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CHAPTER 1: MAKING A LIVING

Silicon Valley is widely hailed as leading the nation in the jobs recovery. But a closer examination of the job situation in Silicon Valley reveals fundamental challenges.

Silicon Valley is indeed roaring back. From July 2011 to July 2012, the region added jobs at one of the fastest rates in the nation. Property values grew substantially in 2011 for the first time in four years. And the top 150 companies in Silicon Valley posted a profit increase of 22%.

Yet unemployment remains at recession-level highs. The modest job growth of the past two years is not on track to make up for the job losses of the previous fifteen. Total unemployment now, even after 24 months of year-over-year gains, has only just come down to the highest level of unemployment experienced by Silicon Valley during the dot-com bust of 2001.

The long-term trend of the employment rate is downward. Even when business profits and GDP grow, jobs do not. In Silicon Valley, economic growth appears to have become decoupled from job growth.

Looking deeper, the disappearance of nearly 100,000 manufacturing jobs has deeply impacted employment opportunities, especially for the half of the population without a college degree. As manufacturing shrinks, it is taking with it the largest source of secure middle-class jobs.

In their place, the industry mix in Silicon Valley is shifting towards very high-end jobs in the information sector or low-end jobs in the service sector.

In a demonstration of the basic law of supply and demand, the weak labor market, in which there is not enough employment demand to match the supply of willing workers, has pushed down wages further.

The combination of slack employment, falling wages and rising cost of living has taken a toll on household incomes. At the national level, the median household’s inflation-adjusted income has fallen by 6 percent since 2000 – its worst performance since the Great Depression. Economists have declared the 2000s to be a “lost decade” for middle class incomes.

In Silicon Valley, this trend is magnified. From 2000 to 2010, real median household income in the Valley has fallen by 19% - more than three times the national decline.

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It’s not that the region has stopped producing wealth. Total personal income flowing into Silicon Valley increased, as did per capita earnings for workers. But a disproportionate share of this growth is flowing to a small segment of highly compensated individuals – leaving the majority of working families struggling to get by on reduced incomes. In total, households in the secure middle class ($50,000 to $199,999) dropped from 62% of all households in 2000 to 55% of all households in 2010.

These distributional changes suggest that Silicon
Valley may be progressing even past the so-called hourglass economy to a “Victorian gown economy”. Whereas in the hourglass economy of the 1990s, the Valley saw a shrinking middle class with some middle class families falling down and others rising up, the real income distribution trend is now shaped less like an hourglass and more like an old-fashioned Victorian gown: small on the top, squeezed ever tighter in the middle, and ballooning out at the bottom.

All these forces combined are producing a region where, despite a rising GDP, more and more families must struggle daily just to put food on the table and pay the rent. In Santa Clara County, one-third of all households are now living below the self-sufficiency standard, a basic indicator of economic well-being which measures a family’s ability to provide for its own basic needs without deprivation and without relying on public assistance or charity. This unconscionably high number signals that financial insecurity has now become mainstream.

As the ranks of struggling families swell with formerly middle-class households, the inability of so many to make ends meet overburdens the safety net and strains the social fabric.

CHAPTER 2: SEEKING SECURITY

If income inequality is a widening gap, wealth inequality is a chasm. The top 1% own 35% of all wealth in the United States, while the bottom 25% don’t own – they owe. 2010 marked the highest negative net wealth on record for the bottom quartile of U.S. households, who owed an average of $12,800 more than they were worth.

This long-term and large-scale transfer of wealth is one component of a larger trend of increasing insecurity for the American middle class – what economist Jacob Hacker calls “the great risk shift.”

Over the past three decades, a transformation of the nature of work in the United States, coupled with changes in public policy, has resulted in a dramatic transfer of risk: away from corporations and other large-scale institutions, and onto individual families. Today, the middle class walks a tightrope of insecure jobs, unreliable incomes, inaccessible health insurance, and increasing debt, with worrisome prospects for the immediate future, let alone for retirement.

Silicon Valley is at the epicenter of this trend. Even before the Great Recession, the Silicon Valley economy had ceased to provide financial security for the typical working family. From 2006 to 2008, foreclosure activity in Santa Clara County jumped 513% and bankruptcy filings nearly quadrupled. Yet these clear signs of a crisis failed to provoke a sufficiently strong public policy response. Now we are seeing the results. The steady rise of homeownership, long viewed as a symbol of rising middle-class prosperity, is being reversed. Over the last decade, the share of Americans who own their homes declined. And Silicon Valley is at the forefront: homeownership fell twice as fast here as it did nationwide.

Adding to the hardships created by an insecure job market and high unemployment is the fact that the nature of unemployment has dramatically changed as well. Where being unemployed for more than 6 months was once so rare that state unemployment insurance does not allow for it, long-term unemployment is fast becoming the norm. The portion of unemployed Californians who have been out of work for more than 6 months is growing explosively and by the end of 2011 was up to 46% - fast approaching half of all jobless workers.

Long-term unemployment at these levels represents a new paradigm – one in which laid-off workers do not face a job search of a few weeks or months, but must be prepared to endure a prolonged jobless spell of half a year to several years. The United States’ workforce system was built upon the assumption that laid-off workers who put effort into their job search could quickly find work. Neither traditional unemployment insurance, nor job search services designed to assist unemployed workers, nor retraining programs are designed to deal with so many workers facing such stubborn and prolonged unemployment.

The federal extension of unemployment insurance has enabled millions of jobless workers to access extended unemployment benefits. However, the current federal program providing extended benefits to the long-term unemployed is set to expire on January 2, 2013. If federal unemployment disappears, half of all California workers currently receiving unemployment may find themselves with no source of income.

Even these extremely high rates of long-term unemployment do not show the whole picture.
Hundreds of thousands of Silicon Valley workers are underemployed – a category which includes those who have been forced to take part-time work because there are no full-time jobs available, as well as “discouraged workers” who, finding no jobs available at all, have given up actively searching. Underemployment in Silicon Valley has grown three times as fast as unemployment and is now 60 percent higher than the national underemployment rate.

While essential, work alone does not guarantee security. The ranks of the working poor – those who have a job so low-paying that their household income remains below 200% of the federal poverty line – are growing in Silicon Valley and nationally. In 2010, 151,932 Santa Clara County workers were classified as working poor, representing 16.2% of the workforce.

Among all industries in Silicon Valley, manufacturing workers are least likely to be among the working poor. This makes manufacturing particularly important for sustaining a strong middle class, as it offers living-wage jobs accessible to the half of Silicon Valley’s population that does not have a college degree.

But Silicon Valley has lost nearly a hundred thousand manufacturing jobs since 2000. Reducing the ranks of the working poor will require a two-pronged approach: lifting up wages in low-wage sectors such as hospitality and reinvigorating the growth of middle-class jobs in manufacturing.

### SEEKING SECURITY: KEY FINDINGS

**Homeowners Absorb Major Losses:** Home values in Silicon Valley have fallen by 25% since 2007. Homeowners in the lowest-priced tier of housing have lost the most value on their homes, while owners of million-dollar homes emerged largely unscathed.

**Foreclosure Rate Declining:** The pace of foreclosures has slowed considerably over the past two years, but foreclosure activity in Silicon Valley remains three times higher than the pre-crash baseline.

**Homeownership Drops:** The homeownership rate in Silicon Valley not only declined in the last decade, but fell twice as fast as the national rate. Silicon Valley now has a lower homeownership rate than the U.S.: 57.6% vs. 65.1%.

**Household Wealth Lost:** Real net worth of the median U.S. household plunged 39% in 2010, erasing all gains since 1989.

**Underemployment Reaches Historic High:** Since 2007, underemployment in the San Jose region has grown nearly three times as fast as unemployment. By 2011, one out of every four workers (25.6%) was unemployed or underemployed, well above the national figure of 15.9%.

**Food Stamps Provide a Safety Net:** Due to state cuts and federal restrictions, CalWORKs has failed to serve as a safety net in the recession; 81 thousand Santa Clara County residents are depending on food stamps only, as food stamps use has grown 114% from 2008 to 2012.

### CHAPTER 3: STAYING HEALTHY

The County of Santa Clara has consistently emphasized residents’ health as one of its top priorities, developing innovative models of improving health insurance coverage, health care access, healthy living environments, and health outcomes. These efforts have borne fruit. In study after study, Santa Clara County consistently ranks near the top in residents’ health and well-being. Over the last decade, San Jose residents enjoyed the highest life expectancy of any major U.S. city.

The pioneering Santa Clara County Children’s Health Initiative (CHI), launched in 2001, has contributed considerably to this success. CHI has helped parents apply for health coverage for more than 210,625 children throughout its ten years of operation, achieving the highest rate of children’s
health care system, chief among them its outsized costs. Rising premiums, co-pays, and other medical expenses are all impacting working families' budgets as well as business' bottom lines.

When the Great Recession hit in 2008, many employers responded by laying off workers, or – for those workers who kept their jobs – discontinuing the provision of employment-based health coverage. This additional drop came on the heels of a decade-plus trend of declining employer-based health coverage.

Across the United States and California, millions of workers and their families were thrown off of health insurance. In addition to health effects, the loss of insurance had major financial impacts. Medical debt – one of the leading causes of bankruptcy – soared among Californians. From 2007 to 2009, the number of Californians with medical debt grew by 400,000, up to 2.6 million.

In Silicon Valley, the Children's Health Initiative provided a safety net for kids whose parents lost health coverage; for adults, however, far fewer options were available. By 2010, 17.0% of Santa Clara County adults had no health insurance, up from 14.6% in 2008.

Implementation of the Affordable Care Act, the federal health care reform passed into law in 2009, is expected to considerably improve access to treatment and health outcomes. The ACA includes a number of significant insurance market reforms that will help reduce health care costs for individuals and employers, thereby increasing economic competitiveness of U.S. workers and businesses.

Beginning in 2014, additional provisions of the ACA will greatly expand health insurance coverage. Nine out of ten non-elderly Californians are expected to have health insurance once the ACA coverage expansion takes place. In Santa Clara County, a projected 110,000 uninsured residents will gain coverage.

The Affordable Care Act offers both an opportunity and a challenge for Santa Clara County. The public health care system and associated safety net providers will play a critical role in helping uninsured, low-income, and underserved populations to benefit from the advantages offered by the Affordable Care Act.

Just because health reform expands the eligibility for programs does not mean people will actually enroll in those programs. Enrollment requires strategies to actively inform people of benefits and a system to get through what are often complex administrative procedures. Reaching these underserved populations to enroll in newly available health coverage and take advantage of preventative health services will be a key strategic goal for the health care safety net system in the next several years.
CHAPTER 4: BUILDING A COMMUNITY

The collapse of the housing bubble in 2007-08 wreaked havoc on the national and local economy – and on the lives of millions of families. In Santa Clara and adjoining Bay Area counties, between 2007 and 2011, homeowners collectively lost $387 billion in home equity, a loss equivalent to the entire market value of Google, eBay and Cisco combined.

This loss of assets led to a massive drop-off in consumer spending as families have had to grapple with tens or hundreds of thousands of dollars in vanished wealth, or worse, with the loss of their home and decimation of their credit. Homeownership among Silicon Valley households is now lower than at the start of the century.

Families who do not own their homes are faced with an increasingly tight rental market. The average monthly rent in Santa Clara County now stands at $1,961, rivaling the all-time high of $1,935 set at the end of 2000. Forbes magazine recently ranked San Jose as one of the worst places in the country to be a renter, behind only New York City, Minneapolis and San Francisco.

Among both renters and owners, nearly half of all Santa Clara County households are living in housing considered unaffordable for their income. This excessive housing cost burden impacts the local economy in two ways.

In the short term, families putting most of the income towards rent or a mortgage have less income remaining to spend on other goods and services – spending which is more likely to go to local businesses and circulate in the local economy.

In the longer term, the lack of reasonably priced housing may drive away the workforce that is needed to sustain and grow Silicon Valley businesses. Affordable workforce housing has long been a top concern of the high-tech industry in Silicon Valley, which sees housing as a critical element in attracting and keeping the talent they need. The return of growth in the tech sector has brought with it the reemergence of the affordable housing challenge.

Adding to this challenge is the loss of tools that communities had used to increase the stock of affordable housing. As of 2012, the state of California has eliminated all local redevelopment agencies, which had been a primary source of local funding for affordable housing. Inclusionary housing ordinances, designed to include a portion of affordable units in market-rate housing development, were another promising local tool; however, two court decisions have struck down inclusionary ordinances for both rental housing and owner-occupied housing respectively. Silicon Valley urgently needs to find or build new tools to encourage production of adequate and affordable housing.

Closely linked to the lack of housing are transportation challenges. Workers in Silicon Valley who cannot afford nearby housing are forced to commute long distances, generally by car.

Silicon Valley faces considerable transportation challenges which cost residents time and money and may become a drag on job growth. Freeways remain congested and are likely to grow worse as the region’s population grows. The public transit
system is underdeveloped compared to other major metro areas and has undergone severe cuts to basic bus service. Forthcoming expansions of the transit system, including the implementation of Bus Rapid Transit and extending the BART regional rail system into San Jose, may help move us towards solving the Valley's transportation dilemma, but only if reliable funding is found to maintain both local and regional levels of transit service.

The availability of transit and other alternative transportation options also carries environmental implications, as automobile travel continues to play a major role in greenhouse gas emissions contributing to climate change.

A third frequently cited indicator of a community's quality of life is the crime rate. Until recently, public safety in Santa Clara County appeared to be on a positive trend. Violent and property crime rates, as well as domestic violence-related calls for assistance and substantiated cases of child abuse, all fell dramatically between 2006 and 2009. But in 2011–12, although final data is not yet available, all of these indicators appear to have reversed direction and be headed back upwards.

One driver of this reversal of fortune may be broad cuts in public and community services. The City of San Jose has considerably reduced its police force, and other cities have undergone similar, though less dramatic cuts. Community programs that strengthen families and neighborhoods have also suffered cutbacks. Notably, San Jose’s nationally lauded Strong Neighborhoods Initiative was shuttered in June 2012 when the state of California dissolved all local redevelopment agencies.

While crime rates remain low relative to other major metropolitan areas, the upsurge is impacting quality of life in Silicon Valley. In 2010 and 2011, San Jose was ranked the 4th safest city of its size, a letdown from earlier years when the city touted its #1 status as the “safest big city in America.”

CHAPTER 5: PURSUITING THE DREAM

Education is one of the most important predictors of economic success for workers and their families. As the state's economy grows and changes, demand has grown for not just a highly educated workforce, but a workforce with very specific and rapidly changing skills. However, the state and local educational systems lack adequate resources to make higher education accessible, and those resources that do exist are often not targeted to support the students who most need them.

New, more accurate student tracking has revealed that 20% of Silicon Valley high school students drop out before graduating. Although this is better than the state average, the fact that one of every five students in the county does not graduate is a community-wide challenge.

Multiple years of state budget cuts have left the already under-resourced school system with wholly inadequate funding to meet the challenges of preparing the current generation of children to work and live in today’s economy. Between 2007-08 and 2010-11, core state funding for K-12 schools was cut by $3.6 billion, or $530 per student for every student throughout the state. Statewide, the total number of teachers in classrooms fell by 11 percent, a loss of 32,000 teachers. California now ranks dead last among all states in student-to-teacher ratios.

These cuts were not distributed evenly. The complex formulas characterizing the current K-12 finance system resulted in widely varying losses by district. Within Santa Clara County, East Side Union High School District suffered the greatest per-student drop in general purpose funding, a loss of $614 per student – totaling a $15.3 million cut for the district.

And the cuts continue. In 2010-11, the state reduced K-12 funding by an additional $7 billion. Moreover, the 2012-13 budget includes ‘trigger cuts’ that will take effect January 2, 2013 if voters do not approve a November 2012 ballot measure intended to raise revenue for state services. Eighty percent of the impact would fall on K-12 schools. If these cuts take effect, schools will lose another $4.8 billion and will be authorized to shorten the school year by 15 days.

The public higher educational system has been similarly battered by cuts. Multiple years of cumulative funding reductions have resulted in higher tuitions and fewer available spots at California's public institutions of higher education.

In the past ten years, the cost of a year at a California State University has more than tripled, increasing by 218%, while the cost for the University
of California has nearly quadrupled (up 296%) and is now among the highest in the nation for a public university system.

In addition to tuition increases, state budget cuts for higher education have led a number of campuses to place caps on enrollment. In Silicon Valley, San Jose State University was forced this spring to end its promise of local guaranteed admission. For the first time, Santa Clara County high school graduates who meet all of the qualifications to attend San Jose State will no longer be guaranteed a spot.

The ongoing financial assault on California’s public higher education system – once considered the best in the world – is threatening to eliminate access to higher education for large portions of today’s students.

If this trend is not quickly reversed, its economic impacts will be felt for decades to come. Not only will today’s students shut out of college be more likely to struggle financially throughout their lives, but lower levels of education among the next generation would present a significant barrier to the Valley’s future as a world capital of innovation.

An under-resourced educational system shortchanges our children and youth, and will ultimately result in a shortage of highly skilled workers. In a high-tech region whose driving industries are dependent on an educated workforce, Silicon Valley is producing a generation of students whose academic achievements are inadequate to sustain healthy economic growth.

At the same time, a drive to improve educational access should be accompanied by and focused through the lens of quality job creation. Education is critical to economic success, but education alone is not enough; in order to lead to middle class careers and restore economic prosperity, it must be combined with a strategy to create good jobs.

**PURSUING THE DREAM: KEY FINDINGS**

**Wide Ethnic Disparities Persist in College Preparedness:** Among Santa Clara County’s high school seniors, 46% are prepared for a four-year college, exceeding the state average. However, the college preparedness rate is only 17% for Latinos, 23% for African-Americans, and 25% for Pacific Islanders.

**College-Going Rate Rebounds, But Is Still at Historic Low:** The college-going rate for high school graduates in Santa Clara County rebounded from its historic low of 36% in 2008, up to 48% in 2010. Even with this upswing, fewer Santa Clara County high school graduates are going on to college than at any time from 1991 to 2007.

**Budget Cuts Impact K-12 Schools:** Per-student spending in Silicon Valley’s schools has fallen for two consecutive years and is now 20% below the state average. The region’s wealthiest school district spends $5,745 more per student than the poorest district.

**Cost of College Soars:** Since the start of the Great Recession, the cost of attending a CSU college has almost doubled; the cost of attending a UC has jumped 71%; and the cost of community college has grown 130%.

**Silicon Valley Residents are Highly Educated:** The average educational level in Santa Clara increased substantially over the decade; Silicon Valley residents are twice as likely as the state or national average to hold an advanced degree. Yet wide disparities remain; 61% of Latino adults and 43% of Vietnamese adults have never attended college.

**Value of a College Degree:** Santa Clara County workers with a bachelor’s degree earn two-and-a-half times as much as workers with only a high school diploma. This wage gap is the largest in the nation.
LIVE 2012 demonstrates that Silicon Valley – the strongest growth engine of the American economy – is failing to maintain the middle class. If the trends of the last several decades continue, the middle class will grow smaller, poverty and insecurity will increase, and the American economy will lose its primary driver of growth.

Fortunately, these trends are not destiny. Silicon Valley and America have made a series of choices, large and small, that brought us to this point. We can choose to move in a different direction. In this forward-looking section of Life in the Valley Economy, we propose a set of choices at key decision points that, collectively, can begin to rebuild the ladder into the middle class.

There is no single silver bullet solution that can “fix” the entire economy. Rather, we need to rebuild and maintain our nation’s economic foundations, and continue to build, invest, innovate and adapt. That’s why the following policy platform encompasses initiatives that attack the problem from six different angles, from an immediate raise in the minimum wage to long-term investment in educating our children.

To stabilize the economy and rebuild a secure middle class, the public sector must play a key role. This is not a question of “more government” or “less government:” every government action or inaction affects the economy in some way.

The challenge is to align public policies with public goals that – for instance – reward businesses for creating local jobs rather than for eliminating them, and invest tax dollars to create good jobs for Californians rather than to create poverty-level jobs out of state or overseas. What is needed is neither more government nor less government, but better government – precisely targeted, goal-oriented, effective.

Equally important is supporting innovation in the private sector so that businesses can grow, community organizations can prosper and public-private partnerships can leverage the best of both worlds. The proposals put forward herein are not limited to government actions. They also include ways communities can come together to encourage new jobs and fair treatment of workers in the private sector.

Finally, a key theme running throughout the platform is fairness: those who work hard and play by the rules should have the opportunity to climb the ladder to economic security. A higher minimum wage is the first rung on the ladder. Access to health care is another rung. Restoring the right to an affordable, quality education – from fully funding K-12 to reversing tuition increases in California’s two university systems – is another.

Collectively, this set of proposals is ambitious enough to move the dial on job creation, job quality and economic security in Silicon Valley.

To provide a sense of the potential scale, each platform proposal includes an indicator that quantifies the impact the proposal, if enacted, could have on economic growth, family welfare, local government budgets or other key indicators.

Unless otherwise noted, all indicators represent the impact that implementation would have on the economy or residents of Santa Clara County. If scaled up to the state of nation, the impact of these proposals could be proportionately much greater.
SAVING THE MIDDLE CLASS:

RAISE THE WAGE!
Set the citywide San Jose Minimum Wage at $10 per hour, indexed to inflation.
- Workers getting raises: 76,000
- Local economic impact: $71 million
Support matching minimum wage increases in cities throughout Silicon Valley and the Bay Area.
- Bay Area charter cities that could benefit: 20

Raise the U.S. minimum wage to $9.80 per hour by 2014.
- National economic impact: $25 billion
- Jobs created nationwide: 100,000

GET INVOLVED
Find out more about the campaign to raise the minimum wage in San Jose at http://raisethewagesj.com/

HIRE LOCAL WORKERS. PAY THEM FAIRLY.
Enact Construction Careers Agreements on all major construction projects that use public dollars.
- Estimated local construction jobs created if CCAs applied to all City of San Jose projects: 1,450+ jobs over 5 years
End public sector privatization and outsourcing. Ensure taxpayer dollars go to build middle-class careers for dedicated public workers – not poverty level jobs and big profits for contractors.
- Local jobs created by restoring cuts made to public sector jobs at all levels since 2000: 20,400

In the private sector, stand up for fair treatment for all workers. Support workers who stand up against harassment, intimidation, or wage theft by an employer.
- Unpaid wages restored by ending illegal wage theft: $51 per week for every low-wage worker (national average)

FAIR TREATMENT
The California Domestic Worker Bill of Rights would grant basic labor protections to housekeepers and caregivers. Find out more: domesticworkers.org/ca-bill-of-rights/

PRODUCE A HEALTHY COMMUNITY.
Pass a countywide sales tax to provide permanent funding for the Healthy Kids program.
- Kids getting health coverage: Over 6,500

Effectively implement the Affordable Care Act through the Santa Clara Valley Health & Hospital System using a strategic approach that controls costs, improves outcomes, and expands – not limits – access to care for all.
- Uninsured adults gaining health coverage: 110,000

Expand healthy living strategies that can reach large numbers of people to improve health before they need medical care, including making healthy food more accessible, encouraging physical activity, and reducing exposure to second-hand smoke and pollution.
- Projected savings from reversing the obesity epidemic: $917 million per year

SUCCESS!
In April 2012, the San Jose City Council voted unanimously to ban smoking in outdoor public spaces.
LESSONS FROM SILICON VALLEY

INNOVATE HERE. CREATE HERE. BUILD HERE.

Incubate jobs as well as start-ups: Create a local program to support businesses who invent new products here to manufacture them here.

Weekly wage for manufacturing jobs compared to typical job: 55% wage increase

Close tax loopholes that unfairly penalize California businesses: (i) Reform the current corporate income tax that rewards businesses for moving jobs and investment out of California, and (ii) Ensure that online retailers pay their fair share.

California jobs created by reforming corporate income tax: 40,000

Replace Redevelopment with economic development bonds that yield middle class jobs and can be approved by a 50% vote of the electorate.

Bond proceeds available for economic innovation and quality local job creation: Tens of millions

BUILD LIVABLE, SUSTAINABLE COMMUNITIES – AND TRANSPORTATION FOR THE FUTURE.

Support and expand mass transit in all modes: Increase hours for local buses, implement Bus Rapid Transit, complete the extension of BART to San Jose, electrify Caltrain and start building high-speed rail.

Jobs created or maintained by local transit plus BART extension: 4,600

Set aside 20% of property taxes formerly designated for redevelopment to go toward affordable housing.

Affordable housing units built or leveraged by prior 20% set-aside: 11,000

Move Santa Clara County’s job-creating home energy upgrade program to the next level – reach more homes with energy upgrades and make it available to businesses too.

Average energy savings for participating homeowners: 29%

INVEST FOR LONG-TERM PROSPERITY.

Reform Prop 13 to rebuild California: Create a split roll, keeping protections intact for homeowners while insuring large corporate landowners pay their fair share. Use the revenues for infrastructure projects – with local job standards – and to restore funding for education and critical public services.

