LIFE IN THE VALLEY ECONOMY
SILICON VALLEY PROGRESS REPORT 2010

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WORKING PARTNERSHIPS USA
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For Silicon Valley, the new century kicked off not with a bang but with an implosion, as the high-tech bust destroyed billions in dot-com wealth and plunged the entire region, tech and non-tech alike, into a deep decline. It wasn’t until 2006-07 that Silicon Valley workers began to see a return to normality in job markets and wages. But just then, the national housing bust hit, followed hard on its heels by the financial crisis, erasing all the gains made during the recovery and then some. Working families in Silicon Valley have had a tough decade – to say the least.

Allegedly, the latest recession is over and the national economy is now in recovery. But as our communities and the nation emerge to try to pick up the pieces left by the deepest U.S. recession since 1929, the question from many quarters is: what kind of recovery are we seeing?

Global trade volumes are projected to rebound in 2010¹, but unemployment for U.S. workers is expected to remain in double digits². Banks are back to record profits³, but small businesses cannot get credit⁴. Stock markets are rising⁵, but our communities are being devastated by ever-greater state and local budget cuts⁶. The global economy may be coming back to normal, but where is the comeback for Main Street USA?

What is needed for a real recovery? To move the economy in a direction that generates jobs, income and a future for our communities, we need to make conscious choices with these aims in mind. Inaction or adherence to the status quo will trap us in the current downspiraling trend.

Yet inaction and gridlock now seem to be the rule rather than the exception. Growing economic insecurity, shrinking middle class opportunity and rapidly shifting markets have produced a crisis in the country that goes beyond finances: it has impacted the American spirit. People are afraid, as they feel the ground shifting below their feet without knowing the cause. Searching for the source of this economic earthquake, fingers are increasingly being pointed at anyone available: immigrants, China, big government, big business.

We’re asking people to stop pointing and take a hard look at the factors underlying this economic shift and what it would take to transform those factors to regrow a strong economy at home. The latest crisis is an opportunity to have these deeper conversations - to rethink how our economy works and set a new course.

Getting to those conversations won’t be easy. The response to the current crisis has largely been to dig in even deeper to status quo beliefs and orthodoxies, miring the state and the nation in a perpetual us-versus-them gridlock.

This is a call for all of us to think and act outside our comfort zones. To make the new economy different, we need to take the best from all sides. A laissez-faire economic approach that provides only those regulations and government supports that are favorable to business does not – as we have now clearly seen – produce either broad opportunity or sustainable growth. On the other hand, government intervention cannot be the solution to all our economic woes; a strong private sector must be a primary driver of growth.

What would it mean to take the best from all sides? For example: everyone in the vicinity of the recently-closed NUMMI auto plant agrees that the 25,000-plus job losses predicted to result from the closing are a devastating blow that must be addressed. But jurisdictional boundaries and conflicting interests threaten to impede any concrete action. What if all of Silicon Valley, the Bay Area and the Central Valley – including the three Boards of Supervisors of the affected counties – could come together around our common interest in restoring these jobs lost, and use all available resources and ideas to develop a plan that will restore manufacturing jobs at NUMMI?

Unless we can climb out of our respective silos to work out ways to deal with the recession’s underlying causes, the path to a real recovery will never be built. The state of California, in particular, is crippled by not just a vacuum of leadership, but a vacuum of ideas that can be promoted for the common good. We need leaders and policies that will move us forward to a more stable community through a more stable economy.

I hope that the information and ideas provided in LIVE 2010 can help spur courageous conversations about building a recovery that works for all of us.

Cindy Chavez
Executive Director
Working Partnerships USA
CHAPTER 1: MAKING A LIVING

The worst U.S. recession in seven decades has taken its toll on Silicon Valley. In what direction is the Valley now headed?

Projections for employment and wage growth in Silicon Valley are discouraging. Even after emerging from the recession, the region may face years of another jobless recovery, solidifying the trend begun in the mid-2000s of economic expansion decoupled from substantial job growth.

The weak labor market coupled with an increase in the proportion of low-wage jobs has placed increasing strain on household budgets, amplifying the “middle-class squeeze.” Low-wage jobs further impose a public cost as the already-stretched social safety net must also support families who work full-time but do not earn enough to make ends meet; for instance, a “working poor” parent with two children earning $10/hour is eligible for public assistance with children’s healthcare and food at a taxpayer cost of $15,572. If current trends continue, lower living standards will impact a broad swath of Silicon Valley’s households, from the poorest all the way through highly educated professionals.

Furthermore, the recession threatens to impose lasting damage to the financial health of working families and small businesses, a phenomenon known as “economic scarring.” For example, evidence demonstrates that an incident of job and income loss for a parent can have a long-term negative impact on their children’s educational achievement.\(^{13}\)

Projections are not destiny – they are extrapolations from current conditions. Employment projections for the Valley make clear that the status quo is unlikely to push the economy back on track towards shared prosperity. New ideas and collaborations will be needed to rebuild an economy strong enough to generate the jobs and incomes needed to maintain a strong middle class.

KEY FINDINGS

- Jobs Lost: Silicon Valley lost 84,500 jobs in the recent recession, as local unemployment reached a 60-year high. The worst losses were in the construction industry where employment fell 35%.
- Job Projections: Employment is not projected to regain its pre-recession level until Q2 of 2013.
- Declining Wages: In 2009, average weekly earnings for Silicon Valley workers showed no growth – falling behind earnings in the state, and suggesting a small drop in real household incomes for 2009.
- Low-Wage Work: An estimated 32% of all employed workers are paid $15/hr or less, an inadequate wage to cover the basic cost of living for a family of four with both parents working.
- Long-Term Job Loss: Net job growth over the past ten years was sharply negative, with two recessions and weak growth in between averaging out to a net annual employment decline of -1.8%.
- Self-Sufficiency: Taking into account all income sources, 22% of Santa Clara County households fall below the basic self-sufficiency standard, meaning their income is too low to cover the basic costs of living. The large majority (86%) are “working poor”.
- Elder Economic Security: Nearly half of all Santa Clara County seniors (48.4%) are economically insecure, with incomes too low to meet their basic needs without assistance.
- Hardships: In 2009, local food banks and charities saw 20 to 40% more people seeking emergency assistance. 12,377 Silicon Valley adults and youth were homeless at some point during the year, with job loss the number one reported reason for homelessness.

CHAPTER 2: SEEKING SECURITY

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 shift of risk: away from corporations and other large-scale institutions, and onto individual families. Secure middle-class jobs that can support the average family are disappearing, and the few jobs that the local economy is beginning to add to replace them are low-paying and often temporary. To make matters worse, with unemployment in the double digits, even these dead-end
jobs are hard to find. As of spring 2010, 40% of middle class Americans reported that they were struggling to remain in the middle class.\(^{14}\)

Middle class financial and asset instability have been brought to the forefront of national attention with the advent of the housing and foreclosure crisis. Homeownership is a hallmark of the American Dream, and owning one’s own home has long been viewed as key to ensuring family stability and financial security. But in the past two years, millions of American families have seen that dream disappear as their homes have been lost to foreclosure.

American households’ total net worth declined by 16% in 2008 and 21% in 2009.\(^{15}\) This decline in household wealth not only increases insecurity for individuals and families, but threatens to curtail economic growth: lacking assets, households have less capacity to spend or invest.

**KEY FINDINGS**

- **Housing Market:** In the past two and a half years, the median value of homes in the San Jose metro area has fallen by 24.2%. Moderately priced homes were the hardest hit; homeowners in the lowest-priced housing tier have, on average, lost all of their home’s appreciation since 2000.
- **Foreclosures:** Foreclosures in Santa Clara County have broken records every year for the past four years, with 15,118 notices of default filed in 2009, an increase of 481% compared to 2006.
- **Bankruptcies:** Personal bankruptcies in Northern California were at an all-time high in 2009, up 160% since 2007.
- **Unemployment:** Long-term unemployment in California has more than doubled since 2007; in 2009, an unprecedented 35% of all unemployed workers were out of work for more than six months.
- **Underemployment:** A total of 228,122 people—one out of every five Silicon Valley workers—were underemployed in 2009, an 89% increase since 2007.
- **Labor Force Utilization:** A smaller percentage of Californians were working in 2009 than at any time since 1977.
- **Public Cost of Low-Wage Work:** In Santa Clara County, a worker with two children who earns $10/hour is eligible for public assistance worth $15,572 annually due to inadequate income, despite having a full-time job.
- **Labor Unions:** California workers who are represented by a union are 50% more likely to have employer-provided health insurance and 96% more likely to have a retirement plan than non-union workers, but total union membership declined in 2009.
- **Public Assistance:** As of January 2010, more than one out of every seven Santa Clara County residents receives some form of public assistance. During the recession the number of people receiving food stamps has jumped 53%.

**CHAPTER 3: STAYING HEALTHY**

Trends in children’s health coverage have been encouraging in recent years for Santa Clara County, as local policy has helped expand access to quality public health insurance programs. However, funding limitations at the federal, state, and local level continue to threaten the ongoing sustainability of these programs, especially in light of the economic difficulties in the last two years which have greatly increased the demand for publicly supported children’s health coverage. Recently passed comprehensive national health reform will provide some additional funding for children’s health programs, but if California enacts the Governor’s proposed cuts to children’s health coverage, it will lose access to this funding.

Although the most recent data on adult health insurance in Santa Clara County show overall rates holding steady, declining trends in employer sponsored coverage are cause for alarm. Nationally, the rise in health care costs and insurance premiums in recent years has caused employers to shift more costs to employees or drop coverage altogether. More people have become uninsured and face obstacles to obtaining coverage in the private market due to prohibitive costs or pre-existing conditions.

The recently passed national health care reform package will begin to address these issues by expanding Medi-Cal, requiring individuals to hold health insurance, and offering subsidies to make it affordable. However, most of these provisions do not take effect until 2014, making it critical that Santa Clara County maintain its health care safety net to “bridge the gap” of the next four years. Beyond health insurance, further steps are needed to make health care services accessible to all, and to address broader community health issues such as childhood obesity.
KEY FINDINGS

- Children’s Health Insurance: Through the efforts of the Santa Clara County Children’s Health Initiative, enrollment in children’s public health programs grew for the ninth consecutive year, from 142,345 kids in 2008 to 149,049 in 2009. The loss of state and private funding for these programs threatens coverage for more than 39,120 children in the county.
- Adult Health Insurance: The number of uninsured adults in California jumped from 5.3 million in 2007 to 6.8 million in 2009.
- Health Care Costs: The annual cost to workers for job-based family health premiums has increased 130% since 2000.
- Health Care Reform: Beginning in 2014, federal health care reform will cover approximately 80% of California’s 6.5 million uninsured residents.
- Childhood Obesity: More than 1 in 4 children in Santa Clara County are either overweight or obese.
- Adult Obesity: Overweight and obesity rates have climbed steadily among adults in Santa Clara County since 2000; as of 2009, nearly 55% of residents ages 18 and older are considered overweight or obese.
- Impact of Budget Cuts: Approximately 126,437 low-income adults in Santa Clara County, including seniors and disabled residents, lost their dental benefits when funding for the Denti-Cal program was cut.
- Access to Care: The total hours that Valley Medical Center’s emergency room was forced to divert ambulances to other hospitals increased 58%, from 603 total hours in 2008 up to 954 hours in 2009.

CHAPTER 4: BUILDING A COMMUNITY

The collapse of the housing bubble has wreaked havoc on the national and local economy. In Santa Clara County, homeowners have collectively lost $76 billion in home equity since the bubble burst, leading to a massive drop-off in consumer spending. Plummeting homes values have not been uniformly harmful; reduced prices combined with federal tax credits and historically low interest rates increased affordability for first-time home buyers to its highest level in many years. Still, the current state of the market indicates that Santa Clara County’s housing slump is likely to continue in the years ahead.

Transportation infrastructure and access is also integral to community livability. The economic downturn has come with serious repercussions for transportation in Santa Clara County. Recession-induced declines in ridership combined with plummeting sales tax revenue and millions in diverted state transit funding have left local public transit in dire financial straits, forcing major service cuts and increased fares. If the Santa Clara Valley Transportation Authority (VTA) is forced to continue to rely on an eroding sales tax base for the vast majority of its operating revenue, the future of public transit in Santa Clara County may be in serious jeopardy.

A final factor affecting community livability is public safety. Several key measures of public safety in Santa Clara County have shown marked improvement in recent years: rates of violent crime, property crime, severe traffic collisions, domestic violence and child abuse all declined in 2008.

KEY FINDINGS

- Rents: Average rents in Santa Clara County fell to their lowest level in three years, dropping 11.5% from $1,675 in fourth quarter 2008 to $1,482 in fourth quarter 2009.
- Home Sale Prices: Median prices for existing single family homes continued their downward slide, dropping 21% from $668,000 in 2008 to $530,000 in 2009, the lowest median price since 2001.
- Housing Affordability: Paralleling the drop in home prices, affordability for first-time homebuyers increased in 2009, with 56% of potential first-time buyers now able to afford the average entry-level home, up from just 27% in 2007.
- Transit Ridership: Transit ridership in Santa Clara County plummeted 6.5% in the first half of fiscal year 2010, as rising unemployment combined with fare increases and service cuts reversed a four-year upward trend.
• Transit Service: Bus and light rail service was cut 8% in January 2010, dropping transit service to its lowest level this decade.
• Crime Rate: After six consecutive years of growth and a nearly 50% total increase from 2000 to 2006, property crime in Santa Clara County decreased 17% from 2006 to 2008, dropping to 1,271 crimes per 100,000 residents.
• Domestic Violence: In 2008, domestic violence-related calls for assistance in Santa Clara County declined for the sixth straight year, marking an overall decrease of 29% since 2002.

CHAPTER 5: PURSUEING THE DREAM

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 little or no formal education beyond high school and is largely shut out of most well-paying careers.

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.

With California already fifth from the bottom in state school spending per student, state budget cuts dealt significant blows to K-12 education last year. Worse is expected in the upcoming year’s budget. Even harsher blows being dealt to California’s public higher education system – once considered the best in the world – are 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.

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.

KEY FINDINGS

• High School Graduation Rate: The high school graduation rate has been falling steadily for five years, from a 93% graduation rate in 2003 down to 82% in 2008.
• College-Going Rate: The college-going rate plunges, with just 36.5% of Santa Clara County’s graduating high school class of 2008 going directly on to college. Compared to the Class of 2007’s college-going rate of 52.5%, this is an unprecedented drop and by far the lowest rate in the past two decades.
• Access to College: The extraordinarily low rate of college enrollment is due almost entirely to graduates’ plummeting enrollment at community colleges, which went from receiving 19.5% of all Santa Clara County graduating seniors in 2007 to just 7.0% in 2008. In 2010, not only do community colleges face further budget squeezes, but the CSU system anticipates state funding cuts will force it to turn away 45,000 eligible applicants.
• Cost of College: In 2009-10, the California State University system increased student fees by 28.9%. University of California fees rose 16.1%. Since 2003, the cost of attending a UC, CSU or community college has more than doubled.
• Educational Attainment: Silicon Valley residents are more highly educated than the state or national average; nevertheless, the majority of adults (age 25+) lack a four-year college degree.
• Ethnic Disparities in Education: Wide disparities persist in educational attainment by ethnicity; 64% of Latino adults and 42% of Vietnamese adults have at most a high school diploma.
• Value of a College Degree: Santa Clara County workers with a bachelor’s degree earn three times as much as workers without a high school diploma.
• Career Opportunities: For 2006-2016, 58% of projected annual job openings in Santa Clara County require no formal education beyond high school. More than half these lower-skilled job openings pay less than a living wage.
The 2010 edition of Life in the Valley Economy: Silicon Valley Progress Report examines the scarring left by the latest series of economic crises and asks: what’s next?

In the past two years our nation has weathered the Great Recession. The worst economic downturn since 1929 threw 8.4 million Americans out of work and destroyed over $6 trillion in housing wealth, with most of the losses borne by working-class and middle-class homeowners. In Silicon Valley, losses of nearly 90,000 jobs pushed the unemployment rate to a sixty-year high. These assaults have left the economy – and the communities that comprise it - with deep wounds.

We’re not out of the woods yet. The national economy has stopped its headlong rush downward, but the climb back up has barely begun. And while stock markets may be recovering, for working families, the recession is still taking its toll.

Something is wrong when monthly employment reports showing a loss of 36,000 jobs lost are touted as good news. The latest projections show double-digit unemployment through 2012. The hemorrhage of jobs has slowed to a trickle, but it is a long way from recovering to the point of a job market that is strong and healthy.

Even more than the nation, Silicon Valley faces a rocky road ahead for working people and families. The recession hit Silicon Valley later than much of the rest of the country, due in part to the dominance of the high-tech sector, which was not strongly impacted by the initial wave of home foreclosures but suffered severe declines following the crisis in the global financial sector. In total, Silicon Valley has lost 9.4% of its job base since June 2008, a deeper loss that the national decline of 5.6%.

