

California jobless rate hits 11.5%

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By Dean Calbreath

California's unemployment rate surged to 11.5 percent last month — its highest point since World War II — as the state lost 68,900 jobs, according to data released yesterday by the state Employment Development Department.

Since hitting a peak in July 2007, the state has lost 859,000 jobs, including 739,500 in the past year alone. Economists project that the layoffs will continue to rise at least through the end of this year and probably into 2010, even if the economy starts to recover.

Earlier this week, the Anderson Forecast at the University of California Los Angeles projected that unemployment — which was a revised 11.1 percent in April — would average 11.9 percent this summer and 12.1 percent from this fall through next spring.

San Diego County continues to outperform the state. The county's jobless rate crept from a revised 9.2 percent in April to 9.4 percent in May, as employers shed 2,800 jobs. The jobless rate is slightly below its postwar high of 9.5 percent in March, but well above the previous year's rate of 5.4 percent.

“One of the most remarkable characteristics of this recession is the speed by which San Diego lost employment — a four-point plunge in one year,” said Murtaza Baxamusa, director of research and policy at San Diego's Center on Policy Initiatives.

Statewide, the most cutbacks came from government: 11,400 job cuts in federal government and 2,800 from state and local agencies, as municipalities scaled back their services to cope with the crippling effects of tax declines and budget cuts.

Gov. Arnold Schwarzenegger said the job losses underscore the importance of putting his budget proposals into effect, which include some stimulus programs as well as large cuts to government services.

“There is no greater priority right now than to stimulate the economy, create jobs and get California back on the road to prosperity,” he said.

But Art Pulaski, secretary-treasurer of the California Labor Federation, said that Schwarzenegger's proposed budget cuts — including layoffs of government employees and cutbacks in social services — will make the impact of rising joblessness worse.

“The staggering loss of 68,000 jobs in May means more families are teetering on the edge of financial calamity,” Pulaski said. “Instead of throwing families in need a lifeline, the governor threatens to push them over the cliff with his ill-conceived budget proposal.”

Schwarzenegger has proposed laying off 5,000 state employees, as well as slashing education and social welfare programs to address a \$24.3 billion deficit for the fiscal year that starts July 1.

The Anderson Forecast projects that Schwarzenegger's budget cuts will eventually result in 64,000 job cuts from state government as well as an uncalculated number of private-sector and local government jobs, which will worsen the unemployment rate. The state government cuts alone will push the California unemployment rate 0.4 percent higher, the forecast estimated.

"When programs are cut, the people associated with the programs are let go as well," said UCLA economist Jerry Nickelsburg. "The impact, which will be felt in the coming year, is decidedly negative and will retard economic growth in 2010."

Adding to the decline in government employment, every major job category lost jobs in May except for education and health care, which added 2,100. Construction companies cut 11,300 positions; manufacturing, 10,400; professional and business services, 10,900; retail, wholesale, transportation and utilities, 8,300; leisure and information, 8,100; and hospitality, 2,700.

California now has the fifth-highest unemployment rate in the nation, following Michigan, 14.8 percent; Oregon, 12.4 percent; Rhode Island, 12.1 percent; and South Carolina, 12.1 percent.

Unemployment above 10 percent is also found in Nevada, North Carolina, Florida, Indiana, Kentucky, North Carolina, Ohio, Tennessee and the District of Columbia.

Esmael Adibi, economist with Chapman University in Orange, said that he would not be surprised to see unemployment in California hit 12.5 percent before the end of this year.

"I still expect the recession to be over by the third or fourth quarter of the year, but the job losses will keep going up because even when a recovery begins, companies are not going to run out and hire the first person they see," he said. "No significant hiring will happen until next spring."

Steve Levy, economist at the Center for the Continuing Study of the California Economy in Palo Alto, said the states with the worst job losses and unemployment rates generally fall into two categories: states such as California, Arizona, Florida and Nevada, which were at the epicenter of the housing meltdown, and states in the Great Lakes and the South that have been hit hard by manufacturing job losses.

Levy said that the states in the first group are likely to recover first, since they are suffering through a cyclical downturn rather than losing entire industries.

"Michigan and similar states are facing what California faced after the aerospace downturn — the permanent loss of a significant part of their economic base," Levy said. "But California's downturn is cyclical. Housing and foreign trade (which Levy says constitute the largest problems for the state's economy) will recover. And in one key indicator of competitiveness for the future California remains a standout — the state's share of U.S. venture capital funding."

In a report this month, IHS Global Insight, an economic research firm in Massachusetts, projected that California and most other states will not return to their pre-recession employment levels until 2013.

IHS projects that Texas, Utah and Oklahoma will have full recoveries by 2011 — thanks to their ties to oil and natural resources — and most of the Great Plains states will recover by 2012, followed by

most of the rest of the country the next year.

But Florida, Illinois and much of New England will not recover until 2014 and Michigan, Indiana and Ohio could take years longer, thanks to the decline of automotive manufacturing and other heavy industries.

IHS projects that over the next five years, California will have the 13th-highest employment growth rate in the country, in contrast to its current position in 46th place.