

August 6 News breaks.

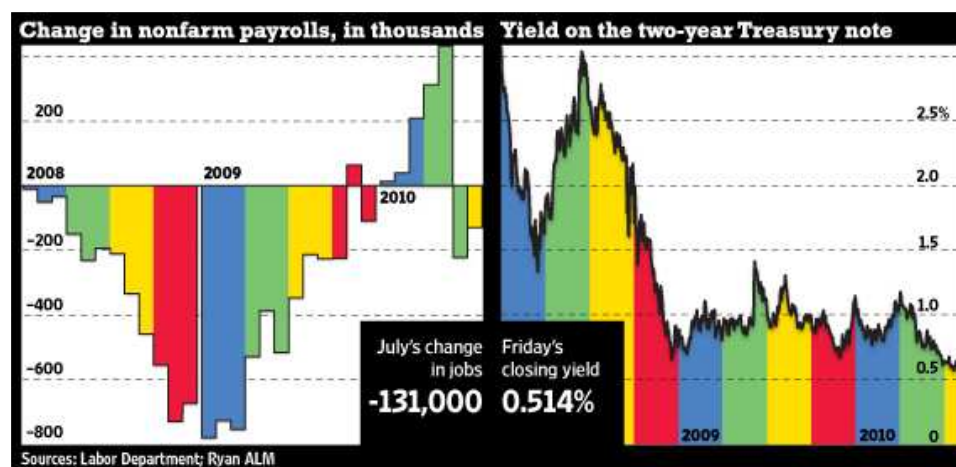
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**U.S. Job Market Loses Steam***Private Sector Expands Slightly, but Governments Cut Jobs; Treasury Yields Dip*

By SUDEEP REDDY



The government's latest snapshot of the job market was bleak, a sign the economic recovery is running out of steam with 14.6 million Americans still searching for work.

Job growth proved anemic in July as governments cut jobs and private-sector employers barely expanded.

### PM Report: Jobs Recovery Could Take Years

9:03

In the wake of Friday's disappointing jobs report, Neal Lipschutz and Phil Izzo discuss new predictions that it could be many years before the nation's unemployment rate reaches pre-recession levels. Plus, test-driving the new Porsche Hybrid SUV.



The economy shed 131,000 jobs, as 143,000 temporary Census workers fell off federal payrolls. Private-sector employment grew by 71,000 in July after a downwardly revised 31,000 in June. Government employment, not counting Census workers, fell by 59,000.

The unemployment rate held steady at 9.5% largely because people gave up hope of finding work and left the labor force.

The latest figures confirm the labor market has lost much of its momentum in recent months. The private sector has added 90,000 jobs a month on average so far this year, well below the 125,000 needed monthly just to keep up with population growth, let alone recover the eight million jobs lost during the recession. Two-thirds of the private-sector job creation this year occurred in March and April, when the economy's trajectory appeared stronger.

"It's a double whammy because it causes people to take a psychological step back," said Tig Gilliam, chief executive of Adecco Group North America, the staffing firm. "Now, it looks like not only has the economy slowed, but maybe it wasn't as good when it was originally reported as we thought."

The disappointing data initially sent the Dow Jones Industrial Average down 160 points, but it recovered to end the day off 21 points to 10,653.56. Surging demand for safe U.S. government debt pushed the 10-year Treasury yield down to 2.82 percent, its lowest level since April 2009. The two-year note fell to 0.514 percent after falling to an all-time low of 0.494 percent during the day.



**The Big Interview with Rahm Emanuel**  
19:37

White House Chief of Staff Rahm Emanuel characterized the relationship between the administration and the business community as "misunderstood". In an interview with WSJ Executive Washington Editor Jerry Seib, Mr. Emanuel also defended President Obama's job creation strategy in the face of lagging job growth.



The U.S. economy lost 131,000 jobs in July, with the private sector adding only 71,000 to its payrolls. The unemployment rate held steady at 9.5%. David Reilly, Bob O'Brien, Phil Izzo and Sudeep Reddy discuss the impact of the numbers and how the Federal Reserve is likely to react.

The labor market report compounds pressure on Congress, the White House and the Federal Reserve to do something to reignite stronger growth in the labor market.

At their policy meeting Tuesday, Fed officials plan to discuss whether to take the small but symbolically important step of reinvesting proceeds from its portfolio of mortgage-backed securities to maintain support for the economy. The weak jobs numbers add to the case for taking action, though officials must assess whether taking even a tiny step could create expectations for larger actions in coming months.

