

East Bay jobs take dive

In past two months, housing, mortgage woes reflected in economy

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The housing and mortgage meltdown has begun to cast an ominous pall over the East Bay economy, which has now lost jobs each of the past two months, according to a report released Friday.

The East Bay lost 900 jobs during October, adjusted for seasonal changes. That comes on the heels of a loss of 1,200 jobs in September, the state Employment Development Department reported. And in three of the past four months, the region has suffered job losses.

The collapse of the home sales, construction and finance markets appears to be the prime suspect in a worsening downturn of an East Bay economy that, until recently, was the strongest in the Bay Area.

"This is how a recession begins," said Christopher Thornberg, a partner with Beacon Economics, a company that tracks regional economies. "This is how a recession looks like."

In January, the East Bay housing industry was a propellant for local growth. But by late summer, residential real estate had morphed into an anchor that could drag down the area's economy.

"Job growth has slowed in the East Bay," said

Howard Roth, chief economist with the state's Department of Finance.

Housing-related job losses have mounted during 2007, and the East Bay's overall job base has waned in lock step.

Over the year that ended in October, four key industries directly tied to housing shed 9,100 jobs in the East Bay. Despite those losses, the Alameda County-Contra Costa County region still managed to add 8,500 total jobs. However, in January, the area was expanding at a pace of 20,000 jobs a year -- more than twice the current annualized rate of growth.

"This is the housing bubble coming home to roost in the East Bay," said Jon Haveman, a Beacon Economics partner.

The sour employment picture has appeared statewide. California lost nearly 16,000 jobs during October on a seasonally adjusted basis. Nine out of 11 industries in the state shed jobs during the month. Only educational services, health services and professional and business services posted job gains.

"This is the first labor report in California that suggests the problems in the housing sector are spilling over to other parts of the economy," Roth said.

The pattern of a widening economic affliction has now surfaced in the East Bay, the Beacon analysts said.

"The job losses are becoming a more broad-based trend," Haveman said. "Construction, financial activities and retail are bearing the brunt. Retail numbers are going down, management and professional services are weaker, education is down

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a bit."

Contra Costa County has been hammered by the housing industry woes, but Alameda County also has been jolted, according to Thornberg.

So which industries have looked strong over the last year? During the 12 months that ended in October, health care, leisure and hospitality, professional and business services and manufacturing posted robust gains.

Even worse, the housing market implosion and the accompanying job slump could persist for more than a year.

"We are just entering into the slump," Thornberg said. "We won't hit bottom until late 2008 or early 2009."

An upturn might not materialize until 2010, he warned.

"The imbalances are enormous," Thornberg said. "We have a disaster on our hands when you look at housing prices relative to income. Falling home prices, weak home sales, rising foreclosures are going to have a secondary effect on spending and employment."

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