LIFE IN THE VALLEY ECONOMY
UPDATE: LABOR DAY 2007
WORKING PARTNERSHIPS USA

INTRODUCTION

New income and poverty statistics released today by the U.S. Census Bureau reveal that Santa Clara County households gained little ground in 2006. Despite the region’s resurging business growth, average families in Silicon Valley are still struggling to make ends meet, with incomes stagnant, cost of living extraordinarily high, and a rapidly growing threat of foreclosure.

Despite a growing economy, Silicon Valley families gained little ground in 2006.

Income and employment growth in Silicon Valley have been far lower than would be expected in the sixth year of a national recovery. After inflation, in 2006 the median household saw no significant growth in its annual income, marking five straight years of stagnant or declining real median incomes. The household and child poverty rates stagnated as well, showing no improvement from 2005 and remaining well above 2000 levels.

These latest numbers confirm that the average Santa Clara County family remains worse off than before the dot-com crash of 2001. The evidence increasingly suggests that Silicon Valley’s economy did not merely suffer a temporary slowdown in 2001, but has jumped tracks: moving in a persistent direction typified by lower incomes, increasing inequality, and heightened economic insecurity for the middle class.

Unless new public policy initiatives explicitly confront the middle-class squeeze, these troubling conditions are likely to persist. Getting back on the right track will require a commitment to redefining economic growth as growth that fulfills community needs and generates quality, secure jobs offering career paths that lead workers and their families into the secure middle class.

ABOUT THIS SERIES

This brief contains the most recent analysis from an ongoing investigation by Working Partnerships USA into Silicon Valley’s 21st century economy. It updates the comprehensive study Life in the Valley Economy: Silicon Valley Progress Report 2007 (LIVE 2007), an in-depth analysis of working and middle-class families’ economic experiences in Silicon Valley, including savings and debt, job security, health care, housing, transportation, education, and economic mobility. LIVE 2007 is available for download at http://www.wpusa.org/live, or by contacting Working Partnerships USA.
KEY FINDINGS

Indicator: Household Budgets

- **Incomes continue to stagnate.** In 2006, median household income in Santa Clara County stood at $80,838, showing no significant inflation-adjusted growth over 2005.

- **Household incomes have still not recovered from the 2001 crash.** After inflation, the median household made $10,984 less in 2006 than in 2001.

Indicator: Employment and Wages

- **Silicon Valley adds jobs in 2006-07.** Between July 2006 and July 2007, total nonfarm jobs in the San Jose metropolitan area increased by 2%, adding 17,900 jobs.

- **The Valley still suffers a substantial jobs deficit.** As of July 2007, the San Jose metro area held 144,700 fewer jobs than in July 2000, a 13% drop. Employment remained below even its level ten years ago, with 32,400 fewer jobs than in July 1997.

- **Earnings stagnation hits workers; large racial and gender wage gaps persist.** The median worker earned $40,361 in 2006, showing no real increase from $42,712 in 2000. The median Latino worker earned just $24,151.

Indicator: Savings and Debt

- **The foreclosure crisis continues to spread.** In the second quarter of 2007, 1,275 Santa Clara County mortgages went into default – more than double the number of defaults in Q2 2006, and triple the default rate of just two years ago.

Indicator: Achieving Self-Sufficiency

- **Poverty rates remain unchanged, marking five straight years of increasing or stagnant poverty.** The household poverty rate remained at 8.0% in 2006: the same rate as 2005 and 2004, and well above the 5.4% poverty rate achieved by Santa Clara County in 2000.

TECHNICAL NOTES

In order to provide a comprehensive view of the Silicon Valley economy, this brief brings together data from multiple sources. In addition to the 2006 American Community Survey (ACS) released today by the U.S. Census Bureau, data sources include the Current Employment Statistics and Occupational Projections series produced by the California Economic Development Department, the Decennial U.S. Census, DataQuick Information Systems (foreclosure data), and the California Budget Project. The data source for each section is indicated below the relevant figure.

