

900 positions added; housing industry layoffs take toll

By Dean Calbreath

UNION-TRIBUNE STAFF WRITER

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California's job growth was close to zero last month after a huge wave of layoffs at construction companies, according to data released yesterday by the state Employment Development Department.

The state added only 900 jobs in November, after 13,500 job losses in October, according to seasonally adjusted data. Since November 2006, payrolls have grown only 0.6 percent in California, compared with 1.1 percent nationwide.

“California has become an average-job-growth state since 2000, and we are now in danger of becoming a below-average economy in terms of job growth,” said Stephen Levy, director of the Center for Continuing Study of the California Economy in Palo Alto.

Christopher Thornberg, a co-founder of Beacon Economics in Los Angeles, said he believes the numbers show that the state has entered a recession.

“It's not like the economy is about to fall off a cliff,” Thornberg said. “It's more like we're entering a period of slow, degrading financial health, led by the housing industry.”

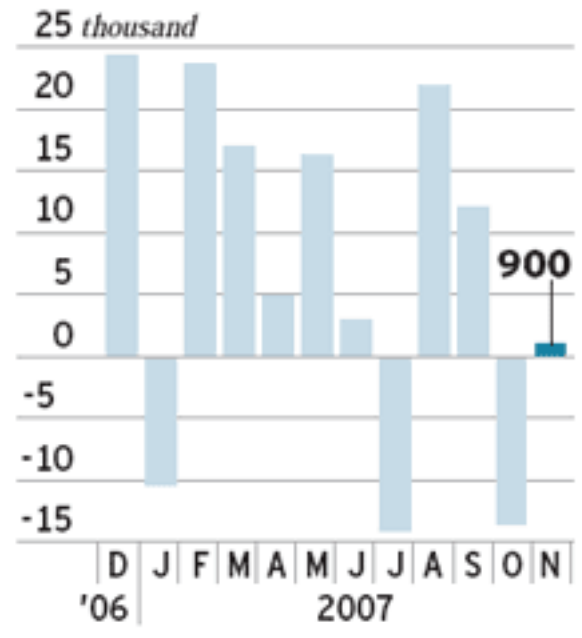
Throughout California, hiring was damaged by the continuing decline in home sales. Financial firms – including real estate and mortgage brokerages – axed 3,600 positions last month. Construction firms shed 1,900 workers.

Those losses were partly made up by hiring in hospitals, hotels, restaurants and professional and business services.

“On the upside, the state's 'stealth industry' – health care – is growing at a rate of 3 percent,” said Gary Schlossberg, economist for Wells Fargo in San Francisco. “But a disappointment is that not all of the job losses are related to housing.”

STATE JOB GROWTH

Seasonally adjusted month-to-month change in employment of nonagricultural workers



SOURCE: California Employment Development Department

AARON STECKELBERG / Union-Tribune

Schlossberg noted that with the declining value of the dollar, economists had expected export-related industries to do fairly well. Instead, aerospace hiring has been flat and high-tech firms have had sluggish growth.

Tourism jobs, which have also benefited from the dollar's decline, have continued to grow, but the growth rate is slowing.

“California is awfully close to a recession,” Schlossberg said. “And it may feel like a recession as unemployment continues to rise.”

The unemployment rate stayed flat between October and November at 5.6 percent. A year ago, the rate was 4.7 percent. In between, 185,900 more people joined the jobless roll.

San Diego County continues to perform much better than the rest of the state.

Seasonally adjusted data show that the county gained 1,800 jobs last month, mostly at retail stores and hospitals and in the information industry. But 1,000 construction workers and 300 financial workers lost their jobs in the county.

For the fourth month in a row, the county's unemployment rate stayed at its three-year high of 4.8 percent.

Thornberg predicts that the county will be hurt worse than most areas by the decline in the real estate market.

“San Diego is very much like the Bay Area,” he said. “The real estate is still priced too high. As it continues to fall, that will have an impact on consumer spending. And what happens next year, when business spending follows the trend of consumer spending?”

Levy said the closest thing he sees to good news for California is that home prices are falling much more rapidly than many economists had previously thought possible.

“This is good news because home prices need to drop to restore affordability to the California housing market,” said Levy, who has been predicting a sharp downturn in home prices for more than a year.

“Up until now, I have characterized California as being still in the beginning of the housing price correction. Now it feels like most markets have moved into the middle of the price correction.”

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