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JOBS: Unemployment at highest level since 1995

By CHRIS BAGLEY - Staff Writer

San Diego County's jobless rate shot up to its highest level in 13 years last month as mortgage brokers, hardware stores and construction companies continued to slash payrolls in response to the cratering housing market.

Local unemployment surged to 6.4 percent in July from an upwardly revised 6 percent in June, 5.5 percent in May and 4.9 percent a year ago, the state Employment Development Department reported Friday. That is the highest rate since October 1995, when Southern California was still recovering from severe cuts in the defense industry. The number of unemployed people in San Diego County grew by 6,400 last month, to 101,000.

Job numbers fell most dramatically at school districts, because of the annual lull between retirements and hires and also to the state government's attempt to narrow its $15 billion deficit.

But retail stores, builders and financial firms also continued to shed jobs at a time of year when they traditionally have added workers. Residential and commercial builders have cut 2,300 jobs locally, including 200 in July, according to the state agency.

Statewide jobless numbers swelled by 70,000 to 1.35 million, and the unemployment rate jumped to 7.3 percent from a revised 7 percent in June, a somewhat rare occurrence for summer.

Hardest hit were areas where economies had relied on housing and construction. Unemployment in the two-county area of Riverside and San Bernardino rocketed to 8.9 percent from 8.1 percent in June.

"It all depends on your exposure to housing," said Christopher Thornberg, a partner with Beacon Economics.

The key factor in the housing bubble ---- tens of thousands of buyers who borrowed beyond their ability to repay ---- has affected other industries, too, Thornberg said. From the late 1990s into 2006, consumers financed all sort of purchases with home equity loans.

Consumers have pulled back this year, and most economists attribute that to home prices' decline of 20 percent or more from last year. Local retailers, including car dealers and clothing stores, have cut 2,200 jobs in the last year, or about 1.5 percent of their total work force.

"The problem we have in the U.S. economy is too much spending, too much debt," Thornberg said. "This is an economy that will underperform for a number of years."

On the flip side, some analysts also have blamed tightened credit for limiting some companies' ability to invest.

Brandi Nicklaw was laid off in April from her job as an interior designer for Office Pavilion of San Diego, in Mira Mesa. Since then, the company has closed its doors, Nicklaw said.

Nicklaw hasn't been able to find another full-time job in interior design, and only part-time work with an office designer in Bonsall, she said. Her fiance's contract for handling information technology for a major national bank expires at the end of the month, and the company is unable to hire him on a longer-term basis, she said.

"I'm penny-pinching to get by right now," she said.

Companies now have about 10 percent fewer temporary workers than they did a year ago, an executive in the temp industry said. The executive, Phil Blair, said his Manpower franchise in San Diego and Riverside counties is actually doing better than that, but only because he has focused on a handful of expanding industries, including defense, medical devices and anything that involves high technology. Electronics manufacturers in San Diego County have added about 400 jobs in the last year, and companies that make transportation equipment have added about 500, according to the state.

Many companies are expanding, Blair said, but more are doing so at a measured pace: One client, a distributor that serves convenience stores, recently scaled back a request for workers.

"Companies are very cautious about hiring," Blair said.

Private-sector employers in San Diego County had fewer people on the payroll last month than they did in either July 2007 or July 2006.

Even employment at local school districts, which had continued to grow into this spring, shrank by 8,000 last month. That number reflects the annual gap between retirements and back-to-school hiring, but it also reflects layoffs by school districts caught in the teeth of the state's budget crisis.

Declining enrollment has further reduced state funding to some districts, including the Temecula Valley Unified School District, where school officials point to record numbers of families losing homes to foreclosure. Carlsbad resident Jennifer Scholz, a second-grade teacher there, was one of 20 teachers who were laid off and haven't been rehired.

Some of those teachers will be able to make ends meet by substituting, but Scholz said that's not a good option because she gave birth to a son a couple of weeks after losing her job.

"I have to have something concrete so I can put him in a day care center," she said.

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