For the American Community Survey in particular, time series data should be interpreted with caution. The Census Bureau has been working since the late 1990s to introduce and improve the ACS; 2005 and 2006 saw a number of improvements to ACS methodology, notably a larger sample size beginning in 2005 and the inclusion of group quarters beginning in 2006. Graphs in this brief include ACS data for all available years, 2000 through 2006; however, apparent changes from year to year may not be significant, and the changing size of the ACS sample makes the significance of changes between 2000-2004 and 2005 or 2006 difficult to accurately assess. More information is available from the Census Bureau at http://www.census.gov/acs.
**INDICATOR: HOUSEHOLD BUDGETS**

- **Incomes continue to stagnate.** In 2006, median household income in Santa Clara County stood at $80,838, showing no significant inflation-adjusted growth over 2005.
- **Household incomes have still not recovered from the 2001 crash.** After inflation, the median household made $10,984 less in 2006 than in 2001.

The average Santa Clara County household saw no real income growth in 2006. Median household income was $80,838, a statistically insignificant change from $79,283 (inflation-adjusted) in 2005. Real median income in the region has declined or stagnated every year since 2001.

Since the beginning of the decade, real median household income has fallen substantially, meaning that most families are earning considerably less money (after inflation) than they did five years ago. In 2006, the median household had $10,984 less to spend than they had in 2001: an 11.9% drop.

- **More households fall into the lowest income brackets.** In 2006, Santa Clara County was home to fewer middle-income households ($50,000-$199,999) than in 2000, while an increasing number of households fell into the lowest income bracket (below $50,000).

In 2006, 184,810 households in Santa Clara County had annual incomes below $50,000, up from 139,100 households in 2000 (incomes in real 2006 dollars).

At the same time, the number of households in the middle income categories ($50,000 through $199,999) dropped, from a total of 349,330 households in 2000 down to 338,080 in 2006. There was no significant change in income distribution between 2005 and 2006.

The simultaneous drop in secure middle-income households and increase in lower-income households may reflect a combination of financial problems plaguing working- and middle-class families: fewer available jobs, stagnant wages, high cost of living, growing household debt, and cutbacks to the safety net.
**INDICATOR: EMPLOYMENT AND WAGES**

- **Silicon Valley adds jobs in 2006-07.** Between July 2006 and July 2007, total nonfarm jobs in the San Jose metropolitan area increased by 2%, adding 17,900 jobs.

- **The Valley still suffers a substantial jobs deficit.** As of July 2007, the San Jose metro area held 144,700 fewer jobs than in July 2000, a 13% drop. Employment remained below even its level ten years ago, with 32,400 fewer jobs than in July 1997.

In the past 12 months, total nonfarm employment in the San Jose metropolitan area grew by 2.0%, adding 17,900 jobs year over year. While growth slowed somewhat from the previous year’s 2.8% rate, the 2006-07 growth represented a substantial improvement over the steep employment declines and subsequent stagnation experienced during the period of 2001-2005.

However, employment and labor force participation both remain far below their pre-crash levels. San Jose-area employers provided 144,700 fewer jobs in July 2007 than they did in July 2000.

Even looking back a decade, the region is still 32,400 jobs below its level of ten years ago. Yet population has continued to grow, with Santa Clara County adding 195,356 net new residents since 1997. As a result, the employment to population ratio – the proportion of residents of all ages who have jobs – has fallen markedly, from 54.2% in 1997 to 44.7% in 2007. This drop is not solely due to the changing age profile of the population; the ratio of total workers to the adult nonelderly population (age 18-64), formerly at 83% in 1990 and 85% in 2000, fell to 73% in 2005.

