Employment in the U.S. unexpectedly stagnated in August and the jobless rate held at 9.1 percent as American employers became less confident in the strength of the recovery.

Payrolls were unchanged last month, the weakest reading since September 2010, after an 85,000 gain in July that was less than initially estimated, Labor Department data showed today in Washington. The median forecast in a Bloomberg News survey called for a rise of 65,000. Hourly earnings and hours worked both declined. The August data included a 48,000 drop in information industry jobs, mostly reflecting striking Verizon Communications Inc. (VZ) workers.

Political squabbling over the budget and mounting fear of a default in Europe caused the Standard & Poor’s 500 Index to plummet 17 percent from July 22 to Aug. 8, prompting companies and consumers to cut back. The lack of hiring is one reason Federal Reserve Chairman Ben S. Bernanke last week said the central bank still has tools available to stimulate growth.

“This is further evidence that the economy is very close to stalling if not having stalled,” said Nariman Behravesh, chief economist at IHS in Lexington, Massachusetts, who forecast a gain of 15,000. “Businesses continue to be super, super cautious.”

Stock-index futures dropped and Treasuries climbed after the report. The contract on the Standard & Poor’s 500 Index expiring this month fell 1.6 percent to 1,182.5 at 8:51 a.m. in New York. The yield on the benchmark 10-year note dropped to 2.05 percent from 2.13 percent.

Economists’ Estimates

Estimates of the 86 economists surveyed by Bloomberg for overall payrolls ranged from a decline of 20,000 to a 160,000 increase. The unemployment rate was projected to hold at 9.1 percent, according to the survey median. Estimates ranged from 9 percent to 9.2 percent.

A stubbornly high unemployment rate has helped push President Barack Obama’s disapproval rating to an all-time high, according to a Quinnipiac University Aug. 16-27 poll of 2,730 registered voters. Some 52 percent disapprove of Obama’s job performance, up from 46 percent in July.

Obama this week agreed to delay by one day to Sept. 8 a presentation of his jobs agenda to a joint session of Congress after House Speaker John Boehner, a Republican, delivered an unprecedented rebuff to his request to speak a day earlier, when a Republican presidential debate is scheduled. The bickering may foreshadow further gridlock when a joint deficit-cutting committee begins meeting this month.

Jobs Agenda

Among the provisions Obama has been considering for his jobs agenda are more infrastructure spending, tax incentives to spur hiring, a reduction in the employer portion of the payroll tax and changes to unemployment insurance to subsidize worker retraining, according to people familiar with discussions.

The jobs picture was brighter in a separate survey of households. The jobless rate held at 9.1 percent as the number of employed increased by 331,000. The share of the eligible population holding a job climbed to 58.2 percent from 58.1 percent.

Sustained increases of around 150,000 a month are needed to bring unemployment down about half a percentage point over a year, according to Chris Rupkey, chief financial economist at Bank of Tokyo-Mitsubishi UFJ Ltd. in New York. “200,000 is the speed the economy needs to really cut into the jobless rate,” he said.

Government payrolls decreased by 17,000 in August. Employment at state governments rose by 5,000 last month even after the end of a partial shutdown of the Minnesota government returned about 23,000 workers to their jobs. Local government employment slumped 20,000.
**Private Hiring**

Private hiring, which excludes government agencies, climbed 17,000 last month, the smallest increase since a decline in February 2010. The median forecast in the Bloomberg survey called for a 95,000 increase.

Factory payrolls fell by 3,000 in August after a 36,000 gain the prior month.

Employment at service-providers increased 3,000 in August. Construction employment fell by 5,000.

The drop in information industry employment reflected a strike of about 45,000 Verizon workers Aug. 7 after their contract expired. They began returning to work Aug. 22 and will be counted as employed in next month’s jobs report. The Labor Department’s survey week includes the 12th of the month.

**Earnings, Hours**

Average hourly earnings fell 0.1 percent to $23.09, today’s report showed. The average work week for all workers dropped six minutes to 34.2 hours.

The so-called underemployment rate -- which includes part-time workers who’d prefer a full-time position and people who want work but have given up looking -- increased to 16.2 percent from 16.1 percent.

The economy expanded at a 1 percent pace in the second quarter following a 0.4 percent gain in the first three months of the year, the Commerce Department reported last month. **Consumer spending** grew 0.4 percent, the smallest increase since the last three months of 2009.

“The macroeconomic environment has remained difficult for consumers who continue to face high unemployment rates, high gasoline and high food costs,” Richard Dreiling, chairman and chief executive officer at Dollar General Corp., said on an Aug. 30 teleconference with analysts. The Goodlettsville, Tennessee-based company is the biggest dollar discount chain in the U.S.

**Fed’s Bernanke**

“Economic growth has, for the most part, been at rates insufficient to achieve sustained reductions in unemployment,” Bernanke said Aug. 26 at the **Jackson Hole, Wyoming**, central bank symposium. “It is clear that the recovery from the crisis has been much less robust than we had hoped.”

Banks have been among companies announcing the biggest dismissals. **Bank of America Corp. (BAC)**, the biggest U.S. lender, will eliminate about 3,500 jobs this quarter to focus “on what we can control” amid market turmoil, said Chief Executive Officer **Brian T. Moynihan** on Aug. 19.

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