

MARCH 2026



Workforce Optics

INSIGHTS, NUMBERS & KNOWLEDGE FOR A COMPETITIVE WORKFORCE

Welcome! In this issue of Workforce Optics, we examine a labor market that has slipped from “finding its footing” into a more cautious phase. We unpack how this slow-motion cooling, combined with anxious but less selective candidates, subdued hiring appetite, and the looming impact of GenAI on skills, should shape employers’ talent strategies for the rest of 2026.

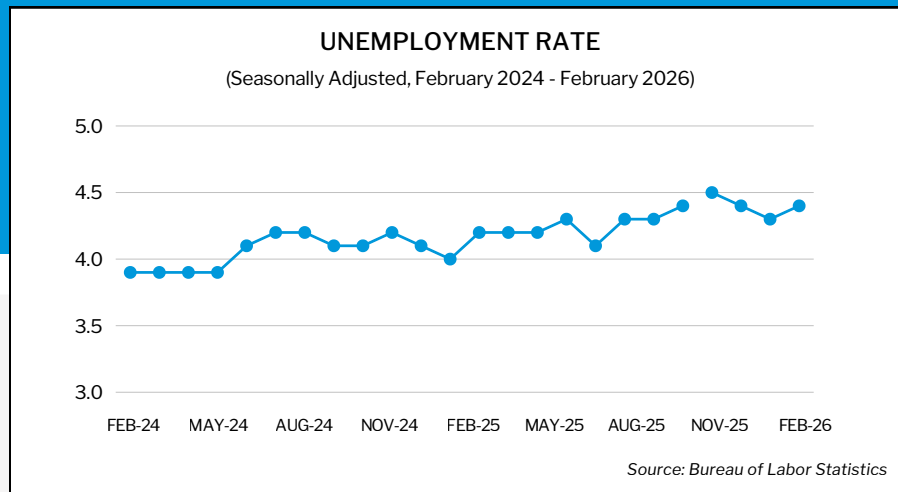
Jobs Update

The U.S. labor market weakened in February 2026, as **total nonfarm payroll employment declined by 92,000 jobs**, according to the latest Employment Situation Report from the U.S. Bureau of Labor Statistics. The unemployment rate edged up slightly to 4.4%, while the number of unemployed people remained largely unchanged at 7.6 million, suggesting the labor market is cooling but still relatively stable by historical standards.

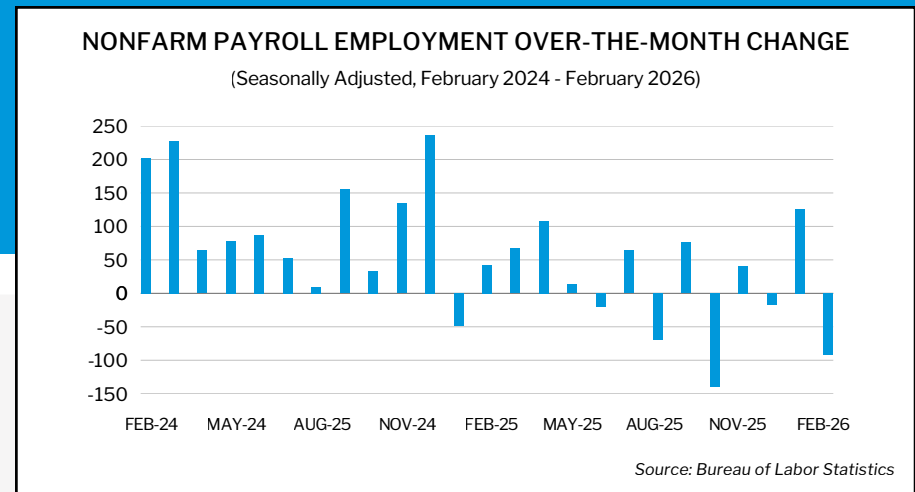
The decline in payrolls was driven primarily by losses in health care, information, and federal government employment. Health care employment fell largely due to temporary strike activity, while **job losses in the information sector and federal government continued ongoing downward trends**. Despite the monthly decline, many major demographic unemployment rates—including those for adult men, adult women, and several racial and ethnic groups—changed little during the month.