![Jobs in Silicon Valley, July 1997 - July 2007](image)

*Figure 3. Source: Current Employment Statistics (CES)*

| Data Table: Jobs in Silicon Valley, July 1997 – July 2007 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Jul-97      | Jul-98      | Jul-99      | Jul-00      | Jul-01      | Jul-02      | Jul-03      | Jul-04      | Jul-05      | Jul-06      | Jul-07      |
| 944,400     | 973,300     | 987,000     | 1,056,700   | 1,014,500   | 915,200     | 866,700     | 861,100     | 870,100     | 894,100     | 912,000     |
• **On average, new jobs pay lower wages than those they replace.** Industries that added jobs last year had a mean weekly wage of $1,237, 11% lower than in industries that lost jobs.

![Average Weekly Wage for Growing Industries vs. Shrinking Industries in the San Jose Metro Area](chart)

On average, the industries that have been creating jobs in Silicon Valley pay lower wages than those that are eliminating jobs. The figure at right shows the mean average weekly wage in 2006 for all growing industries (those that added jobs) versus all shrinking industries (those that lost jobs). In the last 12 months, the mean of the average weekly wages for growing industries was $1,237; for shrinking industries, it was $1,396. Analyzing growing and shrinking industries since 2000, the same pattern appears: job gains have been concentrated in industries paying a lower average wage.

• **Economic projections indicate an ongoing deficit of middle-income jobs.** Of the top ten occupations projected to have the most job openings through 2014, five pay under $11/hr.

Projections of job growth for 2004-2014 show continuing growth of low-wage jobs in the San Jose metropolitan area, along with growth of several high-paying and high-skilled occupations. However, fewer openings are projected in middle-income jobs. Of the top ten projected jobs, five of them pay less than half the median wage ($11.03); four pay more than 150% of the median ($33.09), but require at least a bachelor’s degree or advanced training. Only one of the top ten occupations – office clerk – pays a middle-income wage. Absent an economic shift that increases the growth of middle-wage jobs or increases compensation for the fastest-growing low-wage jobs, these projections suggest that the number of households who cannot afford the cost of living in Silicon Valley will continue to increase.

**Occupations with the Most Projected Job Openings**
San Jose Metro Area, 2004-2014

<table>
<thead>
<tr>
<th>Occupational Title</th>
<th>Job Openings</th>
<th>Median Hourly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Salespersons</td>
<td>13,940</td>
<td>$10.73</td>
</tr>
<tr>
<td>Cashiers</td>
<td>9,320</td>
<td>$9.67</td>
</tr>
<tr>
<td>Waiters and Waitresses</td>
<td>7,270</td>
<td>$8.04</td>
</tr>
<tr>
<td>Computer Software Engineers, Applications</td>
<td>6,980</td>
<td>$47.72</td>
</tr>
<tr>
<td>Combined Food Prep. &amp; Serving Workers, Incl. Fast Food</td>
<td>5,520</td>
<td>$8.25</td>
</tr>
<tr>
<td>Janitors &amp; Cleaners, Except Maids &amp; Housekeeping Cleaners</td>
<td>5,270</td>
<td>$10.43</td>
</tr>
<tr>
<td>Computer Software Engineers, Systems Software</td>
<td>5,220</td>
<td>$50.83</td>
</tr>
<tr>
<td>Registered Nurses</td>
<td>4,920</td>
<td>$43.73</td>
</tr>
<tr>
<td>Office Clerks, General</td>
<td>4,910</td>
<td>$15.58</td>
</tr>
<tr>
<td>General and Operations Managers</td>
<td>4,640</td>
<td>$59.22</td>
</tr>
</tbody>
</table>

Source: California Employment Development Department
• **Earnings stagnation hits workers; large racial and gender wage gaps persist.** The median worker earned $40,361 in 2006, showing no real increase from $42,712 in 2000. The median Latino worker earned just $24,151.

Workers in Santa Clara County continue to suffer the effects of wage stagnation; the median worker earned $40,361 in 2006, seeing no significant growth after inflation from $42,712 in 2000. (Earnings in 2005 and 2006 are not comparable at this time due to changes in the American Community Survey.)

Racial/ethnic and gender disparities in earnings remain substantial. In 2006, median earnings for Latino workers were just $24,151, less than half the median earnings for white workers ($51,630) or for Asian workers ($49,803).

