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California's Building Bust Choking Off Jobs

State Has 10 of 12 U.S. Metro Areas With 15% Unemployment

By CARI TUNA

(See Corrections & Amplifications item below.)

Amid the tepid economic recovery, California's construction industry continues to hemorrhage jobs, helping to explain why unemployment across the state remains so much worse than elsewhere in the country.



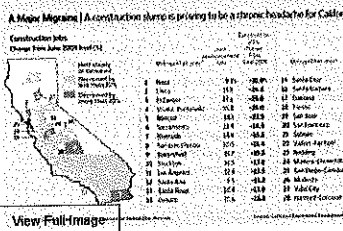
Unemployed Americans attend a National Career Fair at the Airport Radisson Hotel in Los Angeles last week.

Of the nation's 12 metropolitan areas with jobless rates of 15% or higher in June, 10 were in California, the Labor Department reported Wednesday.

A major factor: The state's construction industry shed 74,400 jobs in the 12 months ended in June, more than any other sector lost. During that period, construction employment fell 12% in California, compared with a 1.3% drop in total nonfarm employment in the state and a 7.4% drop in construction employment nationwide.

The nation's most populous state was an epicenter of the national housing bust. From June 2006 through last month, it lost 43% of its construction jobs, or 401,900 positions. That far outpaced a 28% decline in total U.S. building employment during the same period.

A Major Migraine



Now, as several other states begin to add construction jobs again, California's building industry, a closely watched barometer of the state economy, keeps shrinking. The imbalance is due partly to overbuilding during the boom, which was more pronounced in California than in many other states. Economists say that is a big reason California's unemployment rate has stayed so high, at 12.3% in June, compared with 9.5% nationally.

Gov. Arnold Schwarzenegger on Wednesday ordered most state workers once again to take three unpaid furlough days a month, beginning in August, until the

state enacts a budget for the fiscal year that began July 1.

Separately, there were further signs of a slowdown in manufacturing and durable-goods demand across the country in the Federal Reserve's "beige book" report, an anecdotal account of regional economic conditions prepared in advance of the Fed's Aug. 10 policy meeting. "Manufacturing activity continued to expand in most Districts, although several Districts reported that activity had slowed or leveled off during the reporting period," it said.

The pain in California's construction industry is evident from the northern wine country down to the Mexican border. In the state's southeast corner, El Centro in Imperial County posted the highest jobless rate of any U.S. metro area in June, a seasonally unadjusted 27.6%, the Labor Department said Wednesday.

Until the housing bubble burst, construction in the largely agricultural area was booming, as people from San Diego and Mexicali, Mexico, arrived to snap up cheap homes, said Sam Couchman, director of Imperial County's Workforce Development Office. As the downturn set in, the area's building sector imploded, shedding 40% of its workers, or 800 jobs, since June 2006, according to the California Employment Development Department. "Construction came to a virtual halt," leaving half-finished neighborhoods and never-occupied commercial spaces across the county, said Mr. Couchman.

Among California metro areas, Los Angeles and Riverside lost the largest number of construction jobs in the 12 months ended in June, shedding 15,900 and 10,800 workers, respectively. Further north, Napa posted the biggest percentage decline in building employment. Its construction sector shrank 31% in June from a year earlier, a loss of 900 jobs.

"I honestly thought that things would have been looking up by now," said Kyle Wheeler, of the plumbers and steamfitters union for Napa and Solano counties. "But they're not, and we see no end to it yet."

One worker who lost his job in Napa County is Angel McFarland, an electrician's apprentice in his final year of training. The 37-year-old father of two said he was laid off from a big California electrical contractor in July 2009. The company rehired him in March 2010 before laying him off again three weeks later, he said.

Mr. McFarland said he searches for work on the Internet daily and recently enrolled in classes on installing solar panels and solar-thermal heating systems to broaden his skills. With his savings long tapped out, he is living off of unemployment checks and said he is considering leaving the state if he doesn't find a job soon.

