As unemployment hits double digits, California lurches towards depression

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According to figures released last week, California's official unemployment rate now stands at 10.1 percent, the highest it has been in more than 15 years and the third highest among the 50 US states.

The economic crisis in California is having a devastating effect not only upon the poor, but upon the "newly poor," those who just a few years ago would have been considered middle class. These are people who have lost jobs and homes due to the rise in unemployment, prices and home foreclosures. The acceleration and deepening of the crisis have put increasing demands on social services at a time when the state's recently passed budget is slated to slash funding for those very services.

Recent reports and news articles provide a snapshot of conditions. In numerous ways, one year into the current situation, conditions in Los Angeles and Contra Costa Counties are already as bad as they were in 1931 and 1932.

The first report, published by the charitable organization United Way, details the rapid spread of extreme poverty in Los Angeles County. Extreme poverty is defined as less than 50 percent of the federal poverty level, which translates to an annual income of less than $5,200 a year for an individual or less than $8,800 for a family of three.

Entitled "A Profile of L.A.'s Poor in Turbulent Times," the graph- and statistics-laden report, paints a harrowing picture of the situation confronting the burgeoning ranks of Southern California's poor.

According to the report, the number of extremely poor in LA County "roughly matches the total population of Washington, D.C., and is greater than the total populations of Seattle, Las Vegas or Miami." Among the hardest-hit communities are the cities of Los Angeles, East Los Angeles, Long Beach and Compton, whose extreme poverty rates are higher than the average countywide rate of 6 percent. East Los Angeles's poverty rate is 10 per cent.

Given the high cost of living in California relative to much of the rest of the country, the actual number of the extremely poor is still higher, even if one were to accept the miserable standard for ‘poverty' (really a subsistence level) set by the federal government.

The report's authors make the telling point that "many people and many families who live in or near extreme poverty are working. One thing is certain—they are below the income level needed to sufficiently raise a family."

Statistics covering January to August 2008 show an 11 percent increase in the number of Los Angeles County residents aided by General Relief (GR), a benefit program for the extremely poor. Sixty percent of them are "effectively homeless, sleeping in places not fit for human habitation (such as park benches, garages, abandoned buildings and cars)." Since "the maximum aid GR provides is $221 a week, and a skid row hotel can go for $350 to $500 a month," it is not surprising that the number of the "effectively homeless" has increased.

Food stamp usage has also grown dramatically: "By the end of October, the number of people receiving food stamps in L.A. County approached 700,000, the most since May 2002." This is a reflection of the tightening pinch that food prices are exerting on struggling families.

Equally distressing are the report's other findings. Regarding unemployment: "L.A. County has generally fared worse than the state in terms of the rise in unemployment." The official jobless rate is particularly high in East L.A. (11.4 percent), Lancaster (11.7

percent) and Compton (over 14 percent).

As for rental housing: "The trend in the last generation ... has been a great increase in housing prices while wages have remain stagnant ... For the beginning half of the decade (2002 to 2005), median wages grew at one half of one percent. During the same time period, the fair market rate for either a one-bedroom or two-bedroom apartment increased by at least 40%."

The report found that over half of renters in Los Angeles are paying more than 30 percent of their income on rent, while many spend 50 percent or more. While there has been some discussion about measures to help homeowners with their mortgages, the plight of renters is routinely ignored at every government level-municipal, county, state and federal.

Homeowners have fared poorly as well, according to the report. L.A. County experienced a 222 percent rise in foreclosures in 2008 compared to 2007, with areas like Glendale, Long Beach and Montebello showing increases of 1,000 percent or more. Additionally, foreclosures of rental properties have forced renters from their homes, accounting for a spike in the number of those in emergency shelters.

Some of these figures are undoubtedly already out of date, due to the rapidly deteriorating economy. Moreover, the report was published in January, before the passage in February of the state budget, which includes drastic cuts to social services and regressive taxes that will worsen conditions for working people.

The extremely poor are not the only sector of the working class to feel the effect of the crisis. California is witnessing the growth of the "newly poor," families who not long ago had well-paying jobs and owned homes, but have been thrust into desperate straits by the recent developments.

On February 26 Bloomberg.com carried a revealing report, "California's Newly Poor Push Social Services to Brink." The article describes the devastation, emotional and psychological, as well as financial, that has struck middle-class Contra Costa County, east of the San Francisco Bay area, with a population of one million.

Once considered "an affordable alternative to San Francisco," according to author Vivien Lou Chen, "the area is being hit by a double whammy, as rising unemployment increases demand for social services, while plunging home values shrink tax revenue and squeeze agency budgets."

The numbers are stark: "Each month 16,000 people, including many who were making $60,000 to $100,000 annually just a few years ago, fill four county offices requesting financial, medical or food assistance."

Current and planned cuts in the county budget will top $146 million and property tax revenues are not expected to recover for at least four or five years. Unemployment is 9.3 percent and may reach 12 percent, according to County Administrator David Twa. Median home prices have sunk 53 percent, and the total of 3,135 fourth-quarter defaults was ten times the number in San Francisco.

Providers of affordable housing vouchers, food banks and other services are finding their offices swamped with a growing tide of applicants, a situation which is proving wearing for overworked staff. Signs of mental distress called "quiet dread" by one realtor are rife. The county's housing authority executive director says that "I'm not used to getting calls from clients saying they'll commit suicide if they don't get on the wait list."

Unemployment in California began rising from less than 5 percent in 2006 to the current 10.2 percent and is expected to be as high as 13 percent by the end of the year, a trend that parallels the evolution of unemployment between 1930 and 1932.