Revenue raised: $7.5 billion statewide

Increase investment by public pension funds in infrastructure projects in California to create jobs.

Jobs created by every $1 billion investment in infrastructure: 13,000+

Create a clean and green revolving loan fund for manufacturers that create good jobs in California to build clean-energy projects, upgrade infrastructure, or meet the clean air standards of AB 32.

Direct job creation potential of clean industry on the West Coast: 1.03 million net new jobs by 2020
“If your mindset is that nothing was wrong, you will not demand new models.”
– Joseph Stiglitz, Nobel prize-winning economist and former chief economist of the World Bank
In Santa Clara County, the heart of Silicon Valley, employment is growing. The tech industry has come roaring back with record profits. Venture capital fundings are at a five-year high. Across nearly every indicator, Silicon Valley is being heralded as the leader of America's economic recovery.

So why, many struggling Silicon Valley residents are asking, does it not feel like a recovery?

Economic researchers have named the 2000s a "lost decade for the middle class." Nationwide, during this decade, the median income for the middle class fell, net worth plummeted, and the size of the middle class actually shrunk. By one widely used measure, middle class households now comprise barely a majority of Americans.

Is this also the reality of Silicon Valley? Does it explain our sense of a flawed recovery? And if so, what are the implications of an economic model in which the bulk of the benefits go to the well-off while the middle class shrinks and inequality grows?

Life in the Valley Economy 2012 examines Silicon Valley's experience and finds that, as in many other areas, the Valley is on the cutting edge of America's trend toward inequality. The troubling economic developments of the national economy are magnified here. National job growth has been sluggish, with only a 2% total increase in the past decade; Silicon Valley employment actually fell by 2% over the decade. As of 2011, 16% of U.S. workers were underemployed; the Silicon Valley underemployment rate was 26%. The median middle-class U.S. household saw its real income fall by 5% in the 2000s; the median Silicon Valley household saw real income fall by 19%.

For Silicon Valley's invisible majority – the middle class and low-income households outside of the tech sector - the 2000s were not just a "lost decade" but a huge step backwards. Despite these problems, the Valley is often held up as the path forward for America in the new economy – the famous economic powerhouse that will provide jobs and rising incomes. A typical gushing assessment is that of business leader Carole Rodoni, who in January 2012 proclaimed, "While the rest of the world is experiencing a recession, Silicon Valley is experiencing an economic revolution . . . These companies have reinvented the world and we are in the heart of it."

It's not unreasonable to examine, therefore, the Valley's record. If structural problems exist in Silicon Valley's economy, despite the enthusiasm of its boosters it is not a good model for a nation looking for a path forward to growth and prosperity in the world economy. On a more positive note, if Silicon Valley can offer a lens through which to better understand the fundamental challenges offered by the new economic order, we may also be able to provide insight into what needs to happen to solve those problems.

This report provides new evidence that the division between the haves and have-nots – in other words, the constant economic battering that is wearing away at the middle class – threatens to pull down Silicon Valley's entire economic foundation. According to former U.S. Labor Secretary Robert Reich, "Inequality in America is at record levels. The 400 richest Americans now have more wealth than the bottom 150 million of us put together."

As Reich, Nobel Prize-winning economist Joseph Stiglitz, and many other researchers are now concluding, an economy driven by the imperative of creating ever more wealth for a few is not just unfair, it's unsustainable.

Less inequality produces stronger local consumer demand and a more resilient local economy to external shocks. It generates more social capital. More students, for instance, stay in school and get education.

Less inequality reduces the social costs of poverty and lessens political and social conflict. Diversity...
contributes to a high quality of cultural life rather than bitter conflict over a shrinking economic pie.

Less inequality encourages community investment in projects where broad public support is required – such as voting to support a tax to repair roads or build a school. It creates a community where most people have a stake in the broad success of the region and want to provide resources to contribute to public good through volunteerism, philanthropy, and political participation.

More inequality, on the other hand, leads to lower consumer spending, weaker business fundamentals, and more erratic ups and downs. “The real job creators are the vast middle class, whose spending drives the economy and creates jobs,” Reich writes. “But as the middle class’s share of total income continues to drop, it cannot spend as much as before. Nor can most Americans borrow as they did before the crash of 2008 — borrowing that temporarily masked their declining purchasing power. As a result, businesses are reluctant to hire.”

More inequality leads to lower consumer spending, weaker business fundamentals, and more erratic ups and downs.

On a local level, more inequality also pushes up the cost of living as the very wealthy bid up prices of scarce goods. This has become obvious, for instance, in Silicon Valley’s housing market, where there is an imbalance between prices and average people’s incomes. Eventually this trend forces working-class and even middle-class people to move out of the region. If inequality continually grows, the combination of a less educated population with a high cost of living forcing people to leave means the workforce that industry needs is no longer available.

Recent figures from the Federal Reserve show that the median family has assets (including their house but subtracting their mortgage) of roughly $77,300. In other words, half the population doesn’t even have that. But the assets of the top 10 percent of families approach $1.2 million, and the top 1% many times more than that. Stiglitz warns, “We are paying a price for our large and growing inequality, and because our inequality is likely to continue to grow — unless we do something — the price we pay is likely to grow too. When one interest group holds too much power, it succeeds in getting policies that benefit itself, rather than policies that would benefit society as a whole.”

Research bears out the impact of extreme inequality on the political process. In-depth research by Martin Gilens of Princeton, examining thousands of policies debated in Congress in the last thirty years, found that support by the wealthy – the top 10 percent – was the key factor in determining a policy’s success or failure. A policy proposal with strong support from the very rich was twice as likely to succeed. A proposal opposed by the wealthy and supported by the poor was nearly guaranteed to fail.7

Again, Silicon Valley is far from immune to this phenomenon and the underlying social divides that can trigger it. Inequality has long been a defining feature of Silicon Valley, leading to the moniker “the hourglass economy” – a wage structure with a comfortable stratum of highly-paid professionals on top, supported by low-wage workers on the bottom, but little in the middle.

This report assesses the shape of the Silicon Valley economy today. It finds that almost a third of the Valley's workers are paid less than $16 an hour, not a wage that can sustain a family given this area’s high living and housing costs. Another third of wage earners make less than $36 an hour. They are surviving, but not much more than that. Only a third of jobholders have salaries that even remotely reflect the media image of comfortable engineers or high-flying entrepreneurs.

And the bottom is expanding, denying the easy myth that the Valley’s productivity is bringing its population up out of poverty. From 2000 to 2010, the number of households in Santa Clara County who earned less than $10,000 a year more than doubled - increasing by 128%.

Some call this a Victorian Gown economy, in which the size of the bottom grows while that of the middle shrinks beneath a tiny top. Following Gilens' research, the emergence of the Victorian Gown distribution brings with it the risk of further corrupting the political process.

Silicon Valley’s economy is important as the source of economic survival for hundreds of thousands of people who take their living from it. But it is also important because it is an example - not of a technology-driven exceptionalism - but of
the way a grossly unequal society rarely puts the priorities of working families first.

The Valley is mythologized as the jobs production machine. And as we can see in a brief examination of its history, there have been times when jobs in electronics plants brought thousands of new residents into the area. But they’ve been followed by other eras in which those jobs were transferred away, leaving the thousands of families that were dependent on them stranded in economic purgatory.

The last two decades have seen much more of the latter than the former.

The Valley of Heart’s Delight? Perhaps the phrase, used to describe the South Bay in the decades before high tech, presents a bucolic ideal that was always far from the reality experienced by most working people. Yet, in the decade following World War II the South Bay was a strong union region, where workers had succeeded in getting canneries and dried fruit sheds to recognize the newfound power of the Congress of Industrial Organizations. Union jobs meant higher wages, and stability replaced the migrant lifestyle of many families from the Oklahoma Dust Bowl, Mexico or the Azores.

California’s last lynching took place in St. James Park, and segregation by race and sex was hotly debated and opposed in those plants. Equality was especially important for women on the fast-moving fruit lines, who resisted seeing their jobs as just a supplement to male income but as a primary support for their families instead.

But by the 1970s this was becoming a distant memory. Del Monte finally closed its Plant 3 - at one time one of the largest and most modern in the world - in 1999. The last of the big canneries is today a condominium complex. In place of food processing, a new industry of semiconductors, computers, electronic instruments and software rose to employ far more people than agriculture and food processing had ever done.

As the current financial crisis plays out in South Bay communities, it is worth asking: How much progress was made toward high living standards, increased rights and equality, and an equitable distribution of political power in this transformation? The question requires investigation of the current economic situation of working people in the South Bay. But it also requires hard questions about the Valley’s commonly accepted, even mythologized, history. Sensible recommendations for resolving the current economic crisis depend on an accurate picture of our community’s economic life. But it also depends on an accurate assessment of how we arrived in our present condition.

The business sections of local newspapers say that Silicon Valley is leading the economic recovery. But why doesn’t it seem like an economic recovery for the Valley’s working families, at the same time that the profits of high tech corporations have rebounded and some sit on cash reserves that dwarf San Jose’s entire municipal budget?

The high-tech industry that epitomizes Silicon Valley did not emerge whole from the heads of brilliant innovators and the wallets of forward-thinking investors; it was built upon the physical and social infrastructure provided by the public sector. Marvel Castells says, in The Information Technology Revolution, that “Silicon Valley was formed as a milieu of innovations by the convergence on one site of new technological knowledge; a large pool of skilled engineers and scientists from major universities in the area; generous funding from an assured market with the Defense Department; the development of an efficient network of venture capital firms; and, in the very early stage, the institutional leadership of Stanford University.”

Castells trenchantly notes the heavy dependence of Silicon Valley’s industrial growth on the Federal government, especially the military budgets of the Cold War. Tax dollars flowing from the Defense Department into Bell Labs, as well as the other electrical and telecommunications giants of that era, produced the inventions embedded in the electronics goods that began to pour from the region’s mushrooming factories. The transistor was invented in Bell Labs. The mouse and hypertext tools came out of Stanford Research Institute with money from NASA and the Air Force.

But while Castells credits the skills of engineers and scientists and the home they were given in universities, one piece is conspicuously absent from...
his picture. Workers. The wealth produced by the factories was a product of the human labor of a workforce that eventually numbered over a quarter of a million people. Without it, ideas could never have moved beyond blueprints and circuit designs on paper or screens.

The mythology of Silicon Valley holds that it has been a vast wealth-producing engine whose benefits have flowed to everyone. The reality is quite different. Yes, factories produced goods which were sold, and wealth poured into the pockets of those who owned and controlled them. But they did not flow equally into the pockets of those who labored in the plants. Nor did they flow into the coffers of local government in the proportions needed to provide necessary services to a burgeoning population.

Inequality - economic, racial and sexual - has been as much a product of the development of high tech industry as technical innovation and products incorporating it. The structure of the workforce in high tech production has always reflected a high degree of racial and sexual stratification and segregation. That in turn is reflected in the economic circumstances of families and communities, even their geographical locations.

By the mid-1990s Asian workers made up 30% of the skilled production workforce, 47% of the semiskilled workforce, and 41% of the unskilled workforce. Latinos constituted 18% of skilled workers, 21% of semiskilled workers, and 36% of unskilled workers. Both groups together were only 17% of management employees, and 25% of professional and engineering employees. The same picture held true for women. While 23% of management employees were women, and 29% of professionals, women were 80% of clerical employees, 40% of skilled workers, 60% of semiskilled workers, and 50% of unskilled workers.

African-American workers were frozen out almost entirely. Although unemployment in the African-American communities of Oakland and East Palo Alto, within commuting distance of the plants, has remained at depression levels, African-Americans are not above 7.5% of the workforce in any category, and below 3% in management and engineering.

Karen Hossfeld, a sociologist at San Francisco State University who has written extensively on the status of women in high tech industry, explains the segregation as a conscious decision on the part of manufacturers. "Employers assume foreign-born women will be unlikely to agitate for pay hikes," she says.

But wage inequality was a reflection of a power relationship that would have even more profound effects on the lives of workers and on the manufacturing workforce throughout Silicon Valley. Beginning in the mid-1980’s, most big semiconductor companies began building factories for the mass production of integrated circuits outside Silicon Valley. Gradually, production facilities in the Valley were allowed to age into obsolescence, leaving only a limited production capacity for designing and testing new circuits. The real mass production work was transferred to the new plants.

When technology evolves as rapidly as it does in the semiconductor industry, companies must build new plants and new microchip fabrication facilities constantly. For workers whose jobs are dependent on the production line, the location of these new plants and assembly lines is a life-and-death question. When the companies decide to build them outside the Valley, the decision spells economic havoc for workers whose jobs depend on the Silicon Valley plants. Jeff Koller, an EDD analyst specializing in Silicon Valley employment, documented the loss of
30,000 jobs in the semiconductor industry. Where the plants employed 102,200 workers in 1983, they employed only 73,700 workers a decade later. Semiconductor employment continued to fall and is about 42,600 today.

The plain fact is that the vast majority - the middle class and working class of Silicon Valley and America – are not benefiting from economic growth. Profits and the productivity of industry can produce good jobs and benefits to the community, while a prosperous community in turn supports the growth of business. This is the virtuous circle to which Silicon Valley and America aspire. But those jobs can also leave, as they have in the past, when lowering labor costs and gaining tax advantages become a higher priority than the welfare of the working people in our community. Instead of the virtuous circle, this leads to a vicious cycle where corporations cut and outsource in order to raise profits, then use those profits to stack the deck even more against workers and communities.

The vicious circle can – and has – produced immense short-term profits for a few. But it is unsustainable as a system. The United States economy, like that of most developed counties, is primarily dependent upon consumption to generate demand. Yet we have a shrinking middle class who have less and less money to spend. The primary reason U.S. employment has been so slow to recover this time around - slower than just about any other recovery in recent history – is sluggish consumer demand, which owes less to some mysterious deficit in “consumer sentiment” than it does to the fact that consumers are broke.

In place of a strong economic foundation for sustainable growth, the United States has become what former White House economist Jared Bernstein calls a “shampoo economy” – bubble, bust, repeat.

The following report documents some of the results of the deepening of the vicious cycle in Silicon Valley. The productivity of industry in the valley went up in the first decade of the current century. Adjusting for inflation, regional GDP increased by a very respectable 42 percent. But there was no corresponding growth in jobs. Over the same ten-year period, total employment decreased by 16%. Fewer people produced wealth for fewer people. The rich got richer.

Silicon Valley has not developed a mechanism to bring start-ups to scale as in prior decades – the kind of investment that produces quality job growth.
Slack employment in turn means that workers have little bargaining power, leading to lower wages. While there still exist tech jobs in which competing companies are bidding up wages to lure highly educated and specialized workers, these are a small segment of the workforce. In the larger labor market, the opposite situation dominates with workers competing for scarce jobs. As of 2011, 31% of jobs in Silicon Valley pay $16/hr or less.

Recent research by the National Employment Law Project found similar patterns at the national level; mid-wage jobs like construction and manufacturing accounted for 60% of those lost in the recession, but only 22% of those regained, while low-wage jobs accounted for 58% of the jobs created in the recovery. The report’s author, Annette Bernhardt, told the New York Times, “The overarching message here is we don’t just have a jobs deficit; we have a ‘good jobs’ deficit.”

The challenge, then, is to change the priorities. To make the economy serve the needs of working families, they must be organized. It’s not enough to have a voice or a “place at the table.” Silicon Valley’s middle class and poor need the organized ability to effectively advocate for their needs, even over the opposition of a mayor or in the face of corporate resistance. Here, too, Silicon Valley is not unique. This is the situation that faced autoworkers in Detroit in the 1920s. Farm workers had the same lack of voice and power when Cesar Chavez was still a community activist in San Jose’s Sal Si Puedes barrio, before the United Farm Workers put them across the table from growers.

This is not to say that the answer lies in beating up on businesses. On the contrary, workers and communities are in desperate need of a business sector that is fundamentally strong, healthy and able to create good jobs. But businesses equally need a strong and secure middle class on which to base their fundamentals. What is needed is to rebuild the structure and incentives that make both equal partners – restoring the virtuous circle in which growing productivity boosts wages and generates broadly shared prosperity.

Rebuilding an economy for San Jose’s working families that can support stable jobs and incomes that give their children a future requires elemental changes. The disinvestment in our communities must end. That disinvestment can take the form of decisions to ship its job base somewhere else, or to fail to pay taxes while accumulating profits and enormous financial reserves. A corporate model, based on short-term profit, is seldom appropriate for making decisions about the long-term health and growth of the families who live here. A nation, a government, a society are fundamentally different from an individual or a business in both their time frame and in their charge to take into account the needs of all residents, not just those who enjoy economic privilege.

The history of the past decade demonstrates that private investment patterns alone do not solve the challenge of persistent inequality and the problems associated with that condition. For change to occur, the public sector must take on new roles, perform old roles differently and recognize the critical nature of its initiative in effecting change on this issue. There are several strategic ideas that go in this direction.

We need to develop and enforce basic economic standards – most urgently, raise the minimum wage.

We need to follow through on the Affordable Care Act, and as major provisions come into effect in 2014, build an effective outreach and enrollment framework to ensure that the federal health reforms increase access to health care for children, seniors and poor, middle-class and working families.

We need to focus business subsidies on key economic goals and hold businesses who receive public money accountable for keeping their promises. When the public sector gives incentives, tax breaks, land, or other forms of subsidy to a private company, it is investing the taxpayers’ money in that company. Those investments should be directly focused on key

31% of jobs in Silicon Valley pay $16/hr or less. The vast majority -- the middle class and working class of Silicon Valley and America -- are not benefiting from economic growth.
economic goals: the growth of quality jobs, providing access to low income and people of color, and helping start-ups achieve scale in this region rather than out of state or overseas.

We need to sustain and expand the public services that are essential to our quality of life. While a small conservative minority complains about government spending for social needs (although not about corporate subsidies or the military), most people see government as the source of education, culture and a safety net for working families who need it. We want government that provides the basic social services that keep our entire community safe and its infrastructure intact. But local government should also be better government – precisely targeted, goal-oriented and effective.

We need to rebuild our failing infrastructure – roads, levees, bridges, schools – modernize the electric grid, and invest in new green buildings and technologies that will pay for themselves by cutting energy costs, improving health, and reducing greenhouse emissions. Again, this investment should be made not haphazardly, but purposefully, with mechanisms that lead to quality jobs for local residents and economic multipliers.

And finally, we need to keep our commitment to the next generation by ensuring adequate funding and access to education at all levels, including K-12, community colleges and universities.

Not all needed changes can take place on a local or state level. Federal action on immigration reform is necessary to bring working families out of the shadows and ensure greater rights and equality among everyone living in our community. Trade policy must be reexamined so that it no longer produces poverty, exploitation and forced migration. In the wake of the banking and foreclosure crisis, our local community needs mortgage relief and real oversight of the financial sector. The Citizens United Supreme Court decision has only highlighted the growing crisis of the domination of our political and electoral system by corporations and wealthy individuals. The more this domination grows, the harder it is for us to pursue any economic changes that threaten their interests, and that can prioritize the needs of working families instead.

But we need not, and must not, remain paralyzed waiting for Washington to act. We can act here and now in our neighborhoods, cities, county and region.

The Silicon Valley region has a long history of progressive local government. Equal pay for women performing work of comparable worth with men was an idea born among public sector workers here. It was adopted by local government long before it became a national call. Santa Clara County can be justifiably proud that many of its innovations have spread across the country. A few of the policy innovations that started here include the universal

Rebuilding the middle class is our generation’s moon shot. We must act.

Children’s Health Initiative, copied by 30 California counties; putting calorie counts on restaurant menus, now a federal law; and the Strong Neighborhoods Initiative, recognized by the League of Cities as a national model for civic engagement. We know how to come up with good ideas and collaborate to make them real.

The policy platform resulting from this report offers promising proposals, some of which are already in the organizing stages. Our platform involves initiatives attacking the problem from seven different angles, from an immediate raise in the minimum wage to long-term investment in educating our children.

This platform is not meant to be the be-all and end-all – it is a beginning. We recognize that there is no one silver bullet solution that can “fix” the entire economy. Multiple strategies on many fronts will be needed: strategies that rebuild and maintain our nation’s economic foundations, protect the vulnerable and ensure a strong safety net, and continue to build, invest, innovate and adapt.

But we do know definitively what won’t work: doing nothing while we bury our collective heads in the sand. We can’t depend on the market’s invisible hand – the invisible hand has been outsourced.

Rebuilding the middle class is our generation’s moon shot. We must act. If not, the ground lost may never be regained. We hope the findings and proposals in this report will help stimulate collaborative, effective action.
## Profile of Santa Clara County, California 2010

### People

**Total Population:** 1,781,642

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<th>Category</th>
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<tr>
<td>Female</td>
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<td>With a disability</td>
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<td>Veterans</td>
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### Home and Family

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<td>Renter households</td>
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<td>Average household size</td>
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<td>Moved to Santa Clara within past year (from U.S.)</td>
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<tr>
<td>Moved to Santa Clara within past year (from abroad)</td>
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### Education, Work, and Income

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<td>People in poverty</td>
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MAKING A LIVING

INDICATOR 1: EMPLOYMENT AND WAGES
INDICATOR 2: HOUSEHOLD BUDGETS
INDICATOR 3: ACHIEVING SELF-SUFFICIENCY
MAKING A LIVING

INDICATOR 1

Employment & Wages

KEY STATISTICS

• Silicon Valley is among the nation’s leaders in job growth; yet unemployment remains at recessionary levels.

• After 24 months of year-over-year job gains, total unemployment has come down to 82,700 people - equal to the highest level of unemployment experienced during the dot-com bust of 2001.

• Silicon Valley has not added any net new jobs in 16 years.

• In Silicon Valley, GDP growth is not generating job growth; over the decade, real GDP grew 42% while employment fell 16%.

• In the past two years, every private sector industry has added jobs, but public sector jobs have been cut to their lowest point in more than 29 years. The drop in public sector jobs has a disproportionate impact on women’s employment.

• Over the past twelve years, the industry mix has shifted away from middle-wage manufacturing towards the very high-wage information sector and lower-wage service sectors.

• An estimated 31% of jobs in Silicon Valley pay $16/hr or less, which falls just below the minimum needed to meet the basic standard for self-sufficiency.

• Seven of the 20 largest occupations do not pay a living wage.

WHY IT MATTERS

More than any other factor, the strength of the job market and of wage levels is central to determining households’ financial well-being. Silicon Valley is widely hailed as leading the nation in the jobs recovery.1 But a closer examination of the job situation in Silicon Valley reveals fundamental challenges.

Silicon Valley is indeed roaring back. In 2011, the region added jobs at one of the fastest rates in the nation. Property values grew substantially for the first time in four years.2 And the top 150 companies in Silicon Valley posted a profit increase of 22%.3

Yet unemployment remains at recession-level highs. The modest job growth of the past two years is not on track to make up for the job losses of the previous fifteen. The long-term trend of the employment rate is downward. Even when business profits and GDP grows, jobs do not. In Silicon Valley, economic growth appears to have become decoupled from job growth.

Looking deeper, the disappearance of nearly 100,000 manufacturing jobs has deeply impacted employment opportunities, especially for the half of the population without a college degree. As manufacturing shrinks, it is taking with it the largest source of secure middle-class jobs. In their place, the industry mix in Silicon Valley is shifting towards very high-end jobs in the information sector or low-end jobs in the service sector.

In a demonstration of the basic law of supply and demand, the weak labor market - in which there is not enough employment demand to match the supply of willing workers - has pushed down wages further still.

These changes raise the question: if Silicon Valley is indeed leading the nation out of the recession, in what direction is the nation headed?
Silicon Valley is among the nation's leaders in job growth; yet unemployment remains at recessionary levels.

Over the past two years, Silicon Valley has been adding jobs at a faster pace than almost anywhere else in the country. The region is at the forefront of the recovery, posting the fastest job growth in the nation in 2011, and continuing to add jobs thus far in 2012.

However, unemployment remains at historically high levels. As of July 2012, there are 82,700 unemployed workers in the San Jose metro region. That number is higher than at any point in the previous decade, prior to 2009.

In fact, total unemployment now, even after 24 months of year-over-year gains, has only just come down to the highest level of unemployment experienced during the dot-com bust of 2001.

Unemployment remains high in part because even prior to the Great Recession, Silicon Valley was already starting from a jobs deficit; most of the jobs that vanished in the wake of the 2001 crash had not returned by 2008, leaving the region poorly prepared to withstand a new downturn. In January 2010, the Silicon Valley unemployment rate reached a record-setting 12.0%, the highest of any Bay Area county save Solano and Silicon Valley’s highest unemployment rate in sixty years.

Figure 1.1 Source: Current Employment Statistics (CES). Graph based on San Jose MSA, which includes Santa Clara and San Benito counties.
Over the past two years, Silicon Valley has added jobs at one of the fastest rates in the nation; however, employment remains historically low. Silicon Valley has not added a single net new job in 16 years.