Amplifying these impacts was the poor condition of the Silicon Valley job base prior to the recent recession. The Valley never fully recovered from the devastating effects of the dot-com bust on the tech-heavy region. As a result, going into 2008 Silicon Valley was already suffering from a jobs deficit, with 143,700 fewer jobs than in January 2001 - leaving the region poorly prepared to withstand a new downturn.

Santa Clara County – the heart of Silicon Valley – has now lost all the jobs gained in the last recovery, and is facing yet another jobless recovery. As detailed in the following pages, the projected picture for Santa Clara County in 2010 is not pretty. Critical signs include:

- Forecasts show zero or minimal net job growth in 2010. Employment is not projected to regain its 2008 pre-recession level until Q2 of 2013.
- One out of every five workers was unemployed or underemployed in 2009, indicating a very large pool of excess labor supply to work through before unemployment falls to more normal levels, accompanied by a deficiency in earnings that are needed to drive the local economy.
- Job quality is declining; over the decade, as the industry mix has shifted away from manufacturing towards the service sector, those industries adding jobs paid an average 9% less than those industries losing jobs.
- During the recession, nominal average weekly earnings fell by 2.0%, indicating that household incomes after inflation will probably fall for the year.
- Six percent of California employers say they are “very likely” to drop health insurance coverage entirely in 2010.
- Local food banks and charities saw 20 to 40% more people seeking emergency assistance in 2009, and expect need in 2010 to equal or exceed these numbers.
- One in five Santa Clara County homes and more than one third of all condos are now worth less than the original purchase price. Home prices remain 45% above the level predicted by historic fundamentals based on rents, indicating that the housing market may have further to fall.
- Foreclosures are predicted to continue at or near the current record high rates as the second wave of defaults on prime-rate mortgages hits.

Where do we go from here? The economy may be stabilized, but it remains on life support, with the American Recovery and Reinvestment Act, the homebuyers’ tax credit, and other federal investments providing significant boosts. Temporary stimulus can keep the economy alive, but major intervention is needed to restore it to full health.

Is Silicon Valley gearing up to lead the next economic wave, or heading for another bust? It depends on what we do.

Many decisions now being made are moving in the
opposite direction of what’s needed to restore health. The very investments we urgently need to recover – in infrastructure, in people, in our region’s future – are being cut back.

The groundbreaking Children’s Health Initiative, which has succeeded in extending health coverage to 97% of all kids in the county, is now facing funding losses that would reverse those gains. The Governor’s proposed 2010-11 state budget could completely eliminate the CalWORKs program, denying low-income children the necessities needed to grow up healthy and eliminating their parents’ ability to pursue job training. Driven by state budget cuts, the City of San Jose has reduced affordable housing funds to the point where new affordable housing construction in the city – essential for attracting and retaining a quality workforce – will virtually freeze for the next five years. The Valley Transportation Authority, faced with the elimination of state funding and declining local sales tax revenues, has cut transit service to its lowest level this decade.

San Jose’s largest school district has raised class sizes to 36 and is considering a 2010-11 budget that would lay off 152 teachers and support staff, close down all libraries and leave just one counselor for every 2,000 students. Finally, in a normal year half of the county’s graduating high school seniors would go on to college, most at a UC, CSU or California community college; in 2009, cuts to higher education resulted in just over one-third enrolling in college. Further cuts are planned for 2010-11.

These choices, if carried through, will have major consequences for the economy’s direction. A patient deprived of adequate nourishment and shelter cannot heal.

Silicon Valley’s prognosis depends on how we choose to address the current challenges facing working families. Each of these challenges threatens the economy’s recovery, yet at the same time they offer opportunities for rethinking and rebuilding something better. The Solutions section of this report profiles seven new ideas and fresh approaches being taken by Silicon Valley communities in response to each of these challenges. These initiatives are all local in scope – much larger scales will be needed to tackle the nation’s systemic ills – but they can provide models for how to seize the opportunity for positive change.

Key challenges facing working families in Silicon Valley and beyond include:

- Will we avoid slash and burn budgets that kill jobs and devastate the economy?

  **Threat:** Withdrawing state spending from the economy has major direct and indirect effects. The impact of state and local government spending cuts is magnified because most of these dollars go directly to services performed by state residents and businesses, keeping the money circulating within the state. For instance, economic models show that every million dollars cut in California from In-Home Supportive Services results in an economy-wide impact of 216 jobs lost. If the state of California were to solve its 2010 budget shortfall entirely with budget cuts – which several gubernatorial candidates have suggested – the resultant impact would be an economy-wide loss of over 622,000 jobs.

  **Opportunity:** Locally, decisions made over the next few months will determine which path we take. The Community Budget Working Group, which last year came up with $11 million in solutions to reduce the City of San Jose budget deficit while preserving vital services, has reconvened to tackle San Jose’s 2010 budget. At the state level, the budget crisis has given new urgency to efforts to overhaul the state’s broken tax and fiscal system.

- Will we preserve the safety net that keeps unemployed workers and their families from falling into a cycle of poverty?

  **Threat:** Cuts to children’s health, CalWORKs, In-Home Support Services and other vital programs threaten to pull the safety net out from under working families just when they most need it.

  **Opportunity:** Santa Clara County has come together with the City of San Jose and a broad community coalition to rebuild a key element of the local safety net: a new clinic at the site of San Jose Medical Center, a private hospital that closed in 2004 leaving a gaping hole in medical services for downtown
residents. The County’s purchase of the former Medical Center site was made possible by voters’ forward-thinking passage of a November 2008 bond measure that included funds for seismic upgrades of county health families as well as a new downtown clinic.

- **Will we manage to maintain our local mass transit system before service reductions push it past the tipping point?**

  *Threat:* Plummeting sales tax revenue and millions in diverted state transit funding have left local public transit in dire financial straits, forcing major service cuts and increased fares. With risks of even deeper sales tax losses and transit cuts, the future of public transit in Santa Clara County and statewide may be in jeopardy.

  *Opportunity:* San Jose has the chance to become a major hub for California’s new high-speed rail system; locally, voters not only supported the high-speed rail bond, but also approved a sales tax measure to provide operating funds for the extension of BART to San Jose. The confluence of these two transportation arteries at San Jose’s Diridon Station – combined with CalTrain, Amtrak, ACE trains, light rail and bus lines already serving the station – have the potential to reinvigorate transit, attract new federal funding for green transit development, and spur major economic activity downtown as San Jose becomes a statewide transit hub.

- **Will we restore a health care system that provides quality health care to all at non-astronomical costs?**

  *Threat:* The rising cost of health insurance is an anchor dragging the U.S. economy downward. Businesses struggle to create jobs or improve pay when their costs for offering health insurance increase by double digits every year, while workers and families face unaffordable costs or loss of coverage altogether. Recently passed heath care reform will help, but alone will not stem the rapid rise of costs that are already the most expensive in the world.

  *Opportunity:* The national health care reform bill passed by Congress in March 2010 takes major steps towards improving access to health coverage and creates the space to make further strides. Current negotiations between the state and the federal government regarding Medi-Cal hospital waivers may allow localities to leverage additional federal funding to expand health coverage in the interim before all health care reform provisions take effect. Locally, Santa Clara County just launched the groundbreaking Healthy Workers program to cover small business employees, and is already poised to take the next step with the February 2010 announcement of the creation of a Council on Health, a collaboration which will develop a comprehensive vision for tackling the health challenges in our region.

- **Will we invest in education to keep California’s students competitive in the global economy and provide lifelong learning for working adults to keep up with the changing demands of business?**

  *Threat:* Instead of retooling and expanding educational opportunities to meet the economy’s changing needs, our state is moving in the opposite direction by cutting K-12 and decimating the state’s public higher education system – a move tantamount to economic suicide.

  *Opportunity:* While the need to restore the core K-12 and higher educational systems remains pressing, alternative pathways to career development, higher education and lifelong learning are being developed in a surprising industry: construction. At the secondary school level, the Santa Clara County Construction Careers Association (S4CA) is developing new courses, facilities and connection with industry for middle and high school students. Post high school, the building trades have teamed up with work2future to establish a new pre-apprenticeship pilot to provide a pathway into the three-to-five year apprenticeships that train skilled construction workers. Finally, all these partners are working to grow the California Construction College at San Jose City College which will provide college degree programs and career ladder education for workers in the construction industry.
• Will we put working families and low-income communities at the center of the emerging green economy and clean technology sector?

Threat: In the 1990s Silicon Valley was marked by excessive inequality engendering a "digital divide". Clean technology and other green industries are now poised to be the new drivers of the region's economy. But if the new green technologies are accessible only to the well-off, while everyone else pays increasingly high costs for gas and energy – or if the desirable new green jobs are open only to those with advanced degrees, while the majority of production jobs remain offshore – the coming decade may replace the digital divide with a "green divide".

Opportunity: In Silicon Valley, innovative pilot projects are underway that drive job creation and include standards for job quality and social equity, including Wave One promoting energy retrofits of small businesses in Palo Alto and the citywide Green Pays pilot for residential retrofits. These retrofit initiatives have enormous potential to create a "win-win-win" program: property owners or tenants gain lower energy bills, workers gain green jobs, and the community and the planet gain from cutting carbon emissions. The development of California High Speed Rail offers the opportunity to create tens of thousands of jobs, with efforts underway to ensure these jobs stay in California. Finally, new policies and collaboratives are underway to link green economic development directly to training programs such as the green pre-apprenticeship pilot discussed above, building green pathways out of poverty into jobs with long-term career potential.

• Will we invest in building an economy that creates sustainable long-term employment?

Threat: In the long term, our economy will grow sustainably only if people invest in its productive elements rather than in speculative commodities or financial instruments. Furthermore, in the frenzy to attract investment many jurisdictions adopt a 'race to the bottom' mentality that drags down wages and job quality. Ultimately, economic growth cannot be induced by growing the ranks of the working poor; sustainable growth requires a population employed at quality jobs that enable them to support their families without public assistance, support local businesses, save and invest.

Opportunity: All of the challenges listed above represent physical and community infrastructure that are essential to creating good jobs and building industries. By seizing the opportunity to invest and build in these areas, combined with strong support for private industry, Silicon Valley can regrow its job base across a broad set of industries – from high-tech and cleantech to green construction and manufacturing to tourism to health services.

Taken together, the LIVE 2010 indicators show that Silicon Valley – and quite possibly the nation – are at a crossroad. Sticking with the status quo of current public policy married with existing market forces will keep us on the path of the past decade, with little net employment growth and a dwindling number of middle-class jobs.

But the status quo is not inevitable. Silicon Valley specializes in responding to rapid change; time and again we have lead the nation in new ways of thinking and doing. The challenge now is to invest, innovate and incubate in ways that restore sustainable growth and create broadly shared prosperity, leading to a real recovery. Now is the time for research and development not just for technology, but for effective and replicable community-based solutions to the growing challenges posed by a rapidly changing economy.

WHAT’S INSIDE

Life in the Valley Economy 2010 examines the state of Silicon Valley’s economy through the lens of middle-class and working-class households trying to make ends meet and secure their family’s future. This latest edition of the LIVE report updates the data and analysis provided in LIVE 2008 and discusses trends that have emerged over the past year. It also profiles a fresh set of “Solutions” – local initiatives being developed by Silicon Valley communities to tackle challenges like those analyzed in this report – and provides progress updates on the Solutions profiled in last year’s report.

Silicon Valley, famed for big ideas, is itself an idea—not a region limited by clearly defined geographical boundaries. For data analysis purposes, however, it is necessary to choose a set of boundaries. In order...
to better evaluate the impacts of public policies on family finances and the larger economy, we define our geographical region of analysis as a single county, Santa Clara.

LIVE also aims to provide data on Silicon Valley’s diverse communities and populations. Throughout this book, the racial or ethnic categories used are generally those available from the particular data source upon which an indicator is based. Different surveys collect racial and ethnic data in different ways. For instance, the state Department of Education reports separately on Asian-Americans, Pacific Islanders, and Filipinos; the national Center for Economic and Policy Research combines them all into “Asian Pacific American”; and the Survey of Consumer Finances reports only on the single category “Nonwhite or Hispanic”. We have endeavored to provide the most relevant and consistent information possible, subject to the limitations of the data sources.

STRUCTURE OF REPORT

LIVE 2010 is divided into five chapters, plus the Solutions special section:

CHAPTER 1: MAKING A LIVING evaluates the performance of Silicon Valley’s economy in delivering working families’ most basic economic needs: job opportunities and adequate incomes. It analyzes employment gains and losses overall and by industry, looking at both the recent recession and longer-term trends. Delving into the multiple factors affecting household budgets, this chapter also examines income, the cost of living, and poverty.

CHAPTER 2: SEEKING SECURITY assesses the local impacts engendered by the “great risk shift”, the increasing burden of economic risk and insecurity being borne by American families. It provides data on several of the interconnected elements that contribute to the security or precariousness of the average household, including household savings and debt, homeownership and mortgages, unemployment and job security, and the adequacy of the social safety net. This year’s edition includes a particular focus on the implications for households’ economic security of the collapse of the housing bubble, with its resultant foreclosures, falling prices and market slowdown.

CHAPTER 3: STAYING HEALTHY provides an overview of the condition of the region’s health care system with an emphasis on affordability of and access to quality health care – recognizing that individuals who lack access to care, or cannot afford it, suffer long-term consequences to their financial as well as their physical well-being. This chapter includes analyses of health coverage for children and for adults, as well as access to health care providers and the state of the county’s health care infrastructure.

CHAPTER 4: BUILDING A COMMUNITY scans several of the elements that contribute to creating livable communities, promoting civic engagement, and maintaining quality of life. High on the list is a neighborhood’s physical infrastructure, including housing, transportation, and neighborhood amenities such as libraries, parks and community centers. Also examined are crime, neighborhood involvement, and family stresses.

CHAPTER 5: PURSuing THE DREAM considers the long term changes in how opportunity and rewards are distributed in our society. Taking as its foundation the “American Dream” of a society where every child has the opportunity to reach the middle class, this chapter scrutinizes whether our educational system is effectively providing pathways to opportunity for students of all backgrounds.

SOLUTIONS profiles regional initiatives which aim to provide new models for dealing with one or more of the economic challenges facing working families.
## PEOPLE

**TOTAL POPULATION: 1,764,499**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>903,738</td>
</tr>
<tr>
<td>Female</td>
<td>860,761</td>
</tr>
<tr>
<td>Age 0-17:</td>
<td>427,433</td>
</tr>
<tr>
<td>Age 18-64:</td>
<td>1,144,335</td>
</tr>
<tr>
<td>Age 65 and over:</td>
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</tr>
<tr>
<td>Median age:</td>
<td>37</td>
</tr>
<tr>
<td>U.S.-born:</td>
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</tr>
<tr>
<td>Naturalized US citizens:</td>
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<tr>
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<td>Speak English only:</td>
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<tr>
<td>Speak English less than “very well” :</td>
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<tr>
<td>White</td>
<td>664,741</td>
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<tr>
<td>Mexican</td>
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<tr>
<td>Other Latino</td>
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<td>Vietnamese</td>
<td>110,238</td>
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<td>Asian Indian</td>
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<td>Filipino</td>
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<tr>
<td>African-American</td>
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<tr>
<td>Native American</td>
<td>4,376</td>
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<tr>
<td>Multiracial or some other race</td>
<td>49,314</td>
</tr>
<tr>
<td>With a disability</td>
<td>141,149</td>
</tr>
<tr>
<td>Veterans</td>
<td>76,671</td>
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</table>

## HOME AND FAMILY

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married couples:</td>
<td>317,377</td>
</tr>
<tr>
<td>Single mothers:</td>
<td>30,552</td>
</tr>
<tr>
<td>Single fathers:</td>
<td>14,463</td>
</tr>
<tr>
<td>Other families:</td>
<td>49,352</td>
</tr>
<tr>
<td>Nonfamily households:</td>
<td>176,204</td>
</tr>
<tr>
<td>Families with children:</td>
<td>204,001</td>
</tr>
<tr>
<td>Grandparents raising grandchildren:</td>
<td>10,877</td>
</tr>
<tr>
<td>Women with a birth in the past year (age 15-50):</td>
<td>25,210</td>
</tr>
<tr>
<td>Renter households:</td>
<td>232,767</td>
</tr>
<tr>
<td>Homeowner households:</td>
<td>355,181</td>
</tr>
<tr>
<td>Average household size:</td>
<td>2.95</td>
</tr>
<tr>
<td>Moved to Santa Clara within past year (from U.S.):</td>
<td>58,002</td>
</tr>
<tr>
<td>Moved to Santa Clara within past year (from abroad):</td>
<td>25,362</td>
</tr>
</tbody>
</table>

## EDUCATION, WORK, AND INCOME

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>High school or less (age 25+):</td>
<td>360,909</td>
</tr>
<tr>
<td>Some college (age 25+):</td>
<td>296,606</td>
</tr>
<tr>
<td>Bachelor’s degree (age 25+):</td>
<td>287,886</td>
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<tr>
<td>Advanced degree (age 25+):</td>
<td>229,881</td>
</tr>
<tr>
<td>Employed (age 15+):</td>
<td>886,919</td>
</tr>
<tr>
<td>Unemployed (age 15+):</td>
<td>55,305</td>
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<tr>
<td>Not in labor force (age 15+):</td>
<td>440,375</td>
</tr>
<tr>
<td>Median hourly wage (2009):</td>
<td>$24.26</td>
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<td>25th percentile hourly wage (2009):</td>
<td>$13.93</td>
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<td>75th percentile hourly wage (2009):</td>
<td>$42.12</td>
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<tr>
<td>Median annual earnings for workers:</td>
<td>$43,337</td>
</tr>
<tr>
<td>Median household income:</td>
<td>$88,846</td>
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</table>

**People in poverty:** 7.4%

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 lost 84,500 jobs in the recent recession, as local unemployment reached a 60-year high.
- Employment is not projected to regain its 2008 pre-recession level until Q2 of 2013.
- Net job growth over the past ten years was sharply negative. In a decade book-ended by two recessions with only weak job growth in between, Silicon Valley lost a net 164,700 jobs, for an annual average employment growth of negative 1.8%.
- Nine of Silicon Valley’s ten industry sectors lost jobs during the recession; the worst losses were in construction, which saw 35% of jobs disappear.
- Economic growth has become increasingly decoupled from job growth; between 1986 and 2008, the Silicon Valley economy grew by 88%, but employment grew by just 19%.
- An estimated 32% of all employed workers are paid $15/hr or less, putting them below the minimum earnings needed to meet the basic standard for self-sufficiency.

