

Workforce Review

A monthly review of labor market information for Northern Santa Clara County

July 2013

Did you know?

Tech industry slips into a surprising slump

After a six-year boom ignited by the introduction of the iPhone in 2007, tech firms are in the unusual position of being laggards in the U.S. economy's recovery.

In a surprising turn, the tech industry is in a slump even as the U.S. economy picks up steam. The announcement Thursday that Silicon Valley giant Cisco Systems, which sells networking and telecommunications equipment, plans to cut 4,000 jobs is the latest sign of a slowdown that has sucker-punched high-tech firms.

After a remarkable six-year boom set off by the introduction of the first iPhone in 2007, tech companies of all shapes and sizes are finding growth slowing, and even contracting in some cases.

Though there are still bright spots among companies that help manage data or provide cybersecurity, many of the industry's biggest companies — Microsoft, Google, IBM and Dell — are struggling to figure out the changes in the way businesses and consumers are buying and using technology. There even have been signs that tech's dysfunction was having a wider effect. When Wal-Mart reported disappointing earnings Thursday, the company's executives pointed the finger at consumer electronics for a lack of exciting new products.

It's not a bust — not yet at least. And it isn't as serious as the 2000 dot-com crash, when tech's fortunes quickly deteriorated. Indeed, on the ground in Silicon Valley, there is a bit of a disconnect because competition for hiring remains intense. But in recent months, tech earnings have plummeted as tech companies have reported slower growth or declines. Venture capital has fallen almost 7% this year. Tech mergers and acquisitions have tumbled. And tech stocks have lagged the broader stock market this year. As of early August, the S&P 500 was up 19.68%, but tech stocks in the index were up only 11.1%, one of the lowest-performing categories.

While observers fumble for explanations and many remain optimistic about tech's long-term outlook, the industry is wondering whether this slump is simply a pause or the new normal. "What I've seen is that a lot of the tech heavyweights are having challenges," said Patrick Moorhead, principal analyst at Moor Insights and Strategy. "There's a fundamental shift in the marketplace that many people are grappling with. What we're seeing is a transitional period." And tech finds itself in the unusual position of being a laggard in the economy's recovery.

"Technology remains a big drag on earnings growth," Zacks Investment Research analyst Sheraz Mian wrote in a recent report. "The sector's earnings picture is very poor."

Being labeled a "drag" is the ultimate insult for an industry that likes its growth fast and furious. But why has tech lost its mojo? There doesn't seem to be a single villain. Mian chalks it up to the lackluster global economy. Tech firms are increasingly dependent on sales and profits abroad, where corporate spending remains weak. In the U.S., others have pointed to the faster-than-expected collapse of PC sales. "That's having a ripple effect through a lot of sectors of technology," said Greg Harrison, a corporate earnings research analyst at Thomson Reuters.

Companies continue to shift from buying their own hardware and software to renting computing power through cloud-based services in which files are kept at massive data centers in far-flung locations. These save money for buyers but generate less revenue for sellers. *(Complete article available at link below.)*

Source: Los Angeles Times (08/18/13)
<http://lat.ms/1d3J7wy>

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DEVELOPMENT

Labor Force Statistics (San José–Sunnyvale–Santa Clara MSA)

Unemployment Rate	July 2012	June 2013	July 2013	Percentage Point Change	
				Monthly	Annual
San José–Sunnyvale MSA	9.0%	6.9%	7.2%	+ 0.3	- 1.8
California	11.0%	8.9%	9.3%	+ 0.4	- 1.7
United States	8.6%	7.8%	7.7%	- 0.1	- 0.9

Labor Force	July 2012	June 2013	July 2013	Percentage Change	
				Monthly	Annual
San José–Sunnyvale MSA	940,300	955,200	955,000	0.0%	+ 1.6%
Civilian Employed	855,300	889,600	886,500	- 0.3%	+ 3.6%
Civilian Unemployed	84,900	65,500	68,500	+ 4.6%	- 19.3%

Industry Statistics (San José–Sunnyvale–Santa Clara MSA)

Change in Employment	July 2012	June 2013	July 2013	Percentage Change	
				Monthly	Annual
Total Nonfarm	902,000	937,800	928,200	- 1.0%	+ 2.9%
Specialty Trade Contractors	26,200	29,400	30,100	+ 2.4%	+ 14.9%
Admin. & Support Services	50,900	55,000	57,800	+ 5.1%	+ 13.6%
Colleges, Universities, et al	22,100	24,900	23,300	- 6.4%	+ 5.4%
State Government	5,800	6,400	5,600	- 12.5%	- 3.4%
Local Gov't: Education	30,800	43,500	30,400	-30.1%	- 1.3%

NOTE: San José–Sunnyvale–Santa Clara MSA (Metropolitan Statistical Area) = Santa Clara and San Benito Counties

Source: California Employment Development Department, LMID

Labor Force by Metropolitan Statistical Area (U.S. High-Tech Regions)

	Labor Force			Unemployment			Unemployment Rate		
	July 2012	July 2013	Annual Change	July 2012	July 2013	Annual Change	July 2012	July 2013	Annual Change
United States	156,526,000	157,196,000	+ 0.4%	13,400,000	12,083,000	- 9.8%	8.6%	7.7%	- 0.9
California	18,583,300	18,690,400	+ 0.6%	2,051,600	1,743,500	- 15.0%	11.0%	9.3%	- 1.7
Austin, TX	965,739	987,798	+ 2.3%	60,875	55,088	- 9.5%	6.3%	5.6%	- 0.7
Boston, MA	2,565,799	2,604,253	+ 1.5%	165,658	170,787	+ 3.1%	6.5%	6.6%	+ 0.1
Portland, OR	1,183,412	1,172,539	- 0.9%	99,951	87,965	- 12.0%	8.4%	7.5%	- 0.9
San Diego	1,609,100	1,615,900	+ 0.4%	153,400	125,900	- 17.9%	9.5%	7.8%	- 1.7
San Francisco	1,020,900	1,032,800	+ 1.2%	75,200	59,200	- 21.3%	7.4%	5.7%	- 1.7
Seattle, WA	1,516,500	1,545,610	+ 1.9%	116,740	80,440	- 31.1%	7.7%	5.2%	- 2.5
San José–Sunnyvale	940,300	955,000	+ 1.6%	84,900	68,500	- 19.3%	9.0%	7.2%	- 1.8

NOTE: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

Regional Layoff Activity: July 2013

Company	WARN *	City	Affected	Cause	Layoff Summary	
Abbott Laboratories	No	Santa Clara	65	Closure	Individuals Affected YTD [†] :	404
IAMAW (trade association)	No	Sunnyvale	3	RIF	Events Current YTD [†] :	7
Intuit	Yes	Mountain View	1	RIF	Events Previous YTD [†] :	4
Labcyte Inc.	No	Sunnyvale	8	RIF		
Network Appliance	Yes	Sunnyvale	235	RIF		
Randstad (placed at Google)	Yes	Mountain View	30	RIF		
Symantec Corp.	Yes	Cupertino	62	RIF		
			404			

* **WARN: Worker Adjustment and Retraining Notification** (notice of mass layoff or closure)
[†] **YTD: Year to Date** (Program year: July 1–June 30)

NOTE: Layoff data are reported by NOVA staff responding to layoff events and should be considered only an estimate of regional activity

Source: NOVA's internal Rapid Response database