

State unemployment hits 7.3% in July

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(08-15) 11:12 PDT SACRAMENTO -- California's economic slide gained momentum in July when the unemployment rate reached 7.3 percent, up from 7 percent in June and nearly two percentage points greater than it was one year ago, the state Employment Development Department reported Friday.

There were 1,352,000 unemployed people in California last month - 70,000 more than in June and up by 374,000 compared with July 2007.

Unemployment combined with the rate of inflation creates what economist Stephen Levy calls the Misery Index. That index topped 12 percent in July, the highest level in 15 years.

"Residents are feeling even more pain than suggested by the unemployment numbers," said Levy, director of the Center for the Continuing Study of the California Economy, in Palo Alto.

"These numbers show the economy in total collapse," added Christopher Thornberg, a principal at Beacon Economics in Los Angeles.

From July 2007 to last month, nonfarm payroll in California decreased by 75,900 jobs, or 0.5 percent.

In an exception to the trend, employment in the West Bay counties of San Francisco, San Mateo and Marin counties rose by 7,600 jobs, or 0.8 percent - the only large metropolitan area where there was nonfarm job growth during the month. Professional and business services led the way, with 4,200 more jobs. Three-fourths of the gain occurred in professional, scientific and technical services such as computer systems design and architectural and engineering services.

Wells Fargo said Friday it has more than 250 positions available in the Bay Area.

There were also 1,500 new jobs in leisure and hospitality in the West Bay, half of them at restaurants, and gains of at least 1,100 jobs in construction, private educational and health services and government.

Statewide, nonfarm jobs in California fell by 14,900 during the month to 15,116,800, according to the Employment Development Department. This followed a loss of 13,400 jobs in June.

Including self-employed people and domestic workers, the number of Californians holding jobs in July was 17,056,000, down 93,000 from June, and 179,000 from July 2007.

Gov. Arnold Schwarzenegger said in a statement: "The entire nation continues to suffer through a slow economy that is affecting jobs and families here in California, which is why I am working with legislators to include a needed economic stimulus package within our state budget.

"Construction and financial services continue to struggle in California, but I am encouraged about recent increases in housing purchases and that other job sectors - while they do not have the robust growth we want or expect in California - are holding steady."

The state said the unemployment rate in Alameda County in July was 6.7 percent. It was 5.8 percent in San Francisco, 5 percent in Marin County, 5.1 percent in San Mateo County, 6.7 percent in Contra Costa County and 7.3 percent in Solano County.

Of those not working, 510,700 of them were laid off, 86,600 left their jobs voluntarily and the rest were either new entrants or re-entrants into the labor market, or people who completed temporary jobs, according to the state.

The state also said 480,226 people were receiving regular unemployment insurance benefits during July. That compares with 363,077 last year. New claims for unemployment insurance were 58,131 in July, compared with 56,359 in June and 41,236 in July 2007.

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July 1996 was the last month in which the state unemployment rate was this high, said Levy, who added that the housing slowdown accounted for half of July's job losses.

He said that while 7.3 percent of California workers and their families are struggling with unemployment, all residents are facing higher energy and food prices and sharply lower home values.

"So, while the loss (of jobs) is not high compared to the recessions after 1990 and 2000, the pain residents are feeling is definitely not just 'in their head.' State and local governments, already struggling with budget problems in 2008, will almost certainly face additional problems next year as a strong housing and economic recovery is at least a year away," Levy said.

Thornberg said that in March and April there were bullish observers saying the state's economy was fine and that rising unemployment then was simply a statistical blip.

"It was no blip," he said. "It is abundantly clear that the state's economy is sagging in a dramatic way with little sign of stabilization."

The unemployment rate began to rise 18 months ago and was at 5.4 percent one year ago. As it increases and because of other economic hits, there will be less in sales tax, income tax and business tax, Thornberg said, resulting in serious consequences for the state.

"What this means for the state budget is - watch out," he said. "All of these problems come back and hit the state right in the pocketbook. It means the \$17 billion the state says is the size of the deficit will be larger. They have no choice but to raise taxes or cut spending."

Thornberg does not anticipate any semblance of recovery until mid- to late 2009.

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<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/08/16/BUFM12BUDC.DTL>

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