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Silicon Valley Continues On Economic Comeback

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Silicon Valley continued its economic revival last year by adding nearly 30,000 jobs and raising its median income levels, but the nation's technology capital is experiencing some instability as the national economy struggles.

The findings come in a closely watched annual report from Joint Venture Silicon Valley and the Silicon Valley Community Foundation, two nonprofit groups representing businesses, government agencies and philanthropies in the San Francisco and San Jose, Calif., area.

The report tracks Silicon Valley as the tech-heavy region continues to resurrect itself after the dot-com bust earlier this decade. While that slump wiped out tens of thousands of jobs and caused a net outflow in the local population, the area has been on the upswing since 2005, when a net gain of 2,000 jobs was recorded -- the first time since 2001.

For the 12 months through the first quarter of 2007, Silicon Valley added a net new 28,000 jobs, or 2.1% growth, ahead of 0.9% job growth in the rest of California and 1.4% growth nationally. Still, that was down from 33,000 new jobs a year earlier. Overall, median household income in the Silicon Valley area increased 2% to more than \$82,000 a year, faster than the 1.5% growth in the rest of the country.

Fueling the upswing are trends such as rising venture-capital investments and a structural shift away from traditional tech industries such as semiconductors toward newer tech sectors such as the Internet and software, biomedical devices and "clean technology," or businesses that produce products and services to reduce environmental degradation.

Russell Hancock, Joint Venture's president and chief executive, noted that worsening economic conditions nationally are having an effect on the region. In particular, the number of mid-wage jobs -- those commanding \$30,000 to \$80,000 a year -- has been shrinking in recent years. Coupled with the high cost of living in the region, plus stock-market volatility and subprime-mortgage woes, "it makes it harder for people to feel stable here," said Mr. Hancock. The report found that Silicon Valley's cost of living -- including housing -- is 47% higher than the rest of the nation.

Doug Henton, a co-author of the report, added there are few retraining programs in place, making it tough for mid-wage workers to participate in some of the emerging sectors of the local tech economy. Other red flags include a declining high-school graduation rate and modest growth in juvenile felony offenses.

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