From prospective employers "I get some promises that I'll get phone calls, but nobody ever follows up," Mr. McFarland said.

Lisa Batto, president of the Napa Chamber of Commerce, said banks were unwilling to finance local construction, holding back the area's recovery. She said Napa officials have approved three big projects—two hotels and a commercial plaza—but that developers have been unable to secure the loans they need to start building.

"Once the banks start loaning money, then we can build this stuff, and we can build our way out of this economy," said Mr. Wheeler of the plumbers union.

Jon Haveman of Beacon Economics, a California forecasting firm, said the problem isn't only that banks are skittish. There also is little demand for new residential or commercial property.

"Nobody knows what to build that will be in demand a year from now or two years from now," Mr. Haveman said. "There's so much uncertainty."

California's housing market is showing some signs of stabilization. In June, the state's median home price rose from a year earlier for the eighth consecutive month, to \$270,000, said MDA DataQuick. In May, the S&P Case-Shiller home-price indexes for big California cities such as San Francisco, San Diego and Los Angeles rose 10% to 18% from a year earlier, Standard & Poor's reported Tuesday.

Additionally, the number of California homes that entered the foreclosure process between April and June fell to 70,051, the lowest quarterly level in three years, DataQuick said.

But that doesn't mean construction employment will rebound soon, said Mr. Haveman. "There's going to be excess supply for some time yet to come," he said.

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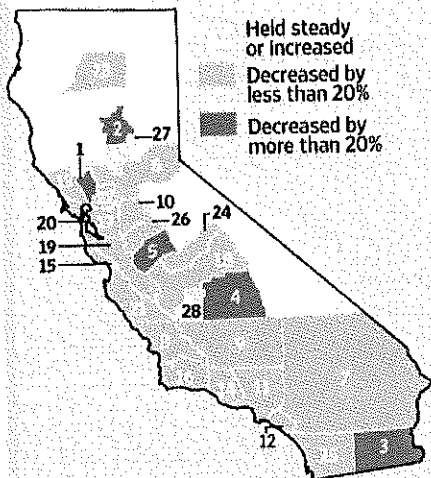
Corrections & Amplifications:

The metropolitan area of El Centro, Calif., is located in the southern part of the state, while Visalia-Porterville is in central California. A map that accompanied an earlier version of this article incorrectly swapped their locations.

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A Major Migraine | A construction slump is proving to be a chronic headache for California's job market

Construction Jobs Change from June 2009 level (%)



Metropolitan area*	June unemployment rate	Construction jobs, change from June 2009	Metropolitan area*	June unemployment rate	Construction jobs, change from June 2009
1 Napa	9.3%	-31.0%	15 Santa Cruz	11.3%	-12.1%
2 Chico	13.8	-29.6	16 Santa Barbara	8.8	-11.4
3 El Centro	27.6	-25.0	17 Oakland	11.4	-11.0
4 Visalia-Porterville	15.8	-25.0	18 Fresno	16.0	-10.7
5 Merced	18.1	-23.5	19 San Jose	11.4	-10.6
6 Sacramento	12.4	-18.5	20 San Francisco	9.3	-9.7
7 Riverside	14.4	-15.5	21 Salinas	10.8	-8.5
8 San Luis Obispo	10.0	-15.4	22 Vallejo-Fairfield	12.2	-7.9
9 Bakersfield	15.7	-15.3	23 Redding	15.3	-7.1
10 Stockton	16.5	-13.8	24 Madera-Chowchilla	14.8	-6.7
11 Los Angeles	12.3	-13.5	25 San Diego-Carlsbad	10.5	-4.9
12 Santa Ana	9.5	-13.2	26 Modesto	17.3	-4.2
13 Santa Rosa	10.4	-13.0	27 Yuba City	19.4	0.0
14 Oxnard	10.6	-12.4	28 Hanford-Corcoran	15.9	22.2

* Los Angeles, Oakland, Santa Ana and San Francisco are metropolitan divisions

Sources: California Employment Development Department; Labor Department