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Job Growth Halts, Putting Washington Under Pressure

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The nation's employers failed to add new jobs in August, a strong signal that the economy has stalled and that policy makers can no longer afford inaction.

The dismal showing, the first time in 11 months that total payrolls did not rise, was the latest indication that the jobs recovery that began in 2010 lacked momentum. The unemployment rate for August did not budge, remaining at 9.1 percent.

As President Obama prepared to deliver a major proposal to bolster job creation next week, the report added to the pressure on the administration, on Republicans who have resisted any new stimulus spending, and on the Federal Reserve, which has been divided over the wisdom of using its limited arsenal of tools to get the economy moving again.

The White House immediately seized on the report as evidence that bold action was needed, calling the unemployment rate "unacceptably high." Secretary of Labor Hilda L. Solis said in an interview that she hoped the president's proposals would be embraced by Congress. "If they're not supported, then he's going to take it out to the public," she said.

Republicans, in turn, argued that the numbers were further proof that the policies of Mr. Obama, whom they quickly dubbed "President Zero," were not working. The lack of growth in nonfarm payrolls was well below the consensus forecast by economists of a 60,000 increase, which itself was none too optimistic. It was a sharp decline from July, which the Labor Department on Friday revised to show a gain of 85,000 jobs.

August's stall came after a prolonged increase in economic anxiety this summer that began with the brinksmanship in Washington's debt-ceiling debate, followed by the country's loss of its AAA credit rating, stock market whiplash and renewed concerns about Europe's sovereign debt.

On Friday, Wall Street stocks indexes promptly lost more than 2 percent of their value at the opening of trading, with the Dow Jones industrial average down about 200 points by midday, and some economists upgraded their odds for a double-dip recession.

The total employment figure, a monthly statistical snapshot by the Department of Labor, appears slightly more negative because 45,000 Verizon workers were on strike when the survey was taken and their jobs were not included. They will reappear in next month's total. But even factoring in the Verizon jobs, private sector growth was the slowest it has been since May of last year. In addition, the report showed that job growth in June and July was softer than previously thought.

"As long as payrolls are weak, you will continue to hear cries of not just recession risk, but cries that the United States is in a recession and we just don't know it," said Ellen Zentner, the senior United States economist for Nomura Securities.

Economists blamed both sluggish demand for goods and services and the heightened uncertainty over the economy's direction for the slow pace of job creation, saying political deadlock was creating economic paralysis.

"There is really a darkening cloud that seems to hover over the U.S. economy because of the lack of progress being made on economic issues," said **Bernard Baumohl,** the chief economist at the Economic Outlook Group. "There is extreme frustration with Congress and the administration not working together to address the fiscal issues."

Government continued to shed jobs over all, though small gains were posted at the state level, the Labor Department reported. Local governments, on the other hand, lost 20,000 jobs.

Two of the bright spots in the economy over the last year, manufacturing and retail, lost steam, falling by 3,000 and 8,000 jobs, respectively, in August. The health care sector added 29,700 jobs.

The number of long-term unemployed — people out of work for 27 weeks or more — remained about the same as in July, at 6 million , as did the median duration of unemployment, at 19.6 weeks compared with 19.7 weeks in July.

The general unemployment rate, which counts only people who looked for work in the previous four weeks, held steady at 9.1 percent. But a broader measure that includes people who have looked for work in the last year and people who were involuntarily working part-time instead of full-time, fell slightly to 16.1 percent. The percentage of working-age adults who were employed, already at its lowest rate since 1983, ticked down to 58.5 percent from 58.6 percent.

Though unexpectedly low, the jobs report may not change the mainstream view among economists that the economy will stay in growth mode, albeit at a level that is barely perceptible, much less comforting, to Americans without jobs.

"We've got at least another 12 months of difficulty to go through," said Steven Ricchiuto, United States economist for Mizuho Securities USA. "I know that doesn't help politicians who are worried about the elections."

It is unclear whether the report increases the chances that Congress will act on any of the recommendations President Obama may make next week, such as a tax incentive for companies to hire new workers. But several economists said that given the fragility of the recovery, the payroll tax cut and extended unemployment benefits, both set to expire at the end of the year, should be renewed.

“It’s probably not the time for adding to fiscal drag,” said Jim O’Sullivan, the chief economist for MF Global. He said that together the tax cut and unemployment benefits account for 1 percent of the gross domestic product.

Some analysts had already downgraded their forecast for the jobs numbers on Thursday based on new economic indicators including weaker online job advertising, a rise in announced layoffs and a growing pessimism about the job market by consumers. A major report on manufacturing showed slowing employment growth and shrinking production and new orders.

But other indicators suggested that fears of recession have outstripped reality. Consumer confidence dropped sharply and pending home sales dipped, but in July retail sales increased and orders for durable goods — expensive items often purchased on credit — were up 4 percent. A report on chain-store sales indicated modest back-to-school shopping, somewhat slowed by Hurricane Irene.