**WHY IT MATTERS**

The large majority of Silicon Valley families depend on work as their primary source of income; more than any other factor, the strength of the job market and of wage levels is central to determining households’ financial well-being. The worst U.S. recession in seven decades has taken its toll on Silicon Valley.

What’s next? Projections for employment and wage growth in Silicon Valley are not encouraging. Even after emerging from the recession, the region may face another jobless or near jobless recovery, solidifying the trend begun in the mid-2000s of economic expansion decoupled from substantial job growth.

Projections are not destiny – they are extrapolations from current conditions. Employment projections for the Valley make clear that the status quo, as defined by current public policy and existing market forces, is unlikely to push the economy back on track towards shared prosperity. New ideas and collaborations will be needed to rebuild an economy strong enough to generate the jobs and incomes needed to maintain a strong middle class.
Silicon Valley lost 84,500 jobs in the recession; local unemployment reached a 60-year high.

From June 2008 through February 2010, the Silicon Valley region lost 84,500 jobs, with total nonfarm employment declining from 921,400 to 836,900.

Silicon Valley’s losses in the recent recession amounted to 9.4% of its job base, slightly lower than the state average (9.6% of job base lost), but higher than the nation (5.6% of job base lost over the same period 1).

The recession hit Silicon Valley later than much of the rest of the country, due in part to the dominance of the high-tech sector, which was not strongly impacted by the initial wave of home foreclosures but suffered severe declines following the crisis in the global financial sector. While the region’s job losses were fairly small when the national recession began in 2008, between October 2008 and 2009 the San Jose MSA had the second largest unemployment rate increase of any large metropolitan area in the country, exceeded only by Detroit.2

While considerable, the local impact of the 2008-09 slump was nowhere near as severe as the previous 2001 recession, which - triggered by the dot-com bust - had its epicenter in Silicon Valley. Total employment losses of 20% in 2001-03 might make the 2008-09 recession seem mild by comparison. However, the region 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 12.4%, the highest of any Bay Area county save Solano3 and Silicon Valley’s highest unemployment rate in sixty years.4

In June 2008, at its employment peak, Silicon Valley held 130,500 fewer jobs than it had in June 2000.
At best, very slow employment growth is projected for Silicon Valley in 2010; employment will not regain its pre-recession level until Q2 of 2013.

While national GDP is already on the rise, employment has been slower to recover. The jobs recovery in Silicon Valley is projected to lag behind even the slow national jobs recovery.

Economic consulting firm Beacon Economics projects very modest local job growth, with the South Bay adding 5,000 jobs in 2010, an annual growth rate of 0.6%. Beacon's extended projections indicate that the South Bay will not regain its pre-recession employment level until the second quarter of 2013.

This picture of a largely stagnant economy in 2010 is consistent with projections released by the Association of Bay Area Governments (ABAG) in January 2010, predicting that the Bay Area as a whole would lose 20,000 jobs in 2010 and add a modest 8,000 jobs in 2011. Statewide, the UCLA Anderson Forecast predicts no job growth for California in 2010 followed by a 1.7% employment increase in 2011, with statewide unemployment remaining above 10% until 2012; the state Department of Finance forecasts a fall in employment of -0.7% in 2010, followed by growth of 1.3% in 2011. Given these forecasts, Beacon's projection may in fact be overly optimistic; absent aggressive action to create jobs, Silicon Valley could end up seeing no net job growth in 2010.

The planned April 2010 closing of the NUMMI auto plant in nearby Fremont will throw between 20,000 and 50,000 additional workers into the Bay Area job market as they are laid off from NUMMI and its suppliers, plus indirect employment impacts from the loss of these workers' spending in the local economy. This huge group of workers in search of employment will result in even fewer job openings available per jobseeker.
In the past decade, Silicon Valley has lost a net 164,700 jobs, never regaining the jobs lost in the dot-com bust.

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.

Adding up net change for the past ten years (Jan. 2000 to Jan. 2010), nonfarm payroll employment in Silicon Valley has declined by 164,500 jobs or 16.5%, for a –1.8% annual rate.

Meanwhile the region’s population has continued to grow, leaving Silicon Valley with more workers yet fewer jobs. 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. In 2009 this ratio fell to 61.2%, down from a high of 70.2% in 2000. The trend over the decade shows a gradual decline in the employment to population ratio, falling at an average rate of -0.5 percentage points per year since 1998. Declines at this rate cannot continue indefinitely; at some point, if employment is not available, working-age residents will begin to leave Silicon Valley for other job markets.
Long-term trends indicate that economic growth may resume without accompanying job growth; if this occurs, Silicon Valley will face a jobless recovery.

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 2008 show an overall increasing trend in Silicon Valley’s GDP, even while employment was on an overall declining trend (see previous section).

In the longer term, we can track the emergence of this trend to economic shifts that began in the 1980s. Between 1972 and 1985, the overall Silicon Valley economy (as measured by inflation-adjusted total personal income, or TPI) and jobs remained closely connected. Both TPI and jobs nearly doubled over this period, with each growing 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 2002, economic production had already bounced back to its 1999 level, but jobs were flat-lined. 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 88% between 1986 and 2008 – indicating substantial growth in economic production - employment grew by just 19% over that same 22-year period.

Unless Silicon Valley is able to break out of this pattern, the region may find itself facing another jobless or near-jobless recovery, with economic growth failing to generate enough jobs to keep up with population growth. In January 2010, economist Stephen Levy of the Center for Continuing Study of the California Economy in Palo Alto said the Valley faces a “disconnect between the recovering economy and job creation.” “The key question,” asked Levy, “is, have we entered a new era where production gains ... don’t translate into jobs?”

* 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.
EMPLOYMENT BY INDUSTRY

Nine of Silicon Valley’s ten industry sectors lose jobs during the recession; more than a third of construction jobs disappear.

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 22,800 jobs; manufacturing, which shed 17,100 jobs; and construction, dropping 15,800 jobs. In percentage terms, construction was by far the hardest hit; as the foreclosure crisis and recession took their toll, Silicon Valley lost 35% of its construction jobs. Employment declined by 12.7% in professional and business services, 11.8% in leisure and hospitality, and 11.5% in financial activities. Private health and educational services was the only sector to avoid losses, adding 600 jobs.

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. A majority of sectors have lost ground, led by manufacturing which dropped 85,900 jobs over the decade; absent considerable changes in public policy, these jobs are unlikely to return. Large losses were also seen in professional & business services (-56,100) and trade, transportation & utilities, which includes retail (-27,900). Three sectors grew over the decade: leisure and hospitality, which includes restaurants, hotels, arts and entertainment; information, symbolic of Silicon Valley; and private educational and health services, continuing its long-term upward climb with growth of 24.1% over the decade.
The few industries growing during the recession tend to be higher-wage: but over the decade, the shifting industry mix leads to falling wages, as growing industries pay 9% less than shrinking industries.

Analysis of wages and job growth in 70 detailed industry subdivisions shows that during the 2008-09 recession, job losses have been distributed among both low-wage and high-wage industries. However, over the longer term, low-wage industries continue to grow while higher-wage industries decline.

The difference in short-term and long-term trends is due to the fact that very few industries added jobs in the last two years. Between December 2007 and December 2009, 53 industry subdivisions lost jobs while only 14 added jobs. The average weekly wage in the industries that shed jobs was $1,396. In the industries that added jobs, average wage was slightly higher at $1,426 per week. Among the higher-wage industries that bucked the cyclical trend by adding jobs were internet service providers and other information technology specialties, electronic computer manufacturing, hospitals, and physician’s offices.

The industry shift over the past decade – which better represents the long-term change in the region's economic base - reveals a different trend. For industries that added jobs between December 1999 and December 2009, wages averaged $1,313 per week, 9.4% below the $1,436 per week average in shrinking industries. Growing industries were principally in information technology, health care, education, and fast food restaurants, while the largest job declines included various sectors of manufacturing and construction, retail stores and employment services.

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

Figure 1.8 Source: Analysis of ES202 and CES data.
WAGES AND JOB QUALITY

An estimated 32% of all employed workers earn $15/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 $56/hr) or general/operations manager (median $64/hr), the bulk of jobs available pay considerably less. Approximately 31.6% of all Silicon Valley workers are paid $15/hr or less, putting their wages below the "self-sufficiency standard" for a family of four, i.e., the minimum wage needed to afford the basic necessities of life in Santa Clara County without public assistance. Many earn even lower wages: 18.8%, or 165,840 workers, earn $11/hr or less.

An additional 29.6% of workers are paid $16 to $30/hr, which is enough to ensure self-sufficiency for a single adult or a two-earner family, but may be inadequate for a single parent. Finally, an estimated 38.8% of workers are paid $31/hr or more, putting them solidly in the secure middle class (or above).

Figure 1.9 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 three next highest bars represent workers who may be below self-sufficiency, depending upon the size and composition of their family; and the nine upper bars represent those securely at or above self-sufficiency. The 61% 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.
Seven of the 20 largest occupations do not pay a living wage

The region’s 20 largest occupations collectively employ 30% 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, three specialized classifications of computer engineering, 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 2009, the current Living Wage as determined by the City of San Jose is $14.08/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 2009, alongside the median wage in each, and identifies which occupations fall below the San Jose Living Wage standard.

### 20 Largest Occupations in Silicon Valley, 2009

<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, Systems Software</td>
<td>26,400</td>
<td>$56.31</td>
<td></td>
</tr>
<tr>
<td>Retail Salespersons</td>
<td>25,500</td>
<td>$10.31</td>
<td>N</td>
</tr>
<tr>
<td>Computer Software Engineers, Applications</td>
<td>17,990</td>
<td>$52.70</td>
<td></td>
</tr>
<tr>
<td>Cashiers</td>
<td>16,700</td>
<td>$  9.76</td>
<td>N</td>
</tr>
<tr>
<td>General and Operations Managers</td>
<td>16,490</td>
<td>$64.36</td>
<td></td>
</tr>
<tr>
<td>Office Clerks, General</td>
<td>15,940</td>
<td>$15.52</td>
<td></td>
</tr>
<tr>
<td>Executive Secretaries and Administrative Assistants</td>
<td>15,300</td>
<td>$25.10</td>
<td></td>
</tr>
<tr>
<td>Registered Nurses</td>
<td>14,590</td>
<td>$53.47</td>
<td></td>
</tr>
<tr>
<td>Waiters and Waitresses</td>
<td>12,380</td>
<td>$  9.00</td>
<td>N</td>
</tr>
<tr>
<td>Janitors and Cleaners, Except Maids and</td>
<td>12,340</td>
<td>$11.38</td>
<td>N</td>
</tr>
<tr>
<td>Housekeeping Cleaners</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Operations Specialists, All Other</td>
<td>10,800</td>
<td>$34.39</td>
<td></td>
</tr>
<tr>
<td>Customer Service Representatives</td>
<td>10,730</td>
<td>$20.23</td>
<td></td>
</tr>
<tr>
<td>Accountants and Auditors</td>
<td>10,600</td>
<td>$36.46</td>
<td></td>
</tr>
<tr>
<td>Combined Food Preparation and Serving Workers, Including Fast Food</td>
<td>10,570</td>
<td>$  9.28</td>
<td>N</td>
</tr>
<tr>
<td>Computer Hardware Engineers</td>
<td>10,350</td>
<td>$58.44</td>
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<tr>
<td>Bookkeeping, Accounting, and Auditing Clerks</td>
<td>10,320</td>
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<tr>
<td>Stock Clerks and Order Fillers</td>
<td>9,510</td>
<td>$11.25</td>
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</tr>
<tr>
<td>FirstLine Supervisors/Managers of Office and Administrative Support Workers</td>
<td>9,210</td>
<td>$27.40</td>
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<tr>
<td>Laborers and Freight, Stock, and Material Movers, Hand</td>
<td>9,020</td>
<td>$12.41</td>
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</tr>
<tr>
<td>Computer Systems Analysts</td>
<td>8,960</td>
<td>$42.11</td>
<td></td>
</tr>
</tbody>
</table>

KEY STATISTICS

• Real median household income in Santa Clara County increased by 1.4% in 2008. However, since 2000 incomes have fallen by a total 7.2% after inflation. For Latino households, real income fell 15.7%.

• Household income data is not yet available for 2009, but earnings data can provide insight into probable trends. In 2009, average weekly earnings for Silicon Valley workers showed no growth – falling behind earnings in the state, and suggesting a small drop in real household incomes for 2009.

• From 2000 to 2008, the proportion of Santa Clara County households with incomes below $10,000 increased by 76%, while the middle class continued to shrink.

• Inflation slowed in 2009, but was higher in the Bay Area, which saw a 0.7% increase in inflation compared to a decrease of -0.4% for the nation.

• The already high cost of living has soared in Silicon Valley with estimated cost increases since 2000 of 130% for health care, 60% in electric rates, 50% in housing costs for homeowners (even after the housing crisis brought down home prices considerably), 43% for gas and 36% for food. Over the same period, the average weekly wage grew only 24% before inflation.

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. Do family members collectively bring in enough income in a year to cover the cost of living? If the answer is yes, then the household budget is balanced, and excess income can be saved or invested. But if income is not enough to cover expenses, the household will have to reduce its standard of living, dip into its savings, or go into debt to pay the difference.

A decline in jobs per population coupled with an increase in the proportion of low-wage jobs has placed increasing strain on household budgets. Further pressure is provided by the high cost of living – a full-time minimum wage worker in San Jose does not earn enough to cover the average rent for a two-bedroom apartment, let alone food, gas, and other necessities.

Together, these three factors – scarcity of jobs, lack of real wage growth, and soaring consumer prices – are lowering living standards for a broad swath of Silicon Valley’s households, from the poorest all the way through highly educated professionals. This triple threat, now spreading across the country, is creating a widely recognized “middle-class squeeze.” According to the Economic Policy Institute, 2000-2007 marked the first economic cycle on record in which American families saw their real median income decline. The recent recession, with accompanying job losses, wage/hours cuts and foreclosure, has made this problem much more acute – but the underlying imbalance existed well before the recession.
HOUSEHOLD INCOME

Real median household income increases modestly from 2004-2008; however, household income peaked for the decade in 2001 and has yet to recover.

For Santa Clara County households, real (inflation-adjusted) median income in 2008 stood at $88,846, a 1.4% increase from 2007. Median incomes have grown modestly since their low point of $84,923 in 2004 (inflation-adjusted to 2008 dollars). Increasing real incomes mean that households are better able to keep up with inflation.

However, households have not yet recovered the income lost between 2001 and 2004. Real median income in 2008 was lower than at any point from 2000-2003, and was $9,172 lower (in 2008 dollars) than the 2001 income peak. In the decade thus far, Silicon Valley households have seen a net decline in real income of 7.2%.

In 2009, average weekly earnings for Silicon Valley workers showed no growth – falling behind earnings in the state, and suggesting a small drop in real household incomes for that year.