Even before the recent recession, Silicon Valley was experiencing slow job growth. When the first wave of foreclosures hit, the Valley was struggling to recover from the devastating impacts of the dot-com bust, which from 2001 through the beginning of 2004 eliminated 19.5% of the region’s jobs.

Many of those jobs – especially those in high-tech manufacturing – never returned. In June 2008, at its employment peak, Silicon Valley held 130,500 fewer jobs than it had in June 2000.

By January 2010, the recession’s one-two punch brought employment down lower still. From June 2008 through January 2010, the Silicon Valley region lost 85,500 jobs, a decline of 9.2% in total employment.

Four years later, most of the jobs lost in the recent crash have now been restored; as of June 2012, employment in Silicon Valley is only 0.7% below its point in 2008.

Yet the region still suffers a considerable jobs deficit. Over the past decade – July 2002 to July 2012 – Silicon Valley has not added a single net new job. In fact, employment has fallen by 2% over this period. This net loss is evident even after two solid years of jobs gains from July 2010 to July 2012. And it is a net loss despite the fact that the starting point, July 2002, represents the depth of the dot-com bust.

This is strong evidence that the Silicon Valley jobs machine is broken. If the current pattern continues, the era of sustainable job growth in Silicon Valley may be over – the region may be headed towards a new normal in which employment fluctuates up and down around a trend of little to no fundamental growth.

As of July 2012, Silicon Valley has not added any net new jobs since July 1996.
The employment to population ratio grew in 2011, but is on a long-term downward trend

The employment to population ratio, which measures the percent of residents age 16 and up who have jobs, is a key long-term labor market measure. As of 2011, the ratio stands at 62.6%, lower than at any point in the prior decade. (See Figure 1.3.)

This is a stark change from 2000, when the employment to population ratio reached a high of 70.2%. If the peaks and valleys are smoothed out, the average annual change in the employment population from 1998 to 2011 is -0.3 percentage points. In other words, the region is seeing a gradual decline in the portion of adults who have jobs.

This has two implications. First, with a smaller portion of the population employed, each worker is supporting more non-workers, putting further strain on household budgets. Second, this decline is unlikely to continue indefinitely. Eventually, if there are not enough jobs available in Silicon Valley, growth of the working-age population will slow as residents leave for other, more promising job markets.

“Until the labor market is restored to good health through full employment, the prospects for all workers will be dim.”
– Economist Rebecca Theiss, Economic Policy Institute, April 2012
In Silicon Valley, GDP growth is not generating job growth; over the decade, real GDP grew 42% while employment fell 16%

Over the past two decades job growth in Silicon Valley has failed to keep pace with economic growth. Regional GDP data available for 2001 through 2010 show an overall increasing trend in Silicon Valley's inflation-adjusted GDP, at the same time that employment was on an overall declining trend. Over this period, real GDP increased by 42 percent, while average annual employment fell by 16 percent.

Even the Great Recession hardly dented Silicon Valley's GDP growth. GDP declined for one year, from $152 billion in 2008 to $148 billion in 2009, and then bounced back to $168 billion in 2010, resuming its upward trend. (See Figure 1.4) From 2008-2010, real GDP grew 11 percent while jobs fell 7 percent.13

Figure 1.4 Source: U.S. Bureau of Economic Analysis. Graph based on San Jose MSA, which includes Santa Clara and San Benito counties.
Economic and employment growth have become decoupled in Silicon Valley; over the past quarter-century, total personal income grew by 85% while employment grew just 11%.

Annual GDP for Silicon Valley is not available as a continuous time series prior to 2001. Total personal income (TPI), which includes income from all sources accruing to Silicon Valley residents, can serve as a proxy for the region's productivity.

Using TPI, we can track the emergence of the decoupling between production and employment to economic shifts that began in the 1980s. Between 1972 and 1985, the overall Silicon Valley economy (as measured by inflation-adjusted TPI) and jobs remained closely connected. Both TPI and jobs nearly doubled over this period, with TPI growing by 91% and employment by 93%.

But in the late 1980s and early 90s, the jobs-economy connection began to weaken as military base closings depressed job growth. This gap grew larger in the boom of the late 1990s and for most of the current decade has continued to increase. By 2005, economic production had bounced back to its 1999 level, but jobs remained flat. Employment in the Valley has yet to regain 1999 levels.

As a result of this decoupling of economic growth and job growth, even though inflation-adjusted TPI increased 85% between 1986 and 2010 – indicating substantial growth in economic production - employment grew by just 11% over that same 24-year period.

The gap between production and employment has widened in the past decade, resulting in multiple years of “jobless recovery” – periods when the economy is growing but employment is not. From 1995 to 2010, TPI grew by 43%, but employment has flattened - Silicon Valley added virtually no net jobs.14

* Total personal income (TPI) includes wages and salaries, income of business owners and the self-employed, interest, dividends, transfer payments and income from rent. It is used as a proxy for economic growth since regional GDP is not available over the entire time period of analysis. Total personal income is not necessarily correlated with median household income.
In the past two years, every private sector industry has added jobs; but public sector jobs have been cut to their lowest point in more than 29 years.

Over the 24 months from July 2010 to July 2012, every major private sector industry in Silicon Valley added jobs. The largest numbers of new jobs have been gained in professional and business services (15,400 jobs) and private educational and health services (11,900 jobs). (See Figure 1.6.)

This growth represents industry employment recovering from recent losses in the Great Recession. From June 2008 through January 2010, nine of Silicon Valley’s ten major industry sectors lost jobs. The largest numerical losses were in professional and business services, which eliminated 23,100 jobs; manufacturing, which shed 18,100 jobs; and construction, dropping 13,900 jobs. Notably, none of these three sectors has yet regained the jobs lost.

Private health and educational services is the one sector that has continued to grow through good times and bad. Even during the recession it added 2,100 jobs.15

The one industry failing to recover is government. Despite the recovery, heavy cuts to the public sector workforce continue to impact employment. Since July 2010, public sector jobs have been lost at every level: federal, state, local government, and public education. Public sector employment is now lower than at any point in at least 29 years.

The ongoing drive to slash public sector jobs will have considerable impacts on women’s ability to earn an income adequate to support themselves and their families.

Figure 1.6 Source: Current Employment Statistics
Making a Living: Indicator 1: Employment and Wages

Over the past twelve years, the industry mix has shifted away from middle-wage manufacturing towards the very high-wage information sector and the low-wage leisure, hospitality, and private educational and health services sectors.

![Jobs Gained and Lost in San Jose Metro Industries, July 2000 - July 2012](image)

Over the longer term, the region’s employment base has shifted considerably since 2000. Figure 1.7 shows job gains or losses for the ten industry sectors over the past ten years.

The largest overall trend has been a shift away from manufacturing, which lost 92,100 jobs over the last twelve years. In 2000, manufacturing was the largest employment sector in the Valley, comprising 24.1% of all jobs. By 2012, it was down to 18% of all jobs.

As the manufacturing has declined, its share of employment has been taken up primarily by two types of industries.

The information sector, iconic representative of Silicon Valley, added 9,500 jobs; its share of employment is small but growing, from 4.2% of all jobs in 2000 to 6.0% in 2012.

The other growth area has been service sector jobs, in particular, restaurants, hotels, entertainment, and private education and health services. Educational and health services has shown by far the strongest growth of any sector, adding 38,900 jobs and increasing its share of employment from 8.0% to 13.6%. Leisure and hospitality, which includes restaurants, is more volatile but has grown over time, adding 6,600 jobs and growing from 7.2% to 9.1% of the workforce.17

Notably, these growth sectors represent the two halves of the economic divide. The average (per capita) weekly wage paid by information sector employers was $4,210, the highest of any industry and more than twice the average across all industries. Leisure and hospitality, by contrast, had the lowest average weekly wage of any industry, at $458 – just one quarter of the average across industries. Private educational and health services, which is the single biggest growth sector, pays higher wages than hospitality, but is still 28% below the average.18

Meanwhile, middle-class jobs in manufacturing – which has the second highest average weekly wage, after information - are disappearing. Even the recent growth in this sector is much too small to erase the years of decline.
WAGES AND JOB QUALITY

An estimated 31% of jobs in Silicon Valley pay $16/hr or less, which is not enough to meet the basic standard for self-sufficiency. While Silicon Valley is host to a substantial number of high-paying occupations like computer software engineer (median pay of $66/hr) or general/operations manager (median $64/hr), the bulk of jobs available pay considerably less.19

Approximately 31.1% of all Silicon Valley workers are paid $16/hr or less, putting their wages below the “self-sufficiency standard” for a single adult with no dependents - the minimum wage needed to afford the basic necessities of life in Santa Clara County without public assistance.20

An additional 34.1% of workers are paid $17 to $36/hr, which in most cases is enough to ensure self-sufficiency for a single adult or a two-earner family, but may be inadequate for a single parent. Finally, 31.9% of workers are paid $37/hr or more, putting them solidly in the secure middle class (or above).20

Figure 1.8 shows employment in the San Jose region by wage bands, based on the median wage of each detailed occupational category. The bottom two bars represent workers in occupations where the median wage is below self-sufficiency; the four next highest bars represent workers who may be below self-sufficiency, depending upon the size and composition of their family; and the seven upper bars represent those securely at or above self-sufficiency.

The 65% of workers who are below or on the edge of self-sufficiency are all likely to have difficulty making ends meet at some point, be it a struggle to pay for basic food and rent, or the inability to save enough for retirement or a child’s college tuition.

* See page 45 for a detailed explanation of the self-sufficiency standard.
Seven of the 20 largest occupations do not pay a living wage

The region’s 20 largest occupations collectively employ 32% of all workers in the county; examining these occupations can provide more insight into Silicon Valley’s employment and wage structure.

Several of the top 20 jobs are high-paying, among them general/operations managers, two types of computer software engineers, electronics engineers, and registered nurses, all of which have a median wage over $50/hr. However, seven of these 20 jobs offer very low pay, with a median hourly wage that falls below the Living Wage for San Jose (As of July 2012, the current Living Wage as determined by the City of San Jose is $15.98/hr if an employer does not offer health coverage). This occupational profile suggests substantial growth in low-wage jobs over the decade, at the expense of middle-wage and high-wage jobs; in 2001, only five of the top 20 occupations paid less than a living wage.

The table below lists Santa Clara County’s 20 largest occupations (ranked by total employment) in 2011, alongside the median wage in each, and identifies which occupations fall below the San Jose Living Wage standard.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Employment</th>
<th>Median hourly wage</th>
<th>Above living wage?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Software Engineers, Applications</td>
<td>26,390</td>
<td>$57.14</td>
<td></td>
</tr>
<tr>
<td>Computer Software Engineers, Systems Software</td>
<td>24,140</td>
<td>$63.58</td>
<td></td>
</tr>
<tr>
<td>Retail Salespersons</td>
<td>23,700</td>
<td>$10.43</td>
<td>N</td>
</tr>
<tr>
<td>General and Operations Managers</td>
<td>16,810</td>
<td>$66.97</td>
<td></td>
</tr>
<tr>
<td>Cashiers</td>
<td>15,010</td>
<td>$10.78</td>
<td>N</td>
</tr>
<tr>
<td>Office Clerks, General</td>
<td>14,350</td>
<td>$17.30</td>
<td></td>
</tr>
<tr>
<td>Janitors and Cleaners, Except Maids and Housekeeping Cleaners</td>
<td>13,480</td>
<td>$12.23</td>
<td>N</td>
</tr>
<tr>
<td>Combined Food Preparation &amp; Serving Workers, including Fast Food</td>
<td>13,300</td>
<td>$9.29</td>
<td>N</td>
</tr>
<tr>
<td>Laborers and Freight, Stock, and Material Movers, Hand</td>
<td>12,860</td>
<td>$14.45</td>
<td>N</td>
</tr>
<tr>
<td>Registered Nurses*</td>
<td>12,120</td>
<td>$60.40</td>
<td></td>
</tr>
<tr>
<td>Waiters and Waitresses</td>
<td>11,960</td>
<td>$9.20</td>
<td>N</td>
</tr>
<tr>
<td>Customer Service Representatives</td>
<td>10,570</td>
<td>$22.16</td>
<td></td>
</tr>
<tr>
<td>Business Operations Specialists, All Other</td>
<td>10,540</td>
<td>$44.29</td>
<td></td>
</tr>
<tr>
<td>Stock Clerks and Order Fillers</td>
<td>9,870</td>
<td>$11.26</td>
<td>N</td>
</tr>
<tr>
<td>Executive Secretaries and Administrative Assistants</td>
<td>9,240</td>
<td>$29.95</td>
<td></td>
</tr>
<tr>
<td>Computer Support Specialists</td>
<td>9,120</td>
<td>$33.48</td>
<td></td>
</tr>
<tr>
<td>Bookkeeping, Accounting, and Auditing Clerks</td>
<td>9,100</td>
<td>$21.60</td>
<td></td>
</tr>
<tr>
<td>Electronics Engineers, Except Computer</td>
<td>8,940</td>
<td>$59.02</td>
<td></td>
</tr>
<tr>
<td>Accountants and Auditors</td>
<td>8,800</td>
<td>$38.06</td>
<td></td>
</tr>
<tr>
<td>First-Line Supervisors/Managers of Office and Administrative Support Workers</td>
<td>8,590</td>
<td>$29.41</td>
<td></td>
</tr>
</tbody>
</table>

KEY STATISTICS

• Since 2000, the median household in Santa Clara County has seen its real income fall by 19.5%.

• Real median earnings for Silicon Valley workers have fallen 16.1% since 2000; the concurrent growth of per capita earnings is a sign of widening wage inequality.

• Distributional changes in income show the widening of the income gap and the hollowing out of the middle class; from 2000 to 2010, the portion of households in the secure middle class dropped from 62% to 55%, while the number of households making less than $10,000 more than doubled.

• Income inequality between ethnic groups increased, as the largest income declines were experienced by the lowest-income ethnic groups; both African Americans and Latinos saw real household incomes fall by 29%.

• Latina women workers have the lowest median earnings of any group: $19,768.

• The cost of basic necessities for Bay Area households continued to rise even during the recession. From 2000 to 2011, the cost of every major household expense category has grown faster than wages.

• Over the decade, the biggest average increases in Bay Area households' spending went to health care and retirement; for the first time, the average household is spending more on retirement contributions than on food and drink.

WHY IT MATTERS

This indicator focuses on one of the most basic measurements of a family’s well-being: the ability to make ends meet.

Household incomes have not fared well in recent years. Since 2000, the median U.S. household’s income has fallen by 6 percent (inflation-adjusted) - its worst performance since the Great Depression. Economists have declared the 2000 to be a “lost decade” for middle class incomes.

In Silicon Valley, this trend is magnified. Workers have been battered by declining real median earnings throughout the decade. At the same time, faltering job growth has meant fewer people have any earnings at all. As a result, real median household income in the Valley has fallen by 19% - more than three times the national decline.

It’s not that income isn’t growing. Total personal income flowing into Silicon Valley is increasing, as are per capita earnings for workers. But a disproportionate share of this growth is flowing to a small segment of highly compensated individuals – leaving the majority of working families struggling to get by on reduced incomes.
The median household lost ground during the recession as real income fell by 5.5%, wiping out all of the gains from the previous recovery.

Median income represents the typical household in the middle of the income distribution. For Santa Clara County households, real (inflation-adjusted) median income fell by $4,890 between 2008 and 2010—a 5.5% loss.

This drop eliminated all of the gains made from 2005 to 2008. In real terms, the median household income of $85,002 in 2010 was the lowest at any point in the decade. (See Figure 1.9.)

The failure of incomes to grow in the 2000s is linked to a national trend. Economists have labeled the 2000s a “lost decade” for the U.S. middle class due to the lack of income growth; nationwide, the median middle-class income fell by 5%.24

In Silicon Valley, however, this trend is magnified. Since 2000, the median household has seen its real income fall by 19.5%.25

Figure 1.9 Source: American Community Survey
Real median earnings for Silicon Valley workers fell 2.8% from 2008 to 2010, and have fallen 16.1% since 2000; the concurrent growth of per capita earnings is a sign of widening wage inequality.

The drop in household incomes is directly linked to two trends: fewer available jobs, and lower pay at those jobs that are available.

The trend in earnings from work shows the impact of these two factors. The median worker has seen his or her inflation-adjusted earnings decline steadily over the decade. From 2008 to 2010 earnings fell by 4.8%. Cumulatively, real median earnings have fallen 16.1% since 2000.26 (See Figure 1.10.)

(The data for earnings from work include only individuals who worked at least part of the year, so the full impact of unemployment on those who have been out of work for more than a year is not visible.).

This decline is particularly notable for the stark disparity it reveals between the typical middle-class worker and those at the top of the wage scale. Even though median earnings are falling, as of 2010, Silicon Valley has the highest average earnings for private sector workers of anywhere in the nation: $85,100, up nearly $10,000 (before inflation) from the year before.27 This compares with median earnings of $41,794.

This is possible because average earnings are measured per capita: total payroll of all Silicon Valley firms divided by the total number of workers they employ. A small number of very highly paid individuals – largely composed of lawyers, doctors, top management, computer and mathematical occupations, and engineers28 – push Silicon Valley’s average earnings up to the top, even while the majority of workers see far lower pay and no gains.
Distributional changes in income show the widening of the income gap and the hollowing out of the middle class; from 2000 to 2010, the portion of households in the secure middle class dropped from 62% to 55%, while the number of households making less than $10,000 more than doubled.

Between 2000 and 2010, more Santa Clara County households slipped down from the middle into lower income brackets.

Over that ten-year period, the number of households with incomes under $10,000 (inflation-adjusted) more than doubled - up 127.7%.(See Figure 1.11.)

The number of households in the next two lowest income brackets also increased, by 39.6% and 30.7% respectively. These are households that earn less than $50,000, typically putting them well below the income needed to maintain a basic standard of living in this high-cost region. (See Self-Sufficiency Standard, page 45.)

The next 3 income categories, beginning at $50,000 annual household income, represent the secure middle class. In each one of these categories, the number of households shrank: by -3.5%, -12.7%, and -3.5% respectively.

Among those households that left the secure middle class, virtually all of them appear to have fallen down to lower income brackets. The number of high-income households (those earning $200,000 or above) increased by only 0.5%, meaning that we cannot point to upward mobility as the reason for the shrinking middle class.

These distributional changes suggest that Silicon Valley may be progressing even past an hourglass economy, to a “Victorian gown economy”. Whereas in the hourglass economy of the 1990s, the Valley saw a shrinking middle class with some middle class families falling down and others rising up, the real income distribution trend is now shaped less like an hourglass and more like an old-fashioned Victorian gown: small on the top, squeezed ever tighter in the middle, and ballooning out at the bottom.

In total, households in the secure middle class ($50,000 to $199,999) dropped from 62% of all households in 2000 to 55% of all households in 2010.29

Figure 1.11 Sources: Census 2000; American Community Survey
Income inequality between ethnic groups increased, as the largest income declines were experienced by the lowest-income ethnic groups; both African Americans and Latinos saw real household incomes fall by 29%.

Examining household income by race/ethnicity produces further evidence of a widening income gap. The three ethnic groups that started out with the lowest incomes in 2000: African-Americans, Latinos and Native Americans – lost the most over the ensuing ten years.

Between 2000 and 2010, households headed by Latinos and African-Americans both suffered a real income drop of 29%. This brings the median income for these groups down to $49,996 and $52,972 respectively, far below the county-wide median income of $85,002. (See Figure 1.12.)

Native Americans also suffered a substantial decline, although because of their small population size, the margin of error makes it impossible to determine whether their loss was more or less than other groups. Pacific Islanders have a similarly large margin of error; although their income appears to have increased slightly, this may be a statistical anomaly.

No large ethnic group saw a substantial increase in income over the decade. White-headed households experienced a decline of 9.0%, while median income for Asian-headed households increased very slightly by 1.4%.

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* It is important to note that median household income figures reflect changes in population and household composition, as well as changes in individual households’ incomes. For instance, if lower-income households moved out of town, the median household income of those who remained would go up. Similarly, if multiple families moved in together to save on costs, their total household income would increase.
Latina women workers have the lowest median earnings at just $19,768 annually

The racial/ethnic disparity in household incomes is due in large part to a wide disparity in annual wages. For workers living in Santa Clara County, median annual earnings in 2010 varied widely by race-ethnicity and sex: from a high of $70,025 for Asian men to a low of $19,768 for Latina women. Figure 1.13 shows median earnings for workers aged 16 and over by race/ethnicity and sex. (Individuals who did not work in 2010 are not included.)

These large disparities reflect differences in wages both within occupations and between occupations, as well as variations in hours of work or weeks worked per year.

For instance, among working Latina women, 26% were employed in either food preparation and serving, building and grounds cleaning, or personal care occupations. These low-paying occupational categories had 2010 median earnings of $15,834, $20,583 and $15,976 respectively. Just 6% of Latina women worked in computer or management occupations, the only categories which topped $100,000 in median earnings.

On the other hand, 34% of white men were in computer or management occupations, and only 5% were in the low-paying food preparation and serving, building and grounds cleaning, or personal care occupations.

As described in Indicator 1 of this chapter, nearly one-third of all occupations in the Valley pay less than a self-sufficiency wage. The low wages in many occupations filled predominantly by women, Latinos or African-Americans, along with inadequate access to education needed to reach higher-wage occupations, are producing an increasingly divided community.
The cost of basic necessities for Bay Area households continues to rise; from 2000 to 2011, the cost of every major household expense category has grown faster than wages.

Silicon Valley has long been among the highest cost of living regions in the nation. Even during the recession, as employment and income fell, the cost of most household necessities continued to increase. Between 2008 and 2011, the cost of nearly every basic expense: food, gas, electricity, rent, public transit, childcare and healthcare – rose. The only expense that did not rise during the recession was mortgage costs, likely because many homeowners who had costly mortgages lost their homes.

Over the longer term, costs for basic goods and services have continued to increase while wages failed to keep pace. Between 2000 and 2011, average weekly earnings for an employed resident of Santa Clara County grew by a total of just 17% before inflation. Every major expense category increased faster than wages. (See Figure 1.14.)

Between 2000 and 2011, local gas prices increased by 104%. Electric rates (PG&E average cost per kWh) are up 67%. Public transit, as measured by the monthly VTA pass, is up 89%. Food costs are up an average 42% nationwide. Health insurance premiums for the average California worker with family coverage are up an astounding 157%.

Homeowners (those who remain) are paying 43% more in housing costs than in 2000. Rents increased more modestly than the other categories, with growth of 20% since 2000; in part this reflects the extraordinarily high rents in Silicon Valley during the height of the dot-com boom.

An analysis of user data by personal finance website Mint.com found that San Jose residents spent more per month on gas ($216) than in any other city nationwide. While not rigorous, these figures are another indication of the extraordinarily high cost of living faced by the typical household in Silicon Valley.
Over the decade, the biggest average increases in Bay Area households’ spending went to health care and retirement; for the first time, the average household is spending more on retirement contributions than on food and drink.

Figure 1.15 shows average expenditures for Bay Area households by the type of expense. In total, the average Bay Area household spent $67,361 annually in 2009-10, down from a high of $69,560 in 2006-07, but up considerably from $55,041 in 1999-00.

Housing is the single largest expense in the household budget, and it continues to grow. Housing expenditures increased by 33% over the decade.

However, the greatest increases in spending went to health care and retirement.

Health care expenditures shot up by 70% over ten years. Over the longer 1994-95 to 2009-10 period, Bay Area households’ health care costs have more than doubled.

Retirement expenses, which include contributions to Social Security, pensions and personal insurance, jumped by 56% over the decade. For the first time, the average Bay Area household is spending more per year on retirement contributions ($9,237) than on food and drink ($8,596).41

This likely reflects the ongoing assault on workplace retirement plans, with increasing numbers of plans seeing large increases in workers’ required contributions and reductions in employer contributions, as well as the impact of losses in investments and home equity, which necessitated greater contributions to make up for the savings lost. The decades-long shift away from defined benefit pensions to defined contribution plans such as 401(k)s has also greatly increased workers’ costs for retirement savings, at the same time that it has reduced the amount they can expect to collect upon retirement.42

Figure 1.15 Source: Consumer Expenditure Survey

“Other expenses” includes: apparel and services, entertainment, personal care, reading, education, tobacco, miscellaneous, and cash contributions.
KEY STATISTICS

- One out of every three households in Santa Clara County households falls below the self-sufficiency standard, meaning their income is too low to meet a basic standard of living. Among single mothers, this figure climbs to three out of four.

- The portion of households below self-sufficiency has increased from 24.1% in 2000 to 33.5% in 2010.

- Over three quarters (76%) of all single mothers fell below self-sufficiency in 2010, a dramatic increase from 45.3 percent in 2000. Among single fathers, more than half (56%) were below self-sufficiency in 2010.

