

Warning signs Silicon Valley cannot ignore

Commentary: Silicon Valley Leadership Group and Silicon Valley Community Foundation

Silicon Valley—the world’s leading innovation region—is seeing many warning signs that our continued success is not a given. Other U.S. tech hubs are competitively pursuing our region’s jobs and skilled workers—and local companies themselves feel the strain of growing their businesses in one of the world’s most expensive labor and housing markets. Last month, Zapier, a tech company based in Silicon Valley, started offering new hires \$10,000 to help them “delocate” from the Bay Area, ostensibly to move somewhere more affordable.

In the recently released 2017 update of the Silicon Valley Competitiveness and Innovation Project (SVCIP)—a joint venture focused on assessing the region’s economic health and advancing a shared policy agenda—we clearly see that Silicon Valley’s stronghold in the innovation economy is at risk.

To be sure, the valley remains ahead of competing innovation regions—designated in the SVCIP report as Austin, Boston, New York, Seattle and Southern California—in several key areas. Those notably include venture capital funding, patent filings and worker productivity. But some other metrics stand out as danger signals. The report—produced by the Silicon Valley Leadership Group and Silicon Valley Community Foundation—shows that immigration, housing, transportation and education are four issues that Silicon Valley’s leaders cannot afford to ignore.

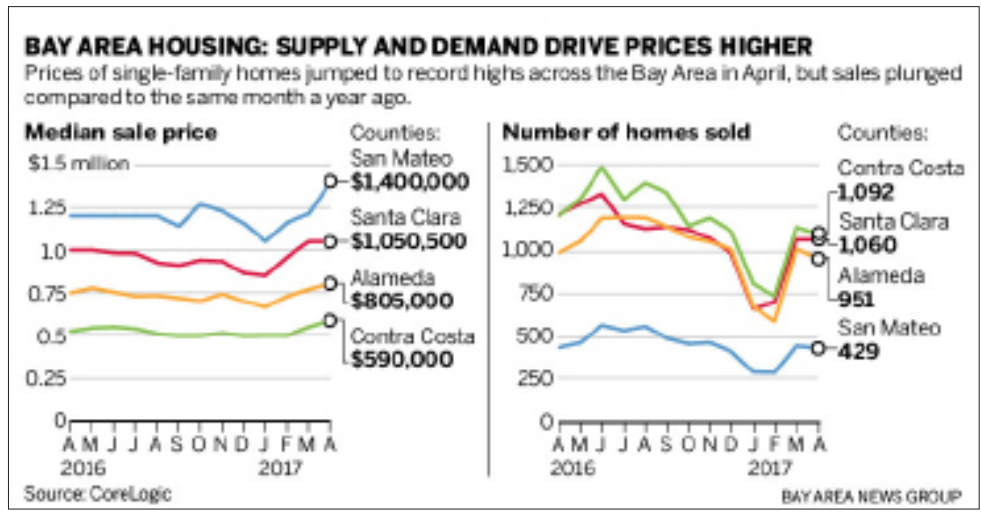
The importance of immigration in our region is well known: 57 percent of Silicon Valley’s STEM professionals are foreign born, with an average of 2,793 new residents moving to the area from

abroad each month. Policies that limit high-skilled immigration or make it unnecessarily difficult to work here are detrimental to the diversity and innovation the region is known for worldwide.

Our region also has the highest home prices of any tech hub in the nation, with a median home cost of \$935,000. That’s two and half times more than median home costs in Seattle and almost four times more than in Austin. Housing stock has increased just 2.6 percent between 2010 and 2015 in Silicon Valley—a rate roughly one-tenth of our job growth.

Skyrocketing housing costs are forcing many to move further away from their jobs and endure long commutes. Since 2010, the average commute time in Silicon Valley has increased faster than in any other innovation region, to an average of 70 minutes each day. The symbiotic relationship between housing, transportation and job growth necessitates a regional effort to address these challenges.

In a region where one in four jobs are STEM-related—a rate three times the national average—the majority of graduating high school seniors in Silicon Valley are woefully behind in STEM career readiness. Less than half of local 11th grade students demonstrated proficiency in mathematics last year. More troubling: just one in five African American and Latino students is meeting those same standards. The widening gap in educational achievement must be addressed through high-quality education initiatives to prepare our students to compete for well-paying jobs in innovation industries.