Data on household incomes in 2009 is not yet available. But earnings from work, which comprise by far the largest portion of a working family’s income, can provide a preview of change in household incomes.

Between 2008 and 2009, average weekly earnings for workers in the San Jose metro area showed no change, staying at $1,265, even as average weekly earnings for the state went up 2.0%. With the San Jose region experiencing moderate inflation in 2009, this means that real weekly earnings – and probably household incomes - have fallen.

From 2007 to 2009, the two-year period that best captures the recession, nominal average weekly earnings in the San Jose region fell by 2.0%. Over the same period, statewide earnings rose by 1.1%.16
The proportion of households with real incomes less than $10,000 increased by 76% since 2000, while the middle class continued to shrink.

Median income levels tell only part of the story. The changing income distribution in Santa Clara County shows a gradual but persistent trend towards an hourglass economy, with higher levels of income inequality and a shrinking middle class.

From 2000 to 2008, the proportion of Santa Clara County households earning less than $50,000 grew by 76%. The proportion of households in the next two lowest income brackets grew by 15% and 6% respectively. Meanwhile, the proportion earning $50,000 to $100,000 declined by 6%, and the segment earning over $100,000 fell by 5%.

These declines in middle and upper-middle income households, coupled with the huge increase in households falling into the lowest income bracket, 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.

No major ethnic group has seen real income growth this decade; median incomes for Latino households decline 15.7%.

All of the county’s ethnic groups have suffered from the decade’s slide in household incomes. No major race/ethnic group has enjoyed any growth in real median income between 2000 and 2008.

Among Silicon Valley's three largest ethnic groups, Latino-headed households absorbed a 15.7% drop in real incomes, followed by an 8.1% decline for whites, and no change for Asians. African-Americans and Native Americans appear to have experienced even larger declines in excess of 20%, although the small sample size for these three groups makes estimates subject to large margins of error.
Latina women workers have the lowest median earnings at just $22,747 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 2008 varied widely by race-ethnicity and sex: from a high of $70,348 for white men to a low of $22,747 for Latina women. Figure 1.13 shows median earnings for workers aged 16+ by race/ethnicity and sex. (individuals who did not work in 2008 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, Latinos make up 76% of Silicon Valley’s janitors, an occupation with median annual earnings of just $18,710.17 On the other hand, whites fill 70% of all legal occupations, with average median annual earnings of $113,300.18

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, produces an increasingly divided community.

Figure 1.13  Source: American Community Survey
Inflation slows in 2009 with the recession, but the Bay Area experiences higher inflation than the nation; over the past decade the cost of nearly every basic necessity in Silicon Valley has risen faster than wages.

As the U.S. economy slowed, inflation also moderated, providing one bright spot for working families struggling to make ends meet. In 2009 the Consumer Price Index, which measures inflation in consumer goods and services, fell by an annual 0.4% — the first year since 1955 in which the CPI has been negative. In the San Francisco Bay Area, however, consumer inflation continued to increase in 2009, albeit more modestly in previous years, with the regional CPI rising 0.7%.19

Silicon Valley has long been among the highest cost of living regions in the nation. Recent trends have brought down the high cost of housing somewhat by lowering the purchase price of homes, but this does not lower the mortgage payments of current homeowners. Costs for other household necessities continue to grow rapidly. Local gas prices, while down considerably from $4/gallon highs in 2008, have increased by 50% since 2000. Electric rates (PG&E average cost per kWh) are up 60%. Public transit, as measured by the monthly VTA pass, is up 71% after VTA raised fares in response to severe deficits. Food costs are up an average 36% nationwide. Health insurance premiums for the average California worker with family coverage are up an astounding 130%.

Homeowners are paying 50% more in housing costs than in 2000. Rents increased more modestly than the other categories, with growth of 19% since 2000; in part this reflects the extraordinarily high rents in Silicon Valley during the height of the dot-com boom.

Wages have failed to keep up with these cost increases. Since 2000, the average weekly wage in Santa Clara County has grown by a total of 24% before inflation. Except for rental housing, every major expense category for a typical household has increased faster than wages.
In the Bay Area, housing and transportation combined consume over half the average family’s budget.

Figure 1.15 shows average expenditures for Bay Area households by the type of expense. In total, the average Bay Area household spent $68,965 annually in 2007-08, down slightly from the prior year, but up considerably from $55,041 in 1999-00. Nearly half (47%) of this increase in spending went to housing-related expenses; the next highest increase was in retirement-related expenses (Social Security, pensions and personal insurance), which grew 17%.

Housing is the single largest expense in the household budget, followed by transportation; these two together made up 53% of the average household’s expenditure in 2007-08.

This is significant in that the cost of both these items is highly influenced by local land use. This represents an opportunity for local governments to help working families balance their household budgets through their long-term planning and land use decisions. Currently, twenty of the nation’s 100 most expensive zip codes are located in the Bay Area.20

![Average Household Expenditures in the San Francisco Bay Area, 1994-95 to 2007-08](chart)

Figure 1.15 “Other expenses” includes: apparel and services, entertainment, personal care, reading, education, tobacco, miscellaneous, and cash contributions.

* Cost of Living: Related Data
  * Debt [see p. 45]
  * Health care [see p. 70]
  * Housing, for renters [see p. 83]
  * Housing, for owners [see p. 84]
  * Higher education [see p. 110]

* Child care is not included in the above graph because households without young children have no child care expenses, making the average child care expenditure low. However, for those families that do need child care, it can be a major expense, as discussed in the following section.
KEY STATISTICS

- Twenty-two percent of Santa Clara County households fall below the basic self-sufficiency standard, meaning their income is too low to meet a basic standard of living. The large majority (86%) are “working poor.”

- Nearly half of all Santa Clara County seniors (48.4%) are economically insecure, with incomes too low to meet their basic needs without assistance.

- In 2007, 105,000 Silicon Valley were unable to afford enough food (food insecure). Nearly half (47%) were employed.

- In 2009, local food banks and charities saw 20 to 40% more people seeking emergency assistance.

- 12,377 Silicon Valley adults and youth experienced homelessness in 2009. Job loss was the number one reported reason for homelessness – more common than any other reason including alcohol/drug abuse.

WHY IT MATTERS

Silicon Valley’s economic success has made the Valley one of the world's most expensive places to live. But the economy that drives many high-tech salaries into the six-figure stratosphere doesn’t make exceptions for the woman who cleans the office carpet or the man who maintains the air conditioning system. Food, shelter and transportation are necessities for everyone, but the costs, even at the basic, no-frills level, are beyond the means of many Valley residents.

The goal of “self-sufficiency” 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 that can include homelessness, overcrowded housing, food insecurity, or delaying or foregoing needed health care.

Many Silicon Valley adults will experience some sort of real world hardship each year, and most of that number will be members of the “working poor.” For these people who are living on the ragged edge of self-sufficiency, the solution to an emergency expense or temporary loss of income is to forego one basic need in favor of another – give up meals to pay the rent, or skip medications to keep the lights on.

These individual hardships have social costs. Through a hidden subsidy for industries paying substandard wages, the region's taxpayers provide food stamps, state-sponsored children's health coverage, low-income tax credits and free school lunches to the tune of more than $15,000 per year for a worker with children employed at a $10/hour full-time job. Harder to quantify but of increasing concern is another cost – the impacts of economic instability on the next generation.
Making a Living: Indicator 3: Achieving Self-Sufficiency

The basic cost of living in Silicon Valley is $62,100 for a family of four.

The "self-sufficiency standard" defines the minimum income necessary to meet a family's needs, based upon the local cost of basic goods and services.

The Self-Sufficiency Standard for Santa Clara County is $62,100 for a family of four (two parents and two kids) as of 2008. Working full-time, each parent must earn $14.70/hour to meet the standard. For a single parent with two young children, the increased need for child care pushes the Self-Sufficiency Standard is even higher, to $86,497 – a full-time hourly wage of $32.91.

Figure 1.16 shows the 2008 Santa Clara County Self-Sufficiency Standard for a family with two working parents and two children, breaking down the components of the standard: housing, food, transportation, health care, child care, taxes and miscellaneous expenses such as clothing, cleaning supplies and toiletries.

The Self-Sufficiency Standard assumes that all working families are covered by job-based health insurance, which is increasingly not the case. Without access to job-based coverage, health care costs in the pie chart above shoot up from $348/month to an average $943/month, adding $7,140 to a family's annual expenses.21

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 its ability to maintain the standard hangs by a thread. It is incapable of providing the elements of what we consider the "American Dream:" a college education, retirement or even a vacation.
Twenty-two percent of Santa Clara County households fall below the basic self-sufficiency standard; the large majority are "working poor."

In 2007 – well before the recession hit – 22.2% of Santa Clara County households fell below the self-sufficiency standard. In other words, more than one out of five households had incomes too low to make ends meet without resorting to public assistance, private charity or debt.22

This statistic reveals the persistent economic challenges affecting families and households in Santa Clara County. The percent of households below self-sufficiency is little changed since 2000. The large majority of these low-income households are "working poor"; across the Bay Area, 86% of all households below self-sufficiency included at least one working adult.23

Households of all ethnicities struggled to make ends meet, but the highest proportion of households below self-sufficiency occurred among Latinos. Fully 45% of Latino-headed households were below self-sufficiency, along with 32% of African-American-headed households, 19% of Asian/Pacific Islanders, and 14% of Whites.

Households with children were more likely to be below self-sufficiency, at 30%, reflecting the high cost of raising a family in Silicon Valley. Single mothers face the greatest economic challenges – more than half (56%) of all single mothers fell below self-sufficiency.

This analysis, provided by United Way, includes only households headed by non-disabled adults age 18 to 64; if households headed by elderly and disabled persons were included, the percent below self-sufficiency would likely increase.

With the current high unemployment, cutbacks in hours and wages and flood of foreclosures, in all likelihood many more families are now struggling to make ends meet.

These individual hardships have social costs. Through a hidden subsidy for industries paying substandard wages, the region's taxpayers provide food stamps, state-sponsored children's health coverage, low-income tax credits and free school lunches to the tune of more than $15,000 per year for a worker with children employed at a $10/hour full-time job.

### HOUSEHOLDS BELOW SELF-SUFFICIENCY

**SANTA CLARA COUNTY, 2007**

<table>
<thead>
<tr>
<th>Below self-sufficiency</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total all households</td>
<td>102,312</td>
<td>22%</td>
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<table>
<thead>
<tr>
<th>Race/Ethnicity of Householder</th>
<th>Below self-sufficiency</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian and Pacific Islander</td>
<td></td>
<td>27,133</td>
<td>19%</td>
</tr>
<tr>
<td>Black or African American</td>
<td></td>
<td>4,334</td>
<td>32%</td>
</tr>
<tr>
<td>Latino</td>
<td></td>
<td>41,980</td>
<td>45%</td>
</tr>
<tr>
<td>White</td>
<td></td>
<td>27,766</td>
<td>14%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Household Type</th>
<th>Below self-sufficiency</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Children</td>
<td></td>
<td>39,793</td>
<td>16%</td>
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<tr>
<td>One or More Children</td>
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<td>62,587</td>
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<td>Single Mother</td>
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<td>19,640</td>
<td>56%</td>
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<tr>
<td>Single Father</td>
<td></td>
<td>6,041</td>
<td>39%</td>
</tr>
<tr>
<td>Married Couple w Children</td>
<td></td>
<td>36,837</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: Overlooked and Undercounted 2009, United Way
Includes households headed by a non-disabled adult aged 18-64
Nearly half of all seniors are economically insecure

A separate self-sufficiency standard has been developed to gauge the cost of living for older adults – specifically, retirees ages 65 and up. Retirees enjoy a lower cost of living in some respects, without the necessity of commuting or (usually) of providing for children, and with Medicare providing for health care expenses, although many costly health or personal care needs of older adults are not fully paid for by Medicare. At the same time, retirees living on a fixed income often face great difficulty in stretching their incomes to cover the rising costs of housing, food and transportation.

The Elder Economic Security Standard, developed by UCLA, indicates that (as of 2007) the basic costs of living for elder households in Santa Clara County range from $25,391 for a single senior renting a one-bedroom unit, up to $47,354 for a couple with a mortgage.24

As of 2007, out of all Santa Clara County residents aged 65+, 48.4% – 82,000 seniors – had incomes below this standard, meaning that they face serious challenges in making ends meet.25

Neither Social Security nor Supplemental Security Income (SSI) typically pays enough for an elder to meet the Economic Security Standard. In Santa Clara County, the average annual Social Security payment to a senior recipient in 2008 was $12,022; the average annual payment for senior SSI recipients was just $7,266.26

Senior women living alone are a fast-growing demographic in Santa Clara County, and are among the most likely to lack adequate income. In 2008, Santa Clara County was home to 28,691 senior women living alone, as well as 12,703 senior men living alone.27 Among senior women living alone, 55% fell below the Elder Economic Security Standard.28
HARDSHIP AND DEPRIVATION

In 2007, 105,000 adults were unable to afford enough food; in 2009, more than 12,000 adults and youth were homeless.

Lack of adequate income has severe consequences for families; often they must forego one basic need, such as food, to pay for another, such as housing. As a result of these difficult decisions, in 2007 an estimated 105,000 adults experienced food insecurity (being unable to afford enough food).

More recently, local food banks and charities report annual increases of 20 to 40% in the number of people seeking emergency assistance. The Second Harvest Food Bank of Santa Clara & San Mateo Counties saw calls to their Food Connection hotline increase 44% over the fiscal year, with two-thirds of people calling for the first time.

In 2009, the Food Bank estimated that 416,800 distinct individuals had been provided with emergency food assistance in the two counties. The Food Bank reported that 64% of client households were food insecure; 50% reported having to choose between paying for food or utilities, 50% had to choose between food or paying the rent/mortgage, and 32% had to choose between food or medical care.

In addition, 36,949 households in Santa Clara County suffered overcrowded housing in 2008 (more than one person per room, excluding bathrooms), and in 2009 an estimated 12,377 county residents experienced the severe hardship of homelessness.

Many of those in need are the working poor; they did not suffer these financial calamities because they weren’t working, but were affected in spite of holding down regular jobs. Low wages and high cost of living mean that a job does not provide security against financial hardship. In 2007, 47% of all food insecure adults were employed, as were 67% of adults who delayed or didn’t get needed medical care. An estimated 16% of the homeless were employed in 2009. Furthermore, 30% of homeless residents surveyed indicated that their homelessness was due to loss of a job, up from 18% in 2005, and making job loss the number one reported reason for homelessness (the second leading reason was alcohol/drug abuse).

In 2007, 47% of all food insecure adults were employed, as were 67% of adults who delayed or didn’t get needed medical care.
Poverty rate of 7.6% does not accurately reflect the number of people in financial hardship.

By official measures, Santa Clara County appears to enjoy a low poverty rate, with only 7.6% of all residents and 9.4% of children below poverty as of 2008.

However, 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.

![Graph showing poverty in Santa Clara County, 2000-2008](image)

Figure 1.17 Source: U.S. Census Bureau SAIPE

### Hardships: Related Data
- Foreclosures [see p. 42]
- Bankruptcy [see p. 47]
- Unemployment [see p. 49]
- Underemployment [see p. 50]
- Public assistance [see p. 58]
- Infant health [see p. 66]
- Lack of health insurance [see p. 69]
- Housing cost burdens [see p. 83]
SEEKING SECURITY

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

INDICATOR 1
Savings and Debt

KEY STATISTICS

• In the past two and a half years, the median value of homes in the San Jose metro area has fallen by 24.2%. Moderately priced homes were the hardest hit; homeowners in the lowest-priced tier have, on average, lost all of their home’s appreciation since 2001.

• One in five Santa Clara County homes and more than one third of all condos are worth less than their original purchase price.

• Foreclosures in Santa Clara County have broken records every year for the past four years, with 15,118 notices of default filed in 2009, an increase of 481% compared to 2006.

• Personal bankruptcies in Northern California were at an all-time high in 2009, up 160% since 2007.

WHY IT MATTERS

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 shift of risk: away from corporations and other large-scale institutions, and onto individual families. Silicon Valley is at the current epicenter of this trend, a process that economic researchers have called “the great risk shift.” Outsourcing, off-shoring, part-time and temporary employment and independent contracting have replaced many of the formerly career-oriented jobs available to U.S. workers. At the same time, the “safety net” of home equity and access to credit has vanished with the bursting of the housing bubble and the subsequent collapse of financial and credit markets.

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. Middle class financial and asset instability have been brought to the forefront of national attention in the past few years with the advent of the housing and foreclosure crisis. Homeownership is a hallmark of the American Dream, and owning one’s own home has long been viewed as key to ensuring family stability and financial security. But in the past two years, millions of American families have seen that dream disappear as their homes have been lost to foreclosure.
One in five Santa Clara County homes and more than one third of all condos are worth less than their original purchase price; homeowners in the lowest-priced tier have, on average, lost all of their home’s appreciation since 2001.