- In 2009, 96,000 Santa Clara County adults were unable to afford enough food; in 2010, over 47,000 families lived in overcrowded housing; in 2011, more than 19,000 adults and youth were homeless.

- The Great Recession threw more than 50,000 people into poverty in Santa Clara County. As of 2010, the child poverty rate is at its highest point this decade: 13.3%.

WHY IT MATTERS

The shrinking middle class and growing inequality are not just theoretical issues. They have real-world consequences for Silicon Valley residents who find themselves on the wrong side of the economic divide.

The goal of "self-sufficiency" is a basic indicator of economic well-being: it measures a family’s ability to provide for its own basic needs without deprivation and without relying on public assistance or private charity. Households that are not self-sufficient may experience hardships like overcrowded housing, foregoing medical care, hunger or even homelessness.

In Santa Clara County, one-third of all households are now living below self-sufficiency. This unconscionably high number signals that financial insecurity has now become mainstream.

As the ranks of struggling families swell with formerly middle-class households, the inability of so many to make ends meet overburdens the safety net and strains the social fabric.

The fall in living standards for the majority also threatens to create a vicious cycle as fewer and fewer residents have any disposable income with which to support local businesses. As income concentrates at the top, it is well documented that less of that income is spent locally.

Harder to quantify but of increasing concern is another impact – the effects of economic instability on the next generation.

These hardships are the direct result of an economy that is producing fewer jobs and higher wage inequality. If regional and national trends continue in their current direction, more and more families can expect to experience financial hardship.
A family of four in Silicon Valley needs $81,897 annually to make ends meet.

How much does it cost to live in Silicon Valley? The Self-Sufficiency Standard, developed by the Insight Center, is used nationwide to assess the income needed for a working family to afford the basic necessities, based upon the local cost of goods and services.

In 2011, the Self-Sufficiency Standard for Santa Clara County is $81,897 for a family of four (two working parents, an infant and a school-age child).

This minimum standard includes only the necessities: rental housing, transportation to work and school, child care for the infant, food at home (no eating out), health care (assuming all family members are covered by job-based health insurance), and miscellaneous expenses such as clothing, cleaning supplies and toiletries. Figure 1.16 breaks down the contribution of each expense to the total monthly Self-Sufficiency Standard of $6,825.

For the family of four shown, with both parents working full-time, each parent needs to earn at least $19.39/hour to meet the standard. Approximately 38% of jobs in the County pay less than this minimum.

For a single parent with two young children, the situation is far worse. On a single income, he or she needs an hourly wage of at least $35.93. Nearly two-thirds (64%) of all jobs pay less than is needed.

It’s important to note what the Self-Sufficiency Standard doesn’t include: retirement savings, college costs, unemployment or any unexpected event such as an accident or illness that results in lost income or an emergency expenditure. A family whose income meets the Self-Sufficiency Standard is a family that can live day-to-day, but little more. As it becomes more and more difficult for the typical working family to afford even a basic standard of living, dreams of sending one’s children to college or enjoying a secure retirement are increasingly out of reach.
One-third of Silicon Valley families cannot meet the basic self-sufficiency standard, up from one quarter of households in 2000.

In 2010, one out of every three Santa Clara County households fell below the Self-Sufficiency Standard—meaning that they had incomes too low to make ends meet without resorting to public assistance, private charity, deprivation or debt.

In total, an estimated 191,168 households in Santa Clara County fell below self-sufficiency in 2010: 33.5 percent of all households.45

Ten years earlier, in 2000, this portion was considerably smaller: just under one-fourth (24.1%) of households were below self-sufficiency.46 (See Figure 1.17.)

This increase displays the result of the trends discussed throughout this chapter: high unemployment, lack of job growth, falling wages, and rising cost of living. All these forces combined are producing a region where, despite a rising GDP, more and more families must struggle daily just to put food on the table and pay the rent.

Three-quarters of single mothers and over half of single fathers fall below self-sufficiency.

Families with children had the hardest time making ends meet; 39% of households with children fell below self-sufficiency, compared to 30% of those without. (See Figure 1.17.)

Single parents were more likely than any other family type to be struggling. Over three quarters (76%) of all single mothers fell below self-sufficiency in 2010, a dramatic increase from 45.3 percent in 2000. Among single fathers, more than half (56%) were below self-sufficiency.

The large majority of jobs in Silicon Valley simply do not pay enough to cover the basic necessities for a family, especially a single parent or a family with only one adult able to work.

Figure 1.17 Source: Working Partnerships USA analysis of data from the American Community Survey. The Self-Sufficiency Standard is published by Insight CCED.
In 2009, 96,000 adults were unable to afford enough food; in 2010, over 47,000 families lived in overcrowded housing; in 2011, more than 19,000 adults and youth were homeless.

The one-third of households living below self-sufficiency are forced to make difficult choices as they struggle to make ends meet. For some, the public safety net temporarily enables them to stay afloat. Others get help from family, friends, churches or community groups. Still others take on debt to cover day-to-day expenses.

But for many, it comes down to choosing between necessities; crowding multiple families into a garage, delaying going to the doctor or not refilling a prescription, or skipping meals to be able to pay rent.

As a result of these difficult decisions, in 2009 (the most recent data available) an estimated 96,000 adults experienced food insecurity – being unable to afford enough food. Over twice that number, 192,000 adults, delayed or did not get needed medical care.47

In 2010, 47,319 households lived in overcrowded conditions. And an estimated 19,442 people were homeless.48

These hardships are the direct result of an economy that is producing fewer jobs and higher wage inequality. If regional and national trends continue in their current direction, more and more families can expect to experience financial hardship.
The poverty rate leaps upward, with 13.3% of Santa Clara County children now in poverty; the federal poverty level still dramatically undercounts the number of people in financial hardship.

The Great Recession threw more than 50,000 people into poverty in Santa Clara County. Between 2008 and 2010, the official poverty rate grew from 7.6% to 10.6% - its highest point for the decade.

Children were still more likely to be in poverty, with a poverty rate of 13.3%.49

Large though these numbers may seem, they do not paint a full picture of poverty. The current Federal Poverty Level (FPL) formula, created almost half a century ago, grossly underestimates poverty in our region today. First, the FPL is based exclusively on the cost of food, even though the cost of other necessities like housing, transportation, health care and child care have risen much faster than food. Second, the FPL makes no adjustments for regional differences in cost of living.

As a result, high-cost regions like Santa Clara County are plagued by hidden poverty - residents falling below self-sufficiency and suffering hardships, yet not regarded as officially “poor” and therefore not eligible for many types of social assistance.

The Self-Sufficiency Standard, discussed earlier in this chapter, is considered a more accurate measure of the income needed to meet a basic standard of living.

**Hardships: Related Data**

- Foreclosures ➔ see p. 53
- Bankruptcy ➔ see p. 57
- Unemployment ➔ see p. 59
- Underemployment ➔ see p. 60
- Public assistance ➔ see p. 66
- Infant health ➔ see p. 74
- Lack of health insurance ➔ see p. 78
- Housing cost burdens ➔ see p. 94
SEEKING SECURITY

INDICATOR 1: SAVINGS AND DEBT
INDICATOR 2: JOB SECURITY
INDICATOR 3: THE SAFETY NET
KEY STATISTICS

- Home values in Silicon Valley have fallen by 25% since 2007 and have yet to show any growth. Homeowners in the lowest-priced tier of housing have lost the most value on their homes, while owners of million-dollar homes emerged largely unscathed.

- The pace of foreclosures has slowed considerably over the past two years, but foreclosure activity remains three times higher than the pre-crash baseline.

- Over the decade, the homeownership rate in Silicon Valley not only declined, but fell twice as fast as the national rate. In 2010, 57.6% of Silicon Valley households and 65.1% of households nationwide owned their home.

- Real net worth of the median U.S. household plunged 39% in 2010, erasing all gains since 1989.

- Personal bankruptcies in Northern California reached a record high in 2010-11 and remain elevated; the 2005 law that make personal bankruptcy filing harder did not prevent bankruptcies from soaring.
WHY IT MATTERS

If income inequality is a widening gap, wealth inequality is a chasm. The top 1% own 35% of all wealth in the United States, while the bottom 25% don’t own – they owe. 2010 marked the highest negative net wealth on record for the bottom quartile of households, who owed an average of $12,800 more than they were worth.

Wealth, assets and debt matter because they are key to financial security. If you lose your job, or have your hours cut, or suffer a medical emergency, savings can help you pull through. But if you have debt payments that keep coming due, you may be one income loss, emergency expense, or interest rate reset away from defaulting - leading to additional costs, eventually to home foreclosure, or even to bankruptcy.

Furthermore, assets allow people to invest in their future and that of their children. Homeownership, retirement savings, and higher education are all investments made by individuals which benefit society as a whole through more stable and well-maintained communities, fewer impoverished seniors dependent on public assistance, and a more educated workforce.

The triple whammy of the housing bubble implosion, losses of retirement savings, and high unemployment has stolen away decades of savings from millions of Americans. By 2010, 32.5% of all U.S. households had negative or zero net worth – up from 19.2% in 2007, and the highest of any year on record.1

Why has middle-class wealth fallen so far, so fast? There’s no one answer, but a hint of where the problem lies was revealed with the breaking news in summer 2012 of the LIBOR rate-fixing scandal.

The sudden disappearance of trillions of dollars in families’ assets is a major driver behind both the Great Recession and the sluggishness of the recovery. Restoring oversight of the swollen financial sector is a critical step to restoring middle-class security – and sustainable economic growth.

“The trend in real median net worth . . . [shows] the magnitude of what’s been lost in the Great Recession. We’re talking two decades of gains, gone.”
– Economist Jared Bernstein, June 12, 2012
**FINDINGS: SAVINGS AND DEBT**

**HOMEOWNERSHIP**

Home values have fallen by 25% and have yet to show any growth; homeowners in the lowest-priced tier have lost the most value on their homes.

The median value of homes in the San Jose metro area has fallen by 25.5%, from a peak value of $741,900 in May 2007 to $553,000 in January 2012. The median value of homes in the San Jose metro area has fallen by 25.5%, from a peak value of $741,900 in May 2007 to $553,000 in January 2012.3

As of January 2012, median home values in the region have yet to show any growth. Over the past year values remained essentially stagnant, with a decline of 1.6%.

Although no segment of residential real estate has been immune from this crisis, the losses have not been shared equally by all homeowners. The Zillow Home Value Index divides homes in each metropolitan statistical area into three tiers, each representing 33% of the housing market (top third, middle third, bottom third).

Houses in the most-expensive tier of Silicon Valley real estate have largely retained their value, except for those purchased during the peak of the bubble in 2006-08. Top-tier homes saw only a single year of declining values, in 2009. As of January 2012, the median top-tier home is worth $1 million. A homebuyer who purchased a top-tier home in 2002 has enjoyed a 32% increase in their home's value over the past ten years, despite the crash.

Middle-tier homes did not fare as well. Their value has declined for five consecutive years. As of January 2012, the median middle-tier home is worth $546,000, down from $723,000 in 2006. A homebuyer who purchased a middle-tier home in 2002 has seen only a modest gain in value of 13% over ten years – a rate of return that failed to outpace inflation.

But the brunt of the crash was borne by the lowest tier of homeowners. Their homes’ value has also declined for five consecutive years, but the drop was much steeper: from $588,000 in 2006 to $358,000 as of January 2012. A homebuyer who purchased a lower-tier home in 2002 has lost money; over ten years, the median value for lower-tier homes has fallen by 13%.

An unlucky lower-tier homebuyer who bought in 2006, near the market’s peak, has lost $256,000 – 43% of the purchase price. In contrast, the typical purchaser who bought a top-tier home in 2006 has lost $90,000 in value, just 8% of the purchase price.

As a result of this decline, many homeowners (those who have not already lost their homes) owe more on their home than it is worth, a harmful financial situation referred to as being “underwater” in one's home. A May 2012 study by Zillow Inc. of the 30 largest metro markets found that 22.7% of San Jose homeowners remain underwater.4 While this is below the national rate of 31.4% nationwide, it is very high relative to historical norms, and signals that more than one out of five homeowners is in a precarious financial position.

* Home sale prices have recently increased, but this is due to a change in the mix of homes being sold (with more sales taking place for the highest-end houses), not to a bump in the typical home’s value. (See Home Sales and Prices, page 96.)
The pace of foreclosures is slowing, but foreclosure activity remains three times higher than the pre-crash baseline.

When the housing bubble imploded in 2007-08, it set off a chain reaction of plummeting home values, rising mortgage payments and an economic downturn. These factors combined to push foreclosures to unheard-of levels.

Santa Clara County, with its already overheated housing market, was hit hard. At the height of the crisis over 4,000 homeowners per quarter were receiving notices that they had defaulted on their mortgage – an eightfold increase from typical levels.

Since that high point, foreclosures have steadily slowed. As of the second quarter of 2012, just under 1,500 notices of default were sent out, down almost two-thirds from the foreclosure peak in 2009.5 (See Figure 2.2.)

Foreclosure activity is moving in a decidedly positive direction for homeowners. But the rate is still elevated, with three times the number of quarterly notices of default. The key question is: will foreclosures continue to fall?

The answer will depend on both the housing market and the job market. The record number of foreclosures has been driven by the toxic combination of falling home values and job losses.

When home value declines below the purchase price, homeowners can find themselves in the situation of owing more on their mortgage than the home is worth, know as negative equity or being "underwater" in one’s home. As discussed in the previous section, lower-end home values remain depressed, and 22.7% of homeowners are still underwater.

In a more normal housing market, a homeowner who could not make his or her mortgage payment due to extended unemployment would have the option of selling their home and paying off the mortgage with the proceeds. For underwater homeowners, that is not an option. If their income drops due to job loss and they cannot find money to make payments, they will be forced into the foreclosure process.

Foreclosure has a devastating and prolonged impact on families and communities. A 2010 national study examined the impact on Latino families, who in San Jose have been disproportionately hit by foreclosures. In addition to financial losses, the national study found profound effects of losing the family home and financial safety net: strained relationships among family members, including parents’ relationships with their children; a decrease in academic performance and increase in behavioral problems among school-age children; increased dependence on extended family and public assistance; and possible loss of future educational opportunities for children.6
The homeownership rate has fallen faster and further in Silicon Valley than in the nation.

The foreclosure wave combined with difficulty in buying a home has pushed down the homeownership rate in Silicon Valley. In 2000, 57.6% of households owned their home, down from 59.8% in 2000. (See Figure 2.3.)

The homeownership rate in the United States moves slowly and almost always in an upwards direction, so this decline is a red flag.

Silicon Valley is not alone; homeownership rates also declined at the state and national level. However, the drop in Silicon Valley was twice as large. The region's rate of homeownership declined by 2.2 percentage points, compared to 1.0 points at the state level and 1.1 points nationally.

The homeownership rate in Santa Clara County is now 57.6%, well below the national level of 65.1%.

Silicon Valley now has a lower homeownership rate than the U.S.: 57.6% vs. 65.1%.
Real net worth of the median U.S. household plunged 39%, erasing all gains since 1989

Middle-class households’ loss of wealth in the Great Recession was even steeper than their loss of income. Real median net worth – the total of all savings and assets, with debts subtracted – plunged from $126,400 in 2007 to $77,300 in 2010. (See Figure 2.4.)

The drop in homeownership and home prices was a major factor behind this decline; losses of savings and investments also contributed to the drop. (Net worth data is not available on the local level.)

The sudden erasure of 39% of household wealth has inevitably had a profound effect upon the economy. With fewer assets, the average American has less economic security and less money to spend.

In a normal housing market, the “housing wealth effect” describes the additional consumer spending in an economy resulting from rising home values. The Great Recession generated a negative housing wealth effect; combined with the losses in the housing market itself and a smaller consumption effect from losses in other assets, the U.S. economy lost an estimated $1.2 trillion in annual demand.

With roughly 70% of the U.S. economy based on consumer spending, this precipitous decline in wealth has created a considerable drag on economic growth and is a key reason behind the sluggishness of the recovery.
The greatest losses in wealth hit those households on the verge of retirement

Breaking down the drop in net worth by age reveals that Americans of every age sustained large losses in the Great Recession.

The smallest loss was among those under age 35, who had hardly anything to lose in the first place; their net worth declined from $12,400 to $9,300. (See Figure 2.5.)

The biggest loss hit those families most likely to be on the verge of retirement: those with a householder aged 55 to 64. In just three years those households lost $86,800 in median net worth. 11

With their wealth decimated, these households may no longer be in a position to retire at the typical age. They may have to remain in or reenter the workforce, placing further pressure on a labor market that is already not producing enough jobs.

A wealth gap of 84% separates white and non-white households

There is an enormous wealth disparity in the United States today. Nationwide, the average non-white household has a net worth just 16% that of the average white household. 12 (See Figure 2.6.)

Homeownership is a major contributing factor to this gap. In Silicon Valley as in the nation, communities of color were the hardest hit by the foreclosure crisis, with disproportionate impacts on Latinos, African-Americans and immigrants. Up until the housing market collapsed, San Jose area homebuyers in predominately minority neighborhoods were more than five times as likely to end up with a high-cost subprime mortgage than homeowners in predominately white neighborhoods. 13

While some portion of this gap is due to the historical legacy of discrimination, another portion is intentional exploitation. For instance, Wells Fargo has been ordered by the Department of Justice to pay $175 million to settle charges of discrimination in lending: charging higher interest rates on home loans to more than 34,000 African-American and Hispanic borrowers based solely on their ethnic background, what the Justice Department called a “racial surtax.” 14
Personal bankruptcies reached a record high in 2010-11 and remain elevated; the 2005 changes to federal bankruptcy law did not prevent bankruptcies from soaring.

When individual families experience a financial collapse, declaring bankruptcy is sometimes their only way out.

In northern California, bankruptcies reached an all-time high in 2010-11, with 37,416 people filing for bankruptcy. (See Figure 2.7.) This number has come down somewhat in 2011-12 to 32,104. But it remains higher than at any point prior to the Great Recession.†

A major factor driving this increase is the housing crisis. Between 2006 and 2008, personal bankruptcies rose 118% in the 16 states with declining home prices, more than double the rate of increase seen in states with stable home prices. This statistic reinforces the idea that homeowners had been using home equity loans or lines of credit as a financial safety net in times of crisis or simply to make ends meet. With the steep declines in Silicon Valley home values over the past three years this safety net has vanished, forcing more people into bankruptcy.

A 2005 change in federal law added tighter restrictions on individuals' ability to file for bankruptcy. The law's stated purpose was to reduce the number of bankruptcies. However, making bankruptcy more onerous did nothing to address the root causes of increasing bankruptcy filings, such as falling real incomes.

Even before the current financial crisis, more than half of U.S. middle class families had no net financial assets, and two out of every three middle-class families was financially insecure (as measured by an index developed by research institute Demos which assesses family financial security along five dimensions: education, assets, housing, budget and healthcare).† Families with little savings or assets have nothing to draw on in the event of a sudden income drop or a major expense – they are just one emergency away from bankruptcy. In 2007, medical problems or expenses contributed to almost two-thirds of all bankruptcies.

The new federal bankruptcy law thus had little effect except to make families' tough financial situations even tougher. After a brief decline in 2006-07 and 2007-08, bankruptcy filings resumed their upward path.
KEY STATISTICS

• Long-term unemployment in California has grown 159% since 2007, reaching unprecedented levels. In 2011, 45.6% of all unemployed workers had been looking for work for more than six months.

• Since 2007, underemployment in the San Jose region has grown nearly three times as fast as unemployment; by 2011, one out of every four workers was underemployed.

• The working poor, who comprise 16.2% of Silicon Valley’s workforce, are heavily concentrated in the growing leisure and hospitality sector. Among all industries, manufacturing workers are least likely to be low-income.

• The unionization rate of Bay Area workers declined in 2011. For the first time, less than 10% of private sector workers are unionized.

WHY IT MATTERS

Lack of job security is a major contributor to workers’ increasing inability to hold on to their middle-class status. Just as businesses suffer in the face of economic uncertainty, so do individuals; workers whose income is undependable have difficulty planning for the future, and may be unable to access credit, finance major purchases, or even rent a house or apartment. Unemployment, underemployment and the general shift away from stable jobs all add up to heightened insecurity for the middle class.

A defining characteristic of the Great Recession and its aftermath has been the prevalence of long-term unemployment. It has now become commonplace to be looking for work for six months to a year after a job loss. Yet individuals who remain unemployed for lengthy periods face increasing difficulty landing a job. Their skills are no longer up to date, they are unfamiliar with the latest technology, and employers commonly discriminate against unemployed applicants, especially those who have been out of work for long enough to produce the dreaded “gap” in their resume.

Even these extremely high rates of unemployment and long-term joblessness do not show the whole picture. Hundreds of thousands of Silicon Valley workers are underemployed, including those who have been forced to take part-time work, and those “discouraged workers” who, finding no jobs available, have given up actively searching.

While essential, work alone does not guarantee security. The ranks of the working poor – those who have a job so low-paying that their household income remains below 200% of the federal poverty line – are growing in Silicon Valley and nationally. Nationwide, the working poor are overwhelmingly female and minority.

Basic community standards dictate that people cleaning billion-dollar buildings or working for highly profitable multinational corporations should be able to feed their families and keep a roof over their heads. Yet this is increasingly not the case. A 2012 U.S. study by the National Employment Law Project found that two-thirds of low-wage workers are employed by large corporation with over 100 employees. Last year, the 50 largest employers of low-wage workers paid top executives an average of $9.4 million.
Long-term unemployment for California workers has grown 159%, reaching unprecedented levels; in 2011, 45.6% of all unemployed workers had been looking for work for more than six months.

Adding to the hardships created by high unemployment is the fact that the nature of unemployment has dramatically changed. Since 2007, the proportion of unemployed workers in California who have been out of work for more than 26 weeks—the definition of long-term unemployment—has undergone an explosive increase of 159%. (See Figure 2.8.)

As of 2011, 45.6% of California’s unemployed workers had been jobless for more than 26 weeks (approximately six months). This is a slight decline from 2010.25

Long-term unemployment at these levels represents a new paradigm—one in which laid-off workers do not face a job search of a few weeks or months, but must be prepared to endure a prolonged jobless spell of half a year to several years. The United States’ workforce system was built upon the assumption that laid off workers who put effort into their job search could quickly find work. Neither traditional unemployment insurance, nor job search services designed to assist unemployed workers, nor retraining programs are designed to deal with so many workers facing such stubborn and prolonged unemployment.

The profound negative effects of long-term unemployment on families are well-established, and this recession has hit families with children particularly hard. This increase in long-term unemployment causes considerable hardship for families; unemployed workers stuck in an extended spell of unemployment are forced to postpone medical treatments, cut back on spending for food, change living arrangements and have trouble paying utility bills.26

“A growing number of employers are refusing to consider people who are out of work for job openings. . . . This is what you call taking “you have to have a job to get a job” to insane heights.”

—Tammerlin Drummond, columnist, Contra Costa Times, May 18, 2011
Since 2007, underemployment in the San Jose region has grown nearly three times as fast as unemployment; by 2011, one out of every four workers was underemployed.

Workers in the Great Recession have seen increasing levels of underemployment. The ranks of the underemployed include those who are officially unemployed, plus those who are employed on a part-time schedule because they cannot find full-time work. Furloughs and cuts in hours made underemployment a defining feature of the Great Recession; even now that the economy is slowly returning to growth, employers may be moving to hire more part-time and contract workers rather than commit to full-time employment.

Underemployment also includes those who want a job and are available to work, but have given up actively searching. As discussed above, 46% of unemployed workers have been out of work for more than a year. If these long-term unemployed stop job hunting, they are no longer counted in the unemployment rate. Thus the underemployment rate shows more clearly the gap between the number of jobs available and the number of people who need work.*

In 2010, underemployment in Silicon Valley reached what is probably an all-time high: 27.8% of the workforce was underemployed. (See Figure 2.9.)

This rate came down slightly in 2011, ending at 25.6% underemployed, still an historic high. By comparison, the U.S. underemployment rate for 2011 was 15.9%, and California’s was 21.1%.27

The underemployment rate reveals the depth of the hole into which the workforce fell in the Great Recession, and how little progress has been made in climbing out of the hole. From 2007 to 2011, the number of unemployed workers in Silicon Valley (as an annual average) grew 54%. Over the same period, the number of underemployed workers grew 137% - an increase nearly three times as great.28

A 2010 national study found that underemployment in the current recession has been highly concentrated among workers from lower income households. Employed workers in the lowest income decile were 13 times as likely to be underemployed as workers in the top decile.29

The cost of underemployment can be severe in both lost hours of work and lower hourly wages, resulting in dramatically reduced earnings.

In evaluating Silicon Valley’s progress towards recovery, it will be critical to track the underemployment rate as well as unemployment.

