workforce expanded at a relatively elevated rate in January and produced above trend Y/Y growth.
- Both Retail Trade sectors showed workforce expansion in January while NAICS sector 45 continued to produce higher Y/Y growth rates.
- Finance & Insurance and Other Services, which tend to be aligned with higher income regions, both had contracting SMB workforces in-line with national levels in January but also continue to expand Y/Y at above-aggregate rates.

# Full-Time Wage Growth Bounces Along Near 3.2%, Slows in the Hottest Region

The West North Central census division is still seeing by far the highest wage increases, but its rate of growth declined in January while the East South Central's median wage growth increased. The Pacific region's full-time wage growth lags only the Middle Atlantic region, but it declined significantly to start 2026.

