

## Silicon Valley Should Worry About Housing, Not Visas

Silicon Valley tech companies have good reason to be concerned about President Donald Trump's plans to review the H-1B visa program, which has been crucial in providing them access to foreign labor. It wouldn't be such a big deal, though, if they didn't put their offices in such expensive places.

The valley's biggest employers each host thousands of workers under the H-1B program, designed to help employers hire skilled overseas labor when qualified Americans are not available. At Facebook Inc. alone, more than 15 percent of employees hold such visas. Yet the tech industry doesn't have a skills shortage so much as a shortage of employees who can afford to live within commuting distance of their jobs.

A recent Guardian article describes the plight of Silicon Valley software engineers who struggle to get by on six-figure incomes. It's hard to feel sympathy for these guys, I know. But this isn't a woeful tale of rich people living beyond their means, it's a sad observation that no matter how high employee wages go, the limited housing supply leaves the region unaffordable for a large number of workers.

For whatever inexplicable reason, big technology companies insist on building their offices in areas with tight zoning restrictions. Mountain View, hometown to Alphabet Inc.'s Google, gained 17,921 jobs between 2012 and 2015, but added only 779 units of housing over the same period. San Francisco added a bit more than 9,000 housing units while gaining half a million jobs. Given the scarcity of housing, many new incoming residents have to outbid a current resident to move in. Palo Alto's city planning commissioner recently resigned because she and her husband could not afford to raise a family in Palo Alto — even though both had jobs at leading tech companies.

In a city where the average one-bedroom apartment goes for \$3,000 a month, it's impractical to cede valuable space to non-contributing occupants, which children tend to be. Companies like Facebook and Apple Inc. generously try to help their employees preserve an affordable lifestyle by offering egg-freezing programs for female workers to delay their childbearing goals. There's nothing wrong with

keeping your options open, but it's worth pointing out that the rest of the population gets by without going to such extremes.

Beyond a certain stage in life, Silicon Valley employees simply pack up and leave. As a result, the industry workforce is skewed towards the extremely young. The median employee age at Apple and Google is 31, and at Facebook it's only 29, according to Payscale, Inc. Given that the median age of the U.S. labor force is 42, a significant segment of the population seems to be underrepresented in the industry.

Tech companies have been accused of age discrimination before, but a lot of the bias stems from the fact that employees in their twenties can better tolerate the lifestyle required to live near their jobs. Foreign workers are also younger, and less likely to come attached — more than 75 percent of H-1B employees are under the age of 35.

In other expensive regions like New York and Boston, workers can live in more affordable suburbs and commute to work. The tech hubs of Silicon Valley and Seattle combine bad traffic, horrible public transportation and a strong resistance to new housing development. Palo Alto's mayor has threatened to solve the housing crisis by enforcing local zoning laws that prevent technology companies from occupying space downtown.

The big tech companies could simply set up shop in new locations with better housing options, but bringing new engineers to an existing office is always easier than trying to do it the other way around. Smaller startups have tried to create tech hubs in affordable areas like Las Vegas and the Midwest, but struggle to build a lasting economy. Large companies are better equipped to anchor a hub. While it's understandable that companies would be wary of moving, a recent poll from the Bay Area Council shows that 46 percent of millennials want to leave the region due to the ongoing housing and traffic crisis. If employers migrate elsewhere, the talent will surely follow.

Region	March 2016	February 2017	March 2017	Percentage Point Change	
				1 month	12 months
San José–Sunnyvale MSA	4.1%	3.6%	3.6%	0.0%	- 0.5%
San Francisco MD	3.3%	2.9%	2.9%	0.0%	- 0.4%
California	5.8%	5.2%	5.1%	- 0.1%	- 0.7%
United States	5.1%	4.9%	4.0%	- 0.9%	- 1.1%

Sector — March 2017	San Jose MSA (March 2016)	San Francisco MD (February 2017)	Combined Region (March 2017)	Percentage Change (Combined Region)	
				1 month	12 months
<b>Total Nonfarm</b>	<b>2,133,600</b>	<b>2,174,600</b>	<b>2,184,600</b>	<b>+ 0.5%</b>	<b>+ 2.4%</b>
Construction	82,400	87,200	89,100	+ 2.2%	+ 8.1%
Manufacturing	199,700	200,000	201,100	+ 0.6%	+ 0.7%
Retail Trade	166,100	165,600	164,400	- 0.7%	- 1.0%
Information	140,700	145,700	145,600	- 0.1%	+ 3.5%
Professional & Business Services	489,300	496,500	499,400	+ 0.6%	+ 2.1%
Educational Services	75,300	75,400	75,100	- 0.4%	- 0.3%
Health Care & Social Assistance	219,300	225,600	227,100	+ 0.7%	+ 3.6%
Leisure & Hospitality	234,100	239,200	242,300	+ 1.3%	+ 3.5%
Government	222,800	225,100	225,800	+ 0.3%	+ 1.3%

NOTE: San José MSA (San José–Sunnyvale–Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties  
 San Francisco MD (San Francisco–Redwood City–South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

Jurisdiction	Labor Force			Unemployment			Unemployment Rate		
	March 2016	March 2017	Change	March 2016	March 2017	Change	March 2016	March 2017	Change
• San Mateo County	447,700	449,300	+ 0.4%	14,000	12,400	- 11.4%	3.1%	2.7%	- 0.4
• Santa Clara County	1,023,100	1,025,300	+ 0.2%	40,300	35,300	- 12.4%	3.9%	3.4%	- 0.5
– Cupertino	29,200	29,300	+ 0.3%	900	800	- 11.1%	3.2%	2.8%	- 0.4
– Los Altos	14,400	14,500	+ 0.7%	400	300	- 25.0%	2.6%	2.2%	- 0.4
– Milpitas	40,700	40,800	+ 0.2%	1,500	1,300	- 13.3%	3.7%	3.2%	- 0.5
– Mountain View	50,000	50,100	+ 0.2%	1,500	1,300	- 13.3%	3.0%	2.6%	- 0.4
– Palo Alto	35,000	35,100	+ 0.3%	900	800	- 11.1%	2.7%	2.4%	- 0.3
– Santa Clara	68,600	68,700	+ 0.1%	2,400	2,100	- 12.5%	3.5%	3.1%	- 0.4
– Sunnyvale	85,600	85,800	+ 0.2%	3,000	2,600	- 13.3%	3.5%	3.1%	- 0.4
<b>NOVA Region</b>	<b>771,200</b>	<b>773,600</b>	<b>+ 0.3%</b>	<b>24,600</b>	<b>24,600</b>	<b>-12.2%</b>	<b>3.2%</b>	<b>2.8%</b>	<b>- 0.4</b>

NOTE: NOVA Region consists of seven cities in Northern Santa Clara County and the entirety of San Mateo County

Source: California Employment Development Department, LMID

Company	Location	# Affected
GoPro, Inc.	San Mateo	94
PG&E	San Carlos	1
SunEdison, Inc.	Redwood City	8
Theranos	Palo Alto	97
ThermoFisher Scientific	Santa Clara	38
Visa	Foster City	58
<b>Total</b>		<b>296</b>

**WARN SUMMARY**

Events YTD<sup>†</sup>: **78**

Individuals Affected YTD: **5,150**

Individuals Previous YTD<sup>‡</sup>: **4,920**

\* **WARN: Worker Adjustment and Retraining Notification** (notice of mass layoff or closure)

† **YTD: Year to Date** (Program year: July 1–June 30)

‡ **Previous YTD:** No data available for San Mateo County, FY2014/15; avoid direct comparisons with YTD numbers

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database