Unemployment rate rises to 26-year high

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WASHINGTON (Reuters) - U.S. employers cut a fewer-than-expected 216,000 jobs in August, while the unemployment rate rose to a 26-year high, the government said on Friday in a report showing a still fragile labor market.

The Labor Department said the unemployment rate rose to 9.7 percent after dipping to 9.4 percent in July and the decline in payrolls was the smallest in a year. The department revised job losses for June and July to show 49,000 more jobs lost than previously reported.

Analysts had expected non-farm payrolls to drop 225,000 in August and the unemployment rate to rise to 9.5 percent.

The labor force increased by 73,000 in August, indicating the return of some jobless workers who had given up looking for work accounting for part of the rise in the unemployment rate.

Since the start of the recession in December 2007, the economy has shed 6.9 million jobs, the department said. Stubbornly high unemployment is wearing on consumer confidence and crimping domestic demand, pointing to an anemic recovery from the worst slump in 70 years. Consumer spending accounts for over two-thirds of U.S. economic activity.

However, the August report confirmed the pace of layoffs was easing from early this year, when nearly three quarters of a million jobs were lost in January.

Manufacturing employment fell by 63,000, with a total of 2 million factory jobs lost since the start of the recession. Payrolls in construction industries dropped 65,000 after falling 73,000 in July.

The service-providing sector purged 80,000 workers in August, while the goods-producing industries shed 136,000 positions.

Education and health services continued to add jobs, with payrolls increasing 52,000 in August after rising 21,000 in July. Government employment fell 18,000 after slipping 28,000 in July.

(Reporting by Lucia Mutikani; Editing by Neil Stempleman)

http://finance.yahoo.com/news/US-August-payrolls-fall-rb-1733516447.html/print?x=0