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From the Los Angeles Times

Surge in unemployment puts California's Inland Empire in tailspin

Ripples from the real estate bust spread, contributing to the highest jobless rate among the nation's large metro areas.

By David Pierson

November 22, 2008

Ken Leaverton sat quietly in the chilly lobby of the Workforce Employment Center in Riverside, still shocked he'd found himself on the front lines of the Inland Empire's ever-growing ranks of the unemployed.

For two decades, Leaverton delivered packaged sweets to supermarkets across Southern California. But when his company, Mother's Cookies, unexpectedly filed for bankruptcy last month, the 51-year-old Riverside resident was suddenly scrambling to find a way to support his family.

"It's different looking for a job now," said Leaverton, who was waiting to join a computer class to make himself more marketable to potential employers. "In 20 years, everything has changed. You used to look in the newspaper for a job. Now it's the Internet. And I type with one finger."

If the Inland Empire is one of the birthplaces of the current recession, it is also at the forefront of the nation's growing pain over joblessness -- with the highest unemployment rate of any large metropolitan area in the country.

State numbers released Friday show the Riverside, San Bernardino and Ontario area is now suffering from its highest unemployment rate in 13 years at 9.5% in October -- 3 percentage points higher than the national rate and 1.3 points higher than the state's rate of 8.2%.

Ignited by the collapse of the local housing market, which decimated the construction and lending industries, the wave of unemployment has trickled into almost every area, including retail, manufacturing and local government.

The region's troubles are set against a backdrop of growing unemployment throughout the nation. The U.S. Department of Labor reported last week that a growing number of jobless Americans are turning to government assistance. The number of workers collecting unemployment insurance payments has now reached a 25-year high at 3.95 million.

Meanwhile, the percentage of people unemployed in the Inland Empire has more than doubled from a year ago, and some experts predict the situation will worsen before it improves.

"It's a perfect storm," said Brad Kemp, director of regional research for Beacon Economics, which recently conducted the second annual Inland Empire Economic Forecast Conference.

"It was one of the fastest-growing places in America," he said. "And when you have that kind of growth, you have the potential for loss."

The downturn has all but erased the glow of optimism the Inland Empire enjoyed only two years ago, when newly minted mansions and an array of upscale retailers fashioned parts of the region into a more affordable Orange County in the making.

In many cases, those developments are now symbols of the decline, from the sparsely populated outdoor malls to the rows of repossessed homes -- victims of housing price plunges of 35% in Riverside and 37% in San Bernardino in the last year.

All over, there are signs of reversed prosperity.

Ontario International Airport went from setting growth records to losing about a third of its airline traffic in the last year. To curtail costs, buildings and a parking lot were closed. And at night, one of its unused runways shuts off its lights.

Riverside County animal control officers are reporting an alarming surge in abandoned horses, a consequence of home foreclosures and the rising cost of feeding the animals, they suspect.

And San Bernardino-based Stater Bros., the chief grocer in the Inland Empire with 91 supermarkets, opened only half the number of stores it planned to unveil this year because of the slowing economy.

"We were selling a lot more Haagen-Dazs" during the boom, Chief Executive Jack Brown said. "Frankly, people are now buying more [no-frills] private label."

John Husing, who heads Economics & Politics Inc., an economic research firm specializing in the Inland Empire, says 2008 will be the first year the region has failed to increase its job base in the 44 years he's studied the area.

Even during the mass aerospace industry layoffs in the early 1990s, the Inland Empire was able to grow, mainly because the coastal counties lacked available land, he said.

Despite gains in international trade, warehousing and office space in recent years, the Inland Empire will not bounce back until its primary asset -- housing -- returns in value, Husing said.

The question, of course, is when that will happen. But Husing said the one positive of the epic and swift devaluation of residential property is that it will reach the bottom quicker.

"This is an interruption in the economy caused by a housing market detached from reality," said Husing, who traced 95% of the Inland Empire's lost jobs to the residential construction industry, from building material manufacturers to escrow agents to furniture sellers.

"We'll come back," he said. "This is a temporary problem but it will be a tough one. . . . The social costs are going to be fairly high with such a large number of unemployed. The pressure on families will be enormous."

Joblessness in the Inland Empire grew by 61,500 in the year from October 2007 to October 2008 -- a 54.1% increase amounting to a total of 175,100 people out of work, according to the California Employment Development Department.

A large chunk of those unemployed came from the construction industry, which shed 15,500 jobs, or 14.1% of its workforce, over the 12-month span. Manufacturing was responsible for 7,600 lost jobs, a 6.5% decline, and retail lost 5,800 jobs, a 3.3% drop.

The most recent federal statistics for the nation's 49 metropolitan areas with 1 million or more residents showed the Riverside, San Bernardino and Ontario area worst in unemployment at 9.1%.

The figure -- which is based on reports up to September -- is eight-tenths of a point higher than the second-worst region, the Detroit metropolitan area.

Kemp of Beacon Economics expects the unemployment rate in the Inland Empire to grow as high as 12.4% before coming down in the later part of 2010, largely because he believes consumer confidence could improve, leading to an increase in demand for the region's available space.

"If you look beyond the short-term losses, the Inland Empire is poised to see not only normal growth but accelerated growth," Kemp said. "It's the path for expansion in California."

But with the immediate outlook crumbling, the whiplash of change has jarred residents and officials who worry their communities are teetering on despair.

"You see less people at the restaurants and carwashes," said Riverside Mayor Ronald Loveridge. "There is real pain almost everywhere you turn. My daughter is a counselor at Riverside Community College and she told me she met a [student] whose house was up for foreclosure. Her last resort would have been to move in with her parents, but their home is up for foreclosure. All over there are statements of personal tragedy."

Loveridge said he was girding his city for a \$14-million cut out of its \$214-million budget. And Riverside is but one of many local governments reeling from the state deficit and decreasing tax revenues brought on by the real estate crisis.

In Corona, 112 city jobs were cut to help pare \$10.6 million out of its \$90-million budget. Riverside County officials say layoffs may be necessary to cut as much as a quarter of the county's operating budget over the next four years.

For residents of the area, the depth of the anxiety is on full view each weekday at the employment center in Riverside where Leaverton, the former cookie deliveryman, hopes to find job leads.

Employees at the center, a county-state partnership, say the lines grow longer each week, with clients seeking employment tips and applying for unemployment benefits. The number of claims filed in San Bernardino and Riverside counties has doubled in the last year.

In an office liberally decorated with framed motivational posters, Retha Smith, a counselor at the center, balanced three cardboard boxes on a red dolly filled with pamphlets and resume binders. Downsizing companies invite Smith in to help their former employees find new jobs. She was going to hand the materials out at a nearby mobile home manufacturer that had laid off dozens of workers.

"I'm hot from running around," she said. "I've been out every day. Tomorrow I go to Mervyn's."

Counselors meet with job seekers one on one, assessing their skills and trying to pair them with fields that are hiring. Those options have dwindled significantly and those that do exist now are often seasonal, such as retail positions for the holidays.

Ron Anderson took a written test at the center in hopes of landing a position with the U.S. Census Bureau that pays \$14 to \$17 an hour. The job would last only a few months, but the 51-year-old Moreno Valley resident said he could not afford to be picky, not after losing his job of 17 years in May and a replacement job in August, both because of downsizing.

In the meantime, Anderson is collecting about \$130 a week in unemployment benefits, most of which he uses to pay for his prescription medicine.

"I'm trying to keep a positive outlook," said Anderson, a former telephone salesman for mail-order products. "It's all you can do. But sometimes I go home and have to kick a tree and shake the fence."

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