Other labor market indicators were also relatively stable. The labor force participation rate remained at 62.0%, and the employment-population ratio held at 59.3%, both showing little change from recent months. Meanwhile, the number of long-term unemployed workers (27 weeks or more) was about 1.9 million, accounting for roughly one-quarter of all unemployed people, highlighting **persistent challenges for some job seekers** even as broader labor market conditions remain relatively steady.

Source: BLS Employment Situation Summary – January 2026



Note: Data for October 2025 were not collected due to the federal government shutdown.



4.4%
National Unemployment Rate
FEBRUARY 2026
0% MoM Change



7.6 MILLION
Unemployed Persons
FEBRUARY 2026
0.1% MoM Change



Hire Boldly Before the Labor Squeeze Hits

As 2026 is well underway, labor economists Daniel Zhao (Glassdoor) and Svenja Gudell (Indeed) both describe [a job market that looks “frozen on the surface, shifting underneath.”](#) Workers are anxious but hanging on to the jobs they have, while employers quietly rebalance workforces and expectations.

Zhao points to a sharp rise in review language about “misalignment,” “disconnect,” and “distrust,” as employees see AI adoption, layoffs, and return-to-office mandates collide with earlier promises of flexibility and empathy. [Cuts to compensation or benefits feel like broken promises](#), and the move from pandemic-era transparency back to business-as-usual has magnified the credibility gap.

At the same time, Gudell notes that uncertainty—not outright weakness—is holding back hiring: [companies are delaying big moves until the economic and policy picture clears](#), even as financial markets and headline employment indicators remain relatively stable.

Both economists see this as a moment of opportunity for employers willing to act strategically rather than defensively. Gudell argues that [now is an ideal time to “swim against the grain” by going on offense for talent](#)—identifying future skill needs, leaning into culture and employer brand, and hiring strong candidates without having to pile on costly signing bonuses.

Zhao, meanwhile, warns that relying on attrition to manage headcount is a blunt instrument that can quietly drain away top performers, especially when return-to-office policies push out valued remote workers. Instead, he urges employers to be intentional: [protect high performers, communicate clearly about promotion paths, and be honest about how in-office presence really affects advancement](#) in a world where remote and hybrid workers already see their career-opportunity ratings sliding.

Their combined message to employers is clear: don't be fooled by the current calm—this is the moment to rebuild trust, clarify the deal you're offering employees, invest in skills and internal mobility, and [position your organization for the next phase](#) of a very uneven labor market.

ABOUT THE EXPERTS

Svenja Gudell is the Chief Economist at Indeed, where she leads economic research and analysis on global labor market trends. Her work focuses on workforce dynamics, hiring demand, and the intersection of technology and employment.



Daniel Zhao is the Chief Economist at Glassdoor, where he oversees labor market research and workplace analytics. He specializes in employee sentiment, job search behavior, and economic forces shaping the modern workplace.



EMPLOYMENT NEWS OF NOTE

Workers Are Done Playing Hard to Get

In January, only 20% of job offers reported on Glassdoor were turned down, down from 26% a year earlier, signaling that **candidates are growing less selective and increasingly willing to say yes to a decent offer rather than hold out for a perfect one**. This shift in behavior reflects a deeper unease: even though headline numbers on layoffs and unemployment aren't deteriorating dramatically, workers' own reviews and commentary show that **anxiety about the job market remains elevated as 2026 gets underway**, with sentiment painting a far more nervous picture than the official data alone.



