



The Web Site of The Sacramento Bee

This story is taken from [Sacbee](#) / [Business](#).

---

## California unemployment rate hits 7.7 percent

By Dale Kasler - [dkasler@sacbee.com](mailto:dkasler@sacbee.com)

Published 12:00 am PDT Saturday, September 20, 2008

Unemployment jumped to its highest level in 12 years in California and Sacramento last month, the product of a weakening economy and a rash of state-government layoffs.

Statewide unemployment rose to 7.7 percent in August, up from a revised 7.4 percent the month before, the Employment Development Department said Friday. Sacramento-area unemployment rose to 7.4 percent, up from a revised 7.2 percent. Both are the highest they've been since 1996.

The jobs report, following a week of unprecedented turmoil in the financial markets, was a striking illustration of the depth of the economic downturn in California. Unemployment has risen 2.2 percentage points statewide in the past year, and two points in Sacramento. It's jumped at least two points in half the metropolitan areas across California.

Although there are indications of a recovery in real estate, "what we're seeing now are signs of the recession spreading out beyond housing," said Jeff Michael, director of business forecasting at the University of the Pacific.

For instance, the Sacramento area lost 500 retailing jobs in August, a month that usually sees an increase of 300, said EDD labor market consultant Diane Patterson.

"It continues to slow," said Howard Roth, chief economist at the Department of Finance.

California, which has seen some of the worst of the housing market crash, was tied with Mississippi for the third highest unemployment rate in the nation. Only Michigan (8.9 percent) and Rhode Island (8.5 percent) were higher.

The big job losses last month in Sacramento were in the public sector. The state payroll in Sacramento shrank by 2,700 jobs, largely because of Gov. Arnold Schwarzenegger's decision to lay off temporary and part-time workers in a bid to resolve the stalemate over the budget.

Although the budget deadlock was finally broken Thursday, those workers won't be rehired right away. Under the terms of Schwarzenegger's order, the Department of Finance must certify that the state has sufficient cash before the employees get their jobs back.

"I can't give you a date certain," said department spokesman H.D. Palmer. A total of 10,300 workers across the state were laid off by Schwarzenegger.

No matter when those employees return, the overall economy is struggling. About 7,700 payroll jobs disappeared across the state in August, the sixth straight month of job loss, Roth said.

At a job fair for military veterans Friday at American River College, job seekers were trying to maintain their optimism.

"I'm going to go back to the house and put out some more résumés," said Paul Hackharth, 50, a former Army National Guardsman who recently lost his job driving a truck.

"I learned this at 19," he said. "There's always Class A (driver's license) jobs."

Air Force Staff Sgt. Iuliana Meals, who just returned to the area from a stint in Germany and will leave the military next May, was trying to get a head start on job hunting.

"I got here a month and a half ago and I'm figuring out what I want to do," she said. "I've heard about the economy. Now I get to learn about real life."

Some areas of the economy are still growing, including health services. That sector added 400 jobs in Sacramento last month and 1,800 jobs since last year.

Another bright spot of sorts: The big job declines in construction and finance employment seem to be easing up, Roth said.

Builders and contractors added 500 jobs in Sacramento last month, about normal for August. A year ago, about 600 construction jobs disappeared in August.

That suggests the market is firming up. The volume of houses sold in Sacramento increased sharply again in August, the fifth straight month of year-over-year increases, according to MDA DataQuick.

But many of the sales are homes that were in foreclosure, and prices continue falling. The median sale price in Sacramento County was \$210,000, about one-third below last year.

That suggests the downward economic pressure on consumers will continue for quite a while, said Chris Thornberg of the Los Angeles consulting firm Beacon Economics. As property values decline, homeowners feel less wealthy and are less able to take

out home-equity loans.

"Home values are falling, and that's having a large impact on consumer spending," Thornberg said. "That is a process that is not going to go on for three months or six months; it's going to go on for two years."

Go to: [Sacbee](#) / [Back to story](#)

---

This article is protected by copyright and should not be printed or distributed for anything except personal use.  
The Sacramento Bee, 2100 Q St., P.O. Box 15779, Sacramento, CA 95852  
Phone: (916) 321-1000

[Copyright](#) © [The Sacramento Bee](#)