For thousands of Silicon Valley homeowners, the American dream of home ownership is becoming a nightmare. In the past three years, the median value of homes in the San Jose metro area has fallen by 24.2%, from a peak value of $741,800 in May 2007 to $562,600 in December 2009. In 2009 alone, residential property in Santa Clara County lost more than $17 billion in assessed value as many homeowners struggled to make mortgage payments on homes worth far less than is owed on them.

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). From a peak median value of $1,177,000 in September 2007, houses in the most-expensive tier of Silicon Valley real estate have seen their worth fall by 16.4% to a value of $984,300 in December 2009. In a striking contrast, homes in the least-expensive tier lost 40% of their value, falling from a peak median value of $621,000 in March 2007 to a median value of $372,700 in December 2009. When the housing market collapsed, it landed hardest on middle- and working-class families, leaving them in debt to the bank for far more than their modest homes are worth. These homeowners saw almost no appreciation in their home’s value over the course of the decade: the median value of homes in the least-expensive tier was $364,900 in January 2010, 5.9% lower than the median value of $387,600 in January 2001.

This problem of having negative equity (often referred to as “being underwater”) in a home is highly correlated with foreclosure because it severely limits a family’s options when faced with any type of financial crisis, such as a job loss, divorce or extended illness or injury. The financial effect of being underwater on a home mortgage extends beyond the inability to borrow against home equity in order to make ends meet. Equally important—especially in regions with high unemployment like Santa Clara County—is the loss of mobility caused by negative equity situations. Homeowners who find it impossible to sell their houses cannot relocate in pursuit of new jobs or opportunities, and they may find themselves trapped in a vicious cycle with foreclosure as their only means of escape.
Foreclosure rate in Santa Clara County breaks all records—year after year after year

For the third year in a row, a record number of Santa Clara County homeowners received notices of default on their mortgages (the first step in the foreclosure process). In 2009, lenders sent 15,118 notices, an increase of 26.8% over the previous record-setting 11,922 default notices in 2008. By comparison, the number of default notices sent in 2002 (also a recession year) was 2,960.

The foreclosure crisis is a nationwide phenomenon which has hit Santa Clara County severely due to the region’s extremely expensive housing market. From 2006 to 2009, foreclosure activity increased by 208% statewide; in Santa Clara County, it increased by 481%.

The foreclosure crisis has resulted from a confluence of factors: subprime loans, adjustable rates, 100% financing, and other “exotic” loans made without adequate oversight; subpar wages that blocked many Americans from affording a home using conventional loans and pushed them to rely heavily on excessive credit (encouraged to do so by banks, brokers and lenders); the housing bubble, which artificially inflated home prices and then collapsed, leaving thousands of Silicon Valley homeowners underwater on their mortgages; and double-digit unemployment which has caused homeowners to fall behind on their mortgage payments when they lose their jobs.
As established homeowners with traditional mortgages fall victim to this crisis, record numbers of foreclosures will continue.

In a shift that is indicative of the true extent of the foreclosure crisis, the number of new defaults on “prime” mortgages remained at record levels in 2009 even as sub-prime loan defaults began to decline. As shown in Figure 2.3, for California homes the proportion of prime-rate mortgages approaching foreclosure continues to climb; by the final quarter of 2009, a record 10.3% of prime mortgages were seriously delinquent or in foreclosure, and the growth in delinquencies showed no sign of slowing. This trend underscores the fact that the crisis is no longer being driven by sub-prime borrowers with shaky credit histories. The record number of defaults on prime mortgages is being driven by the toxic combination of falling home values and job losses.

When home value declines below the purchase price, homeowners – even those with standard, prime rate mortgages – can find themselves in the situation of owing more on their mortgage than the home is worth. Because home values have fallen precipitously from their overinflated levels, as discussed above one in five Silicon Valley homeowners and one in three condo owners is now in this situation of negative equity, often referred to as being “underwater” in your home.

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.

This combination of factors indicates that the foreclosure crisis in California is likely to continue for the next year or longer. Median single-family home prices in California are expected to continue to decline slightly through mid-2011, meaning that underwater homeowners cannot look for large gains in home value to help their situation in the immediate future. Statewide unemployment hovers above 12% – much higher in some of the counties hardest hit by the housing crisis. Due to the huge number of foreclosures being processed combined with (largely unsuccessful) efforts to prevent foreclosure by modifying loans, the average length of the foreclosure process has increased by 20% since last year, meaning that the process will be drawn out and sales of foreclosed properties will continue to weaken the housing market for years to come.

Figure 2.3 Source: Mortgage Bankers Association, National Delinquency Survey 2009
Foreclosure crisis hits people of color disproportionately hard, even those without subprime mortgages

By now, it is no surprise that thousands of African-American and Latino families who were given subprime loans to purchase homes at the height of the housing bubble have lost their homes to foreclosure. Subprime loans increase a family’s monthly housing costs significantly by charging higher interest than prime-rate loans, and the disproportionate incidence of predatory and subprime lending in minority communities has been well established. A 2006 study determined that San Jose area homeowners in predominately minority neighborhoods were more than five times as likely to obtain a high-cost or subprime mortgage for the purchase of their home than homeowners in predominately white neighborhoods.10

With job losses driving the record number of defaults on prime mortgages, and with people of color experiencing unemployment rates significantly higher than those of whites, the disproportionate impact of the foreclosure crisis in minority communities will continue despite the slight decrease in subprime defaults11. Moreover, since the previous wave of subprime foreclosures was particularly concentrated in minority communities, it decimated property values for even long-time homeowners with prime mortgages. With unemployment more pronounced in minority communities, people of color will continue to face the double-edged sword of high unemployment and high foreclosure rates.

Foreclosure has a devastating and prolonged impact on families and communities. A 2010 national study examined the impact on Latino families, finding that families who experienced foreclosure suffered an average financial loss of $89,155. The effects of losing the family home and financial safety net were profound: 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.12
Between 2001 and 2007, the amount of debt held by families in the Western U.S. more than doubled, while income remained nearly flat.

Throughout the 1990s, changes in the median value of debt for families in the Western United States roughly paralleled changes in family income, with total debt remaining at least slightly less than annual pre-tax income. However, the current decade has seen an explosion in household debt with no corresponding rise in income. From 2001 to 2007, annual before-tax family income in the Western U.S. increased by only 6.6%, from $48,700 to $51,900 (in constant 2007 dollars), while median household debt, including mortgages, increased by 113% from $44,800 to $95,500.

As the foreclosure and bankruptcy trends in California indicate, this level of debt is unsustainable. However, with the U.S. job market failing to provide adequate incomes, many working families have been forced to rely upon debt to make up the gap between wages and rising costs. In a survey of low- and middle-income American households with credit card debt, one-third reported relying on credit cards to cover basic expenses: rent, mortgage, groceries, utilities, or insurance. This extreme debt load has become a generation-defining characteristic of today’s young adults, who—are saddled with student loan debt and facing an increasingly bleak job market—are likely to be the first generation of Americans not to be financially better off than their parents.
Real median financial assets for all families rebounded slightly from 2004 to 2007, but tremendous disparity exists for families of color.

Household financial assets come in a variety of forms, from the balance in a checking account to the stocks and bonds in a 401(k). Taken together, they constitute a family’s emergency reserve funds, and sooner or later, every family will experience a financial emergency or at least an unanticipated expense. When a family member loses a job or experiences an extended illness, the car breaks down, or the roof starts leaking, savings can prevent a financial challenge from becoming a crisis. Savings, accrued over a lifetime, are also the key to a secure retirement and the ability to pay for education without incurring major debt.

After falling from a peak value of $32,300 in 2001 to $25,500 in 2004, real median financial assets of households in the Western U.S. recovered slightly to a value of $29,100 in 2007. For non-Hispanic whites, financial assets are lowest for those under age 35, with a median value of $7,350. Assets then increase steadily with age to a peak median value of $73,700 when the head of the household is 55-64 years old, before gradually declining to a median value of $41,500 for households headed by someone age 75 or older.

By contrast, non-whites and Hispanics over age 75 have median assets of just $1,200; the lowest of any age group provided by the survey. This amounts to only 2.6% of the financial assets of non-Hispanic whites of the same age. The profound lack of financial assets among many non-white and Hispanic families is one of the factors that threaten their long-term economic security and their ability to enter or remain in the middle class.
In 2009, a record 31,097 people in Northern California filed for personal bankruptcy.

Unlike large financial corporations, when individual families experience a financial collapse, declaring bankruptcy may be their only way out. Despite a 2005 change in federal law that added tighter restrictions on individuals’ ability to file for bankruptcy, the 31,097 new filings in 2009 was an all-time high, and exceeded pre-2005 levels for the first time since the law was changed. From 2007 to 2009, personal bankruptcies in Northern California increased by 160%.

A major factor driving this increase is the housing crisis. Between 2006 and 2008, personal bankruptcies rose 118% in the 16 states with declines in the Home Price Index (HPI), more than double the rate of increase seen in states with stable home prices. This statistic reinforces the idea that homeowners have 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.

The face of bankruptcy: middle-class, college-educated homeowners

As middle class income volatility and unemployment increase, higher education and homeownership—the traditional strategies for building wealth—are no longer a guarantee of financial security. 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 are ill-equipped to handle a sudden medical or other emergency, even when they have health insurance coverage.

In 2007, medical problems or expenses contributed to almost two-thirds of all bankruptcies, and three-quarters of those filers had health insurance when their illness began. Taken together, these findings indicate that many American families are only one serious illness or injury away from bankruptcy.
IN许多方面，中产阶级的不安全感从未如此之高。甚至在当前的经济衰退之前，硅谷经济就已经停止为普通工人工作。山谷与高科技和全球经济的紧密联系是我们最大经济力量和最大弱点的来源。我们的地区首先和最严重地受到这种趋势的影响，如外包、合同、临时和永久工作、消失的职业阶梯，以及从稳定的工资和养老金向依赖股票市场的补偿形式的转变。

累积起来，这些趋势已经产生了一种定性的变化在工作的组织中。更多的工作越来越低的薪酬，很少有任何福利，没有工作安全。它们是死胡同的位置，只需要很少的教育和缺乏职业阶梯，使提高技能的增加获得补偿。稳定的工作要支持普通的家庭正在消失，而要取代这些工作的工作是低薪酬的，往往是临时的。更糟糕的是，当失业率在两位数时，即使是这些死胡同的工作也难以找到。

安全的含义

我们知道，首先，至少有一个工作。但就像去年所证明的，即使你有一份好的工作在硅谷，你也永远不知道它会消失。作为一个企业只在经济不确定性面前，作为个人，收入不稳定的工人很难计划未来，甚至可能无法获得信贷，融资大额购买，甚至租房子或公寓。失业、未就业和向更不稳定的工作的一般转变都对中产阶级造成不安。

关键统计

- 工作人员下岗的工人在旧金山湾区地区从2007年的120,610人增加到2009年的228,122人，两年内增加了89%。
- 更少的加利福尼亚人去年在工作（57.5%在2009年7月）比任何时间以来的1977年。
- 长期失业在加利福尼亚州已经翻了一番，2009年，前所未有的35%的失业者已经工作了6个月以上。
- 低工资工作会消耗掉社会安全网；在圣克拉拉县，一个有2个孩子的工人，每小时赚取$10是合格的公共服务，每年的价值为$15,572，尽管拥有一个全职的工作。
- 有工会的加州工人比非工会工人更可能得到雇主提供的健康保险和96%的人更可能有一个养老金计划，但工会会员人数在2009年有所下降。

为什么它重要

在许多方面，中产阶级的不安全感从未如此之高。甚至在当前的经济衰退之前，硅谷经济就已经停止为普通工人工作。山谷与高科技和全球经济的紧密联系是我们最大经济力量和最大弱点的来源。我们的地区首先和最严重地受到这种趋势的影响，如外包、合同、临时和永久工作、消失的职业阶梯，以及从稳定的工资和养老金向依赖股票市场的补偿形式的转变。

累积起来，这些趋势已经产生了一种定性的变化在工作的组织中。更多的工作越来越低的薪酬，很少有任何福利，没有工作安全。它们是死胡同的位置，只需要很少的教育和缺乏职业阶梯，使提高技能的增加获得补偿。稳定的工作要支持普通的家庭正在消失，而要取代这些工作的工作是低薪酬的，往往是临时的。更糟糕的是，当失业率在两位数时，即使是这些死胡同的工作也难以找到。
The number of unemployed workers in Silicon Valley has increased by 154% since the start of the recession in December 2007.

The loss of a job is one of the primary factors that ultimately leads a family into bankruptcy or causes them to lose their home to foreclosure. In the San Jose region, the unemployment rate reached a record high of 12.4% in January 2010, with employment in the region at its lowest level in more than 20 years. Out of a civilian labor force of 897,600 potential workers, 786,400 were employed and 111,200 were officially classified as unemployed, a number that excludes thousands of workers who are either working part time for economic reasons or who have given up looking for work. For additional analysis of Silicon Valley unemployment, see Chapter 1: Making A Living of this report.

The average duration of unemployment reached a record-high of 30 weeks in January 2010, as workers wait longer and longer for jobs.

Adding to the hardships created by the significant increase in unemployment over the last two years is the fact that the nature of unemployment has dramatically changed. Since 2007, the percentage of unemployed workers in California who have been out of work for more than 26 weeks—the definition of long-term unemployment—has more than doubled, from 16.8% to 34.9% of all unemployed workers. Nationwide, 41% of unemployed workers have been out of work for more than 6 months, pushing the average duration of unemployment to a historic high of 30 weeks in January 2010.

With unemployment benefits traditionally capped at 26 weeks, Congress and the California Legislature had to grant emergency benefit extensions to prevent thousands of California workers from losing their benefits each week. With the majority of unemployed workers being permanent job losers, a smaller percentage of Californians (57.5% in July 2009) was working last year than at any time since 1977, and unemployment is predicted to remain in the double digits throughout 2010 before modest job growth begins in 2011.

The profound negative effects of long-term unemployment on families is well-established, and this recession has hit families with children particularly hard. Data on U.S. households from the March 2009 Current Population Survey showed that of the 25.8 million married couples with children under 18, about 6 percent of husbands were unemployed in 2009, compared with 3 percent in 2007; 4 percent of wives were unemployed in 2009, compared with 2 percent in 2007. This increase in unemployment causes considerable hardship for families, as unemployed workers are forced to postpone medical treatments, cut back on spending for food, change living arrangements and have trouble paying utility bills.
One out of every five workers—228,122 people—in the San Jose region were underemployed in 2009.

With the shift away from stable jobs and toward more part-time, contingent and temporary employment in Silicon Valley, the problem of underemployment has reached an all-time high. The ranks of the underemployed include not only unemployed workers, but also those who worked part-time even though they usually work or want to work full time, as well as those who want to work but have given up looking for a job because of discouragement or some other reason. The rate of underemployment, which hit 20% in the San Jose region in 2009, is a more comprehensive measure of labor force underutilization than is provided by unemployment data alone.31

The real impact of labor force underutilization was the focus of a national study released in February 2010 by the Center for Labor Market Studies at Northeastern University. The study found that underemployment in the current recession has been highly concentrated among workers from lower income households. In the fourth quarter of 2009, workers in the top three deciles of the household income distribution—those making $75,000 or more—had underemployment rates of 3.6% or less, while workers in the two lowest income deciles—those making $20,000 or less—faced underemployment of 17.2% or more. The data show that employed workers in the lowest income decile were 13 times as likely to be underemployed as workers in the top decile.32

The cost of underemployment for low-wage workers can be severe in both lost hours of work and lower hourly wages, resulting in dramatically reduced earnings. Like the subprime mortgage meltdown and the housing market collapse, the current underemployment crisis has hit those who can least afford it the hardest.
Seeking Security: Indicator 2: Job Security

LOW-WAGE WORK

In 2008, 122,593 Santa Clara County workers had incomes below 200% of the federal poverty level; half of all low-income adults were working.

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 Santa Clara County, as of 2008 122,593 employed workers had household incomes that put them below 200% of the Federal Poverty Level ($35,200 for a family of three). Nearly half (49.9%) of all low-income residents over age 16 were employed during 2008.33

Low-income workers are heavily concentrated in the leisure and hospitality sector; low-wage work is also common in construction, retail trade and other services.