Plenty of Hustle, Fewer Offers

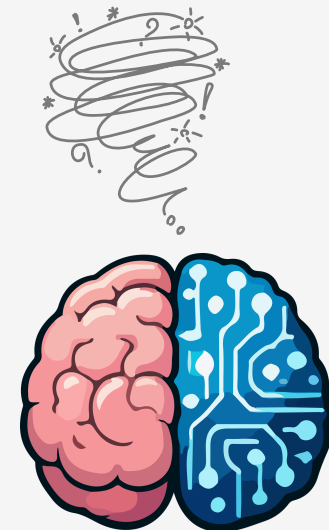
In early 2026, job seekers have shown a strong seasonal uptick in activity, with job searches on Indeed rising roughly 31% in January compared with early December 2025, reflecting typical “new year” enthusiasm. However, this increased interest hasn't translated into a big jump in job postings—overall listings stayed near late-2025 levels—which highlights that **the labor market remains in the same subdued, low-hire, low-fire environment that characterized much of 2025**. This mismatch between high job seeker interest and relatively flat openings has shifted labor market leverage toward employers.

Sources: Glassdoor, Indeed February 2026 US Labor Market Update



GenAI's Brain Drain

Gartner warns that generative AI is triggering “a surge of lazy thinking”: through 2026, **atrophy of critical-thinking skills due to GenAI use** will push 50% of global organizations to require explicitly “AI-free” skills assessments to verify what candidates can do on their own. Emerging data back this concern includes an experimental study from MIT and Microsoft showing that **people who lean heavily on AI demonstrate lower brain engagement and reduced critical analysis, even on low-stakes tasks**, and that higher confidence in AI's abilities correlates with less human critical-thinking effort.



Sources: Gartner; Your Brain on ChatGPT, MIT study

MANUFACTURING UPDATE

Factories Are Back, But Inflation Is Hot

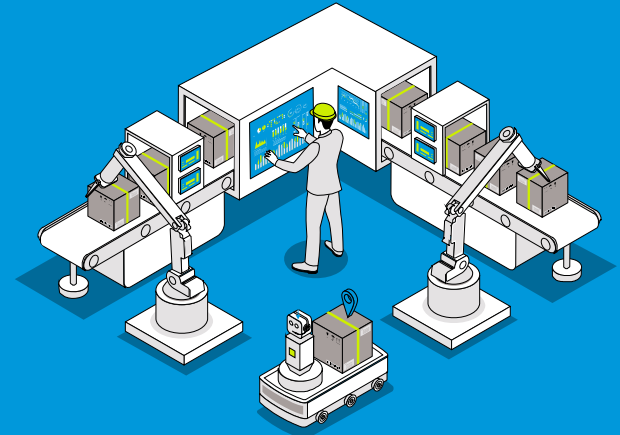
The most recent ISM Manufacturing PMI report, for February 2026, shows that U.S. manufacturing has moved back into a modest expansion and is holding that ground, but with some emerging pressure on prices.

The Manufacturing PMI registered 52.4 in February, down slightly from 52.6 in January, marking a second consecutive month of expansion after a long stretch of weakness and signaling that the overall economy has now been in expansion for 16 straight months.

New orders remained in growth territory at 55.8, and production expanded for the fourth month in a row with an index reading of 53.5, even though both were a bit softer than January's levels.

Three of the five key subindexes that feed into the headline PMI—New Orders, Production, and Supplier Deliveries—were in expansion, while Employment and Inventories continued to contract but improved compared with late 2025, pointing to a still-cautious labor picture.

On the cost side, the Prices Index jumped sharply to 70.5 from 59.0 in January, its highest level since mid-2022, highlighting renewed input-cost inflation that could squeeze margins if demand does not keep pace.



ISM'S EMPLOYMENT INDEX

EMPLOYMENT	% HIGHER	% SAME	% LOWER	NET	INDEX
Feb 2026	18.8	60.8	20.4	-1.6	48.8
Jan 2026	13.7	68.0	18.3	-4.6	48.1
Dec 2025	9.0	69.9	21.1	-12.1	44.8
Nov 2025	10.8	64.1	25.1	-14.3	44.1

THE TAKEAWAY

▶ U.S. manufacturing has finally clawed its way back into expansion, but that growth is fragile because input costs are surging and employment is still lagging, leaving the recovery exposed if demand softens.

Sources: Manufacturing ISM® Report On Business® & Institute of Supply Management 03/02/2026 Newswire Release

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