Hiring Stalls In August

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WASHINGTON (AP) — Employers stopped adding jobs in August, an alarming setback for an economy that has struggled to grow and might be at risk of another recession.

The government also reported that the unemployment rate remained at 9.1 percent. It was the weakest jobs report since September 2010.

Stocks tumbled on the news. The Dow Jones industrial average sank 245 points soon after trading began.

A strike by 45,000 Verizon workers lowered the job totals. Those workers are now back on the job.

The weakness in employment was underscored by revisions to the jobs data for June and July. Collectively, those figures were lowered to show 58,000 fewer jobs added. The downward revisions were all in government jobs.

The average work week also declined and hourly earnings fell by 3 cents to $23.09.

Weak growth, Standard & Poor's downgrade of long-term U.S. debt in early August and a sell-off on Wall Street likely kept some businesses from hiring.

With job creation stalled and wages declining, consumers won't see much gain in incomes. That will limit their ability to spend, which undercuts growth. Consumer spending accounts for about 70 percent of the economy.

"The stagnation in US payroll employment is an ominous sign," said Paul Ashworth, an economist at Capital Economics. "The broad message is that even if the US economy doesn't start to contract again, any expansion is going to be very, very modest and fall well short of what would be needed to drive the still elevated unemployment rate lower."

The economy needs to add roughly 250,000 jobs a month to rapidly bring down the unemployment rate, which has been above 9 percent in all but two months since May 2009.

In August, the private sector added 17,000 jobs, the fewest since February 2010. That compares with 156,000 in July and 75,000 in June.

Hiring fell across many different sectors. Manufacturers cut 3,000 jobs, its first decline since October 2010. Construction companies, retailers, and transportation firms also cut workers.

The health care industry added 30,000 jobs last month.

The economy expanded at an annual pace of only 0.7 percent in the first six months of the year. That was the slowest six months of growth since the recession officially ended in June 2009.

In August, consumer confidence fell to its lowest level since April 2009, according to the Conference Board.

Most economists forecast that growth may improve to about a 2 percent annual rate in the July-September quarter. But that's not fast enough to generate many jobs.

The Obama administration has estimated that unemployment will average about 9 percent next year, when President Barack Obama will run for re-election. The rate was 7.8 percent when Obama took office.

The White House Office of Management and Budget projects overall growth of only 1.7 percent this year.

Next week, Obama will deliver a rare address to a joint session of Congress to introduce a plan for creating jobs and boosting economic growth.

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