Jobless Rate Jumps to 9.7 Percent

WASHINGTON (Sept. 4) - The unemployment rate rose to 9.7 percent in August, the highest since June 1983, as employers eliminated a net total of 216,000 jobs.

Analysts expect businesses will be reluctant to hire until they are convinced the economy is on a firm path to recovery. Many private economists, and the Federal Reserve, expect the unemployment rate to top 10 percent by the end of this year.

While the jobless rate rose more than expected, the number of job cuts is less than July's upwardly revised total of 276,000 and the lowest in a year, according to Labor Department data released Friday. Economists expected the unemployment rate to rise to 9.5 percent from July's 9.4 percent and job reductions to total 225,000.

If laid-off workers who have settled for part-time work or have given up looking for new jobs are included, the so-called underemployment rate reached 16.8 percent, the highest on records dating from 1994.

But earnings rose and the number of hours worked stayed above a recent record-low. Average hourly wages increased to $18.65 from $18.59, the department reported. Average weekly earnings increased to $617.32.

The number of weekly hours worked remained at 33.1, above the low of 33 reached in June. That figure is important because economists expect companies will add more hours for current workers before they hire new ones.

The recession has eliminated a net total of 6.9 million jobs since it began in December 2007. There are now 14.9 million Americans unemployed.

Job cuts remain widespread across many sectors. The construction industry lost 65,00 jobs. Factories cut 63,000, while retailers pared 9,600 positions. The financial sector eliminated 28,000 jobs, while professional and business services dropped 22,000. Even the government lost 18,000 jobs, as the U.S. Postal Service cut 8,500 positions.

Health care and educational services was the only bright spot, adding 52,000 jobs.

And the pace of layoffs is slowing. Job losses averaged 691,000 in the first quarter and fell to an average of 428,000 in the April-June period.

Other economic data released this week has been positive. The Institute for Supply Management, a trade group, said Tuesday that the manufacturing sector grew in August for the first time in 19 months. On Thursday, the ISM said its service sector index rose to 48.4 last month, the highest level in nearly a year. Home sales, meanwhile, have increased for several months and prices are stabilizing.

Federal Reserve policymakers said in minutes from an August meeting that they expect the economy to recover in the second half of this year. But labor market conditions are still "poor," the Fed minutes released Wednesday said, and many companies are likely to be "cautious in hiring" even as the economy picks up.

Some economists credit the Obama administration's $787 billion economic stimulus package of tax cuts and spending increases, along with the Cash for Clunkers program, with contributing to a recovery. But they worry about what will happen when the impact of the stimulus efforts fades next year.

Vice President Joe Biden defended the stimulus package Thursday against Republican critics who say it is too costly.

"The recovery act has played a significant role in changing the trajectory of our economy, and changing the conversation in this country," Biden said. "Instead of talking about the beginning of a depression, we are talking about the end of a recession."

Republicans criticized Biden's speech. "The Democrats' rhetoric on their economic experiment doesn't match with the reality of millions of Americans remaining unemployed," said Republican Party chief Michael Steele. "The stimulus was an economic experiment that failed Americans."

More job cuts were announced this week. Washington-based manufacturer Danaher Corp. said it will lay off about 3,300 of its roughly 50,000 employees, an increase from the 1,700 cuts it announced in the spring. American Airlines said it is cutting 921 flight attendant jobs as it deals with an ongoing downturn in traffic and lower revenue.