For Silicon Valley to continue thriving, these problems must be addressed—and soon. Now more than ever, businesses and nonprofit leaders need to work with our public leaders to craft a policy agenda with competitiveness at its core. Our local, state and federal government officials must adopt policies that welcome talent wherever it is from, ensure that we build enough to house people at reasonable prices, invest in the public infrastructure and prepare the next generation of innovators and entrepreneurs with high-quality educational opportunities.

Join us at svcip.com to ensure that Silicon Valley remains a leader in the innovation economy.

UNEMPLOYMENT

Region	May 2016	April 2017	May 2017	Percentage Point Change	
				1 month	12 months
San José MSA	3.5%	3.1%	3.0%	- 0.1	- 0.5
San Francisco MD	2.8%	2.6%	2.6%	0.0	- 0.2
California	4.9%	4.5%	4.2%	- 0.3	- 0.7
United States	4.5%	4.1%	4.1%	0.0	- 0.4

INDUSTRY EMPLOYMENT

Sector — May 2017	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
Total Nonfarm	1,084,000	1,112,200	2,196,200	+ 0.2%	+ 1.8%
Construction	47,900	40,700	88,600	+ 0.8%	+ 4.0%
Manufacturing	164,500	37,700	202,200	+ 0.2%	+ 0.7%
Retail Trade	84,800	80,200	165,000	- 0.2%	- 0.3%
Information	76,600	71,200	147,800	+ 0.5%	+ 3.9%
Professional & Business Services	225,800	269,000	494,800	- 0.5%	+ 0.3%
Educational Services	46,200	29,300	75,500	+ 1.5%	+ 0.4%
Health Care & Social Services	120,900	109,100	230,000	+ 0.5%	+ 3.8%
Hospitality & Leisure	105,300	146,600	251,900	+ 0.6%	+ 5.1%
Government	97,700	130,400	228,100	+ 0.2%	+ 1.5%

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, LMI

LABOR FORCE & ANNUAL CHANGE

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

	LABOR FORCE			UNEMPLOYMENT			UNEMPLOYMENT RATE		
	May 2016	May 2017	Change	May 2016	May 2017	Change	May 2016	May 2017	Change
United States	158,800,000	159,979,000	+ 0.7%	7,207,000	6,572,000	- 8.8%	4.5%	4.1%	- 0.4
California	19,021,900	19,061,300	+ 0.2%	941,400	805,600	- 14.4%	4.9%	4.2%	- 0.7
San Diego	1,561,400	1,553,600	- 0.5%	66,500	56,100	- 15.6%	4.3%	3.6%	- 0.7
San Francisco	997,900	1,004,100	+ 0.6%	28,200	25,700	- 8.9%	2.8%	2.6%	- 0.2
San José	1,048,300	1,045,400	- 0.3%	36,600	31,500	- 13.9%	3.5%	3.0%	- 0.5
Austin, TX	1,104,558	1,131,597	+ 2.4%	32,381	36,049	+ 11.3%	2.9%	3.2%	+ 0.3
Boston, MA	2,634,593	2,719,862	+ 3.2%	89,058	102,880	+ 15.5%	3.4%	3.8%	+0.4
New York City, NY	4,114,500	4,202,800	+2.1%	190,000	178,300	- 6.2%	4.6%	4.2%	- 0.4
Seattle, WA	1,614,700	1,645,300	+ 1.9%	67,100	54,500	- 18.8%	4.2%	3.3%	- 0.9
NOVA Workforce Area	766,100	768,400	+ 0.3%	21,100	18,700	- 11.4%	2.8%	2.4%	- 0.4

NOTE: Totals may not add correctly due to rounding

Source: Employment Development Departments for states of California, Massachusetts, New York, Texas & Washington

REGIONAL LAYOFF ACTIVITY

May 2017 Events

Company	Location	# Affected
Bebe Stores, Inc.	Multiple cities	170
Juniper Networks	Sunnyvale	99
Marvell Semiconductor	Santa Clara	29
Medtronic	Sunnyvale	17
Riverbed Technology, Inc.	Sunnyvale	22
Total		337

WARN SUMMARY

Events YTD [†] :	98
Individuals Affected YTD :	6,199
Individuals Previous YTD [‡] :	6,465

* **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

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

Source: NOVA's internal Rapid Response database