* Some analyses of underemployment add in workers who are employed at jobs below their educational level, such as individuals with bachelors’ degrees in jobs that do not require any college. However, the Bureau of Labor Statistics definition of underemployment does not consider this category of workers to be underemployed, so they are not included here.
In 2010, 151,932 Santa Clara County workers were in households below 200% of the federal poverty level; these are the working poor, representing 16.2% of the workforce.

While unemployment obviously is a major factor contributing to working families’ financial insecurity, even having a job is often not sufficient to lift workers and their families out of poverty. In 2010, 151,932 employed workers in Santa Clara County had household incomes that fell below 200% of the Federal Poverty Level ($36,620 for a family of three). This household income is equivalent to two adults working full-time, year-round at $8.80 per hour – barely above the current minimum wage.

Low-income workers made up 16.2% of the workforce; a substantial increase from 2008, when low-income workers were 12.7% of the workforce.

The working poor are heavily concentrated in the growing leisure and hospitality sector; manufacturing workers are least likely to be low-income, highlighting the need to reinvigorate manufacturing employment.

The prevalence of low-wage work within an industry is determined by a combination of the hourly wages paid and the hours per week or weeks worked per year. Figure 2.10 shows the concentration of low-income workers – employed workers who had a household income less than 200% of the Federal Poverty Level – in Silicon Valley’s major industries.

Three industries saw large jumps in low-income workers between 2008 and 2010: leisure and hospitality, construction, and “other services”, which includes repair & maintenance and personal & laundry services. These were also the three industries with the highest prevalence of low-income workers. Together with one other sector – retail – these four industries alone account for over half (51.3%) of all low-income workers in Silicon Valley.

Leisure and hospitality has by far the highest concentration of low-wage work; 38% of employees are low-income, up from 28% just two years ago. The prevalence of low-wage jobs in leisure and hospitality is of particular concern because it is one of the few sectors that has been adding jobs in Silicon Valley over the past decade (see Chapter 1, page 33).

In contrast, in the manufacturing sector the portion of low-income workers is just 7.1%; the lowest of any industry. This makes manufacturing particularly important for sustaining a strong middle class, as it offers living-wage jobs accessible to the half of Silicon Valley’s population that does not have a college degree.

But Silicon Valley has lost nearly a hundred thousand manufacturing jobs since 2000. Reducing the ranks of the working poor will require a two-pronged approach: lifting up wages in low-wage sectors such as hospitality and reinvigorating growth of middle-class jobs in manufacturing.
The unionization rate of Bay Area workers declined in 2011; for the first time, less than 10% of private sector workers are unionized.

For the first time since data are available, the unionization rate of the Bay Area’s private sector workers has fallen below 10 percent. In 2011, just 9.3% of private sector workers were covered by a union contract. (See Figure 2.11.)

Overall union coverage for all Bay Area workers also fell slightly in 2011, dropping to 17.0%.

Under the right circumstances, unionization can set standards for an entire industry, improving job quality for both union and nonunion workers. However, this kind of industry-wide effect generally occurs only in industries that enjoy a high union density. As union density in the U.S. has been eroded, job security has declined in many fields.
KEY STATISTICS

- Federal extended unemployment benefits are providing a much-needed safety net for the long-term unemployed, who make up nearly half of all unemployed in California.

- Unemployment payments in California have dropped during the recession; unemployment now replaces only 44.8% of the average laid-off worker’s wages, below the national average and falling far short of the cost of living.

- Due to state funding cuts and federal restrictions enacted following welfare reform, CalWORKs has failed to serve as a safety net in the recession; 81 thousand Santa Clara County residents are depending on food stamps only, as food stamps use has grown 114% from 2008 to 2012.

- Among older adults, 16.7% receive direct public assistance from the County.

WHY IT MATTERS

The social safety net is supposed to be a means of support for households negatively impacted by economic conditions, providing a degree of insulation against job and income insecurity. But the safety net is ill equipped to respond to unemployment of the current magnitude and duration. Nor can it make up for real wages which have not risen in a decade.

Extended unemployment benefits provided by the federal government have helped jobless workers to weather the economic storm. But the unemployed face a financial cliff. Unless Congress acts to reauthorize the unemployment extension, in the week between Christmas and New Year’s an estimated 2 million jobless workers nationwide will lose federal unemployment benefits. Another 900,000 will see their state benefits run out in the first three months of 2013.  

Support for the safety net in California has eroded over the past two decades. Welfare spending in California has fallen from 6.8% of the state budget in 1996-97 to just 2.9% of the budget in 2011-12. The new budget for 2012-13 makes still more cuts to CalWORKs, totaling a $469 million reduction in funding. It also cuts more than $160 million for childcare and preschool programs aimed at supporting low-income working parents and giving their kids the opportunity for critical early childhood education.

Not only is public assistance diminishing; private charities and community based organizations are grappling with diminishing resources and growing need. Nonprofit organizations in Santa Clara County that provide help with food, clothing, school supplies, housing, job search, and other much-needed services were hit with a total $10.5 million cut in government funding in 2011, coming on the heels of a $7 million cut in 2010.

Without the support of the safety net, job and income insecurity has lasting effects on individuals, families and communities. Children in particular are deeply affected by poverty. Multiple studies have found that children who experience poverty are less likely to complete high school and, as adults, are more likely to earn poverty wages themselves. The social cost of childhood poverty in the United States is estimated at $500 billion per year— even before the Great Recession. 
Federal extended unemployment benefits are providing a much-needed safety net for the long-term unemployed in California.

Unemployment insurance is intended to provide a safety net for laid-off workers and their families. The program’s rules and regulations, designed more than fifty years ago, exclude many people who lose their jobs in today’s labor market, with the result that, for most of the 2000s, only two out of every five unemployed workers in California actually received state unemployment benefits.39

With the federal extension of unemployment insurance, more than half of all jobless workers have been able to access benefits. (See Figure 2.12.)

However, the current federal program providing extended benefits to the long-term unemployed is set to expire on January 2, 2013.

This means that workers who were laid off after June 2012 will have no federal benefits; when they exhaust their state unemployment, they will be cut off. Workers who are currently receiving federal benefits will lose their benefits on January 2nd. The National Employment Law Project estimates that the federal program expiration will leave two-thirds of all unemployed workers beginning the new year with no benefits at all.40

In California the consequences may be even more dire. As of the first quarter of 2012, only 27% of unemployed workers are receiving state unemployment payments; when federal payments are included, that number jumps to 53%.41 If federal unemployment disappears, half of all California workers currently receiving unemployment may lose it.

Unless Congress acts to continue extended benefits, millions of long-term unemployed workers may be thrown off of unemployment insurance and find themselves with no source of income.
Unemployment payments in California drop during the recession; unemployment now replaces only 44.8% of the average laid-off worker's wages, falling short of the cost of living.

Those who do receive jobless benefits still must struggle to get by on less than half their previous salary. As of June 2012, the average weekly unemployment insurance payment in California was $296.93, a 4% decline (before inflation) from June 2008. (See Figure 2.13.)

The average unemployment payment equates to $1,287 per month, before taxes. In Silicon Valley, rent alone is higher than that entire sum, average monthly rent in June 2012 was $1,961 (see Building a Community, page 93).

Prior to the recession, California had been making steady progress in raising the payments provided by unemployment insurance to a more sustainable level. Unemployed workers got a boost in 2002, when California increased the benefits payable through the state's unemployment insurance program.

Previously, California had one of the lowest benefit rates in the country, with the average benefit replacing only about 39% of a worker's previous wages. In 2007, the average benefit replaced 49.0% of wages, above the national replacement rate of 47.0%.

By 2010, the replacement rate for California workers had fallen to 44.8%, once again below the national average.43

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*Figure 2.13 Source: U.S. Department of Labor*
PUBLIC ASSISTANCE

CalWORKs has failed to serve as a safety net in the recession; 81 thousand Santa Clara County residents are depending on food stamps only, as food stamps use soars 114%.

CalWORKs and CalFRESH (food stamps) are the two large-scale public assistance programs which directly supplement inadequate family incomes: CalWORKs through cash aid, and CalFRESH through credit for food purchases.

Just as the time when high unemployment increased the need for income supports, the state of California cut back significantly on the support it provides. Between 2008-09 and 2011-12, a cumulative total of $3.5 billion was cut from CalWORKs, which provides temporary cash assistance to extremely low-income parents. Santa Clara County alone lost an estimated $91.7 million.44

Federal welfare reform enacted in the 1990s placed additional restrictions on TANF, the federal program of which CalWORKs is a part. As the Great Recession has now demonstrated, these changes largely eliminated the ability of TANF to serve as a safety net during economic downturns.45

Because of these cuts to CalWORKs as well as the underlying structure of TANF, the number of children and adults in the county receiving CalWORKs aid has actually declined during the recession and its aftermath. As of April 2012, there are 3.3% fewer County residents receiving CalWORKs assistance than there were in April 2008. (See Figure 2.14.)

Yet the slow growth in CalWORKs does not indicate a lack of need. On the contrary: over the same time period, the number of Santa Clara County residents receiving “food stamps only” (that is, food stamps but no CalWORKs or other cash aid) has more than doubled.

This startling 114% increase in only four years is just the tip of the iceberg. California’s food stamp participation rate is the second lowest in the nation; many hungry people cannot afford enough food but do not receive food stamps. As of 2011, Second Harvest Food Bank reports that it is providing food to one out of every ten people in Santa Clara and San Mateo counties.46
Among older adults, 16.7% receive direct public assistance from the County

Not only working families have suffered in the Great Recession. Retirees lost assets on which they depend for income and have struggled to keep up with the cost of living.

Many public assistance programs largely exclude low-income seniors; for example, CalWORKs is targeted to families with minor children, and General Assistance is typically for adults able to work.

However, other public assistance programs serve a disproportionately large number of seniors.

Individuals age 60 or over make up 15.9% of Santa Clara County’s population, yet they are 18% of Medi-Cal recipients, demonstrating the huge need among the older population for assistance with health care costs. Another smaller cash aid program, CAPI, serves elders nearly exclusively at 97.7% of its caseload. (See Figure 2.15.)

The main driver for senior enrollment in Medi-Cal is the need for nursing home or other long-term care beyond what Medicare will cover. This need is projected to increase as the population ages. At the same time, the middle-class squeeze has left the adult children of seniors less able to help pay for their long-term care needs. In a Sept. 2012 survey of California voters aged 40 and over, nearly half said that a close family member would need long-term care within the next five years, and two-thirds were worried about being able to afford the cost of long-term care. The average cost for one month of nursing home care in California is $6,800.47

In total, 47,551 seniors – 16.7% of the total population aged 60 and up – receive some form of public assistance from the County. Many more are struggling. The UCLA Center for Health Policy Research estimates that 28 percent of seniors (aged 65 and above) have inadequate income to cover the basic costs of food, housing and health care. Since 2008, a series of funding cuts in core services for seniors, including among others reductions to Adult Protective Services, cash aid to poor seniors, adult day health care, Medi-Cal coverage, and senior nutrition programs, have left many of the low-income elderly with nowhere to turn.48

“It used to be most people would need our help for a few weeks or a couple of months. Now, it is often many months.” – Poncho Guevara, director, Sacred Heart Community Service, in the Sept. 16, 2011 Silicon Valley Business Journal
3

STAYING HEALTHY

INDICATOR 1: CHILDREN’S HEALTH
INDICATOR 2: ADULT HEALTH
INDICATOR 3: HEALTH CARE ACCESS AND INFRASTRUCTURE
INDICATOR 1
Children’s Health

KEY STATISTICS

- As a result of the efforts of the Children’s Health Initiative, 153,000 children in Santa Clara had public health coverage in 2011, up from 67,000 in 2000.
- As of 2010, U.S. Census Bureau data shows that 94.4 percent of Santa Clara County children are insured – the highest rate among California’s 58 counties.
- The Children’s Health Initiative made up for a decline in employer-based insurance; from 2001 to 2009, the portion of children covered by their parents’ job-based health insurance fell by 8 percentage points.
- Santa Clara County is making progress in reducing the childhood obesity rate; overweight/obesity among pre-teens declined from 32% in 2000-01 to 26% in 2010-11.
- Latino children are the most impacted by obesity and have seen the least progress; 39% of Latino pre-teens were overweight or obese in 2010-11, virtually unchanged from 40% in 2000-01.
- Three out of every 20 mothers in Santa Clara County do not receive timely prenatal care; among Latinas and African Americans, the number rises to four out of 20.
- African-American and Asian Pacific American infants remain most likely to be born underweight.

WHY IT MATTERS

There are few things more vital to the well-being of a community than the health of its children. Kids with health insurance coverage are more likely to receive necessary preventative treatment, more likely to see a doctor when they are sick, and less likely to miss school.

In 2001, a broad community partnership in Santa Clara County launched the pioneering Children's Health Initiative (CHI), making it the first county in the nation to commit to the goal of health coverage for 100% of children. Since that date, CHI has helped parents apply for health coverage for a total of more than 210,625 children throughout its ten years of operation.

Recent trends in overall children’s health coverage have continued to be largely positive, as local advocacy has helped expand access to quality public health insurance programs despite the twin challenges of reduced funding and increased need as fewer children have access to their parents’ job-based private health insurance. As of 2010, U.S. Census Bureau data shows that 94.4 percent of Santa Clara County children are insured – the highest rate among California’s 58 counties.1

Implementation of federal health care reform as provided by the 2009 Affordable Care Act (ACA) offers both an opportunity and a challenge for children’s health in Santa Clara County. The insurance market provisions slated to begin in 2014 will increase access to insurance coverage for both children and adults. However, it will be critical for the county to ensure that those children who have gained health insurance through CHI but are not eligible for Medicaid coverage or premium subsidies under the ACA do not lose their health coverage, which would reverse a decade of progress towards universal children’s health insurance in Santa Clara County.
As a result of the efforts of the Children’s Health Initiative, 153,000 children in Santa Clara had public health coverage in 2011, up from 67,000 in 2000.

In 2001, a broad community partnership in Santa Clara County launched the pioneering Children’s Health Initiative (CHI), making it the first county in the nation to commit to the goal of health coverage for 100% of children. Since that date, CHI has helped parents apply for health coverage for a total of more than 210,625 children throughout its ten years of operation. Despite funding cuts, the Children’s Health Initiative managed to maintain children’s health insurance levels in 2011 at approximately 153,000 children covered, the same number as in 2010. (See Figure 3.1.)

Children’s health and access improved significantly when they gained health coverage through CHI. For those children enrolled in the local Healthy Kids insurance program, their likelihood of being in fair or poor health fell by one-third after just one year in Healthy Kids. Their likelihood of missing three of more school days due to illness fell by half. And their number of well-child doctors’ visits increased by 72%.²

Among all children in the county, only 4.6% were reported to have no usual source of health care, significantly below the 8.4% statewide average.³

The model created by CHI has been replicated in 30 California counties and provided an important push for state and national health care reform.

“[A]ccess to health care is one of the most significant factors to ensuring that our children become and remain healthy.”
– Kathleen King, Executive Director, Santa Clara Family Health Foundation, May 2012.
The Children’s Health Initiative made up for a decline in children’s health coverage by employer-based insurance.

From 2001 to 2009, the portion of children covered by their parents’ job-based health insurance fell by 8 percentage points. Thanks to the countywide efforts to expand health coverage for children, the drop in job-based coverage did not leave more kids uninsured. Over the same time period, the portion of children covered by public health insurance programs increased by 8 percentage points.

Combined with a small increase in the portion of kids with individually purchased insurance, the public efforts succeeded in expanding coverage for children and driving the uninsured rate down. As of 2010, U.S. Census Bureau data shows that 94.4 percent of Santa Clara County children are insured – the highest rate among California’s 58 counties.

As of 2010, U.S. Census Bureau data shows that 94.4 percent of Santa Clara County children are insured – the highest rate among California’s 58 counties.
Santa Clara County is making progress in reducing the childhood obesity rate, but 26% of pre-teens remain at an unhealthy weight; for Latino children, the rate is 39%.

An overwhelming 95% of Bay Area adults believe that overweight or obesity among teenagers is a problem, with 69% defining it as a major problem. An extensive body of research shows that obesity increases risk for a number of diseases including Type 2 diabetes, heart disease, kidney failure, arthritis, and certain cancers, as well as exacerbating joint and bone problems and respiratory illnesses like asthma.

Santa Clara County has put considerable effort into strategies to reduce childhood obesity. These efforts appear to be bearing fruit. The percentage of 5th, 7th and 9th grade students in Santa Clara County who are above a healthy weight, as measured by Body Mass Index (BMI), has declined from 32% in 2000-01 to 26% in 2010-11 (see Figure 3.3). In 2010, Santa Clara had the 14th lowest childhood overweight/obesity rate out of the 58 California counties.

However, this improvement masks divergent trends among children of different ethnicities. Most of the progress in reducing childhood overweight/obesity rates has been made among white and Asian children. The portion of white children within the healthy fitness zone grew from 70% in 2000-01 to 82% in 2010-11; for Asian children the increase was almost as large, from 74% to 82% at a healthy rate.

Yet among Latino and African-American children, who are the most impacted by overweight/obesity, little progress has occurred. Among African-Americans, 69% were at a healthy weight in 2010-11, only a slight improvement from 65% in 2000-01. For Latinos, there has been virtually no change: 61% were at a healthy weight in 2000-01 and 61% in 2010-11.

Clearly, targeted efforts are needed to address racial, ethnic and socioeconomic disparities in childhood overweight and obesity prevalence among Santa Clara County children.

While most data focuses on preteens and teens, the obesity epidemic is hitting Santa Clara County residents at an increasingly young age; 33% of children aged 2 to 5 are already overweight or obese.

The current U.S. rate of increase in childhood obesity, if left unchecked, will shorten the average lifespan of today’s children by an estimated 2 to 5 years, making obesity a bigger killer than homicide. Epidemiological research projects that if this trend continues, for the first time in over 200 years, today’s generation of American children may have shorter life expectancies than their parents.
Three out of every 20 mothers do not receive timely prenatal care; among Latinas and African Americans, the number rises to four out of 20.

An expectant mother’s access to early prenatal care can significantly reduce the risk of health problems for her child as well as herself. Mothers who do not receive prenatal care face a three times greater chance of a low birth weight infant and a five times greater chance that the baby will die.

In 2010, 14.9% of infants in Santa Clara County were born to mothers who received late (after the first trimester) or no prenatal care. The 2010 number was down from a high of 16.7% in 2008, but remained elevated over earlier years. From 1995 to 2005, only about 13% of mothers did not get timely prenatal care. The reason for this jump is unknown, but the troubling increase in mothers not receiving timely prenatal care has now persisted for five years.

Santa Clara County continues to fall short of the national Healthy People 2010 objective to provide at least 90% of mothers with the early prenatal care they need.

Silicon Valley also suffers from large ethnic disparities in access to timely prenatal care. As of 2010, 20% of African-American infants and 21% of Latino infants were born to mothers who received later or no prenatal care.

Lack of health insurance may contribute to this disparity; as of 2007-09, 28% of Latina or African American women in the county were uninsured, more than double the 11.3% uninsured rate for women of all races.

Implementation of the Affordable Care Act slated to begin in 2014 will likely reduce disparities in access to prenatal care. All insurance companies are now required to provide specific preventative health benefits to members, which will include maternity and newborn care. Beginning in 2014, the provisions of the act designed to increase health insurance coverage will come into effect, further increasing access to prenatal care.

Figure 3.4 Source: Santa Clara County Public Health Dept.
African-American and Asian Pacific American infants remain most likely to be born underweight.

Birth weight is a key indicator of infant health. Low birth weight babies are at higher risk for infant mortality, as well as for long term disabilities and other health conditions. In Santa Clara County, the share of infants born at low birth weights has remained fairly steady. In 2010, 6.9% of babies had a low birth weight (defined as less than 2,500 grams). This was little changed from 7.2% in 2009 and 6.5% in 2008. (See Figure 3.5.)

The portion of babies born underweight has ticked up slightly since the first few years of the decade, when it was just above 6%.

This increase is due primarily to a growing proportion of Asian / Pacific Islander infants with low birth weights. In 2010, 7.6% of API infants were born at low birth rates, compared to 6.7% in 2000. While this may be simply a statistical anomaly, it bears watching as a potential public health concern.

Along with African American infants, Asian/Pacific Islander infants are most at risk of low birth weight, at 9.6% and 7.6% low birth weights respectively. Latino babies (6.2%) and white babies (6.3%) are least likely to be born below a healthy weight level.

Overall, Santa Clara County is not meeting the national Healthy People 2010 objective of 5.9% or fewer babies born underweight.

Figure 3.5 Source: Santa Clara County Public Health Dept.

“Humankind owes to the child the best that it has to give.”
- 1959 United Nations Declaration on the Rights of the Child
Key Statistics

• The portion of Santa Clara County adults without any health coverage grew from 14.6% in 2008 to 17% in 2010.
• Low-income and non-white adults are the least likely to have health insurance; only 64% of low-income Latinos and 56% of low-income African-Americans are insured.
• Up to 110,000 uninsured residents of Santa Clara County are expected to gain coverage in 2014 as new provisions of the Affordable Care Act come into effect.
• California workers with job-based health coverage faced yet another cost increase in 2011; over the decade, the cost to workers for job-based health insurance premiums has grown by 147%.
• For the first time, over half (58%) of all California families with job-based coverage are in high-deductible plans.
• More than half of Santa Clara County adults are overweight or obese, and the prevalence of adult overweight/obesity continues to grow.

Up to 110,000 uninsured residents of Santa Clara County are expected to gain coverage in 2014 as new provisions of the Affordable Care Act come into effect.
The County of Santa Clara has consistently emphasized residents' health as one of its top priorities, developing innovative models of improving health outcomes. These efforts have borne fruit. In study after study, Santa Clara County consistently ranks near the top in residents' health and well-being. In 2012, health care researchers at the Robert Wood Johnson Foundation ranked Santa Clara County #2 among California's 58 counties – second only to Marin – as the best place for healthy living, based on factors including premature death, smoking, obesity, air pollution and more, as well as socioeconomic factors like poverty and high school graduation. 18

In the 2011 Gallup-Healthways Well-Being Index, an ongoing poll assessing the health and well-being of U.S. residents, San Jose ranked #1 among all large cities nationwide (despite the fact that California as a whole ranked 18th among the fifty states.)19 And over the last decade, San Jose residents enjoyed the highest life expectancy of any major U.S. city.20

Yet Silicon Valley has not been immune to the growing challenges of the U.S. health system, chief among them its outsized costs. Rising premiums, co-pays, and other medical expenses are all impacting working families' budgets as well as business' bottom lines. For the 17% of adults who lack health insurance, a major medical expense or even routine items like filling a prescription may be unaffordable altogether. From 2007 to 2009, the number of Californians with medical debt grew by 400,000, up to 2.6 million.21 Medical expenses contribute to almost two-thirds of all U.S. personal bankruptcies.22

Implementation of the Affordable Care Act, the federal health care reform passed into law in 2009, is expected to considerably improve access to treatment and health outcomes. The ACA includes a number of significant insurance market reforms, many of which have recently taken effect or are now being phased in. The new law restricts the ability of insurance companies to deny coverage based on pre-existing conditions. It limits the way that firms can vary premium prices, so that they cannot "cherry-pick" by charging very high premiums to certain people. It restricts the ability of firms to rescind coverage when an insured person suffers an injury or illness. It allows young adults to remain on their parents' insurance up to age 26. And it prohibits insurance companies from setting a lifetime maximum on essential benefits (that is, for essential benefits an insurance company cannot say there is a maximum on the amount of coverage that you have). All of these market reforms will help to reduce health care costs for individuals and employers.

Beginning in 2014, additional provisions of the ACA will greatly expand health insurance coverage. Nine out of ten non-elderly Californians are expected to have health insurance once the ACA coverage expansion takes place. In Santa Clara County, a projected 110,000 uninsured residents will gain coverage.

Research on previous expansions of health coverage has demonstrated that having health insurance matters – a lot. A recent study looked at three states that expanded Medicaid eligibility to low-income adults alongside four neighboring states that did not, and compared mortality rates for adults aged 20 to 64 in each state before and after the public insurance expansion.

They found that expanding access to Medicaid prevented over a thousand deaths. After adjusting for age, sex and other demographic factors, expanding Medicaid was associated with a 6.1% reduction in the mortality rate.23
The portion of Santa Clara County adults without any health coverage grew from 14.6% in 2008 to 17% in 2010.

When the Great Recession hit in 2008, many employers responded by laying off workers, or for those workers who kept their jobs – discontinuing the provision of employment-based health coverage. This additional drop came on the heels of a decade-plus trend of declining employer-based health coverage.

As discussed in the previous section, for children whose parents lost job-based insurance, public health insurance programs made up for the loss of coverage. But for adults who lost coverage, public coverage was rarely available. The result was an increase in the adult uninsurance rate.