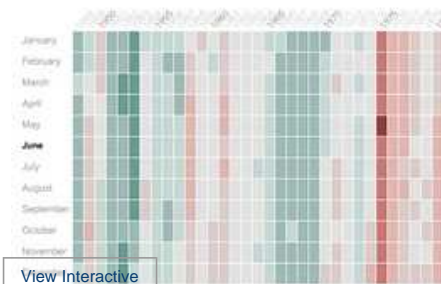
Even in expanding sectors, many employers remain wary of adding jobs without strong evidence the economy won't take another turn downward.

The jobs report showed private-sector employers working their employees longer rather than hiring new ones. Aggregate weekly hours worked rose 0.3% overall, and 0.5% in manufacturing.

At Vista Industrial Products Inc., a sheet-metal fabricator in Vista, Calif., orders are strong and the company is running two 10-hour shifts a day to keep up. "Everybody is on overtime for production," says Joshua Borja, the firm's business development manager.

The company added 15 jobs since the beginning of the year, expanding by about 10%, but remains below its prerecession head count, wary of adding workers too quickly amid uncertainty among its clients.

**U.S. Unemployment: A Historical View**



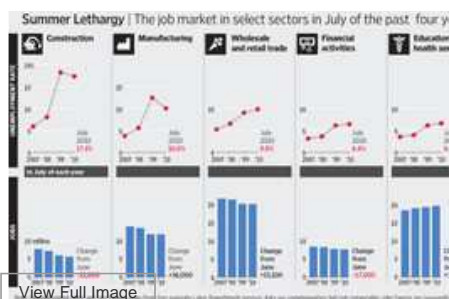
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Track the national unemployment rate since 1948.

"This recession really hit everybody pretty badly," Mr. Borja says. "Everyone is slowly coming out of their shell again and it's not something that's going to flip like a switch. And everybody knows that, so

everyone is acting in that manner."

One worrisome sign from Friday's report: Temporary-help jobs, typically a leading indicator for the rest of the labor market, fell in July. Temporary employment declined 5,600 after nine straight months of growth.



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Public reports from the largest staffing firms still show growth in the temporary sector.

The government's figures would suggest "momentum has slowed dramatically," says Adecco's Mr. Gilliam. "If that's the case and that's where we're going for the next couple of months, it suggests a step back in the job-market recovery."

A weak labor market will keep incomes—and consumer spending, which accounts for 70% of U.S. economic output—under pressure. The Fed said Friday that consumer credit

declined at a 0.7% annual rate in June as consumers continued to pay down debt. Revolving credit, which is mostly credit-card borrowing, fell at a 6.5% rate, the Fed said.

About 6.6 million people were jobless for more than 27 weeks in July, accounting for 44.9% of all unemployed. Workers who are finding positions after long searches are taking pay cuts to make ends meet.

Lynda Bernstein, who worked as a physician recruiter in Florida earning more than \$70,000 a year when she lost her job in July 2009, sent out hundreds of resumes before pursuing new fields last fall. Last month, the 63-year-old got hired selling furniture at a major department store earning at least \$10 an hour, though she can earn more from commissions.

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"It's not the job of my dreams," says Ms. Bernstein, who lives in Delray Beach, Fla. "I never expected that I would ever become a salesperson, but I need some income and I need benefits. You do what you have to do. It's very depressing to be out there right now looking for a job."

The retail sector was among the areas to add jobs last month, increasing by 7,000.

Health care added 27,000 jobs while manufacturing rose 36,000. Construction declined by 11,000.

State and local governments shed 48,000 jobs, the most since last July, as many governments started new fiscal years that required them to cut budgets. Lawmakers in Washington next week are set to clear a \$26 billion package to aid state governments, but that will only make a small dent in the longer-run problem facing governments. Last month, cities from Los Angeles to Dallas to Trenton either laid off workers or announced job cuts.

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Seattle has been cutting jobs throughout the slowdown, including 13 jobs shed on July 20, and more layoffs are expected. The city drew down most of its rainy-day fund and other one-time resources to help close a \$40 million gap in its 2010 budget. "It would be like paying your mortgage with your savings account," says Beth Goldberg, the city's acting budget director. "The situation that we're now facing is that the savings account is nearly drained."

The city is looking at a \$56 million shortfall for the 2011 budget due next month. "The hard decisions are ahead of us," Ms. Goldberg says.

**Write to** Sudeep Reddy at [sudeep.reddy@wsj.com](mailto:sudeep.reddy@wsj.com)