

# SAN FRANCISCO Business Times

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## Unequal pain

Construction sheltered the East Bay from the dot-com bust; this time the safe havens are S.F., San Mateo and Marin

San Francisco Business Times - by [Eric Young](#)

Even as surrounding counties gave in to the downward pull of the economy, San Francisco, Marin and San Mateo counties were among the healthiest in the state.

The three west Bay Area counties chugged right along, creating jobs in hospitality, professional and business services, construction and other areas. Total industry employment in the area grew by 4,900 jobs — or 0.5 percent — in the 12 months ended last September. That marked the 44th consecutive month of overall job gains in the region, said Ruth Kavanagh, a researcher with the California Employment Development Department.

But now that streak appears to be over, threatening to put San Francisco, Marin and San Mateo counties on similar footing with the East Bay, where the number of jobs has been falling for months.

“All streaks come to an end,” said Jon Haveman, a principal at **Beacon Economics** of San Rafael.

Haveman expects that unemployment in the three west Bay Area counties will climb to 6.3 percent a year from now, up from about 4.9 percent at the end of the third quarter.

Contractions in several fundamental areas of the economy — professional services, leisure, and retail — are taking hold as businesses and consumers reign in spending.

If the region does slow down as anticipated, it will mirror what is already under way in the East Bay. Alameda and Contra Costa counties have seen a 2 percent reduction in the overall number of jobs in the past 12 months, state figures show.

Job declines in that region were led by construction, which contracted by more than 10 percent from January to August this year compared with the year before. Other areas of job decline were in manufacturing, trade and transport, retail and financial services.

The tough times for the East Bay likely will continue for two years at least, according to a recent study produced by Beacon Economics. The East Bay escaped the worst of the Bay Area's 2001 recession because it enjoyed the growth effect of housing. For that same reason, the Beacon economists said, the region will now shoulder a greater amount of pain.

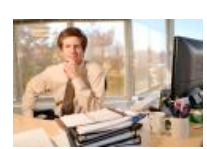
The Bay Area had been an economic oasis as 2008 began. Technology's strong momentum and the dollar's weakness staved off the forces ravaging other locales. But job growth, where it was happening, was occurring more slowly than a year ago.

Now the region is getting hit with large-scale layoffs in various sectors. In professional services, for example, two San Francisco law firms, **Heller Ehrman** LLP and Thelen LLP, went under. The two firms employed several hundred lawyers and staff members between them.

Big discount retailer Mervyn's LLC, which had been operating under bankruptcy protection, decided to liquidate and lay off hundreds of Bay Area workers. Construction hiring on both sides of the bay has been slowed as funding for projects becomes scarce.

Many economists speculate that the United States could be hitting the nadir of the recession and may eventually pull out by the second half of 2009.

Recovery could take longer locally, however.



Paolo Vesca

Though many economists think the current downturn could turn around this time next year, Beacon's Haveman says the Bay Area may take longer to recover.

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Job growth may not take hold in the East Bay until the middle of 2010, Haveman said.  
Unemployment in San Francisco is expected to peak at 6.3 percent at the beginning of 2010.

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