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Calif. jobless rate hits 7.3 percent in July

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SACRAMENTO—Fueled by job losses spread across most of the economy, California's unemployment rate rose to 7.3 percent in July—the highest it's been in 12 years.

The state's Employment Development Department said the percentage of job-seeking Californians who were out of work edged up from a revised rate of 7 percent in June.

Last July, California's unemployment rate was only 5.4 percent.

The rate also was far higher than the national average of 5.7 percent for July. Only three states—Michigan, Mississippi and Rhode Island—had higher jobless rates last month. Illinois also had an unemployment rate of 7.3 percent.

Patti Roberts, a spokeswoman for the Employment Development Department, said the state's unemployment rate has been trending upward since 2006.

Republicans said the jobless figures provided more evidence that lawmakers shouldn't consider tax increases to help eliminate a \$15.2 billion state budget deficit.

"Our unemployment rate will grow far worse and more Californians will lose their jobs if we pass a budget that increases taxes," said Assembly Minority Leader Mike Villines, R-Clovis.

But health care advocates said state budget cuts would also lead to more job losses, partly because the state would be unable to put up seed money needed to attract hundreds of millions of dollars in federal aid.

"The worst thing you can do for the economy is make cuts, especially to health care," said Anthony Wright, executive director of the nonprofit advocacy group Health Access California.

"I think it's very clear that health care cuts specifically would have three times as great an economic impact as an increase of taxes on the upper income."

Democratic lawmakers have proposed raising taxes on the wealthy and corporations to generate \$8.2 billion for the fiscal year that began July 1, while Republicans are seeking borrowing to help bridge the massive deficit.

Gov. Arnold Schwarzenegger said he was encouraged that some sectors of the state's economy were "holding steady" but urged lawmakers to include economic stimulus measures when they adopt a budget.

The EDD said 17 million Californians were employed last month, down 93,000 from June and 179,000 from July 2007.

The construction industry saw the biggest percentage drop in jobs over the previous 12 months—9.3 percent. But six other industries also suffered job losses, while five had increases, according to EDD figures.

Stephen Levy, senior economist at the Center for Continuing Study of the California Economy, said the rising unemployment rate sent what he called the "misery index"—the combination of the

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unemployment and inflation rates—to just over 12 percent, the highest level in 15 years.

"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 prices," he said.

He predicted that a strong economic recovery was at least a year away, and said state and local governments would almost certainly face additional budget shortages next year.

Beacon Economics, a research and consulting firm based in San Rafael, said its own analysis put the July unemployment rate at 7.4 percent and that there was no question that California is in the midst of a recession.

"It is abundantly clear that the state's economy is sagging in a dramatic way with little sign of stabilization," it said.

Howard Roth, chief economist for the state Department of Finance, said the number of non-farm jobs has been declining since July 2007 but at a slower rate than in recessions in 2001 and in the early 1990s.

"What we really have is pretty much a housing recession and a slowdown in the rest of the economy," he said.

He said non-farm job totals were a more reliable measurement of the job picture than unemployment rates because the federal Bureau of Labor Statistics requires states to adjust their unemployment rates to add up to the national average.

"That results in a lot of volatility in our unemployment rate, but there's no doubt that it's trending up," Roth said.

The unemployment rate does not include people who have stopped looking for work.

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Employment Development Department: <http://www.edd.ca.gov>

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