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Report: Midwage jobs vanish in Silicon Valley

Tom Abate, Chronicle Staff Writer
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While other companies are downsizing, electrical contractor Dirk Swanepoel is looking to boost his eight-person Morgan Hill staff.

"The biggest problem I have is a lack of quality people," said Swanepoel, who says demand for electrical work never seems to stop growing. Even when the dot-com bust emptied buildings, electricians had to turn out the lights.

"Unfortunately, we had to go into some of the buildings we had built up and take some of the work down," he said.

Swanepoel's experience is in line with a new report that will be released Friday that identified electrical work as one of the few growing, well-paid fields accessible to someone without an advanced degree. Yet most job seekers don't know such opportunities exist, nor do they have any way to get retrained if they need to make a career switch, according to the 2008 Silicon Valley Index.

The index is an annual snapshot of Silicon Valley, which is defined as all of San Mateo and Santa Clara counties, plus Scotts Valley in the Santa Cruz area and Fremont, Newark and Union City in the East Bay.

For the first time, this report documents an alarming fact: The middle fell out of the region's payroll between 2002 and 2006.

Federal and state jobs data show that 62,050 midwage jobs - defined as having salaries between \$30,000 and \$80,000 - vanished during that four-year period, according to the report.

During the same four years, employers added 66,200 jobs that paid less than \$30,000. And despite bullish times for the likes of Google and Apple, Silicon Valley employers added just 16,790 jobs during that period that paid more than \$80,000.

"We have indeed documented a squeeze on the middle. Now we have to figure out what it means and what to do about it," said Russell Hancock, president of Joint Venture: Silicon Valley Network, the public-private partnership group that has been issuing such reports since 1995.

Focus on retraining

Emmett Carson, president of the Silicon Valley Community Foundation, which co-sponsored the report, hopes it will spur a regionwide focus on job retraining. He would like high schools, community colleges and other institutions to better coordinate efforts to help people adapt to the fast-changing rules of the economy.

"We need social innovations to go along with our technological innovations," Carson said.

The index will be introduced Friday at the 2008 State of the Valley conference at the McEnergy Convention Center in San Jose.

Many of the findings in the 64-page report are good news for the regional economy. Per-worker productivity is higher than ever; venture capital flow is up; niche fields such as medical device design and manufacture are growing; and new opportunities in clean technology are helping spur company formation. Silicon Valley remains the patent capital of the United States, led by San Jose, where 2,325 better mousetraps were invented in 2006.

"All of the things that you would look at in an innovation economy are off the charts," said Hancock. "But the people don't feel all that comfortable."

It all goes back to that erosion of those middle-wage jobs. The report's authors studied 523 different occupations in the \$30,000 to \$80,000 range. This included a gamut, from electricians averaging \$68,107 a year to office clerks taking home \$32,075 annually.

Where the jobs go

What they found was a commonsense pattern. Some workers had to remain local, like electricians, plumbers and medical assistants. Jobs that could be moved often were. Customer-service calls could be handled anywhere there are English speakers and phone lines. And of course, jobs related to manufacturing, such as semiconductor processing or electronics technicians, have long been moving to less-expensive locales.

These trends are well known, but the report tries to put a useful spin on the data by suggesting that workers and policymakers should look at job and job training differently. Mike Curran, director of the Sunnyvale workforce development group NOVA, was involved in the report's preparation. He said rather than focusing solely on new or fast-growing sectors, like green technology, everyone from regional educators to career counselors to job seekers should start thinking about job turnover caused by predictable factors like retirements.

Retirement cycles loom

For instance, Curran noted that thousands of air traffic controllers were hired, en masse, after 1981, when then-President Ronald Reagan fired striking workers, then hired and trained replacements. Now many of those controllers are nearing retirement, creating opportunities for job seekers - if only they knew of them and could get trained.

Police officers represent another occupation going through a retirement cycle.

Curran said regional leaders should help call attention to such replacement jobs. They also need to ensure that retraining options exist to help people migrate from jobs that have disappeared to these jobs that can't be outsourced.

Regional cooperation also should be creating programs to train or retrain workers for midwage jobs in emerging industries such as biotechnology, he said. Here, at least the data show some success. According to the index, the number of biological technicians - a job averaging \$49,247 - jumped from 860 to 1,860 during the four-year study period.

What went right? Stephen Sherwin, chief executive of Cell Genesys, a biotech firm in South San Francisco, wasn't part of the index team, but he is familiar with the regional picture.

He said industry leaders started years ago helping local high schools beef up biology classes and working with community colleges on special classes to retrain displaced workers to run biotech processing plants.

Now, Sherwin said, as more biotech remedies get approved for sale, that adds to the demand for bioprocessing factories and technicians. Other states and nations want those jobs, but Silicon Valley has a head start if it doesn't squander the lead.

"The best thing California can do to keep those jobs here is to invest in training," said Sherwin, who employs about 100 people at a bioplant in Hayward. "Once the labor pool is here, the employers will be drawn to it."

The report's focus on the hollowing out of middle-class jobs and the push for a regional job training initiative are likely to be hot topics of debate Friday, given the libertarian sentiment that is common in Silicon Valley.

"It's a tough message," said Doug Henton, the economist who oversaw the index. "In a world where the company no longer takes care of you, you have to take care of yourself."

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