Across the United States and California, millions of workers and their families were thrown off of health insurance. In addition to health effects, the loss of insurance had major financial impacts. Medical debt – one of the leading causes of bankruptcy – soared among Californians. From 2007 to 2009, the number of Californians with medical debt grew by 400,000, up to 2.6 million.24

Santa Clara County, which has long enjoyed one of the lowest uninsured rates in the state, was not immune to the recession’s effects. An annual survey conducted by the U.S. Census Bureau, known as SAHIE, found that 17.0% of Santa Clara County adults had no health insurance in 2010, up from 14.6% in 2008.

Despite this jump in the uninsured rate, the SAHIE survey shows that Santa Clara County is still outperforming most of the state in access to health coverage; in 2010, it had the sixth highest rate of adult health insurance among the state’s 58 counties.

The positive impacts of health coverage can be seen in both increased access to health care and improved outcomes. In 2009, 11.8% of Santa Clara County adults reported having no usual source of health care, significantly below the state average of 17.8%.25 Over the last decade, San Jose residents enjoyed the highest life expectancy of any major U.S. city.26
Low-income and non-white adults are the least likely to have health insurance; beginning in 2014, the Affordable Care Act will substantially reduce these coverage disparities.

The UCLA California Health Interview Survey (CHIS), conducted most recently in 2009, uses slightly different definitions of health coverage than the Census Bureau, and provides more detail on who is covered. As of 2009, CHIS data shows that 86.3% of Santa Clara County adults had some type of health insurance. This compares favorably to the state as a whole, where on average 73.4% of adults were insured.27

Despite this fact, there are notable racial/ethnic disparities in rates of coverage. In 2009, 96% of non-elderly white adults in Santa Clara County had some type of health insurance coverage, compared with 91% of Asians and just 65% of Latinos (see Figure 3.6).

Ethnic disparities in health insurance coverage are even more notable for low-income adults.

Among those with incomes equal to or less than 200% of the federal poverty line, 74% of Asians, 64% of Latinos, and 56% of African Americans have insurance coverage, compared to 85% of whites (see Figure 3.7).

As additional provisions of the Affordable Care Act come on line beginning in 2014, they are expected to substantially increase the health coverage rates for low- and moderate-income individuals. All adults under 133% of the federal poverty line will be eligible for Medi-Cal, and all other adults under 400% of the federal poverty level will be eligible for sliding scale subsidies to offset the cost of purchasing private insurance coverage via the state health exchange.

In addition, large businesses with more than 200 workers will be required to enroll employees into an employer plan and small businesses with less than 50 workers will be offered new tax breaks to assist employers in providing health coverage to their workforce, which will also help reduce the number of uninsured in Santa Clara County.
Up to 110,000 uninsured residents of Santa Clara County are expected to gain coverage in 2014 as new provisions of the Affordable Care Act come into effect.

The federal Affordable Care Act, signed into law in 2009, is expected to considerably change the health coverage landscape in the United States. Several provisions have already taken effect; insurance companies must now allow young adults to remain on their parents’ insurance up to age 26, are required to cover specified preventative health services at no cost, and may not deny coverage to children due to a preexisting health condition. Other provisions have made preventative health services available at no cost to seniors on Medicare and reduced their cost for prescription drugs.

The biggest changes to the health insurance market, though, will take place in 2014. Beginning that year, under the Affordable Care Act California will expand Medi-Cal coverage to adults and children with household incomes below 133% of the federal poverty level, or $25,390 for a family of three, and will eliminate other barriers to Medi-Cal enrollment. Those without Medi-Cal or employer-based coverage will be able to purchase private health insurance on the newly created California Health Benefit Exchange; those with incomes up to 400% of the federal poverty level ($76,360 for a family of three) will be eligible for subsidies on a sliding scale.

Anyone who does not have minimum essential coverage through one of these avenues will be subject to a tax penalty, unless the cost of health coverage exceeds 8% of their family income or they are otherwise eligible for a hardship exemption.

In Santa Clara County, once the Affordable Care Act provisions are fully implemented, an estimated 220,000 people will benefit from improved or more affordable health coverage. A large portion of beneficiaries will be individuals who are currently uninsured.

UCLA and UC Berkeley jointly developed a model to project the impacts of the 2014 provisions of the ACA on Californians. In order to ensure that eligible residents are able to enroll in the new health coverage options, they found that it will be important to get key factors right, including carrying out effective outreach strategies, ensuring language accessibility, and making it easy to enroll and stay enrolled.

If this “robust enrollment and retention strategy” is carried out, the CalSIM model predicts that 70,000 uninsured Santa Clara County residents will gain coverage through the Health Exchange. Another 40,000 will get coverage through the Medi-Cal expansion, for a total of 110,000 newly insured.

If instead, a “baseline scenario” without strong outreach and retention strategies occurs, the model predicts that only 90,000 people will gain insurance coverage.

An effective strategy is thus predicted to increase the number of newly insured by 22% over the baseline scenario. As 2014 approaches, it will be critical for Santa Clara County to focus on developing effective approaches to outreach, enrollment and retention.

Even under the enhanced scenario, 110,000 Santa Clara County residents are predicted to remain uninsured. The remaining uninsured will fall into four categories: those who are eligible for Medi-Cal but do not enroll; those who choose not to take up health insurance and are exempt from the individual responsibility tax penalty; those who choose not to take up health insurance and are subject to the tax penalty; and undocumented individuals, who will be ineligible for the expanded health insurance coverage to be provided under the ACA. The local health care safety net will thus continue to play a critical role in providing care for the region’s remaining uninsured residents.
California workers with job-based health coverage faced yet another cost increase in 2011; over the decade, workers’ share of costs for individual or family coverage have each grown by 147%.

For the past ten years, Californians have experienced dramatic increases in the cost of job-based health insurance. The recession notwithstanding, workers’ costs for health insurance increased yet again in 2011. The average California worker’s contribution for family health premiums went up by 4.7%, marking the fifth consecutive year of increases. For workers with individual coverage only, their average premium cost grew by 4.4%.

These increases come on the heels of a decade of rapidly rising health care costs. Since 2001, the average required contribution for a worker with job-based family health coverage has risen by 147.6%; for individual coverage, it rose 147.4%.

These soaring costs have strained family budgets, caused people to forego needed care, and thrown more Californians into medical debt.

Costs appear poised to grow again this year. Nationwide, in 2012 job-based health care premiums increased by 3 percent for single coverage and 4 percent for family coverage, according to the annual Employer Health Benefits Survey carried out from January through May. This was a slower rate of growth than in 2011, but still outpaced inflation and workers’ wages.

The 2012 survey also found that low-wage workers are likely to be paying more for their coverage. On average, employees of lower-wage companies (where at least 35% of workers earn $24,000 or less) must contribute $1,000 a year more for family coverage than workers at higher-wage companies, even though the lower-wage employers had lower total premium costs.

As provisions of the Affordable Care Act come online, they will help to ameliorate these costs in a number of ways, most directly by providing premium subsidies to individuals purchasing insurance. A household of 4 earning the median income for Santa Clara County, if they purchased health insurance through the Health Exchange, would receive an estimated $340 monthly subsidy to defray their premium costs. A household of 4 earning 200% of the federal poverty level, or $46,100, would receive an estimated $771 per month in premium subsidy.

Premium subsidies apply only to privately purchased insurance, not to job-based plans. Additional provisions are in place aimed at bringing down the cost to businesses of providing health coverage. However, it remains to be seen whether the Affordable Care Act will slow the rising cost to workers of job-based insurance.
For the first time, over half (58%) of all California families with job-based coverage are in high-deductible plans.

In an effort to keep premiums down, a greater share of employers are purchasing high deductible health plans that may offer lower monthly premiums but require employees to make higher out-of-pocket payments for medical services.

For workers who need family health coverage, these high-deductible plans, once a rarity, have become the norm. 2011 marked the first year in which more than half of all California workers with family coverage faced deductibles of $1000 or more.

Among those workers with job-based family coverage, 58% were in high-deductible plans; for workers with individual coverage, 28% had high deductibles.

High-deductible plans started to become popular among employers in the mid-2000s. In the past five years, the portion of covered workers with deductibles of $1000 or more has increased by 75% for those with individual coverage and 71% for those with family coverage.35

“Health insurance is the kind of thing that I’ve been unable to afford due to the staggering expense. . . .

If I break an arm, that’s a $30,000 price tag.”

Christopher Buttner, Bay Area resident and entrepreneur, quoted in the San Jose Mercury News, June 28, 2012
HEALTH OUTCOMES & WELL-BEING

More than half of Santa Clara County adults are overweight or obese, and the prevalence of adult overweight/obesity continues to grow.

Being overweight or obese increases the risk of a variety of chronic diseases and negative health conditions including hypertension, type II diabetes, coronary heart disease, and some cancers. Because of its strong correlation with negative health outcomes and, conversely, because weight loss can help improve many negative health conditions, overweight/obesity figures serve as an important public health indicator.36

Although progress is being made in reducing childhood obesity (see page 73), the percentage of adults who are obese or overweight continues to creep upwards.

As of 2009 (the latest data available), 54.8% of Santa Clara County adults were overweight or obese, up from 51.6% in 2000.37 Rates among men remain higher than among women, with 59% of adult men overweight or obese in 2009 compared to 48.7% of women. But women’s risk is climbing: while men’s overweight/obesity rates have remained stable since 2000, women’s rates have increased by 5.4 percentage points (see Figure 3.12).38

The UCLA Center for Health Policy Research provides estimates of adult obesity statewide. In 2009, adult obesity in Santa Clara County (not including overweight) was slightly, though not significantly, below the state average (19.2% versus 22.7%).39 California itself has one of the lowest rates of adult obesity in the nation; an analysis of new data from the Center for Disease Control found that California’s adult obesity rate was 46th out of the 50 states.40 Yet even in California, this rate is markedly higher than in previous generations, and climbing.

Much of the cost of the illnesses that result from or are exacerbated by being overweight or obese is borne by the public, either through higher costs for Medicare, Medicaid or the local public health system; by driving up premiums for private health insurance; or by the lost productivity of those who suffer from obesity-related medical conditions. The public health and economic costs of overweight and obesity in Santa Clara County are estimated at $917 million per year.41
Diabetes, the 7th leading cause of death in Santa Clara County, is on the rise among middle-aged and elderly adults.

Diabetes, a chronic disease affecting the body’s metabolism, has become a major public health concern and is the seventh leading cause of death in Santa Clara County. Possibly related to the rise in overweight/obesity, diabetes rates have climbed in Santa Clara County since the start of the decade.

In 2009 (the latest data available), 7.6% of Santa Clara County adults countywide reported having been diagnosed with diabetes, up from 5.1% in 2000. The true rate of adult diabetes is likely higher; estimates are that just 70% of those with diabetes have been clinically diagnosed.

Diabetes rates in Santa Clara County are strongly correlated with age, with older residents at a much higher risk of the disease. In 2009, residents ages 65 and over were most likely, at 20.3%, to have been diagnosed with diabetes, compared with 18.3% of 55-64 year olds and 9.2% of 45-54 year olds. The diabetes rate for adults ages 44 and under was well below that of their older counterparts (see Figure 3.13).

However, the increase in diabetes is not only a function of an aging population. The prevalence of diabetes within most age groups is increasing as well (see Figure 3.13). Stronger efforts at diabetes prevention and promoting healthy living will be necessary to stem the spread of diabetes and its accompanying impacts on health care costs, quality of life, and lifespan.

Figure 3.13 Source: Santa Clara County Department of Public Health
* Data is unavailable for these groups due to small sample size
Ethnic disparities in diabetes rates have fatal consequences for Latinos

Disparity in diabetes rates exist among racial/ethnic groups as well. In 2009, Latinos had the highest prevalence of diabetes in Santa Clara County, at 10.7%. Asian Americans had the lowest rates, at 5.7% diagnosed with diabetes (see Figure 3.14). In 2006, African Americans had the highest prevalence of diabetes in Santa Clara County, at 13.6%.

This disparity has fatal consequences. In 2005, Latinos had the highest proportion of deaths due to diabetes (7.4%) of any ethnic group. Adults with diabetes have mortality rates 2-4 times higher from heart disease and stroke than those without the disease.

![Figure 3.14 Adult Diabetes Prevalence by Ethnicity, Santa Clara County, 2006 and 2009](source: Santa Clara County Department of Public Health)
INDICATOR 3

Health Care Access/Infrastructure

KEY STATISTICS

- Santa Clara Valley Medical Center, the anchor institution of Silicon Valley’s public health care system, saw the number of uninsured or self-pay patients it served jump 55% in the Great Recession. At the same time, the number of insured patients declined by 40%.

- The number of visits to the Emergency Room at Valley Medical Center fell slightly in 2011, but was still 25% higher than in 2008.

- Fewer ambulances were turned away from Santa Clara Valley Medical Center in 2011, as improvements to efficiency proved successful.

WHY IT MATTERS

The Santa Clara Valley Health & Hospital System (SCVHHS) is the public health care system for Silicon Valley. SCVHHS is a very broad and integrated health care delivery system. With the Santa Clara Valley Medical Center as its anchor, the system integrates a large number of county outpatient clinics, a large number of community outpatient clinics, mental / behavioral health care services, and the public health department.

The health care safety net was strained over the past decade by a combination of reduced funding and increased numbers of uninsured or underinsured residents needing health care. In 2008, Santa Clara County voters approved Measure A, which funded a number of upgrades to the health care system including a seismic retrofit of Valley Medical Center and construction of a downtown clinic to replace the shuttered San Jose Medical Center. These upgrades have helped to shore up the public health care delivery system.

The public health care system and associated safety net providers will play a critical role in helping uninsured, low-income, and underserved populations to benefit from the advantages offered by the Affordable Care Act. Just because health reform expands the eligibility for programs does not mean people will actually enroll in those programs. Enrollment requires strategies to actively inform people of benefits and a system to get through what are often complex administrative procedures. Reaching these underserved populations to enroll in newly available health coverage and take advantage of preventative health services will be a key strategic goal for the health care safety net system in the next several years.

The Affordable Care Act will also bring about considerable changes to how health care is delivered and funded. Much of the American health care delivery system is based on a fee-for-service reimbursement. As the Affordable Care Act phases in,
reimbursement will be increasingly based on health outcomes and pay for performance, both in terms of individuals and in terms of entire populations. There will need to be significant inducements for positive outcomes in the health of individuals and populations, as well as cost controls if the system fails to deliver the specified outcomes.

Both increased access to insurance and changes in reimbursement patterns will affect the county Health & Hospital System. The SCVHHS can expect to see significant increases in the number of insured county residents, many of whom will seek care in the SCVHHS. Since there will be more residents who will have federal subsidies to help pay for their health care, there will be competition by private health care providers for those patients and the revenue streams that come with them.

In addition, the public health care system has a mission that many other health care providers in this region do not have: the mission of being the provider of last resort, the open door institution, the institution which does not turn away anybody needing health care.

As the SCVHHS adjusts to health care reform, it must do so in a way that maintains its own fiscal viability. In addition to competition from private providers for insured patients, the SCVHHS will feel pressure from both the state and federal governments as they engage in fiscal retrenchment policies, which may result in balancing their own budgets at the expense of local health care systems.

Pressures for cost containment in health care continue to grow. The Affordable Care Act is a major step in the right direction as it attempts to achieve cost control in coordination with positive health outcomes rather than by denying access to coverage. A major opportunity and challenge in the coming years will be the extent to which the local health care delivery system can implement national health reform in a way that controls costs, improves outcomes, and truly expands access to care.

Even so, there is only so much that the health care delivery system can do. We need to also be developing thoughtful healthy living and prevention strategies that can reach large numbers of people to improve health. Effective population-based health strategies such as lifestyle changes and public policy changes to make healthy food more accessible, encourage physical activity, reduce exposure to second hand smoke, and others are a critical and necessary component of both containing costs and improving health outcomes over the long term, including dealing with the obesity epidemic.

Santa Clara County is a national leader in prevention efforts; still more will be needed to bend the curve on the growing individual, social and economic costs of obesity, physical inactivity, and other behavioral or environmental contributors to ill health.
Santa Clara Valley Medical Center, the anchor institution of Silicon Valley’s public health care system, saw the number of uninsured or self-pay patients it served jump 55% in the Great Recession; at the same time, the number of insured patients declined by 40%.

Santa Clara County’s high quality public health care delivery system is vitally important to all residents, especially those who do not have access to or cannot afford health insurance. Through its public hospital, Santa Clara Valley Medical Center (VMC), and its broad network of community clinics, the county has been able to deliver both preventative and acute care to much of its uninsured population.

Santa Clara Valley Medical Center, the hospital which is the anchor of the public health care system, has served a growing proportion of uninsured or self-pay outpatients since the Great Recession hit. Between 2007-08 and 2010-11, the number of outpatient visits by patients who were uninsured or self-payers grew by 54.8%. (See Figure 3.15.)*

Over the same period, the number of outpatient visits by people with private insurance fell by 39.7%. No doubt this is partially due to the loss of insurance, but it may also be an indication that private hospitals and medical providers are increasingly “skimming the cream” by serving primarily those patients who have health insurance, leaving VMC with the higher costs of serving those who do not.

“We call [Valley Medical Center] a safety net because it is the hospital that stands at the ready for all of us - during times of disaster and emergencies and when someone lacks the income or private health insurance to afford care anywhere else.”
Chris Wilder, executive director of the Valley Medical Center Foundation, in the San Jose Mercury News, April 24, 2011

* Note that prior to 2007-08, self-pay patients were not included; data from earlier years is thus not directly comparable to the data from 2007-08 onward.
Staying Healthy: Indicator 3: Health Care Access/Infrastructure

ACCESS TO EMERGENCY CARE

The number of visits to the Emergency Room at Valley Medical Center fell slightly in 2011, but was still 25% higher than in 2008.

Home to the only Level I trauma center in the heart of the county and the South Bay's only burn center, Valley Medical Center's emergency department is a critical component of the region's emergency health infrastructure.

The Great Recession strained this infrastructure, as the number of emergency room visits shot up from 59,277 visits in 2008 to 77,140 visits in 2010. In 2011, the number of visits fell by 3% to 74,356 – still 25% above the level just three years prior. (See Figure 3.16.)

The loss of health insurance was likely a major factor contributing to this jump. As discussed under Adult Health above, the portion of uninsured adults in the county grew from 14.6% in 2008 to 17% in 2010. Uninsured individuals are less likely to have access to preventative care and more likely to use the emergency room when faced with a medical problem. Furthermore, individuals with chronic illness may delay care and have difficulty paying for medications and preventative care when they are uninsured or underinsured, leading to emergency room visits when their conditions worsen.

Figure 3.16 Source: Santa Clara Valley Health and Hospital System
Fewer ambulances were turned away from Santa Clara Valley Medical Center in 2011, as improvements to efficiency proved successful.

When a hospital does not have sufficient emergency department capacity to accept another patient, it must direct ambulances to divert to a different hospital, a practice known as ambulance diversion. Valley Medical Center’s ambulance diversion rate is a key indicator of strain on the public health care system.

After more than doubling from 2006 to 2010, the ambulance diversion rate at Valley Medical was reduced by 24% in 2011.\(^{50}\)

This reduction in hours of diversion was achieved despite the fact that the emergency department is serving the same or greater numbers of patients than it did in prior years (see Figure 3.17.) Improvements to efficiency in the emergency department, including “hospital flow and waiting room efficiency,”\(^ {51}\) helped Valley Medical Center to be able to meet the growing need for emergency care.

Ambulance diversions remain elevated from the lower rates prior to 2005, following the closure of the San Jose Medical Center which left the center of downtown San Jose without a hospital. The community-based Coalition for a Downtown Hospital was formed at that time to advocate for restoring much-needed health care services in San Jose.

In 2008, Santa Clara County voters approved Measure A, which funded seismic retrofits and upgrades to Valley Medical Center as well as raising $50 million for a downtown clinic to replace San Jose Medical Center. The Gardner Downtown Health Center opened August 9th, 2012 near the site of the former hospital. A three-million square foot, $50 million clinic is being constructed next door to Gardner and is scheduled for completion in 2015.
BUILDING A COMMUNITY

INDICATOR 1: HOUSING
INDICATOR 2: TRANSPORTATION
INDICATOR 3: CRIME AND PUBLIC SAFETY
Rent increases in the San Jose region were the highest in the nation, at 11.7% for 2011. In 2012 rents are on pace to grow even faster; from January through June, the average rent has already grown by 10%, to an all-time high of $1,961.

As of 2010, among all Santa Clara County households, 24% of renters and 19% of homeowners spent over half their income on housing payments.

After nearly 5 years of a depressed housing market, 2012 brought tentative signs that the housing market appears to have hit bottom. In the first 6 months of the year, home sales grew by 12.4% and the median sales price was up 7% over the prior year.

As home prices dropped, affordability for first-time homebuyers has increased. By the first quarter of 2012, 73% of potential first-time buyers could afford the average entry-level home, up from just 27% in 2007. But an uncertain job market, tight credit restrictions and competition from real estate investors may prevent many of those households from purchasing an entry-level home.

The availability and affordability of housing has a direct impact on a community’s economy vitality and quality of life. A shortage of affordable homes increases commute times, forces families to budget uncomfortably large shares of their income for housing, and makes it difficult for businesses to attract and retain employees.

At the same time, home ownership, mortgages and the housing market have profound impacts on individuals’ wealth (or debt) and on communities’ prosperity (or hardship). The collapse of the housing bubble in 2007-08 wreaked havoc on the national and local economy – and on the lives of millions of families. In Santa Clara and adjoining Bay Area counties (Alameda, Contra Costa, San Mateo and San Francisco), between 2007 and 2011, homeowners collectively lost $387 billion in home equity – a loss equivalent to the entire market value of Google, eBay and Cisco combined.

This loss of assets led to a massive drop-off in consumer spending as families have had to grapple with tens or hundreds of thousands of dollars in vanished wealth, or worse, with the loss of their home and decimation of their credit.
HIGHEST RENT INCREASES IN THE NATION HIT SANTA CLARA COUNTY

In 2011, San Jose area residents saw the highest average rent increases of any major metropolitan market in the nation, at 11.7%. In 2012 rent increases have continued to accelerate; in just the first half of the year, rents are already up 10%.

This is a dramatic change from 2009 when the region experienced the nation’s largest drop in rents. These extremes underscore the high pressures and volatility of the Silicon Valley rental market, with little security for renters or small landlords (who are often single-family homeowners renting out rooms to help pay the mortgage).

The average monthly rent in Santa Clara County now stands at $1,961, rivaling the all-time high of $1,935 set at the end of 2000 (see Figure 4.1). A June 2012 Forbes magazine report ranked San Jose as one of the worst places in the country to be a renter, behind only New York City, Minneapolis and San Francisco.

Rents are being driven up in large part by the still-smoldering aftermath of the housing crash. Former homeowners who suffered a foreclosure or were forced to sell their homes have entered the rental market in droves. Other potential homebuyers cannot qualify for a loan or are hesitant to take the leap to homeownership in a volatile housing market and uncertain economy. In addition, a 2009 California Court of Appeal decision, Palmer v. Los Angeles, struck down local inclusionary housing ordinances aimed at increasing the availability of affordable rental housing; among the cities affected was San Jose.

This increased pressure in the rental market means more competition and higher rents, leaving renters with less disposable income to spend elsewhere.

Figure 4.1 Source: RealFacts. * 2012 data is for the second quarter of the year.
Mortgage payments level off, but remain a heavy burden for nearly half of all homeowners

The steep decline in home values has bought only slight relief to homeowners currently paying on a mortgage.

As of 2010, 49% of all homeowners had a housing cost burden of 30 percent or more. Nineteen percent of homeowners put 50 percent or more of their incomes towards housing costs.13 (See Figure 4.3.)

The percent of homeowners with unaffordable cost burdens has declined only 2 percentage points since its peak, even while the housing market collapsed, foreclosures soared and home values collapsed.

Silicon Valley is seeing the results as homeownership rates – historically very stable to rising – are now falling. Between 2000 and 2010, the homeownership rate for Santa Clara County households declined by 2.2 percentage points, from 59.8% to 57.6%.14

One out of every four renters spends at least half their income on rent

The pressure that soaring rents place on household incomes can be quantified using the housing cost burden, defined as the percent of household income spent on rent or homeownership. The national standard for affordability is a housing cost burden under 30 percent.10

In 2010, the most recent data available, 48% of Santa Clara County renters had unaffordable housing cost burdens.11 Of these, just over half – or 24% of all households – spent 50 percent or more of their income on rent (see Figure 4.2).12

Figure 4.2 Source: American Community Survey

Figure 4.3 Source: American Community Survey
Affordable housing is needed to sustain employment growth

As seen above, among both renters and owners, nearly half of all Santa Clara County households are living in unaffordable housing. This excessive housing cost burden impacts the local economy in two ways.

In the short term, families putting most of the income towards rent or a mortgage have less income remaining to spend on other goods and services – spending which is more likely to go to local businesses and circulate in the local economy.

