THE Domino effect

How a housing crisis becomes a jobs crisis

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The purchase of a house sets off a long chain of events.

The money spent to buy it and to live in it ripples through the economy, creating jobs. From a locksmith on Main Street to an investment banker on Wall Street, from furniture factories to City Hall, people earn a living off that one transaction.

We're now experiencing what happens when people don't buy houses.

Home sales in St. Louis have fallen by nearly one-third since before the recession. And the inability to change that has played a major role in an ongoing jobs crisis.

Housing and jobs have become so intertwined that many experts say we will never enjoy a broad recovery until the housing market picks up. But without jobs, it's hard to see how people can start building and buying houses.

Here's a look at how real estate woes have infected the broader economy:

1 The housing industry

A standard home sale involves two real estate agents, a home inspector, an appraiser and a title company. It involves the bank that writes the mortgage and, often, the broker who goes and finds it. If it's a new house, someone has got to build it. And there's a lot less of all that going on these days — in 2006, about 20,000 homes sold in St. Louis and St. Louis County. Last year? Less than 14,000.

Realtors

There are 300 fewer real estate agents working in St. Louis County than there were in 2005, and their average income has dropped by 8 percent. Across Missouri, the number of licensed real estate salespeople and brokers has fallen by one-fifth since 2006 — from 53,000 to about 43,000.

Construction workers

Construction jobs in the St. Louis area have fallen 26 percent since 2007. That's almost 20,000 fewer people swinging hammers and laying concrete. Those who remain have seen their hours and earnings plunge.

Mortgage brokers

Fewer home sales mean fewer mortgages, which means fewer brokers and bankers are needed to write them. The number of loan brokers in St. Louis and St. Charles counties has fallen more than 50 percent since 2005. The ranks of appraisers have shrunk, too.

2 Related industries

What's the first thing you do after you buy a house? You change the locks. Maybe buy some paint or furniture or a new lawn mower. You spend money on things that employ other people. But when you stay put, you don't buy that stuff. And a lot of people don't get paid.

Furniture stores

During the housing bust, furniture businesses all over the country cut staffing. Some stores closed their doors, from an Expo Design Center in Manchester that shuttered in 2009, laying off 109 employees, to American Furniture, which emptied four local stores and a warehouse in June, cutting about 300 jobs.

Hardware stores

Look at the Home Depot. In 2000, the orange giant had 227,000 "associates" manning stores nationwide, selling tools, lumber and appliances to contractors and do-it-yourself homeowners. By 2006, there were 364,000. Then came the crash, and today Home Depot's workforce is a lean 321,000, even as the number of stores has grown.

Loan industry

Loan servicing and processing outfits hire by the hundreds when times are good, then slash jobs when things go bad. In 2007 and 2008, CitiMortgage in O'Fallon, Mo., reduced its head count by about 1,000 people, and while there was some hiring during the 2009 refinancing surge, total employment there is still 800 less than its pre-bust peak.

3 The broader economy

Consumer spending was so tied to home values that when those values sank, so did spending. The manufacturing pipeline began to dry up. The banking system had less juice. And local governments began to feel the pinch of less tax money. All that led to layoffs in industries that are, at least in theory, far removed from the buying and selling of homes.

Manufacturers

The people who made things like furniture, tools and electronics got clobbered as demand for their products plunged. Clayton-based Furniture Brands, one of the country's largest furniture-makers, has been cutting jobs and shifting manufacturing away from the United States for years. Since 2006, its workforce is down nearly 5,000 people, and 2,700 of its 9,000 employees are now overseas.

Home equity loans

During the 2000s, a chunk of consumer spending was fueled by second mortgages and home equity loans. Since the housing crash, those loans have become scarcer. Tighter lending standards and falling home values have squelched second-loan lending — dampening money spent on everything from education to travel, and the jobs that come with them.

Sales and property taxes

Fewer appliances, TVs and hardware sold mean less money for local government, which relies heavily on sales taxes. In St. Charles County, sales tax receipts have fallen $500,000 since 2007, while general expenses have grown by $6.3 million. Falling home values also have crimped property tax receipts — key revenue for school districts.

Banks and investors

Big banks and investors who bought the mortgages that went bust in the housing crash have written hundreds of billions of dollars off their books. They have written off employees, too. While hiring rebounded for a while last year, there are 100,000 fewer jobs at U.S. banks than there were at the start of 2007.

4 Stunted job creation

The housing collapse continues to ripple in many other ways. It saps funds people use to start a business, and tax dollars that employ police and firefighters. It means some people stay put because they can't sell their house, while others wind up on their parents' couch, or doubled up with roommates instead of living on their own. This slows down our economy, and makes it harder to create jobs.

Startup cash crunch

To start a business, you need cash. And for many entrepreneurs, the most likely source is their home. But what happens when home equity and equity loans dry up? The number of businesses started in the U.S. fell by 115,000 — 17.3 percent — from 2007 to 2009, according to research by the Federal Reserve Bank of Cleveland. And it's new businesses, not old ones, that create most new jobs.

Local government layoffs

In 2011, most sectors of the St. Louis economy have added jobs — except state and local government. From firefighters in Alton to teachers in Ladue, public sector employees have seen a lot of pink slips this year. Many of those who remain have faced furloughs and pay freezes. Why? The bite of falling revenue from sales and property taxes is still being felt in budgets across the region.

Less mobility

In St. Louis, more than one in six mortgage-holders — 100,000 families — owe more than their house is worth. That makes moving to take a better job a losing proposition. So, many stay put, working the job they have, or not working at all. This, many economists say, makes it harder for companies to find good workers, and workers to find good jobs.

Fewer new households

Eventually, this starts to cycle back upon itself. The inability to get a job means more young people stay home with their parents, or live with roommates longer. Even immigration has slowed, especially from Latin America — why come to the U.S. to work if immigrant-friendly industries have no jobs? This means fewer households being started — household formation in 2008 and 2009 was at its lowest level since the 1940s — which means less spending of all kinds, which means fewer jobs.

What's next?

How do we turn housing from a drain on the economy back into a driver of it? How does it create jobs, instead of slashing them?

The only good answers seem to be time, and the ancient laws of supply and demand. Higher home prices would help, by freeing up more homeowners who are trapped by their mortgage, so they can sell and move and kick-start the cycle again. A slowdown in foreclosures could help too, by easing the glut of "shadow inventory" that hangs over everything else and drags prices down.

Home building has fallen sharply, which is keeping supply in check. And, eventually, 20-somethings leave the nest. In the long run, that bodes well for housing, and for jobs. But the long run could be a long time coming.

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