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 2.9 shows the concentration of low-income workers – employed workers who had a household income less than 200% of the Federal Poverty Level, or $35,200 for a family of three – in Silicon Valley’s major industries.34

Four industries stand out for their high prevalence of low-income workers: leisure and hospitality, “other services” (which includes repair & maintenance and personal & laundry services), retail trade, and construction. These four industries together account for half of all low-income workers in Silicon Valley.35

Leisure and hospitality has by far the highest concentration of low-wage work; in this sector, which includes hotels, restaurants, arts, entertainment and recreation, 28% of employees are low-income. The average annual wage/salary income of workers in Silicon Valley’s leisure and hospitality industry is just $22,141.36 In addition, leisure and hospitality is the only major industry in the Valley in which less than 50% of workers have employer-based health coverage.37 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, Making a Living).

Figure 2.9 American Community Survey
Low incomes for workers in leisure & hospitality and retail trade sectors are due in part to high levels of employment insecurity and lack of year-round work.

The leisure and hospitality sector is also notable for its high prevalence of seasonal or intermittent work. In 2008, 22% of all leisure and hospitality workers in Santa Clara County were employed for 26 weeks or less out of the year – cutting their annual earnings in half or worse relative to year-round employment.

Other sectors with a high prevalence of employees working 26 weeks or less included retail trade (18%), educational services (16%), and other services (16%). Lack of year-round employment not only lowers earnings, but the heightened insecurity involved can make budgeting even more challenging for workers who do not know how many weeks they may be able to find work.

Low-wage work carries hidden costs to the community; a job paying $10/hr may be subsidized by $15,572 or more in public assistance.

The proliferation of low-wage jobs is a prime contributor to job and income insecurity. In addition to paying wages that are inadequate to meet the cost of living, low-wage jobs have higher turnover rates, are less likely to offer health or retirement benefits and are more likely to provide less than full-time year-round work than are middle-wage jobs. Equally problematic, yet often invisible, is the larger social cost of low wages, as the failure to provide adequate compensation not only impacts on workers but on the overall community.

For example, a worker earning $10/hour, even with full-time, year-round employment, makes just $20,800 annually: scarcely enough to cover rent (currently at $16,056 for a two-bedroom apartment), never mind food, utilities, transportation, healthcare or childcare. To support their families and stay off the streets, low-wage workers thus must turn to public assistance programs. In Santa Clara County, a full-time worker with two children who earns $10/hour is eligible for food stamps, state-sponsored children’s health coverage and free school lunch – even though he or she has a full-time job. In total, the worker in question qualifies for public assistance worth $15,572 annually, not including housing assistance. Paid for with taxpayer money, this assistance amounts to a hidden subsidy for businesses that do not pay a livable wage. Responsible businesses that do pay enough for workers to live on are placed at a competitive disadvantage.

Moreover, when even those with jobs are forced to turn to public assistance, an enormous strain is placed on city, county and state budgets and on the entire social safety net. Emergency rooms, Valley Medical Center, and community health clinics are all hard pressed to maintain adequate health care services in the face of growing numbers of uninsured residents. The Second Harvest Food Bank has seen demand soar in the past year; even with more volunteers and food donations coming in, as much as half of the food need goes unmet.

Finally, paying wages that are inadequate to afford housing has major impacts not just on workers and families, but also on neighborhoods and the regional transportation infrastructure. Low-wage workers usually must choose between living in overcrowded, substandard housing, which negatively impacts neighborhoods, or else moving out to a lower-cost region and commuting four hours or more every day, adding to traffic congestion and pollution and robbing them of time to spend with their families.
In California, being represented by a union raises a worker's pay by an average of 19.3%, from $21.70 to $25.88 per hour.

One way that workers can achieve higher wages, better benefits, improved working conditions and greater job security is through unionization. Workers who choose to form a labor union gain the ability to bargain collectively with their employers, and the benefits of using this strategy can be seen in the differing employment conditions of union and non-union workers. In California, workers who are represented by a union are 50% more likely to have employer-provided health insurance and 96% more likely to have a retirement plan than non-union workers. These enhanced benefits are in addition to an average union wage premium of +$4.18/hr.

Even after controlling for age, education, gender, ethnicity and industry differences between the union and non-union workforces, union membership for California workers has the effect of raising hourly wages by 20.6%, increasing the likelihood of having health coverage by 23 percentage points, and increasing the likelihood of having a retirement plan by 29.1 percentage points. Union membership has particularly large benefits for women, Latino, African American, Asian Pacific American and immigrant workers – groups who tend to be underpaid compared to white males in the workforce at large.

For the average U.S. worker, the union wage premium – the amount by which union membership increases wages – is 19.6%. For Latino workers this premium is much higher, at 53.1%. Unions also provide larger wage boosts to African Americans (38.1%), Asian Pacific Americans (20.8%) and women (41.1%). Union membership thus helps to counteract race- and sex-based disparities in wages.
Unionization rate of Bay Area workers declines in 2009, reversing previous two years of gains.

Bay Area union membership declined in 2009, a reversal from the increasing trend of the previous two years. This decline is likely attributable to the recession and accompanying job losses in more highly unionized sectors such as manufacturing and construction. In 2009, the private-sector unionization rate for the San Jose-San Francisco-Oakland region was 10.5%, down from 12.3% in 2008.40

Combining the public and private sectors, 17.5% of all workers in the Bay Area were covered by a union contract in 2009, down from 20.1% in 2008.

Under the right circumstances, unionization can set standards for an entire industry, improving job quality for both union and nonunion workers.41 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.42

Figure 2.13  Source: Unionstats.com analysis of Current Population Survey
KEY STATISTICS

- The average weekly unemployment insurance payment in California was $308.18 in January 2010, a 1.3% decline from January 2009. This amount is not enough to cover the average monthly rent in Silicon Valley.

- As of January 2010, more than one out of every seven Santa Clara County residents receives some form of public assistance. During the recession the number of people receiving Food Stamps has jumped 53%.

- Since 2001, the number of Silicon Valley residents receiving CalWORKs aid or Food Stamps has nearly tripled. Ninety-one percent of recipients are U.S.-born, and two-thirds are children.

- Older adults aged 60+ make up 15.6% of Santa Clara County’s population, yet they are 17% of Medi-Cal recipients, 19.7% of Refugee Assistance recipients, and 97% of CAPI recipients.

- The Governor’s proposed state budget could completely eliminate CalWORKs and CAPI, ending assistance to 41,180 Santa Clara County residents and shredding the state’s safety net.

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 in the United States is in a state of advanced decay.

The majority of unemployed workers never receive unemployment benefits, and even for those that do, the amount and length of the benefits are usually inadequate. Our health care system is in crisis, with employer-based coverage shrinking and no existing government program capable of picking up the slack for the growing population of working uninsured adults; federal health care reform will help to remedy this situation, but key provisions do not take effect until 2014. Other safety net programs, such as welfare and food stamps, play a crucial role in supporting the most vulnerable segments of the population. However, these programs have such limited eligibility requirements that the majority of people impacted by economic risk are excluded from help.
FINDINGS: THE SAFETY NET

UNEMPLOYMENT INSURANCE

Unemployment payments in California fall short of the cost of living, and drop further during the recession.

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 only two out of every five unemployed workers in California actually receive state unemployment benefits. With the federal extension of unemployment insurance, more jobless workers have been able to access benefits, but it is unclear how long Congress will continue to extend jobless benefits.

Those who do receive jobless benefits still must struggle to get by on less than half their previous salary. As of January 2010, the average weekly unemployment insurance payment in California was $308.18, a 1.3% decline from January 2009. This amount is not enough to cover the average monthly rent in Silicon Valley, let alone food, health care and other costs. The lowest-income claimants receive benefits of just $40 per week. Even the maximum benefit, $450 per week, is inadequate to meet the basic cost of living in this high-cost region.

Job loss and the associated decline in income can make it impossible for a family to make their mortgage payments, putting them on the path to foreclosure. Over the last year, unemployment has played an increasingly large role in driving the high rate of foreclosure.

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%.

Figure 2.14 Source: U.S. Department of Labor

Average Weekly Unemployment Insurance Payment, California, 2000-2010
Sixty percent of unemployed workers in California exhausted their unemployment benefits in Q3 of 2009.

Even if a jobless worker is fortunate enough to qualify for unemployment insurance, he or she faces an additional problem: the insurance runs out in six months at most. If laid-off workers could quickly find new jobs, the time limit would not be a problem; however, as the nature of employment has shifted, long-term unemployment has become far more common than in the past. (See Indicator 2 of this chapter for data on long-term unemployment.)

In California today, six out of ten workers on unemployment exhaust their benefits, i.e., they run out of benefits while they are still looking for work.

The exhaustion rate has increased considerably during the recession as jobs have become much harder to find. The exhaustion rate has gone from 43.5% in the third quarter of 2007 to 60.0% in Q3 of 2009. By comparison, the exhaustion rate in Q1 of 2001 was 36.6%.48

In the face of the Great Recession, the federal government and the California Legislature have provided emergency benefit extensions that enabled many long-term unemployed to continue receiving jobless benefits after the standard exhaustion period. However, it is uncertain how long Congress will continue to provide extended benefits.
PUBLIC ASSISTANCE

The recession pushes up the number of Santa Clara County residents receiving food stamps by 53%; more than one out of every seven Santa Clara County residents now receives public assistance.

As of January 2010, 289,939 children and adults were receiving public assistance in Santa Clara County: 15.5% of the population.

In total, this represents an 18.2% increase since January 2008 in the number of residents who depended on some form of public assistance to make ends meet. Job loss has forced many residents to turn to public assistance in order to feed their families. The highest growth was in people receiving food stamps only, which jumped from 37,081 to 56,913, an increase of 53.5%.

Two-thirds of the individuals on public assistance received not cash aid or food stamps, but Medi-Cal. Since 2001, the number of Medi-Cal enrollees in the county has more than doubled. This immense need for assistance with health coverage reflects the nation’s broken health care system, designed to rely on increasingly inadequate job-based health insurance (see Chapter 3 for further discussion of health insurance coverage and the impacts of federal health care reform).

For residents struggling with increasing job and income insecurity, public assistance programs are a vital part of the social safety net. In addition to helping families avoid the extreme hardships of hunger, homelessness and lack of health care, public assistance can give recipients the stability they need in order to find or keep a job, provide for their children or succeed in school.

However, many individuals and households in need are excluded from aid programs due to strict state and federal eligibility standards. In particular, the working poor often have incomes that are too high to qualify for assistance yet too low to make ends meet. In addition, adults without dependent children are not typically eligible for most forms of assistance. Finally, many Californians who are eligible for assistance do not receive it; as of 2007, only 48% of state residents eligible for food stamps were actually receiving them.49

Figure 2.16  Source: Santa Clara County Social Services Agency. ‘Medi-Cal only’ and ‘Food Stamps only’ do not include CalWORKs.
Long-term trend reveals a large and growing portion of Silicon Valley families must turn to public assistance; since 2001 the number of CalWORKs or Food Stamps recipients has nearly tripled.

CalWORKs and Food Stamps are the two large-scale public assistance programs which directly supplement inadequate family incomes: CalWORKs through cash aid, and Food Stamps through credit for food purchases. In the past decade, the number of Silicon Valley residents dependent on these programs has nearly tripled, growing from 32,804 people in July 2001 to 94,612 people in January 2010. This represents an increase from 1.9% of the total county population in 2001 up to 5.1% in 2010.

As shown in Figure 2.17, this increase is the result of growing need throughout the decade; while the sharpest growth has been during recessions, need has not declined even during periods of high economic growth. This continually increasing caseload places a strain on the local safety net. It also indicates increasing challenges for the local economy.

Ninety one percent of CalWORKs or Food Stamps only recipients were born in the U.S.; two thirds are children.

As of January 2010, 60% of the county’s CalWORKs or Food Stamps only recipients were Hispanic/Latino, 12% white, 11% Vietnamese, and the remainder from a wide mix of ethnicities. 91% were born in the United States. Nearly two-thirds of recipients were children, and 35% adults; among the CalWORKs adults, 77% were women.
Governor’s proposed budget could eliminate CalWORKs entirely

In the state of California, the Governor’s Proposed 2010-11 Budget would completely eliminate the CalWORKs Program if the state does not receive a hoped-for $6.9 billion in additional federal funds. If enacted, beginning October 1, 2010 this proposal would end aid and services for 40,100 children and parents in Santa Clara County and more than 1.4 million people statewide.51

Even if the $6.9 billion in federal funding is received, the Governor’s budget would reduce cash assistance grant for families (which at a maximum $694 per month for a family of three are already inadequate to meet the basic cost of living) and entirely cut off some recipients. In Santa Clara County these proposals would result in reduced aid to 38,650 children and parents, and 560 people losing aid entirely.52

Destroying the CalWORKs safety net would push families deeper into the cycle of poverty by denying children the necessities needed to grow up healthy and eliminating their parents’ ability to pursue training and education or access childcare that enables them to obtain and keep employment.

Older adults are largely ineligible for CalWORKs, but seniors make up a disproportionate number of clients in some public assistance programs

Because CalWORKs is targeted to families with minor children, low-income older adults are generally excluded from CalWORKs benefits, as well as being less likely to receive food stamps. However, other public assistance programs serve a disproportionately large number of seniors.

Individuals age 60 or over make up 15.6% of Santa Clara County’s population, yet they are 17% of Medi-Cal recipients and 19.7% of Refugee Assistance recipients. Another smaller cash aid program, CAPI, serves elders nearly exclusively at 97% of its caseload. In total, 37,699 seniors – 16% of the total population aged 60 and up – receive some form of public assistance from the County.

The Governor’s proposed 2010-11 state budget would eliminate CAPI entirely, ending cash assistance for 1,080 elderly or disabled Santa Clara County residents.53

![Diagram: Percent of Public Assistance Recipients Who Are Seniors, by Program in Santa Clara County, January 2010]

Figure 2.18 Source: Santa Clara County Social Services Agency; American Community Survey
STAYING HEALTHY

INDICATOR 1: CHILDREN’S HEALTH
INDICATOR 2: ADULT HEALTH
INDICATOR 3: HEALTH CARE ACCESS AND INFRASTRUCTURE
STAYING HEALTHY

INDICATOR 1
Children’s Health

KEY STATISTICS

• Through the efforts of the Santa Clara County Children’s Health Initiative, enrollment in children’s public health programs grew for the ninth consecutive year, from 142,345 kids in 2008 to 149,049 in 2009. The loss of state and private funding for these programs threatens coverage for more than 39,120 children in the county.

• More than 1 in 4 children in Santa Clara County are either overweight or obese.

• Since 2004, overweight/obesity rates have fallen for white and Asian children, but showed no progress for Latinos and increased for African American children.

• Ethnic disparities persist in access to prenatal care. The percentage of African American and Latina mothers who receive late or no prenatal care is twice that of white mothers.

• The Governor’s proposed 2010 cuts to the Healthy Families program, if fully enacted, would eliminate health coverage for 37,120 children in Santa Clara County and jeopardize the state’s access to federal funding.

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 Santa Clara County, trends in overall children’s health coverage have been encouraging in recent years, as local policy has helped expand access to quality public health insurance programs. However, funding limitations at the federal, state, and local levels continue to threaten the sustainability of these programs. Maintaining sufficient funding to provide coverage for the increasing number of children who are eligible for public programs, especially in light of the economic difficulties in the last two years, remains a major challenge for children’s public health insurance programs. If local and state programs are to continue to protect children from the ongoing decline in job-based insurance, there will have to be an enduring, determined effort to keep them fully funded. Recently passed comprehensive national health reform will provide some additional funding for children’s health programs, but if California reduces eligibility for Healthy Families it will lose access to this funding.

One major emerging health risk for Santa Clara County is childhood obesity. One in 4 children in Santa Clara County are overweight or obese, far below the national Healthy People 2010 objective of only 5% of children being overweight/obese. Moreover, 1 in 3 Latino and African American children are overweight or obese. Locally, First 5 Santa Clara County has initiated a strategic plan to prevent early childhood obesity, including efforts to improve access to healthy food, decrease television screen time and marketing of unhealthy food to children, and improve eating habits of young children. To be successful, efforts to combat childhood obesity must also take into account the needs of minority and low income children.
Number of kids with public health coverage continues to grow

Since its launch in 2001, the Santa Clara County Children’s Health Initiative (CHI) has dramatically improved health coverage for Silicon Valley kids, more than doubling the number of children enrolled in publicly provided health insurance. This first-in-the-nation program included a public outreach effort to enroll kids eligible for two state/federal health programs, Medi-Cal and Healthy Families, as well as the creation of a new local public program, Healthy Kids, to provide affordable health insurance to low and middle income children.

The success of the program improves children’s health and boosts the local economy. The creation of the Healthy Kids Program has helped leverage an additional $104,703,660 in state and federal funding that came to this community through Healthy Families and Medi-Cal.¹

From January 2008 to June 2009, CHI assisted more than 23,000 children with enrollment and renewals into Medi-Cal, Healthy Families, and Healthy Kids. Overall, average monthly enrollment for these three public programs increased for the ninth consecutive year, rising from 142,345 kids in 2008 to 149,049 kids in 2009 (see Figure 3.1).