In the longer term, the lack of reasonably priced housing may drive away the workforce that is needed to sustain and grow Silicon Valley businesses.

Affordable workforce housing has long been a top concern of the high-tech industry in Silicon Valley, which sees housing as a critical element in attracting and keeping the talent they need. The return of growth in the tech sector has brought with it the reemergence of the affordable housing challenge. In April of this year, tech CEO David Bell co-wrote a Mercury News opinion piece warning, “There is a shadow hanging over Silicon Valley . . . Soaring housing costs for the region's employees. If it isn’t careful, Silicon Valley could price itself out of the innovation business.”

Yet in May 2012, a Santa Clara County Superior Court judge struck down the city of San Jose's inclusionary housing ordinance that would have required developers building 20 or more housing units to include 15% affordable units. A previous Court of Appeal decision in 2009 also struck down the portion of the inclusionary housing ordinance designed to increase availability of affordable rental housing. Finally, as of February 2012, the State of California has completed its dissolution of local redevelopment agencies, which had been one of the primary local sources of funding for affordable housing.

Unless the Superior Court ruling is overturned on appeal or the Legislature acts to modify the law on which the Court of Appeal decision was based — or another source of funding is found to replace redevelopment — the region is left with few tools to encourage production of adequate and affordable housing.
Housing sales appear to finally be on the path to recovery, albeit slowly

Following declining sales in 2010 and 2011, home sales in Santa Clara County grew by 12.4% in the first six months of 2012 over the same period in 2011. This increase appears to be the beginning of a modest recovery, following the huge drop in home sales which accompanied the bursting of the housing bubble in the latter half of the last decade.

A total of 18,512 homes were sold in the county in 2011, a lower annual sales number than any of the previous decade except for 2008. (See Figure 4.4.) The precipitous decline in housing sales since 2004 reflected the national trend as the housing bubble peaked and then burst, triggering the Great Recession.

The severe aftereffects of the biggest hit to the housing market since the Great Depression have led to a slow and halting recovery. But the first half of 2012 has brought signs that the housing markets both nationwide and in Silicon Valley may have finally hit bottom and begun to return to a more normal growth pattern. Nationally, home price levels have risen, the percentage of homes with negative equity (underwater mortgages) has dropped, and mortgage defaults (though still quite high) are falling. Beacon Economics projects that both home prices and home sales in California will continue on an upward path for the next four years.

This increase appears more durable than the 2009 jump in sales, which was fueled in large part by an $8,000 federal tax credit for first-time home buyers and a $6,500 credit for home purchases by current homeowners, both of which effectively pulled sales forward to 2009 by inducing buyers to purchase homes earlier than they would have otherwise.
Home prices increase modestly; median sales price is up 15% from its 2008 low

The median sales price for a single-family home in Santa Clara County bottomed out in 2009 at $530,000, and in the past few years has crept slowly and erratically upwards. \(^{21}\) (See Figure 4.5.)

For January through July of 2012, homes sold at a median price of $609,250, the highest in more than three years.

The rebound in prices is partly attributable to a shift in which homes are selling, with more sales taking place in the mid-to-high end market segments. \(^{22}\) The capital of high tech is now the capital of high-priced real estate.

Silicon Valley is now the #1 region in the nation for million-dollar home sales; as of August 2012, there is actually a shortage of million-dollar homes available for interested buyers. \(^{23}\)

In examining home values rather than sales prices, only the top tier of homes have stabilized in value since 2009; middle-tier and lower tier homes continue to lose value. (See Fig. 2.1, “Median Home Value”, page 52.)

As discussed under Housing Sales above, signs are strong that the housing market may have reached bottom and is finally, if slowly, beginning a recovery. The recovery in prices is an aid to current homeowners with underwater mortgages. To the extent that the recovering market spurs new housing development, it can also provide a substantial boost to employment, which remains depressed in sectors such as construction and real estate.

On the other hand, if home prices grow too rapidly, the unaffordability of housing could put a damper on growth as middle- and low-income families struggle to afford a place to live. Housing prices for renters are already being driven up to historic highs (see Figure 4.1, “Average Monthly Rents”). Leading California economic forecaster Beacon Economics warned in its June 2012 outlook that “[the state’s] high cost of housing threaten[s] its future ability to lead the nation in economic growth.”\(^ {24}\)
As entry-level home prices fall, 73% of first-time homebuyers can now afford a house; but lack of credit and competition from investors may prevent them from buying.

While the bursting of the housing bubble cost Silicon Valley homeowners billions of dollars in lost home equity and played a central role in plunging the economy into a major recession, the decline in home prices has not been exclusively negative. As prices have come back to earth, it has become more feasible for middle-income families to buy their first home.

In 2012, the affordability rate for first-time homebuyers – an index compiled by the California Association of Realtors based on entry-level home prices and household incomes – reached 73%. This was the fifth consecutive year that the affordability index increased, coming up from a low of 27% at the height of the housing bubble in 2007. (See Figure 4.6). 25

The affordability rate, however, does not take into account the shaky employment situation or difficulty in obtaining credit. It also does not recognize competition from investors who are now buying up lower-cost homes to rent or sell at a profit – thought to be a major driver of the current uptick in national housing sales.26

While the decline in prices helps improve access to first-time homeownership, many families who theoretically could afford a house in practice cannot buy one.
TRANSPORTATION

KEY STATISTICS

- Nearly a quarter – 23% – of freeway miles in Santa Clara County were severely congested, in 2011, with little change from prior years.
- On local streets, severe traffic congestion has dropped over the decade, leaving only 1% of major intersections severely congested in 2010. Half of all major intersections remained moderately congested.
- Transit ridership grew by 3.4% in 2011-12, making up for a portion of its recessionary losses.
- VTA operating revenue from sales tax has bounced back from the recession and is projected to grow 7.4% in 2011-12.
- VTA added service hours for both bus and light rail in 2011-12; however, following years of severe cuts, bus service remains at its lowest level in a quarter-century.

WHY IT MATTERS

Transportation costs, traffic congestion and the availability of public transit have significant impacts on the livability of a community. Traffic levels directly impact the amount of time drivers have available to spend with their families and in their communities, while fare increases and cuts in transit service leave seniors, youth, low-income families, and the disabled with reduced mobility. The availability of transit and other alternative transportation options also comes with major environmental implications, as automobile travel continues to play a major role in greenhouse gas emissions contributing to climate change.

Silicon Valley faces considerable transportation challenges which cost residents time and money and may become a drag on job growth. Freeways remain congested and are likely to grow worse as the region’s population grows. The public transit system is underdeveloped compared to other major metro areas and has undergone severe cuts to basic bus service. Forthcoming expansions of the transit system, including the implementation of Bus Rapid Transit and extending the BART regional rail system into San Jose, may help move us towards solving the Valley’s transportation dilemma, but only if reliable funding is found to maintain both local and regional levels of transit service.
Nearly a quarter of freeway miles are severely congested

Traffic congestion on Santa Clara County’s 155 miles of freeway was little changed in 2011 from the previous three years. During peak morning and evening drive times, 23% of freeway lane-miles were severely congested, 36% were moderately congested, and 41% were uncongested (see Figure 4.7). Many of those who commute into Silicon Valley from other areas do so because they cannot afford the high cost of living. A third of in-commuters to Santa Clara County earn less than $40,000 per year; 18 percent earn less than $15,000 per year.

Low salaries and high housing costs put workers like these in a bind: in order to save on housing, they must spend more on their commute. Low-income households in Santa Clara County spend approximately one-third of their income on transportation costs – more than twice what the average U.S. household spends, and even 11% more than similar households in neighboring San Mateo County.

Highway traffic trends over the last decade have closely followed Bay Area employment rates. As employment growth resumes, while affordable housing becomes scarcer and scarcer, traffic congestion is likely to worsen - unless Bay Area workers can break out of this pattern through shorter commutes or increased use of public transit, carpooling and telecommuting.

* “Moderately congested” represents Level of Service D or E, 26 to 58 cars per mile of freeway lane, conditions under which “Freedom to maneuver within the traffic stream is severely limited” or “there are virtually no usable gaps in the traffic stream.” “Severely congested” represents Level of Service F, more than 58 cars per mile of freeway lane, which is generally stop-and-go traffic. VTA uses aerial photography to identify and analyze peak freeway traffic congestion.
Local roadway congestion is little changed since mid-decade; half of major intersections are moderately congested.

In general, local roads in Santa Clara County are less likely than freeways to suffer from severe traffic congestion (although it is important to note that congestion is measured differently for each road type). As of 2010, only 1% of major intersections were severely congested, with another 50% moderately congested.

Local road congestion is measured based on traffic flow and wait times at major intersections. In Santa Clara County, 252 different intersections are quantitatively assigned “Level of Service (LOS)” grades A through F based on their level of congestion. LOS A represents ideal conditions, while LOS F signifies severely congested conditions.30

The proportion of moderately or severely congested intersections increased somewhat between 2006 and 2008, from 53% to 56%, but dropped down again in 2010 to 51%. (See Figure 4.8.)

The biggest change over the decade has been a drop in severely congested intersections. From 10% in 2000, the portion of intersections suffering severe congestion has moved steadily downward to just 1%.31
Building A Community: Indicator 2: Transportation

**TRANSIT ACCESS**

VTA added service hours for both bus and light rail in 2011-12; however, following years of severe cuts, bus service remains at its lowest level in a quarter-century.

The availability of public transit in Santa Clara County is a critical transportation indicator for commuters depending upon transit for their daily trip to work and thousands of low-income families, students and seniors without cars who rely on transit to get to work, school, medical appointments and other essential services.

Buses are the workhorses of the VTA system, carrying more than three quarters of all weekday VTA riders. Following multiple years of budget challenges, by fiscal year 2010-11, scheduled hours of VTA bus service stood at their lowest level since at least 1988 – down 4% from the previous year and 22% since 2000.

VTA restored some of the cut hours in 2011-12, but this increase of 2.2% still left bus service hours at their lowest level of anytime in the past 25 years.

VTA light rail hours of service have not suffered cuts, but have been maintained at approximately the same level since 2006-07: a level 32% higher than service hours in 1999-2000. (See Figure 4.9.)

![Scheduled Bus and Light Rail Hours, Santa Clara Valley Transportation Authority, FY 2000 - FY 2012](image)

**Figure 4.9 Source: VTA**
VTA operating revenue from sales tax bounces back from the recession and is projected to grow 7.4% in 2011-12

Seventy percent of the operating funds for the Santa Clara County Valley Transportation Authority (VTA) depend on sales tax – a highly volatile revenue source. Over the past decade and more, the transit agency has watched its primary source of sales tax – a permanent half-cent tax passed in 1976 – swing wildly up and down, tracing short term economic trends.

Over the past three years, VTA sales tax revenue pulled out of its recessionary slump, showing year-over-year increases of 1.7% in 2009-10, 9.7% in 2010-11, and 7.4% in 2011-12 (projected). This followed a 16% dive in 2009-10, which brought revenue down to $137.6 million, its lowest level since 2003.

For 2011-12, sales tax revenues are on track to regain all of the ground lost in the recession, with a projected total of $165 million, 0.8% more than the pre-recessionary peak. (See Figure 4.10.)

This upward trend is a positive sign for VTA. State and federal funding – the other two primary revenue sources – have also stabilized, at least in the short term. In California, the State Transit Assistance program, which two years ago was threatened with elimination, is again providing roughly $13 million a year to VTA, in line with historical norms. At the federal level, a new two-year transportation reauthorization bill (MAP-21) was signed into law in July 2012, providing stability to federal transportation funding following three years of multiple short-term funding extensions.
Transit ridership grows by 3.4%, making up for a portion of its recessionary losses

In 2009-2010, following four consecutive years of increasing public transit ridership, Santa Clara County suffered a precipitous decline in transit use. The one-two-three punch of the recession, decreased transit service, and higher fares drove down the number of people riding transit on an average weekday by more than 12,000, or 7.6%.

In 2011-12, transit ridership pulled out of its slump. Caltrain ridership originating from Santa Clara County grew by 14%, light rail ridership increased 2.7%, and bus ridership went up 2.3%. (See Figure 4.11.)

In the past eighteen months, transit agencies throughout the Bay Area have seen increases in ridership, attributed to a mixture of lower unemployment, higher gas prices, increased traffic congestion, and improvements to transit systems. The latter include express services introduced for Caltrain and light rail, and Bus Rapid Transit lines that are now under development. The electronic Clipper Card is now accepted in place of paper tickets throughout VTA and most other Bay Area transit systems. In July of 2011, VTA became the first public transit agency in the nation – possibly the world – to offer all-4G wireless to riders on its light rail trains.

Public transit use is also growing at the national level. In 2011, total transit rides provided across the United States were 10.4 billion – one billion more than in 2000.

If local transit agencies are to take advantage of this increasing demand, they will need to restore or even increase service hours that have been slashed due to budget cuts. If service is unavailable or overcrowded, the opportunity to gain these new riders may be lost. This is particularly evident in the bus system, which carries the majority of all transit riders in the county, but has experienced cuts bringing service levels down to the lowest point in more than a quarter-century.

Plans to expand regional transit systems make it even more critical to maintain a strong local transit infrastructure in Santa Clara County. As the BART regional rail system is extended to San Jose, the first phase – Warm Springs to Berryessa – is under construction and projected to open in 2016 with 23,000 daily riders. In order to realize the potential of the BART extension as well as the future high speed rail station in San Jose, local bus and rail lines must be in place to take regional commuters from the BART or rail stations to their final destination. Plans to implement Bus Rapid Transit along VTA’s most popular bus routes offer an opportunity to improve the speed, efficiency and reliability of the transit system, particularly if dedicated bus lanes are incorporated.
Commuting patterns have changed little since 2000; more than three-quarters of residents still drive to work alone

Driving alone to work continues to be the overwhelming transportation mode of choice in Santa Clara County. In 2010 – the most recent data available – 77.6% of county residents chose to drive by themselves to their place of employment, essentially unchanged from the 77.3% who drove alone in 2000. Another 10.1% of commuters carpooled to work, while 3.0% took public transit and 9.4% used another mode of travel, including walking, bicycling, motorcycling or working from home. (See Figure 4.12.)

As discussed above, public transit ridership has grown since 2010. It is therefore likely that the proportion of commuters taking transit to work has increased slightly since these data were released. Nevertheless, driving to work appears certain to remain the dominant mode of commuting for the near future.

The City of San Jose has adopted ambitious goals in its Envision 2040 General Plan that aim to move the needle by encouraging more bicycle, pedestrian and transit-friendly environments. The plan set targets for 2040 of reducing driving alone to 40% of all trips to work, while raising carpooling to 10%, transit to 20%, and bicycling and walking to 15% each. Since the General Plan was approved in 2011, the City has begun to improve infrastructure for non-drivers, including constructing 8.5 miles of new bike lanes.

Figure 4.12 Source: 2000 Census & 2010 American Community Survey. Note: “Other” includes bicycle, motorcycle, walked, and worked at home
KEY STATISTICS

- In 2010, violent crime fell by 7% and the property crime rate dropped by 4%. However, both burglaries and homicides have spiked in 2012 and are on track to reverse a four-year trend of lower crime.
- Domestic violence-related calls for assistance reached the lowest point for the decade, but domestic-violence related deaths in 2011 jumped up to the highest number since 2003.
- The rate of substantiated child abuse was cut in half between 2007 and 2010, but rose 23% in 2011.

WHY IT MATTERS

Physical and psychological safety of residents has a significant impact on the quality and stability of life within a community. Higher crime rates can erode neighborhood trust and strain public resources through the expense of the criminal justice system. Domestic violence, child abuse and juvenile arrests can be particularly devastating to a community as these measures reveal family as well as social breakdown and predict future instability.

Until recently, public safety in Santa Clara County appeared to be on a positive trend. Violent and property crime rates, as well as domestic violence-related calls for assistance and substantiated cases of child abuse, all fell dramatically between 2006 and 2009. But in 2011-12, although final data is not yet available, all of these indicators appear to have reversed direction and be headed back upwards.

One driver of this reversal of fortune may be broad cuts in public and community services. The City of San Jose has considerably reduced its police force, and other cities have undergone similar, though less dramatic cuts. Community programs that strengthen families and neighborhoods have also suffered cutbacks. Notably, San Jose's nationally lauded Strong Neighborhoods Initiative was shuttered in June 2012 when the state of California dissolved all local redevelopment agencies.

While crime rates remain low relative to other major metropolitan areas, the upsurge is impacting quality of life in Silicon Valley. In 2010 and 2011, San Jose was ranked the 4th safest city of its size, a letdown from earlier years when the city touted its #1 status as the “safest big city in America”.
In 2010, violent crime fell by 7% and the property crime rate dropped by 4%. However, crime rates in 2012 have spiked and are on track to reverse a four-year trend of lower crime.

The crime rate, and violent crime in particular, is one of the most commonly cited indicators of public safety. Both violent and property crimes in Santa Clara County declined steadily from 2007 to 2010, reflecting an ongoing nationwide trend of falling crime rates.

The violent crime rate of 247.3 incidents per 100,000 people in 2010 (the most recent data available) was 7.7% below the prior year’s crime rate and down 18.5% since 2006. Similarly, the property crime rate of 1,223.3 incidents per 100,000 people in 2010 was a decline of 3.7% from 2009 and 19.7% since 2006.42 (See Figure 4.13.)

However, there are strong indications that crime is now on the upswing. In the first half of 2012, home burglaries in San Jose jumped by 39%. Worse, as of late August the city had suffered 33 homicides43 – on track to be San Jose’s highest murder rate of the past 15 years.44 A number of the region’s cities have laid off police officers in the past year, leaving a reduced force to patrol of respond to calls. In particular, the City of San Jose has cut the number of police by 25%, from 1,409 in 2007 down to 1,056 in 2012; to cope with the shortfall, police are focusing on responding to the most life-threatening situations.45,46

Another possible factor behind the rise in crime is the decline in support for community programs that strengthen neighborhoods and offer an alternative to drug culture and street gangs. In San Jose, the nationally recognized Strong Neighborhoods Initiative, first established in 2000, supported residents of 19 San Jose neighborhoods in banding together to transform their communities. However, due to budget cuts and the state’s elimination of local redevelopment agencies, funding and staffing for the Strong Neighborhoods Initiative (SNI) has all but disappeared. From nearly $18 million and 55 staff dedicated to SNI in 2004-05, city support has shrunken to 4.75 staff from the City Manager’s office and about $60,000. In June 2012 the Strong Neighborhoods program was officially ended, although the City continues to support the work of community volunteers and seek ways to restore some elements of SNI.48

The long-term decline in violent crime over the past decade is part of a national trend. Crime rates for the U.S. were lower in 2008 than at any point in the last forty years, and appear to have continued to decline through 2011. This contradicts the conventional wisdom that violent and property crime increases during a recession, and there is no clear explanation for this long-term trend of decreasing crime rates.49,50,51

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**Figure 4.13** Source: California Dept. of Justice
Juvenile felony arrests declined in 2009 and 2010

The juvenile arrest rate can reveal levels of social breakdown. Juvenile crimes not only harm those victimized, but youth who are convicted of felonies face reduced opportunities throughout their lives.

Juvenile felony arrests in Santa Clara County increased from 2004 to 2007 but dropped during the recession. There were 1,531 arrests per 100,000 10-17 year olds in 2007; a year later that number dropped to 1,366.7. The rate continued to drop through 2010, down to 1,209 arrests per 100,000 youths.52 (See Figure 4.14.) The causes behind the growth and decline in arrest rates are uncertain.

“[L]ocking children up in adult and adult-like prisons and jails puts them at grave risk . . . and ultimately decreases the safety of communities.”

-Families Unlocking Futures: Solutions to the Crisis in Juvenile Justice, Justice for Families & DataCenter, Sept. 2012
Domestic violence-related calls for assistance reach their lowest point for the decade; but deaths spike to the highest number since 2003.

One of the key indicators of the health and well-being of a community is the quality and stability of the family life within it. In recent years, Santa Clara County has seen improvement in critical measures of family stability.

The rate of domestic violence-related calls for assistance – one of the best available measures of domestic violence, which often goes unreported – has fallen dramatically in Santa Clara County. From 2006 to 2008, calls for assistance fell 11.4%, decreasing from 307 calls per 100,000 people down to 272 per 100,000. From 2002 through 2008, calls declined every year, for a decline of nearly 30% in that six year span. In 2010, calls for assistance declined further still, down to 265 calls per 100,000 population, reaching the lowest rate of the decade. (See Figure 4.15.)

The significance of this trend is unclear. The shrinking rates may be linked to increasingly robust outreach and community awareness efforts as well as the county criminal justice system’s diligence in serving restraining orders to convicted domestic violence offenders. On the other hand, it could mean that victims of domestic violence are, for whatever reason, less able to get outside help. In recent years, as funding has been cut at multiple levels, Santa Clara County shelters have found it increasingly difficult to accommodate victims of domestic violence. In 2010, one of the South Bay’s 24-hour domestic violence hotlines reported having to turn away more than 700 calls because shelter beds were full. In 2011, 1,842 survivors countywide were unable to access shelters, more than the 1,052 who could not access shelter in 2010. The number of survivors who did access shelters also grew slightly over the year, a strong indication that domestic violence rates may not truly be on the decline.

Furthermore, 16 people were killed in domestic-violence-related incidents in 2011, the highest number of domestic violence-related deaths since 2003.
Building A Community: Indicator 3: Crime and Public Safety

The rate of child abuse was cut in half between 2007 and 2010, but rose 23% in 2011.

Despite the onset of the recession, Santa Clara County saw a sharp plunge in number of substantiated cases of child abuse, from 7.6 cases per 1,000 children in 2007 down to 3.5 in 2010.

But the rate climbed in 2010, up to 4.3 cases per 1,000 children. (See Figure 4.16.) While Santa Clara County continues to have substantially lower rates of child maltreatment than the state, this uptick is cause for concern.

The longer-term drop in child maltreatment cases may be explained in part by the county's increasing emphasis on early intervention efforts - including a differential response program that connects at-risk families with community agencies before Child Welfare Services must get directly involved - as well as a public awareness campaign. In its funding and policy decisions, the County of Santa Clara County has prioritized child welfare.
PURSUING THE DREAM

5

INDICATOR 1: K-12 SCHOOLS
INDICATOR 2: HIGHER EDUCATION
INDICATOR 3: EDUCATIONAL OUTCOMES
KEY STATISTICS

- Among Santa Clara County’s high school seniors, 46% are prepared for a four-year college, exceeding the state average. However, the college preparedness rate is only 17% for Latinos, 23% for African-Americans, and 25% for Pacific Islanders.

- Santa Clara County’s high school graduation rate is higher than the state average; still, one out of every five students does not graduate.

- Per-student spending in Silicon Valley’s schools has fallen for two consecutive years and is now 20% below the national average.

- Large disparities in funding between schools persist; the region’s wealthiest K-12 school district spends $5,745 more per student than the poorest district.

WHY IT MATTERS

E ducation is one of the most important predictors of economic success for workers and their families. As the state's economy grows and changes, demand has grown for not just a highly educated workforce, but a workforce with very specific and rapidly changing skills. However, the state and local educational systems lack adequate resources to make higher education accessible, and those resources that do exist are often not targeted to support the students who most need them.

In 2011-12, 39% of the county’s public K-12 students were Latino, 28% Asian American or Pacific Islander, 23% white, 4% Filipino, and 2% African American. Although there are more Latino students enrolled in Santa Clara County public schools than any other ethnic group, Latino high school students are the least likely to take the “A-G” course requirements that would prepare them for college. Restoring college opportunity for students of all ethnicities is an urgent goal for our public school system.

Of increasing concern is the growing population of students who not only lack access to college, but are unable to even finish high school. New, more accurate student tracking has revealed that 20% of Silicon Valley high school students drop out before graduating.

Multiple years of state budget cuts have left the already under-resourced school system with wholly inadequate funding to meet the challenge of preparing the current generation of children to work and live in today's economy. Between 2007-08 and 2010-11, core state funding for K-12 schools was cut by $3.6 billion, or $530 per student for every student throughout the state. Statewide, the total number of teachers in classrooms fell by 11 percent, a loss of 32,000 teachers. California now ranks dead last among all states in student-to-teacher ratios.

Ultimately, an under-resourced educational system shortchanges our children and youth, and in the long term could create a shortage of highly skilled workers. In a high-tech region whose driving industries are dependent on an educated workforce, Silicon Valley is producing a generation of students whose academic achievements are inadequate to sustain healthy economic growth.
COLLEGE PREPAREDNESS

Just under half of high school students graduate prepared for a four-year college; Santa Clara County students outpace the state in college preparedness.

In 2010-11, 46% of Silicon Valley’s high school seniors were prepared for college, exceeding the statewide rate of 40%.² (See Figure 5.1.)

This indicator measures the percent of 12th graders who completed the prerequisite courses required to enter California’s public four-year colleges (UC or CSU), known as the “A-G requirements”.

