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State job market troubles continue

Unemployment rate rises as slowdown in housing persists.

By Dale Kasler - Bee Staff Writer

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California's job market regained some of its balance last month but is still wobbling under the weight of the housing downturn.

The state added 21,000 payroll jobs during August, offsetting a decline of 14,000 the month before, the Employment Development Department announced Friday. But continued cutbacks in the housing sector -- from construction sites to loan offices -- sent the statewide unemployment rate up two-tenths of a point to 5.5 percent.

The two statistics are culled from different surveys, with the payroll figures generally considered more reliable. Nonetheless, experts said the economy remains troubled.

"It has slowed in 2007 -- job growth is considerably lower than it was last year," said Howard Roth, chief economist at the state Department of Finance. "You can really see the housing slowdown in these numbers."

Unemployment is up six-tenths of a point since last year in California.

Sacramento-area unemployment was unchanged last month at 5.4 percent but has risen eight-tenths of a point since last year.

"The numbers are starting to mount a little bit and look a little more ominous," said David Lyons, labor market consultant at EDD.

The statewide payroll job growth was surprising because the numbers usually follow the national trend. Last month the nation as a whole recorded its first

decline in payroll jobs in four years. But with California the epicenter of the housing slump, there is no question that the state is facing difficult times.

"We are just getting a general slowdown," said Jon Haveman of Los Angeles consulting firm Beacon Economics.

Beacon is forecasting a recession, although most economists believe that can be averted. The Federal Reserve cut interest rates a half-point this week to try to alleviate the credit crunch, but it's uncertain how much of an effect that will have.

There are bright spots, to be sure. Much of the statewide job growth last month came in the public sector. Government has become a major source of job growth in Sacramento lately, too, as state payrolls have expanded.

Yet much of the focus remains squarely on the housing market. Greater Sacramento lost 2,000 jobs in August, the second straight monthly decline. About half the cutbacks were in construction and finance.

The downsizing in construction was noteworthy because usually the summer building season lasts into September or October.

"The house builders definitely made a bit of a call to cut back," Lyons said.

Economists believe the housing market could bring more pain in the coming months. Already employment in the mortgage industry has fallen nearly 8 percent statewide since last year, and those numbers don't include the latest layoffs. Countrywide Financial Corp. of Calabasas, the nation's largest mortgage lender, recently said it will lay off up to 12,000 workers by year's end.

Another concern is the extent to which housing's problems are spreading to other industries. Motor vehicle sales have fallen sharply in California as consumers, responding to economic fears, are less apt to use their home equity for big purchases.

Employment at car dealerships statewide has fallen 1 percent since last year. Yet employment at home improvement and furniture stores is up slightly.

Lyons said the retail sector will bear watching. It's unclear how big a toll the housing market -- and high gasoline prices -- will take on December holiday shopping, he said.

So far retail employment is essentially flat, both statewide and in Sacramento.

"The consumers, for sure, haven't made a full-on response to housing prices,"

Haveman said. "In time, they'll come to recognize" that the downturn will last a while.

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