Figure 3.1 Source: Santa Clara County Social Services Agency & Santa Clara Family Health Plan
State and local budget challenges threaten to roll back gains in children's health coverage

The success of CHI has helped keep overall health insurance rates for kids very high, with more than 97% of all children in the county now covered – this despite major declines in employer-based private coverage over the past decade, amplified by the current economic recession. However, the spike in demand for affordable children's health insurance has outpaced available funding. In 2008, one-time funding of $16.7 million from FIRST 5 California and the local FIRST 5 Commission kept the state from capping enrollment in the Healthy Families program. However, in 2009 a proposed state budget cut followed by the Governor's line item veto of Healthy Families forced a limit on enrollment and threatened to end or deny coverage for 32,358 children in Santa Clara County alone. The Healthy Families Program has since been re-opened, but with increased monthly premiums and co-payments for the program.

The Governor's 2010 budget proposes the most extreme cuts yet, up to and including elimination of Healthy Families. If this proposal becomes reality in 2010, 37,120 Santa Clara County children will lose their health coverage.

California could lose significant federal funding for children's health programs if it reduces eligibility levels. National health care reform provides additional funding to states, but requires states to maintain current eligibility levels for children in Medi-Cal and Healthy Families.

The Healthy Kids Program has also faced funding difficulties. Fortunately, the local community responded when the need became apparent. The Santa Clara Family Health Plan partnered with Kaiser Permanente to provide health insurance coverage to children on the Healthy Kids waitlist. However, despite the program's success, significant private foundation funding for the CHI Healthy Kids programs across the state is expected to cease at the close of 2010. This decision will leave the Santa Clara County Healthy Kids Program with a $2.7 million gap in funding which must be acquired from other sources to avoid the elimination of over 2,000 slots in the program.
CHILDHOOD OBESITY

Childhood overweight/obesity rates declined overall in the last three years, but rates remained the same for Latino children and increased for African-American children.

Childhood obesity continues to be a growing problem across the state and nation. Overall, our community appears to be outperforming most of the state in battling this epidemic. The percentage of middle and high school students in Santa Clara County who are overweight or at risk of being overweight has declined from 31% in 2004 to 25% in 2008 (see Figure 3.2). As of 2007, Santa Clara had the 14th lowest childhood obesity rate out of the 58 California counties.7

However, this improvement masks divergent trends among children of different ethnicities. While overweight/obesity rates for white and Asian kids dropped from 29% for both groups to 18% and 20% respectively, the proportion of Latino children who were overweight or at risk of being overweight remained unchanged, and for African American children the overweight rate increased by 9 percentage points to 37%.

As a result of obesity, children can suffer from health problems including sleep apnea, hypertension and asthma. Furthermore, children who are overweight in early childhood have a higher risk of being overweight as adults.8 One study found that approximately 80% of children who were overweight at 10-15 years old were obese at age 25.9 This is a cause for concern, as adult obesity can increase the risk of hypertension, heart disease, some cancers, type II diabetes and stroke.10

According to a 2003 Field Research Corporation study, nearly two thirds of Californians believe that a community approach to childhood obesity is necessary.11 In response to this growing epidemic, California legislators in 2005 implemented new laws establishing more rigorous nutritional standards for food and beverages sold in schools. These laws limited the sugar and fat content and the portion size of food sold in schools. Locally, in 2007 the FIRST 5 Santa Clara County Commission initiated the development of a strategic plan to support prevention, intervention, and treatment of early childhood obesity.12

The decline in the overall overweight/obesity rate indicates that efforts to reduce childhood obesity may be seeing some success. However, the county still falls far short of reaching the national Healthy People 2010 objective of only 5% of children being overweight. Furthermore, the ethnic disparity in overweight/obesity trends indicates that these programs are having limited impact among Latino and African-American children.

Figure 3.2  Source: Santa Clara County CHKS

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2006</th>
<th>2008</th>
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<tbody>
<tr>
<td>Overall</td>
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<td>29%</td>
<td>25%</td>
</tr>
<tr>
<td>White</td>
<td>26%</td>
<td>22%</td>
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<tr>
<td>Asian/PI</td>
<td>25%</td>
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<tr>
<td>Latino</td>
<td>37%</td>
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<td>African American</td>
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Fewer mothers have access to timely prenatal care; ethnic disparities persist.

Children's health care needs begin before they are born. An expectant mother's access to early prenatal care can significantly reduce the risk of health problems for her child as well as herself. In 2006, the percentage of Santa Clara County mothers who received late (after the first trimester) or no prenatal care climbed to 15.9%, up from 12.9% in 2005, and remained at this rate in 2007. It is too early to tell whether this jump is a statistical anomaly or the beginning of a change in trends (which prior to 2005 had held steady for 10 years). Regardless, 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.

Large disparities continue to exist among different racial/ethnic groups in terms of access to early prenatal care. From 2005 to 2007, the share of Latina mothers receiving late or no prenatal care rose from 19% to 22.1%, the second highest rate of any racial/ethnic group. Rates also remained elevated among African American mothers, with 23.5% not receiving first trimester prenatal care in 2007, compared to 12.7% of Asian/Pacific Islander mothers and 9.9% of white mothers (see Figure 3.3).

Low birth weights show a slight increasing trend since 2001; African-American and Asian-American babies remain most likely to be born underweight.

Birth weight is another key indicator of infant health, as low birth weight babies are at higher risk of infant mortality, long term disabilities and other health problems. From 2006 to 2007, the countywide share of babies born at low birth weight (<2500 grams) decreased slightly from 6.8% to 6.6%. Santa Clara County is not meeting the national Healthy People 2010 objective of 5.9% or fewer babies born underweight.

Overall, low birth weight has shown a very small, but increasing trend countywide since 2001. As of 2007, African American babies and Asian/Pacific Islander babies continued to be most at risk of low birth weight, at 11.5% and 7.3% low weight births respectively. Latino babies (5.9%) and White babies (6.2%) are least likely to be born below a healthy weight level (see Figure 3.4).
KEY STATISTICS

- Workers in California paid more for job-based health coverage last year, with the average annual cost to workers for job-based family health premiums up from $3,194 in 2008 to $3,398 in 2009.
- Since 2000, workers’ annual cost for job-based family health coverage has increased 130%.
- Spurred by the recession, the number of uninsured Californians jumped from 6.4 million in 2007 up to 8.2 million in 2009.
- Employer surveys report that six percent of California employers are “very likely” to drop health insurance coverage entirely in 2010, compared to 1% in 2008.
- Adult overweight and obesity rates have climbed steadily in Santa Clara County since 2000; as of 2009, 55% of adults are overweight or obese.
- Diabetes continues to be the 7th leading cause of death in Santa Clara County.
- Approximately 126,437 low-income adults in Santa Clara County, including seniors and disabled residents, lost dental benefits in 2009 when state funding was cut.
- Beginning in 2014, federal health care reform will dramatically expand access to public insurance programs and subsidies for low-to-middle-income adults, covering an estimated 80% of the state’s 6.5 million uninsured.

WHY IT MATTERS

The health of the adult population in a community can have both quality of life and economic repercussions, as adult health treatments account for the bulk of all health care costs, and employees who are sick are less likely to be able to go to work. Some health outcomes in Santa Clara County have worsened in recent years; the national obesity epidemic is being felt locally, and diabetes rates are creeping up. Still, Santa Clara County ranks 4th highest in the state for health outcomes and 3rd for health behaviors.

Although the most recent data on adult health insurance in Santa Clara County shows overall rates holding steady, declining trends in employer sponsored coverage due to the recession are cause for alarm. Nationally, the rise in health care costs and insurance premiums in recent years has caused employers to shift more costs to employees or drop coverage altogether. More people have become uninsured and face obstacles to obtaining coverage in the private market due to prohibitive costs or pre-existing conditions.

While public programs like Medi-Cal in recent years have partially compensated for declines in adult job-based coverage, most working adults are not currently eligible for Medi-Cal. Recently passed national health care reform will expand Medi-Cal to cover all citizens below 133% of the federal poverty level, a massive extension that will cover many of the state’s uninsured. However, this expansion of Medi-Cal will not begin until 2014; therefore unless other coverage options are made available to low-income adults, we will likely continue to see a rise in the uninsured adult population between now and 2014.
COSTS AND COVERAGE

The number of uninsured Californians climbs to an estimated 8.2 million, up from 6.4 million in 2007.

From 2007 to 2009, California’s unemployment rate more than doubled, up from 5.4% to 12.3%. Many employers responded to the recession by laying off workers, or – for those workers who kept their jobs – discontinuing the provision of employment-based health coverage. These events led to a large drop in the number of Californians that had health insurance in 2009.

Statewide, an estimated 8.2 million Californians – 24.3% of the population – lacked any form of health coverage in 2009, a sharp increase from 6.4 million uninsured in 2007. For adults (age 19-64), the number who were uninsured jumped from 5.3 million in 2007 to 6.8 million in 2009. An estimated 29.5% of the nonelderly adult population lacked health insurance last year. The rising uninsured rate was driven by declining employment-based health coverage; the percentage of nonelderly adults with job-based coverage dropped from 57.3% in 2007 to 51.3% in 2009.

COBRA subsidies through the American Recovery and Reinvestment Act (ARRA) provided some help to laid-off workers across the country, however, the increased take up of COBRA was not enough to offset the loss of job-based coverage. Furthermore, public coverage options for adults are strictly limited by restrictions on income, number of dependants, disability, and age, leaving many adults without affordable access to coverage. Recently passed national health care reform will expand access to public coverage considerably beginning in 2014.
In Santa Clara County, racial disparities in health insurance coverage persist; overall coverage rates remain higher than the state average.

While rising costs in health insurance premiums led to a national decline in job based health insurance rates between 2000 and 2007, Santa Clara County bucked this trend and continues to maintain one of the lowest rates of uninsured adults in California. As of 2007 (the latest available data), 86.8% of non-elderly adults in the county had health coverage.

Despite this fact, there are notable racial/ethnic disparities in rates of coverage. In 2007, 93.8% of non-elderly white adults had some type of health insurance coverage, compared with 85.9% of Asians and 73.6% of Latinos (see Figure 3.5).

Ethnic disparities in health insurance coverage are even more notable for low-income adults (household incomes at or below 200% of the federal poverty level). While the difference in coverage rates among whites of different income levels is relatively small, low-income ethnic minorities are far less likely to have insurance coverage than their higher income counterparts and than low-income whites. Among those with incomes equal to or less than 200% of the federal poverty line, 69.2% of Asians, 60.9% of Latinos, and 59.8% of African Americans have insurance coverage, compared to 89.3% of whites (see Figure 3.6).

National health reform is expected to have the greatest impact on low-income adults, who currently have the highest uninsured rate in Santa Clara County and nationally. 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 subsidies to purchase coverage either on their own or through their employer. 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.

Federal coverage expansion will begin in 2014 and upon full implementation a projected 80% of uninsured Californians will be covered through health reform. The remaining uninsured will include undocumented individuals and those individuals that qualify for a hardship exemption from the individual coverage mandate.
Workers’ costs for family health premiums jump another 6.4% in 2009, bringing premium increases up to 130% this decade.

Since 2000, Californians have experienced dramatic increases in the cost of job-based health insurance. 2009 was another year of rising costs, with the steepest increases impacting the cost of family coverage.

As Californians continue to feel the effects of the economic downturn, the average worker contribution for an employer-based plan continued on an upward trend, increasing by 6.4% from 2008 to 2009. For the first time since 2000, costs declined slightly for individual coverage: premium costs for workers were reduced by 3.1% from an average contribution of $582 in 2008 to $564 in 2009. It is unlikely that this will be a continued trend based on previous years’ steady increase in rates. Between 2000 and 2009, premiums more than doubled, increasing 130%, while the overall inflation rate increased 24.6%.

Employers seek to contain their expenditures on employee health care

According to the California Employer Health Benefits Survey, in 2009, 15% of California firms reduced the scope of benefits or increased cost sharing in response to the economic downturn. Eleven percent increased workers’ share of the premium and 44% of large California employers are “very likely” to increase employees premiums in the next year. Six percent of California employers reported they are “very likely” to drop coverage entirely in 2010, as opposed to 1% in 2008. Based on these findings, working families can expect to see reduced access to employer-based health insurance and, for those who still have coverage, continued increases in costs until national health reform is implemented.
The percentage of workers with deductibles of $1000 or more doubles for those with single coverage and increases by 44% for those with family coverage.

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. Among California workers with individual coverage, the percentage with a deductible of $1000 or more doubled, jumping from 16% in 2006 to 32% in 2009 for all plan types (see Figure 3.8). For those with family coverage, the percentage with a deductible of $1000 or more increased 44% from 2006 to 2009. Furthermore, the share with a deductible of $2,000 or more rose from 15% in 2006 to 34% in 2009.33

Adding to the burden, average prescription drug co-payments have grown 33% for California workers since 2002.34 All of these rising health expenses combine to force families to spend larger shares of their income to stay healthy.

The impacts of the steadily increasing costs of health care are being reflected in public attitudes about health care affordability. In 2007, 47% of Californians reported that they worry a great deal/quite a lot about being unable to afford needed care when they are sick. This is up from 32% who felt this way in 1997. Moreover, Californians are increasingly attempting to control costs by neglecting needed care. In 2007, 58% of Californians in fair or poor health reported avoiding some type of needed care due to cost, up from 43% in 2004.35

Denti-Cal program is cut, causing low income residents to lose dental benefits

In response to the state budget crisis, most adult dental services under the Denti-Cal program have been eliminated effective July 1, 2009. Approximately 126,437 low-income adults in Santa Clara County, including seniors and disabled residents who do not live in certain skilled nursing facilities, lost their dental benefits when the Denti-Cal program was reduced.36 According to a report by the Oral Health Access Council, in addition to the loss of dental services, the County stands to lose 169 jobs as a result of the elimination of the program. Oral health is important to overall health and well-being; adverse health problems associated with poor oral health include infections, respiratory disease, and complications for those with chronic illness such as diabetes. In California, emergency department visits due to preventable dental conditions rose 12% from 2005 to 2007.37
HEALTH OUTCOMES & WELL-BEING

Adults are increasingly likely to be overweight or obese, with attendant health risks.

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.\(^{38}\)

In Santa Clara County overweight/obesity rates have crept up in recent years, climbing from 51.6% of adults above recommended body weight in 2000 to 54.8% in 2009.\(^{39}\) 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 3.9).\(^{40}\)

While comparison data before the year 2000 are not available for Santa Clara County, these local increases in overweight/obesity rates fall in line with longer and more disturbing trends seen throughout the United States over the past 20 years. Since 1990 the share of the U.S. population who are considered overweight or obese has climbed from 44.7% to a full 63% in 2007. California has seen similar increases, with overweight/obesity rates growing from 43.6% in 1990 to 59% in 2007.\(^{41}\) Since weight changes are directly related to the difference between calories consumed and calories burned, from a public policy perspective there are essentially just two ways to deal with this growing epidemic: encourage increased physical activity or improve people’s diets.

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\(^{38}\) \(^{39}\) \(^{40}\) \(^{41}\)
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. The share of adults countywide who have been told by a doctor they have diabetes increased from 5.1% in 2000 to 7.6% in 2009. 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 3.10). With local population growth projected to be highest over the next 20 years among those 65 and older, diabetes prevention and treatment will only become more critical. Along with an increased number of people over the age of 65 will come an increased proportion of the population with diabetes. In order to keep the cost of health care spending down, we will need to make an effort to prevent diabetes and encourage proper treatment and maintenance for those who already have diabetes.

Figure 3.10 Source: Santa Clara County Department of Public Health
Ethnic disparities in diabetes rates have fatal consequences for Latinos

Disparity in diabetes rates exists 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 3.11). 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.

The economic costs associated with overweight/obesity, physical inactivity, and diabetes are on the rise

Poor health conditions in a community raise economic as well as social concerns. For example, according to a study by the California Center for Public Health Advocacy, in 2006, total economic costs of $41.2 billion dollars statewide were attributable to overweight, obesity, and physical inactivity. Approximately half of that amount was spent on healthcare, while the other half represents the cost of lost productivity. The annual costs of overweight/obesity and physical inactivity total an estimated $2.1 billion in Santa Clara County. To reduce costs and improve the overall health of its residents, county level policy makers must ensure our communities are places where residents can make healthy food and activity choices.