Beginning in 2009-10, the state changed its method of calculating high school graduation, dropout, and A-G completion rates to a more accurate “cohort” system that tracks students from year to year. The past two years’ rates thus cannot be compared to earlier years.

Wide disparities exist in college preparedness; among Latino students, only 17% complete the courses needed to be prepared for a four-year college.

The overall college preparedness rate masks large ethnic/racial differences in the coursework completed by the county’s high school seniors.

In the class of 2010, Asian-American students had the highest college preparedness rate at 66%, followed by white students at 51%.

A large gap exists between these two and all other identified ethnic groups. Only 35% of Filipinos completed A-G requirements, followed by 25% of Pacific Islanders, 23% of African-Americans, 20% of Native Americans and just 17% of Latinos.³ (See Figure 5.2.)

Multiple factors influence college preparedness rates, among them disparities between schools and districts; if the A-G courses are not offered or fill up, students are unable to complete them.
High school graduation rate of 80% is slightly higher than the state average.

While one cohort of students is being prepared for college, another is dropping out. New, more accurate data on dropouts and high school graduation shows that while Santa Clara County exceeds the state in high school graduation rates, still one out of every five students does not graduate.4 The new “cohort” system adopted by the state tracks students throughout their academic careers, providing a much more accurate picture of graduation rates.

The cohort data reveals that in Santa Clara County, the class of 2011 had a graduation rate of 79.7 percent, little changed from the previous year’s rate of 80.5 percent. (See Figure 5.3.)

Due to the change in methodology, the past two years’ rates cannot be compared to earlier years.

Santa Clara County has maintained a higher graduation rate than the state average of 76.3%. The higher than state average graduation rate can be attributed in part to the fact that Santa Clara County has a more educated adult population on average, with large groups of affluent parents, and schools ranking as among the best in the country.5

However, the fact that one out of every five students in the county does not graduate continues to be a community-wide challenge. Youth who do not graduate high school are likely to face higher unemployment and lower earnings throughout their lives.6

Figure 5.3 Source: California Dept. of Education, Educational Demographics Unit
Per-student funding at Santa Clara County schools declines for two consecutive years, falling further below the national average.

Ensuring that all students are provided with the resources that they need to succeed is a critical component of an effective educational system – one with which California has long struggled.

From 2008-09 through 2010-11, annual expenses per student day (known as Average Daily Attendance, or ADA) fell in Santa Clara County schools from $8,943 to $8,536, a drop of 4.5%. (See Figure 5.4.)

K-12 spending in Santa Clara County was slightly above the state average of $8,323 for 2010-11. Both local and state per-student spending remain far below the national average, which in fiscal year 2010 grew by 1.1% to $10,615.8

This decline is in line with the statewide trend, in large part due to state budget cuts that have reduced resources for education. Between 2007-08 and 2010-11, core state funding for K-12 schools – known as general purpose funding – was cut by $3.6 billion, or $530 per student for every student throughout the state. As a result, many districts were forced to lay off teachers, increase class sizes, cut instructional days, and reduce or eliminate librarians, counselors, sports, and other non-classroom activities. Statewide, the total number of teachers in classrooms fell by 11 percent, a loss of 32,000 teachers. California now ranks dead last among all states in student-to-teacher ratios.9

These cuts were not distributed evenly. The complex formulas characterizing the current K-12 finance system resulted in widely varying losses by district. Within Santa Clara County, East Side Union High School District suffered the greatest per-student drop in general purpose funding, a loss of $614 per student – totaling a $15.3 million cut for the district.10

Federal funding has thus far softened the blow of state cuts, as the American Recovery and Reinvestment Act (ARRA) of 2009 provided additional funding to help close the budget gaps faced by K-12 schools. However, most of the temporary ARRA funding has now come to an end.

At the same time, the state continues to reduce funding for education. In 2010-11, the state cut an additional $7 billion from K-12, including a further reduction in general purpose funding as well as cuts to categorical funds supporting specific programs.11

The State of California’s 2012-12 budget agreement includes ‘trigger cuts’ that will take effect January 2, 2013 if voters do not approve a November 2012 ballot measure intended to raise revenue for state services. Eighty percent of the impact of the trigger cuts would fall on K-12 schools. If these cuts take effect, schools will lose another $4.8 billion and will be authorized to shorten the school year by 15 days.

* ADA values are not adjusted for inflation; such adjustment would result in a larger decline.
Large disparities in funding persist between higher- and lower-income school districts; the wealthiest K-12 district spends 79% more per student than the poorest district, a difference of $5,745 per student.

Santa Clara County encompasses 32 separate school districts: 31 providing primary and/or secondary education and one, MetroEd, offering adult classes and career technical education for high school students.

Due to the convoluted structure of California’s school finance system, dollars are not distributed equally between districts. There is a large and growing gap between per-student funding in districts with a high proportion of higher-income families versus districts serving primarily lower-income students.

For 2010-11, the largest gaps in per-student funds (spending per ADA) between districts of the same type (excluding districts with less than 1,000 students) were as follows:

<table>
<thead>
<tr>
<th>District</th>
<th>Spending per ADA</th>
<th>Disparity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mountain View-Los Altos Union High School District</td>
<td>$13,229</td>
<td>$4,995 per student</td>
</tr>
<tr>
<td>East Side Union High School District</td>
<td>$8,274</td>
<td></td>
</tr>
<tr>
<td>Saratoga Union Elementary School District</td>
<td>$11,138</td>
<td>$4,241 per student</td>
</tr>
<tr>
<td>Evergreen Elementary School District</td>
<td>$6,897</td>
<td></td>
</tr>
<tr>
<td>Palo Alto Unified School District</td>
<td>$12,994</td>
<td>$5,745 per student</td>
</tr>
<tr>
<td>Milpitas Unified School District</td>
<td>$7,249</td>
<td></td>
</tr>
</tbody>
</table>

In 2012, California Governor Jerry Brown proposed major changes to the school finance system that would have replaced the current allocations with a Weighted Student Formula (WSF) under which districts that serve a higher proportion of disadvantaged students would receive higher per-student funding. Disadvantaged students included students who qualify for free or reduced price school lunch (i.e., students from lower-income families) as well as English language learners. Despite broad support from advocates for educational equity and from the nonpartisan Legislative Analyst’s Office, which concluded that it would establish a "simple, transparent and rational system," the Weighted Student Formula proposal was eliminated during state budget negotiations.
KEY STATISTICS

- The college-going rate for high school graduates in Santa Clara County rebounded from its historic low of 36% in 2008, up to 48% in 2010. However, fewer graduates are going on to college than at any time from 1991 to 2007.

- Between 2000 and 2010, the college-going rate dropped substantially for high school graduates of every major ethnic group. Among both Black and Latino graduates, only 36% went on to college.

- While national college-going rates for Latinos have headed upward, Silicon Valley has gone in the opposite direction; the college-going rate for Latino graduates from Santa Clara County is now ten percentage points below the national average for Latinos.

- Since the start of the Great Recession, the cost of attending a CSU college has almost doubled; the cost of attending a UC has jumped 71%; and the cost of community college has grown 130%.

WHY IT MATTERS

Higher education is essential for today’s young people if they are to build family-supporting careers in an economy that demands increasingly complex sets of skills and often places local graduates in direct competition with a global workforce. At the same time, working adults have a growing need for access to higher education that can provide lifelong learning opportunities to keep up with new demands for skills and to provide the flexibility to learn a new trade as jobs churn and industries boom and bust.

The ongoing financial assault on California’s public higher education system – once considered the best in the world – is threatening to eliminate access to higher education for large portions of today’s students. In the face of ongoing budget cuts, California’s colleges and universities are cutting classes, raising tuition and turning students away in unprecedented numbers. Locally, San Jose State University was forced this spring to end its promise of guaranteed enrollment for all local high school graduates who meet admission qualifications.

If this trend is not quickly reversed, its economic impacts will be felt for decades to come. Not only will today’s students shut out of college be more likely to struggle financially throughout their lives, but lower levels of education among the next generation would present a significant barrier to the Valley’s future as a world capital of innovation.
Throughout the 1990s, more than half of all high school graduates in Santa Clara County went directly on to college. In the 2000s this college-going rate began to decline, falling below 50% for the first time.

In 2008 the college-going rate for all high school graduates abruptly dropped to 36% - meaning that nearly two-thirds of the graduating class of 2008 did not go on to college.16 (See Figure 5.6.)

This unprecedented drop was due to a confluence of factors – a fee increase, budget cuts, and increased competition from laid-off workers for class seats – that came together to push recent graduates out of California’s community colleges.

As fee hikes and enrollment pressures eased, college attendance bounced back up. In 2010, 47.9% of public high school graduates attended college, a considerable jump from the low point in 2008.* (See Figure 5.5.) However, even the past two years of growing enrollment have still left college attendance lower than at any point from 1991 to 2007.

Further cuts are on the horizon. If the Governor’s tax measure is not approved by voters in November 2012, automatic “trigger cuts” beginning January 1, 2013 will reduce funding for the California Community Colleges by $550 million and for the University of California and California State University systems by $250 million each. Current cuts have already had a grave impact; in April 2012, San Jose State University ended its promise of local guaranteed admission. For the first time, Santa Clara County high school graduates who meet all of the qualifications to attend San Jose State will no longer be guaranteed a spot.

Continuing fee hikes, budget cuts and enrollment reductions at the states’ public institutions of higher education threaten to permanently reduce access to college for Silicon Valley and California’s high school graduates.17 18 19 20 21

* For 2010, data was available only for public high school graduates rather than for all high school graduates. The short-term data shown in Figure 5.5 is thus not strictly comparable to the long-term data shown in Figure 5.6.
In every ethnic group, fewer high school graduates are attending college.

The decline in the college-going rate has impacted students of all races and ethnic groups, although some have taken a larger hit than others.

Between 2000 and 2010, the college-going rate dropped substantially for high school graduates of every major ethnic group (groups with a large enough population to show meaningful data trends).

The smallest decline was seen among Asian and Pacific Islander students, whose college-going rate dropped by 6.6 percentage points. Latinos, who already had the lowest college-going rate, saw their rate fall further still, dropping 8.5 percentage points to just 35.9%. All other ethnic groups saw declines of more than 10 percentage points. (See Figure 5.7.)

The decline in Latino graduates attending college is of particular concern because Latinos make up the largest portion of the K-12 student population. Nationwide, Latino college enrollment has been on the rise; a 2011 national analysis by the Pew Hispanic Center showed a college-going rate for Latino high school graduates of 45.6%, almost ten percentage points above the current rate for Santa Clara County. While national college-going rates for Latinos have headed upward, Santa Clara has gone in the opposite direction.

![Figure 5.7 Source: California Postsecondary Education Commission](image-url)
Since the start of the Great Recession, the cost of attending a CSU college has almost doubled; the cost of attending a UC has jumped 71%; and the cost of community college has more than doubled, growing 130%.

Why is college attendance dropping for high school graduates at the same time that college readiness is increasing?

Evidence points to financial factors, both individual and institutional, as the primary cause.23

On the individual level, rising unemployment and falling incomes mean that students and their families have less money available for college.

Institutionally, multiple years of ever-greater budget cuts have resulted in higher tuitions and fewer available spots at California’s public institutions of higher education.

Since the beginning of the recession in 2008, student fees (the equivalent of tuition) at University of California campuses have grown by 71%. At California State Universities, fees have jumped by 91%. And at community colleges, annual cost leapt up by 130%. These enormous increases during a time of economic hardship may be putting college increasingly out of reach for California’s young adults.

In the past ten years, the cost of a year at a California State University has more than tripled – increasing by 218% - while the cost for the University of California has nearly quadrupled (up 296%) and is now among the highest in the nation24 for a public university system. (See Figure 5.8.)

In addition to tuition increases, state budget cuts for higher education have led a number of campuses, including San Jose State University, to place caps on enrollment.25 These caps mean that even though they meet all of the eligibility requirements, students are being turned away from their preferred campus due to lack of space. At community colleges, students are increasingly unable to enroll in the classes they need because insufficient seats are available.

In the UC system, admission numbers for Fall 2009 and Fall 2010 were reduced by 2,500 spots, even though the number of applicants for both years was at a record high. The CSU system is facing more drastic enrollment effects due to the budget cuts, reducing...
admission enrollment by 10,000 to cope with the $500 million budget cuts in 2011. These cuts were, unfortunately, not the last cuts the they will be facing; the system is planning on cutting enrollment by an additional 20,000 by not opening Spring Quarter enrollment for 2013, in preparation for the looming budget cuts triggered at the same level. Along with cutting enrollment, SJSU has recently stated that it will no longer guarantee admission to local students, marking this the first time in 50 years that students with a 2.0 minimum GPA might not be admitted.

To fill the gap in finances created by these budget cuts, the UC system has been admitting an increasing number of out-of-state and international students, who pay more for their education than California residents. In 2011, there were over 4000 more non-residents admitted to UC than the year before, with out-of-state students and international students making up 10.7% and 7.4%, respectively, of the total admitted for the Fall 2011 class.

Financial aid helps many lower-income students attend college. But that too is vulnerable to cuts. Beginning July 1, 2012, college students without a high school diploma or GED are no longer eligible for federal Pell grants. Also losing Pell grants are students who have been in college for more than six years; often these are low-income students who take fewer classes in a year because they must work to make ends meet. Nationally, the greatest impact of the Pell grant cuts is expected to fall on African-American and Latino students.

In California, the proposed “Middle Class Scholarship” aims to ease the impact of fee hikes on students from middle-income and lower-income families by making them eligible for a grant covering 2/3 of the total fees at a UC or CSU campus. Proponents estimate that, statewide, 150,000 students at CSUs and 42,000 students at UCs would receive the Middle Class Scholarship. The proposal would also provide $150 million to increase affordability of community colleges.

However, in August 2012 the Middle Class Scholarship legislation was voted down by the State Senate. Proponents, among them Governor Jerry Brown, vowed to try again next year.
Multiple Pathways to Higher Education

As of 2010, 3,018 Santa Clara County residents were enrolled in construction apprenticeship programs; apprenticeship is a key pathway to post-secondary education and career for Latinos and African-Americans.

While they are critical institutions, colleges and universities are not the only pathway to higher education. Tens of thousands of county residents enroll each year in other types of post-secondary education, much of it with a vocational or career/technical orientation. These varied sub-baccalaureate programs are of enormous importance in providing a means for students to develop the skills needed for today's rapidly changing job market.

One type of career/technical education is the registered apprenticeship system, in which trainees learn a trade through a combination of classroom instruction and on-the-job training. Because they are sponsored directly by employers or industry partnerships along with trade unions, apprenticeship programs are unique in their direct link to the job market and a lifelong career. In addition, apprentices are paid an hourly wage while they are learning the trade, unlike most other career technical programs which rarely pay trainees for their time and almost always charge tuition.

Apprenticeship represents an especially important pathway to post-secondary education and career for Latinos and African-Americans, who are under-represented in California's traditional public colleges and universities.

Fully 62% of construction apprentices residing in Santa Clara County are Latino, although Latinos make up only 27% of the county’s population; similarly, African-Americans make up just 2% of the population, but are 4% of all construction apprentices.

As of 2010, a total of 3,018 Santa Clara County residents were enrolled in a construction apprenticeship program (data for other types of apprenticeships such as cosmetology or culinary are not included). The table above provides active apprentices in each of the ten largest apprenticeship programs serving Santa Clara County.

It should be noted that when the industry is in recession, as it was in 2010, the number of apprenticeship slots greatly decreases; these numbers are expected to grow considerably in 2012-13.

<table>
<thead>
<tr>
<th>Trade / Sponsor</th>
<th># of active apprentices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carpenters</td>
<td>454</td>
</tr>
<tr>
<td>Electrical</td>
<td>258</td>
</tr>
<tr>
<td>Pipe Trades</td>
<td>237</td>
</tr>
<tr>
<td>Drywall &amp; Lathing</td>
<td>248</td>
</tr>
<tr>
<td>Roofing &amp; Waterproofing</td>
<td>231</td>
</tr>
<tr>
<td>Painting &amp; Decorating</td>
<td>188</td>
</tr>
<tr>
<td>Sheet Metal</td>
<td>187</td>
</tr>
<tr>
<td>Ironworkers</td>
<td>149</td>
</tr>
<tr>
<td>Glaziers</td>
<td>100</td>
</tr>
<tr>
<td>Floor Covering</td>
<td>89</td>
</tr>
<tr>
<td>Cement Masonry</td>
<td>73</td>
</tr>
<tr>
<td>Construction Craft Laborers</td>
<td>55</td>
</tr>
<tr>
<td>All others</td>
<td>749</td>
</tr>
<tr>
<td>Total</td>
<td>3,018</td>
</tr>
</tbody>
</table>

As of Nov. 17, 2010. Includes only apprentices who reside in Santa Clara County. Source: California Dept. of Industrial Relations.
**KEY STATISTICS**

- The average educational level of Santa Clara County adults (age 25 and up) increased substantially between 2000 and 2010. Silicon Valley residents are twice as likely as the state or national average to hold an advanced degree.

- The increase in educational levels was reflected across all ethnic groups. Yet wide disparities remain; 61% of Latino adults and 43% of Vietnamese adults have never attended college.

- Santa Clara County workers with a bachelor’s degree earn two-and-a-half times as much as workers with only a high school diploma. This wage gap is the largest in the nation.

- Between 2008 and 2010, median earnings fell for workers at every educational level.

**WHY IT MATTERS**

Education is one of the keys to economic security. Silicon Valley residents overall enjoy a high level of education relative to much of the state. However, a substantial portion of the population has less formal education and is largely shut out of most well-paying careers.

First-generation immigrants often do not hold a high school diploma, if they did not have the opportunity to attend high school in their own country. California immigrants have already made striking progress in bettering their educational levels from one generation to the next. For first-generation immigrants with second-generation adult children, the high school graduation rate improved dramatically across generations, from 62% in the first generation to 90% of the second. Among Mexican-Americans in particular, only 22% of first-generation immigrants in California have a high school diploma. The progress made by their children is dramatic: 82% of the second generation have at least a high school diploma, and 15% earn 4-year college degrees.31

However, economic barriers and the erosion of the public higher education system may limit further progress. Parents lacking formal education usually labor in low-wage jobs, with the result that their choice of school districts is constrained by the high cost of housing. For instance, among California's janitors, who are overwhelmingly Latino and low-wage, 97% send their kids to public schools for K-12, often in some of the state’s most overcrowded and underfunded school districts. Fifty-one percent anticipate their children may have to work instead of going to college. The children of Mexican-American immigrants in particular remain among the least likely to attend college.32

With the cost of higher education rapidly rising and space for recent graduates declining, working parents - especially those who did not attend college themselves - are increasingly hard pressed to afford college for their children.

At the same time, a drive to improve educational access must be accompanied by and focused through the lens of quality job creation, lest well-meaning initiatives provide education that does not match up with the demands of the future job market. Nationwide labor market projections for 2020 show that the jobs being created will not require greater levels of educational attainment that are possessed by today's workforce.33 Education on its own will not create jobs or raise wages; it must be combined with an economic strategy.
Overall educational levels increase for Santa Clara County adults

The average educational level of Santa Clara County adults (age 25 and up) has increased substantially over the past decade. The portion of adults who have never been to college declined from 32% to 30%, while the portion holding a bachelor’s degree or higher grew from 40% to 46%. The largest change was visible in the portion with advanced degrees, which grew from 16% to 20%. (See Figure 5.9.)

By comparison, those holding a bachelor’s degree or higher make up 30% of all adults in California and 28% in the U.S., and in both California and the nation as a whole, only one out of ten adults holds an advanced degree.

While this trend can be seen as an indication of Silicon Valley’s success in educating and/or attracting highly educated workers, it may also be driven in part by the high cost of living – especially housing – in Silicon Valley. Less educated residents, who are likely to work at lower-paying jobs, may be choosing to move out of Silicon Valley because they cannot afford to live here – leading to longer commutes, increased traffic congestion, and associated environmental and social impacts.
Educational attainment has increased across all ethnic groups; but huge gaps remain; 61% of Latino adults and 43% of Vietnamese adults have never attended college.

The overall gain in educational attainment extends to all major ethnic groups in Santa Clara County. Among the groups with a population of 65,000 or more, Latino, Vietnamese, African-American, Filipino, Caucasian, Chinese, and Asian Indian adults all saw a decline in the portion who had never been to college coupled with an increase in the portion holding a bachelor’s degree or higher.

Yet substantial disparities remain. Among Latino adults (age 25 and up), 61.3% have had no college education. This percentage has been declining steadily and is at its lowest level for the decade, but it remains alarmingly high. The same holds true for Vietnamese adults, of whom 43.2% have never attended college. (See Figure 5.10.)
Workers with a bachelor’s degree earn two-and-a-half times as much as workers with only a high school diploma; but between 2008 and 2010, median earnings fell for workers at every educational level.

In general, education is a good investment; a higher level of education typically leads to substantially greater earnings throughout one's working lifetime. The increased earnings associated with greater education are known as the wage premium.

In 2010, the median worker (age 25+) in Santa Clara County who held a bachelor's degree had a wage premium of 151% over the median worker with a high school diploma – a difference of $42,086 in annual earnings. The median adult worker without a high school diploma earned just $20,882, compared to $27,852 for a high school graduate, and $69,938 for a bachelor's degree holder.

Although more educated workers fared better, education did not insulate working adults from the Great Recession. Between 2008 and 2010, median earnings (before inflation) dropped all across the board, with those with a high school education or less being hit the hardest. Median earnings for those with a high school degree decreased by 17%; those with a bachelor’s or an advanced degree saw earnings drop by 3%.35

While both genders gain financially from education, there are considerable differences between the wage premiums for female and male workers. Women tend to gain higher premiums than men until they reach a bachelor's degree. For example, women with some college education have a premium of 50.5% over a woman with a high school degree, comparing to a men's 44% premium over those with a high school degree (although at all levels, the median earnings for men is considerably greater than for women). However, once both sexes earn a bachelor's degree or higher, the premiums reverse, and men have higher returns to education than women; men with a bachelor’s degree have a premium of 70.8% over men with some college education, but women with a bachelor's degree have a premium of 62% over women with some college education.

The amount of the wage premium for education varies by sex, although both genders receive substantial returns to education. The largest gender wage gaps are found at the highest educational levels. Put simply, in Silicon Valley, men have a higher return to a four-year college education or to an advanced degree than do women. (See Figure 5.11.)
Education wage gap in San Jose is the largest in the nation.

The San Jose metro area has the highest wage premium in the nation for workers with bachelor's degrees compared to workers with high school diplomas. As of 2010, the median differential between those with a bachelor's degree versus a high school diploma was 1.75 nationwide and 2.43 in San Jose.36

A projected 57% of job openings will not require any college or post-secondary education; half these jobs pay less than a living wage.

The long-term forecast for the Silicon Valley economy shows that 57% of projected annual job openings through 2018 will require only on-the-job training or related work experience. While some of the openings in jobs without formal education requirements pay well, many do not; 58% of these lower-skilled jobs pay a median wage less than the current living wage for San Jose.

Among job openings that do require formal education, a bachelor's degree is by far the most common post-secondary requirement; 31% of job openings will require a bachelor's degree or a bachelor's plus experience. Another 8% will require a vocational or associate's degree, and just 5% of job openings are projected to call for a master's, PhD or professional degree.37 (See Figure 5.12.)

While these are the most recent official projections available, they were created prior to the Great Recession; the number and type of job openings may now be quite different from what was projected. Nevertheless, if Silicon Valley's future job mix matches these projections, it may indicate that even highly educated workers will face increased competition for jobs.

Nationally, young college graduates have lost ground in the job market. Real average hourly wages of young (age 21-24) college graduates fell over the decade, dropping a total of 5.4% from 2000 to 2011. The wage drop was larger for young women (8.5%) than for young men (1.6%). The wage decline did not begin with the Great Recession; wages for young college graduates were slowly falling throughout the 2000s, in contrast to 1995-2000 when wages climbed by 19%.38

Furthermore, the national unemployment rate for young college graduates was 10.4% in 2010 and 9.4% over the most recent 12 months (April 2011-March 2012). While young people without a college degree were much worse off, it is evident that a college education did not shelter new graduates from the recession.39

![Projected Average Annual Job Openings in Santa Clara County by Education/Training Level, 2008-2018](image-url)
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INTRODUCTION

CHAPTER 1: MAKING A LIVING
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CHAPTER 2: SEEKING SECURITY

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California Health Interview Survey, pooled data for 2007-09. Statistics are for females age 15 and up. Latinas and African Americans are pooled in order to increase sample size.

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Working Partnerships USA is a 501(c)3 nonprofit social change organization founded by labor and community groups that equips everyday people to participate and win in developing a fair and free society. Our economic research focuses on the perspective of Silicon Valley’s invisible majority - the poor and middle class - with whom we develop and advocate for policy proposals that improve their lives and thus the well-being of society as a whole.