Women workers of all races face a deficit nearly as large, with women’s median earnings at $31,770 and men’s at $47,773.

Since the majority of Silicon Valley’s workforce is made up of female and/or nonwhite workers, the disparities suffered by these groups represent a substantial loss of earnings potential for the region.

**INDICATOR: SAVINGS AND DEBT**

• **The foreclosure crisis continues to spread.** In the second quarter of 2007, 1,275 Santa Clara County mortgages went into default – more than double the number of defaults in Q2 2006, and triple the default rate of just two years ago.

The combination of falling incomes, high and growing cost of living, and unaffordable mortgage and home equity loan payments forms a recipe for pushing a family over the edge into foreclosure. When combined with the growth of subprime and other high-cost mortgages since 2000, the impact has been an enormous jump in foreclosures across the U.S.

Locally, foreclosures have grown at an alarming rate over the past 12 months. In the second quarter of 2007, 1,275 homeowners received notices of default (the first step in the foreclosure process), more than double the 530 defaults in the second quarter of 2006, and nearly triple the 430 defaults in Q2 2005.
**INDICATOR: ACHIEVING SELF-SUFFICIENCY**

- Poverty rates remain unchanged, marking five straight years of increasing or stagnant poverty. The household poverty rate remained at 8.0% in 2006: the same rate as 2005 and 2004, and well above the 5.4% poverty rate achieved by Santa Clara County in 2000.

  In 2006, 46,545 Santa Clara County households had incomes below the federal poverty threshold ($20,444 for a family of four). The household poverty rate was unchanged at 8.0%, the same rate as in 2005 and 2004. Child poverty (for children under 18 living with families) stood at 10.5%, also showing no significant change from 10.4% in 2005.

  The upturn in regional job growth in 2006 appears to have not yet had a significant effect on the poverty rate. Household poverty still remains well above its pre-crash levels: in 2000, only 5.4% of Santa Clara County’s households lived below the poverty line.

- The cost of basic needs in Silicon Valley far exceeds the official poverty line. A four-person working family in the greater Bay Area needs to earn at least $65,656 to adequately cover basic expenses without assistance.

  Federal poverty standards do not accurately reflect the true cost of living, especially in a high-cost region such as Silicon Valley. A region-specific self-sufficiency standard or “basic family budget” provides a clearer picture of the income needed to provide for basic needs.

  For two working parents with two young children living in the greater Bay Area, the basic family budget — based upon the actual costs of food, rental housing and utilities, transportation, health care, and other essentials — is $65,656 annually, more than three times the poverty threshold. The figure at right breaks down this basic family budget by expense category.

  Since the federal poverty line is the cutoff for eligibility for many safety net programs, large numbers of Bay Area families are left stranded as their incomes fall below the cost of living, but above the poverty line.
ABOUT US

Working Partnerships USA was formed in 1995 as a collaboration among community-based organizations to develop institutional and public policy responses to the negative impacts of Silicon Valley’s new economy on working families. We endeavor to accomplish our mission both by bringing a wider range of voices to the table in discussions of economic development, workforce development and employment policy, and by designing programs to reduce inequity and improve security and quality of life for working families in the New Economy.

The California Research Project of the Partnership for Working Families (PWF) is a network of regional organizations in California studying the status of working families, with assistance from the Washington DC-based Economic Policy Institute. The Partnership for Working Families is a national organization working to transform the lives of workers and their communities by ensuring that public resources invested in development provide a return to the community.

Additional local analyses of income and employment released by PWF partners for Labor Day 2007 include:

- San Francisco East Bay, CA: East Bay Alliance for a Sustainable Economy (EBASE)
  (510) 893-7106 x23, http://www.workingeastbay.org
- Los Angeles, CA: Los Angeles Alliance for a New Economy (LAANE)
  (213) 977-9400 x109, http://www.laane.org
- San Diego, CA: Center on Policy Initiatives (CPI)
  (619) 584-5744 x64, http://www.onlinecpi.org