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Silicon Valley unemployment jumps to 7.8 percent; California rate up to 9.3 percent

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California's unemployment rate edged closer to double digits in December as the recession took a deep bite out of the ranks of the employed, sending the state's jobless level to its highest level since 1994.

And after a long slow climb out of the wreckage of the dot-com bubble, the San Jose region is giving up some of its hard-earned gains, according to labor market data released Friday by the state Employment Development Department.

In December, the Santa Clara-San Benito counties region posted its worst jobless rate in six years, the EDD said.

The region's jobless rate increased in December to 7.8 percent from November's 7.2 percent, as the

valley gave up 6,100 jobs in the month, and 11,000 jobs over the year. The figures reflect in part a growing number of layoffs in the high-tech industry, as the area lost manufacturing jobs for the third month in a row.

Among the valley's hardest hit sectors were trade, transportation and utilities, down by 6,300 jobs, and retail trade, down 5,900 jobs from a year ago, with the largest declines in department stores.

Some of the damage in the November-to-December losses took place in the retail trade sector, which lost 600 jobs during the holiday season when it normally gains about 2,700 jobs during that period.

The recession is affecting the valley less like the dot-com bubble and more like the mid-1980s economic slump, when demand for the valley's high-tech products waned, said Stephen Levy of the Center for Continuing Study of the California Economy. "It is a very severe cycle, but it's not a business model gone bad," he said.

"It's a loss of wealth, a decline in consumer spending and the general caution," Levy said. "It's really different from 2000 when Silicon Valley was leading the recession because all those companies had gone bankrupt."

While the valley's losses don't compare to the dot-com bubble's burst, he said, "the problem is, we know it's going to get worse in 2009."

Economists expect unemployment rates to improve in the last half of the year or the beginning of next year.

If times are tough in Silicon Valley, the job picture looks worse statewide.

The state's jobless rate of 9.3 percent in December

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is up from 8.4 percent in November and 5.9 percent in December of last year. Two years ago it was 4.8 percent. Economists said it was hard to see how the state could avoid double-digit unemployment since the downward trend appears to be accelerating.

"We are very close to 10 percent, and the likelihood of exceeding 10 percent is almost 100 percent in the next two to three months," said Jon Haveman of Beacon Economics. "It's not going to turn around on a dime," he said.

The job losses are spreading from housing-related sectors like construction and finance to other areas, and consumer confidence is weakening, according to the EDD.

Consumers are spending less, "and that puts more people out of work," said EDD spokeswoman Patti Roberts.

In December, 376,536 people initiated unemployment claims and 53,424 more received extensions on unemployment benefits, the EDD reported. Many are people facing unemployment for the first time in their lives, and a large number are losing jobs in professions that are shrinking, Roberts said.

"They are not only out of a job, but are out of a profession," she added.

While it's the first time since September 2004 that the valley has posted two consecutive months of yearly job losses, the December drop is nowhere near the carnage of the dot-com collapse, when in one two-month period of June and July 2001 the valley shed 56,000 jobs.

The valley now has 910,600 workers, down from 921,600 a year ago and 916,700 in November.

Other sectors losing jobs included public and private schools, down 2,500 jobs, mostly in public schools, a much higher drop than usual for this time of year. Professional and business services, construction and manufacturing each lost 500 jobs.

Farm jobs fell by 1,100, a little better performance than the typical December, according to the EDD.

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