

Silicon Valley is fast losing middle-class work force, report says

By John Markoff

Tuesday, February 19, 2008

SAN FRANCISCO: Silicon Valley is in danger of creating its own digital divide.

The California region is losing its middle-class work force at a significant rate, according to an annual report that tracks the economic, social and environmental health of this technology heartland.

The report, the 2008 Index of Silicon Valley, found that from 2002 to 2006, middle-wage jobs fell to 46 percent of the work force, from 52 percent.

At the same time, while the percentage of higher-end jobs rose slightly - to 27 percent from 26 - lower-wage jobs expanded to 27 percent, from 22 percent of the work force. In all, more than 50,000 middle-income jobs have disappeared over the four years measured by the study.

The report was sponsored by Joint Venture: Silicon Valley Network, a public-private partnership, and the Silicon Valley Community Foundation, a nonprofit group.

The vanishing jobs - defined as those paying \$30,000 to \$80,000 - represent workers who had been in the lower part of the white-collar pyramid, including secretaries, clerks and customer support representatives. The picture was blurred, however, by growth in some blue-collar, middle-income professions like electricians and plumbers, and several white-collar areas like computer support technicians.

The consequence of the shift may undercut some of the basic mechanisms of the Valley economy, according to the authors of the report, by making upward mobility more difficult.

"If you lose the middle, it's harder to support the top," said Doug Henton, an economist at Collaborative Economics, a research and consulting firm in Mountain View, California, that helps prepare the annual report.

The short-range outlook for the region appears to be more positive, with the overall pace of job gains leading that of the United States over all.

For example, for the first time since 2001, when the dot-com sector was imploding, median household income rose. Silicon Valley added 28,000 jobs, for an increase of 1.7 percent in 2007. Overall, the region is far more wealthy than the rest of the country, with per capita income 57 percent higher than the national average.

Despite fears of losses in the wake of the Sept. 11 attacks, the region continues to see a healthy inflow of talent from outside the United States. More than 17,000 foreign citizens moved to the region last year, reversing a decline since the number peaked in 2001 at above 30,000.

Forty-eight percent of the households of the region speak a language other than English in the home.

Reflecting the changing boundaries of what is defined as Silicon Valley, this year the authors of the report added all of San Mateo County's work force. It was the first change to the definition of the region by the study, which was first published in 1995.

By moving the northern border of the Valley past the San Francisco airport, the area now reflects more of the biotechnology orientation of companies like Genentech. The region does not include San Francisco.

Venture capital investment continued to climb at a healthy clip during 2007, rising by 11 percent. Sixty-two percent of the so-called clean tech venture investment for California was invested in Silicon Valley during the year.

The Valley continues to stand apart because it is a center of technical innovation, said Russell Hancock, president of Joint Venture. But he also said it was unlikely that the region would be unaffected by a recession or the subprime mortgage crisis.

Still, the researchers behind the study said the Valley was distinguished by the flexibility of its economy and its ability to adapt to changing conditions.

"What we're talking about is a Valley that continues to reinvent itself, and it's not in any one sector," Henton said.

One notable category in which the region lags behind its international competitors is home broadband networks.

Only 51 percent of the region has access to broadband Internet - defined as more than 200 kilobits per second. In contrast, 65 percent of the households in Japan and 94 percent in South Korea are wired to at least that speed.