

S.C. economy resists downturn

Economic
Jobless rate bucks trends

By **JESSICA BRICE**
SENTINEL CORRESPONDENT

Any economist will tell you a slowing economy combined with a crashing stock market equals rising unemployment.

But that economic equation doesn't hold for Santa Cruz County.

The county unemployment rate fell to 4.2 percent in June (the latest figures available) from 6.5 percent at the beginning of this year. That's bucking both a state and regional trend.

The state figure has remained relatively stable since January, at roughly 5 percent. Tech-heavy Santa Clara County, however, has watched its unemployment rate soar, from 1.7 percent in January to 4.2 percent in June.

This is the first time since at least 1983 — as far back as figures were immediately available — that Santa Cruz and Santa Clara counties have had identical unemployment rates, and labor-market experts say they think the Santa Cruz County number could dip below Santa Clara in July.

That could be because Santa Cruz County has never been very good at following trends — especially economic trends.

"The Santa Cruz economy doesn't depend so heavily on the high-tech market, so while Silicon Valley is crashing, we're not," said Ray McDonald, Santa Cruz labor market information consultant for the state Employment Development Department. "The highs may not be as spectacular, but the lows definitely aren't as low."

One reason Santa Cruz County hasn't been hit as hard as other areas — Santa Clara has been hit harder than any other San Francisco Bay Area county — is because the Santa Cruz economy relies heavily on tourism and agriculture, which are not incredibly sensitive to the crash of the high-tech industry.

Even the county's largest technology companies like Seagate haven't

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Lucent cuts 20,000 more jobs

By **RACHEL BECK**
THE ASSOCIATED PRESS

NEW YORK — Lucent Technologies Inc. plans to cut an additional 15,000 to 20,000 jobs from its payroll and is eliminating its dividend in a bid to return to profitability.

The announcement Tuesday came as the embattled telecommunications maker posted a fiscal third-quarter loss of \$3.25 billion, far wider than expectations. Stocks fell at the news.

Separately, Lucent said it had reached an agreement to sell its fiber-optics operations for a total of \$2.75 billion.

Lucent also said it was eliminating its 2 cent quarterly dividend beginning Sept. 1, a move the company said would free up \$68 million per quarter.

The news sent Lucent's shares to a close of \$6.43 on Tuesday — only slightly above the company's split-adjusted stock price when it went public in 1996. Shares of Lucent, which was once part of AT&T Corp. and is one of the most widely held stocks on Wall Street, have now plummeted more than 50 percent since the start of the year.

Chief executive and chairman Henry Schacht called the cuts "a new phase of our restructuring to reshape Lucent for future growth and prof-

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The Associated Press

A Lucent Technologies worker cleans wafers in a 'clean room' at the company's silicon fabrication research lab in Murray Hill, N.J.

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Shmuel Thaler/Sentinel

Bridget Pardi of Aromas runs the Hurricane roller coaster at the Santa Cruz Beach Boardwalk.

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seen the layoffs Santa Clara County has been experiencing.

Woody Monroy, Seagate spokesman, said the company currently employs 880 workers in Scotts Valley, up 10 people from January.

Santa Clara County, meanwhile, is the center of the high-tech world. More than 20 percent of the jobs in Santa Clara County in 1999 were high-tech.

During the summer months, employment in Santa Cruz County typically rises as businesses prepare for the summer crowd.

The Santa Cruz Beach Boardwalk, which is almost completely dependent on tourism, hires an additional 1,400 workers each year to serve the summer crowds, said Boardwalk spokesman John Robinson.

Tourism in general brought in \$525 million last year, said Raneë Ruble,

publicity director at the Santa Cruz Conference and Visitors Council.

Tourism revenue has increased by more than \$1 million since 1993.

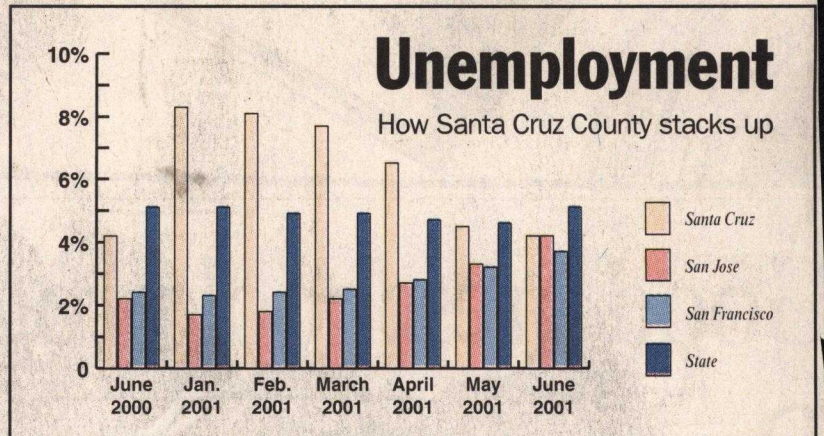
"We are finding that while the economy is slowing in Silicon Valley, people stop planning trips to Hawaii and the Bahamas and they start planning trips to Santa Cruz," Ruble said.

Of course there are some businesses sharing in the dot-com losses.

And some hotels are reporting their numbers are down this summer because Bay Area businesses have less money to send their executives on seaside stays. The business conference market also has been impacted.

Unemployment is expected to rise slightly as the summer season passes and seasonal jobs are cut.

This has nothing to do with how the economy is going, but is just part of Santa Cruz County's economic cycle, McDonald said.



JoAnn Kolonick/Sentinel graphic

Overall, people in Santa Cruz are optimistic about the future.

A recent assessment by the Santa Cruz Area Chamber of Commerce also found the area will soon become less dependent on seasonal jobs. The jobs with the greatest projected growth are in retail sales, the report found.

This means the Santa Cruz economy is expected to stabilize even further, as more year-round jobs become available.

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