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Report on Silicon Valley's economy offers hope, but warns of problems

By Steve Johnson

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Finding better ways to produce and save energy offers one of Silicon Valley's best hopes for emerging from the current economic slump, said a report being released today by two prominent local organizations.

Even so, the downturn has the Bay Area reeling, according to the 2009 Index of Silicon Valley issued by Joint Venture: Silicon Valley Network and the Silicon Valley Community Foundation.

"This year has been one of change, significant change, wrenching change," said Russell Hancock, Joint Venture's Chief Executive, citing such evidence as the region's alarming rate of foreclosures, sluggish hiring and plunging demand for commercial real estate. "It's filled with bad news."

Moreover, the report warns that Silicon Valley's future remains far from certain.

That's partly because of what the study characterized as the region's insufficient educational and job-training programs to provide the workers local businesses need. Another worrisome factor is the dwindling proportion of low and middle-income residents, who typically fill many crucial support jobs, said Emmett Carson, chief executive of Silicon Valley Community Foundation.

"It's become more acute," he said of the area's growing divide between the rich and poor. "That can't be good for the community."

The index — published annually since 1995, primarily by Joint Venture — is a broad compendium of income, population, housing and other statistical information.

Much of the data previously has been available from other sources. Nonetheless, the report provides a compelling picture of the overall health of Silicon Valley and the social, economic and other forces buffeting it.

One bright spot highlighted in this year's report is so-called clean technology, which includes an array of businesses focused on everything from producing renewable energy to recycling.

"Even though total venture capital investment is down 7.7 percent, investment in clean technology increased 94 percent in the region between 2007 and 2008, reaching almost \$1.9 billion," according to the report. That money accounted for about 31 percent of all clean-tech VC investment in the United States, it added.

Silicon Valley also has increased its clean-tech jobs by 23 percent since 2005, bolstered its housing near public transit, generated solar power faster than the state as a whole and accounted for 15 percent of all newly registered hybrid vehicles in California, the report said.

But Silicon Valley's home foreclosure sales rose faster last year than for the state overall, its per-person income fell slightly last year for the first time since 2003 and its employment rate recently suffered a drop. In addition, the Bay Area lags far behind some other metropolitan areas in providing high-speed broadband Internet access.

Another looming problem is that Silicon Valley will need to fill 30,000 retail, health, government and other jobs annually by 2016, mostly because of vacancies created by people retiring or moving into new occupations.

Yet because of increasing competition for workers in other countries, Silicon Valley will be limited in its ability to fill those jobs with foreign-born employees, the report predicted. And it said California colleges and other educational institutions are ill-prepared to provide the kind of rapid retraining needed by today's workers, who frequently are forced to switch jobs.

"We are nearing a crisis point" where those problems will have to be solved, said Carson.

The 2009 Silicon Valley Index is being released in advance of Joint Venture's "State of the Valley conference," a kind of town-hall event sponsored by the Community Foundation, which will be held from 8 a.m. to 2 p.m., Friday, at Parkside Hall, 180 Park Ave. in San Jose.

Copies of the report can be downloaded from the two organizations' Web sites, www.jointventure.org and www.siliconvalleycf.org.

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HIGHS AND LOWS

The 2009 Silicon Valley Index contains a broad mix of data about how well this area is doing. Here are a few of the highs and the lows:

The good news:

- Investment in Silicon Valley clean tech jumped 94 percent between 2007 and 2008, reaching almost \$1.9 billion and accounting for about 31 percent of all clean-tech venture capital investment in the U.S.
- The number of Silicon Valley's clean tech jobs has increased 23 percent since 2005 and 88 percent since 1995.
- Silicon Valley accounts for 15 percent of newly registered hybrid cars, 10 percent of electric vehicles and 5 percent of natural gas vehicles in California.

- Solar capacity as measured in kilowatts increased 59 percent in Silicon Valley from 2007 to 2008, compared with a 41 percent increase for the state as a whole.
- Silicon Valley's percentage of new housing located near public transit has increased from 36 percent in 2004 to 69 percent in 2008.

The bad news:

- The number of Silicon Valley home-foreclosure sales rose from 2,429 in 2007 to 6,900 in 2008, an increase of 184 percent compared with a 126 percent increase for the state as a whole.
- After generally holding steady earlier in the year, Silicon Valley's employment suffered a 1.3 percent drop in December compared with the same month a year ago.
- For the first time since 2003, Silicon Valley's per-person income declined slightly in 2008, falling 0.8 percent, while the national average increased 0.2 percent.
- Only 6 percent of Bay Area households have high-speed broadband Internet access, compared with 56 percent statewide and 95 percent in the Los Angeles area.
- As a proportion of regional income, Silicon Valley's contributions to art and cultural organizations are half the average of the country's 20 most populous metropolitan areas.