Chronic conditions such as diabetes also impose large costs. According to a study done by the American Diabetes Association in 2007, patients with diabetes have medical expenditures that are on average 2.3 times higher than persons without the disease. For the uninsured and underinsured, the costs can be overwhelming, forcing delay in screening, treatment, and care. These patients may not seek care until their situations become so extreme they need emergency care. The Santa Clara Diabetes Coalition estimates that in 1997, health care costs for people with diabetes in Santa Clara county totaled $1.5 billion or 29% of all health care dollars spent in our county.
STAYING HEALTHY

INDICATOR 3

Health Care Access/Infrastructure

KEY STATISTICS

• The number of Medi-Cal outpatient visits provided by Valley Medical Center increased 36% in the past five years, from 293,168 visits in 2004 to 397,642 visits in 2009, as other area hospitals stopped accepting Medi-Cal patients or closed down altogether.

• The total hours that Valley Medical Center’s emergency room was forced to divert ambulances to other hospitals increased 58% in the last year, from 603 total hours in 2008 up to 954 hours in 2009. Other emergency rooms in the county experienced similar levels of increased diversion hours.

• The population of Santa Clara County is projected to grow by 21.8 percent between 2000 and 2020, with the highest growth rates among the elderly (93.4%). This growth will lead to an increased demand for health services, as individuals ages 65 to 74 use five times more acute care hospital days than those ages 15-44.54

WHY IT MATTERS

Having health insurance coverage does not guarantee access to health care services. Obtaining needed health care requires, among other things, that there be a doctor or hospital with time and space available, willing to accept your specific type of coverage (or lack of coverage), and offering the services you need.

The challenge of accessing needed health care services has grown for many in Santa Clara County in recent years and the county has responded by opening three additional health centers and a specialty center. However, as the proportion of seniors in the county increases, we will need to be prepared for the increased demand for medical care an aging population will need.
The public health care safety net provides vital care to thousands of uninsured residents and to a steadily growing share of the county’s Medi-Cal population.

Santa Clara County’s high quality public health care delivery system is vitally important to residents 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. In calendar year 2009, the Santa Clara County Health and Hospital System (SCVHHS) provided more than 13,171 inpatient days of care and 123,368 outpatient visits for the uninsured.55

Meanwhile, SCVHHS is also the major provider of care to residents insured through Medi-Cal, the state’s major low-income health insurance program. In large part due to the recent decline in the number of hospitals that will accept Medi-Cal insurance in Santa Clara County, the care provided to Medi-Cal beneficiaries by the public health system has been steadily growing. From fiscal year 2004 to the end of calendar year 2009, the number of Medi-Cal outpatient visits provided by Valley Medical Center increased 36%, from 293,168 visits to 397,642 visits (see Figure 3.13). Medi-Cal visits now account for 49.5% of all outpatient visits provided at VMC, compared with 45% of all visits in 2004.

The growth in health services provided to Medi-Cal enrollees at VMC has driven an overall increase in inpatient days and outpatient visits throughout the public health system. While the ability of SCVHHS to provide needed services to low-income families is well recognized, its growing share of Medi-Cal patients stretches system capacity, which could jeopardize access.

New health centers expand access to services

The county has responded to increased primary and specialty care needs by opening new health centers. Valley Specialty Center (VSC), opened in 2008, features 190 exam rooms, as well as pharmacy, laboratory and imaging services. The physicians and medical staff of VSC are able to care for over 265,000 patients each year. The opening of Valley Health Centers in Gilroy and Sunnyvale (Fair Oaks) expands primary care, dentistry, public health immunizations and WIC services to more south and north county residents. A health center in Milpitas is planned to open in June 2010.
ACCESS TO EMERGENCY CARE

The ambulance diversion rate at Valley Medical Center jumps 58% in 2009

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.

Evidence that this infrastructure is being stretched can be found by looking at Valley Medical Center’s ambulance diversion rate - a key indicator of emergency room crowding. The number of hours that Valley Medical was forced to divert ambulances from its emergency room increased 58% between 2008 and 2009, from 603 total hours up to 954 hours (see Figure 3.14). This was over twice the number of diversion hours at VMC in 2005, just after the 2004 closure of San Jose Medical Center. The increase in diversion hours at VMC is indicative of a broader trend in Santa Clara County, with diversion hours for other hospitals serving the region increasing from 1,629 total hours in 2008 up to 2,134 hours in 2009.

One strategy pursued to ease some of the strain on the county’s urgent and emergency care system was a critical November 2008 bond measure to help VMC upgrade its buildings to meet state mandated seismic safety requirements. The initial results of the approach are described in the Solutions section of this report (see page 122).

Figure 3.14 Source: Santa Clara Valley Health and Hospital System
The number of visits to the Emergency Room at Valley Medical Center increases 14% in 2009.

67,423 people visited the Emergency Department at Santa Clara Valley Medical Center (VMC) in 2009, up 14% from 59,277 visits in 2008. VMC projects a continued increase this year, up nearly 10% to a predicted 74,000 visits in 2010.

It is likely that the recession has contributed to the increase in emergency visits. According to current estimates, 8.2 million Californians lacked health insurance in 2009, up from 6.4 million in 2007. In the current recession, many workers with employer-based insurance have lost their job, and along with it, their health coverage, leaving them less likely to have access to preventative care and more likely to use the emergency room when faced with a medical problem. Patients 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.

Another factor contributing to increased emergency room use across the country may be difficulty in obtaining primary care appointments. According to a survey of recent emergency department users in California, 46% reported a belief that their problem could have been handled by a primary care physician had one been available. In addition, a study done prior to the recession found that the national increase in emergency department visits was not attributable to increased use by the uninsured. The study found the proportion of emergency visits by the uninsured had not changed substantially between 1992 and 2005, while the number of overall visits went up 28 percent.

A final driver of increasing ER usage is the county’s aging population. In 2001, 19.8% of ER visits in Santa Clara County were made by persons over the age of 65; in 2005 the percentage increased to 25.1%.

Figure 3.15  Source: Santa Clara Valley Health and Hospital System
ACCESS FOR SENIORS

A projected growth rate of 93.4% in the over-65 population from 2000 to 2020 will lead to increased need for medical services.

Between 2000 and 2020, the over-65 population in Santa Clara County will nearly double, with a projected growth rate of 93.4%. The overall population will grow much more slowly at 21.8%. In San Jose, the number of people age 65 and older will grow by an estimated 210,000 between 2007 and 2040 (see Figure 3.16).

Along with the growth in this section of the population will be an increase in demand for health services. Based on data published by the California HealthCare Foundation, the elderly use 4 to 20 times more acute care hospital days than those under 65. Furthermore, a large percentage of Medicare beneficiaries suffer from multiple chronic illnesses. In 2005, 79% reported having two or more chronic conditions and 37% reported four or more. Persons with chronic conditions may require more frequent doctor’s visits to monitor their conditions. In 2001, 11.8 percent of seniors (age 65 and over) had 12 or more visits with a medical doctor and in 2005 14.1% of seniors had 12 or more visits with an MD. As the population of older adults grows, they will need a health care workforce and infrastructure prepared to meet their health needs.

Adding to the difficulty of meeting the needs of an aging population is the national shortage of geriatricians-physicians with advanced training that prepares them to meet the unique needs of older patients, including those with multiple health problems. According to the American Geriatrics Society, there are only 7,345 certified geriatricians practicing in the U.S. -- a 5.4 percent decrease from the year 2000 and roughly half the number currently needed.

Long-term care costs plus rent and food exceed median income for seniors living alone in 100% of California counties.

There are approximately 20,000 economically insecure seniors living alone in Santa Clara County. Seniors living alone are the most likely to need some in-home assistance to stay in their home safely and avoid moving into a nursing home. In Santa Clara County, the cost of a typical amount of long term care (16 hrs per week) plus the cost of food and rent for a senior who lives alone is $45,993. However, the median income for male seniors living alone is $33,444 and for female seniors is only $23,739. Female seniors living alone are the group most likely to need paid in-home assistance when they become disabled, yet are the group least able to afford such care. Long-term care is not covered by most health insurance policies and only very low income seniors qualify for state funded in-home services, a program which has been threatened to be eliminated to balance the state budget.
State budget crisis threatens to cut In Home Supportive Services for 3,100 seniors and disabled residents

In Home Supportive Services (IHSS) allow seniors and disabled adults to continue to live in their home, rather than moving to a nursing home. Approximately 11,631 seniors in the county are IHSS recipients; 60.2% have cognitive impairments and 89.1% need substantial help to shop for food. Nearly 60% of the county’s IHSS senior recipients are age 80 or over. With such a high percentage of this group having risk factors for nursing home use, it is likely these seniors would not be able to continue in their homes without IHSS.

The governor’s budget for 2009-2010, which was approved by the state legislature, called for a 57% cut to IHSS. Two consumer-oriented statewide groups have filed suit in federal court to block the cut. According to the Department of Social Services, an estimated 3,100 seniors and disabled adults in Santa Clara County alone would lose all of their paid caregiver hours under the program if the proposed budget reduction goes into effect. In 2010-2011, IHSS is among the list of programs which the governor has proposed to eliminate if California does not receive additional federal funding.
BUILDING A COMMUNITY

INDICATOR 1: HOUSING
INDICATOR 2: TRANSPORTATION
INDICATOR 3: CRIME AND PUBLIC SAFETY
KEY STATISTICS

- Average rents in Santa Clara County fell to their lowest level in three years, dropping 11.5% from $1,675 in fourth quarter 2008 to $1,482 in fourth quarter 2009. Yet, the county still ranks as the 3rd most expensive rental market in the Western United States.

- Home sales in Santa Clara County climbed 23% in 2009, reversing a 4-year downward trend that had cut annual sales in half.

- Median prices for existing single family homes continued their slide, dropping 21% from $668,000 in 2008 to $530,000 in 2009, the lowest median price since 2001.

- As home prices dropped, affordability for first-time homebuyers increased, with 56% of potential first-time buyers able to afford the average entry-level home in 2009, up from just 27% in 2007.

- The price-to-rent ratio in Santa Clara County remains well above historical norms, suggesting that home prices have yet to hit bottom.

WHY IT MATTERS

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.

The collapse of the housing bubble has wreaked havoc on the national and local economy. In Santa Clara County, homeowners have collectively lost $76 billion in home equity since the bubble burst, leading 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. Roughly 76,000 households in Santa Clara County now owe more on their home than it is worth and thousands more have already lost their home to foreclosures. Plummeting homes values, however, have not been uniformly harmful. Reduced prices, combined with federal tax credits and historically low interest rates have stimulated home sales and increased affordability for first-time home buyers to its highest level in many years. Still, despite these positive trends, signs indicate that Santa Clara County’s housing slump is likely to continue in the years ahead.
Housing Affordability

Rents drop 11.5% in 2009; still 20% of renters are spending half or more of their income on rent

Dropping to their lowest level in three years, rents in Santa Clara County fell 11.5% in the fourth quarter of 2009 compared to a year earlier. Average monthly rents in large apartment complexes declined nearly $200 during this time period, down from an asking price of $1,675 per month to $1,482 (see Figure 4.1). Several factors have contributed to the cooling of the rental market. Unemployment and declining incomes have decreased the amount households can afford to pay for rent, forcing some to either leave the area or search for lower cost living arrangements. Meanwhile, reduced home prices and interest rates, as well as new federal tax credits, have lured some renters into home ownership. Although no longer the most expensive rental market in the Western States - as it was in 2008 - Santa Clara County still ranks as the 3rd most costly. Only San Francisco and Los Angeles command higher rents than Santa Clara County.

In 2008 (the most recent data available), the housing cost burden for Santa Clara County renters eased slightly, as the proportion of households spending 30 percent or more of their pre-tax income on rent declined from 46.8% to 44.1%. However, still nearly 90,000 Santa Clara County households are budgeting more than thirty percent of their income – the accepted affordability standard toward rent. Meanwhile, more than one in five households are spending 50 percent or more of their income on rent (see Figure 4.2). Despite the dramatic drop in rents in 2009, housing cost burdens for renters may not have seen much relief, considering the unemployment growth that has accompanied that drop. For instance, whereas rents fell roughly 13% from 2000 to 2008, the housing cost burden actually climbed during that period, reflecting the impact of job losses and declining real income from the dot-com bust.
Mortgage payments remain a heavy burden for a majority of homeowners; outlook for new affordable housing production is bleak.

After at least 7 consecutive years of steady growth, the percentage of homeowners with mortgages who pay more than 30 percent of their income for housing leveled off in 2008, keeping roughly even with 2007 levels at 50.6%. However, still a majority of homeowners in Santa Clara County are shouldering this heavy housing burden, well above the 37.6% average nationally. The share of homeowners in the county spending more than half of their income on housing declined slightly in 2008, from 21.9% to 21.0%, still more than double the share of families who spent that amount in 2000 (see Figure 4.3).9

The accepted standard of affordability states that housing should consume no more than 30 percent of a household's gross income.9 However, close to half of all renters and homeowners in Santa Clara County are unable to meet this standard, leaving families with less cash available for transportation, child care, food and other necessities.

As evidenced by the heavy housing cost burdens carried by Santa Clara County households, local affordable housing needs are still exceeding the supply, especially for the lowest-income families. While over the past decade local governments and developers have made great strides to increase the supply of affordable housing in Santa Clara County,10 the state's financial crisis has threatened the near-term future of affordable housing production locally. In 2009, to close its deficit, California passed a budget allowing the state to seize over $2 billion from local redevelopment agencies – including $75M from San Jose's redevelopment agency (RDA). In turn, the RDA is borrowing $40 million from the city's affordable housing fund to help make their payment, forcing the Housing Department to use its future housing money to pay debt service rather than build affordable units. Now, only limited dollars will be available to assist even those below market rate projects already in the pipeline, threatening the delay or loss of an estimated 500 to 1,000 affordable units11 and potentially putting some affordable housing developers at risk of defaulting on loans for predevelopment costs they have already incurred. Meanwhile, developers are highly unlikely to buy any new property for affordable development in San Jose, due to the uncertainty of when the Housing Department will have funds available.12 As a result, with the exception of a couple of final projects, new affordable housing construction in San Jose will essentially freeze for 5 years - the time at which the RDA is supposed to re-pay the housing fund. Since San Jose has been the far and away leader among local cities in producing affordable housing units, this standstill will have repercussions throughout the South Bay Area.13

Figure 4.3 Source: American Community Survey

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Housing Cost Burden for Santa Clara County Homeowners with Mortgages, 2000-2008

- 50% or more of Income Spent on Housing
- 30-49% of Income Spent on Housing

Housing Affordability: Related Data
- Homelessness  ➔ see p. 45
- Foreclosures  ➔ see p. 70
- Home values  ➔ see p. 83
HOME SALES AND PRICES

Housing sales reverse 4 year downward trend, rise 23% in 2009. However, turnaround may be short-lived

Home sales in Santa Clara County grew for the first time in five years in 2009, jumping 23% from 2008. Fueled by federal tax credits, low interest rates, and a growing number of foreclosure sales, total sales – including both single-family homes and condominiums – grew from 16,311 sold in 2008 to 20,138 in 2009 (see Figure 4.4). These sales numbers represent an especially stark reversal when considering trends on a year-over-year basis. After 41 consecutive months of year-over-year declines in sales from April 2005 to August 2008, as of January 2010, sales had risen for 13 straight months in Santa Clara County.

This surge in home sales can be attributed at least in part to the 2009 Federal First-Time Home Buyer Tax Credit, an incentive allowing eligible buyers to effectively knock up to $8,000 off the cost of a home. Unlike the $7,500 credit offered in 2008, the 2009 credit is not required to be paid back. According to a 2009 survey of California first time home buyers, 39% of buyers would not have bought their home if there were no federal tax credit, or if they did not qualify for it. A full 49% of respondents report they either would not have bought or are unsure they would have bought, underscoring the significant impact of this incentive. In addition to the first time buyer’s credit, in late 2009, the federal government began offering a $6,500 tax credit for eligible existing homeowners looking to buy, providing another inducement to potential homebuyers.

Also contributing to the rise in sales, the foreclosure crisis suffered in Silicon Valley and nationally has led to an abundance of lower-priced homes on the market, leading many first-time homebuyers and investors to step into the market to purchase these heavily discounted properties. Accounting for only a tiny fraction of sales in early 2007, foreclosure re-sales grew to 52% of all existing home sales in the Bay Area in early 2009. Since that peak, the share of foreclosure sales has come down some, but these homes remain a major part of the current market.

There is reason to believe that the recent upward trend in sales may be short lived. First, each of the aforementioned tax credits will expire April 30th, 2010. The positive impact of these credits in 2009 and early 2010 could have a corresponding negative effect on sales in the near future, as some buyers who would have purchased a home in late 2010 or 2011 have accelerated their purchase to capitalize on the tax credit, taking themselves out of the buyer market in future years. Furthermore, historically low mortgage interest rates are likely to rise as a result of the Federal Reserve ending its program to purchase mortgage-backed securities.
Median home price fell 37% from 2007 to 2009; affordability rates for first-time buyers reach highest level in years

In 2009, the median sale price of an existing single-family home in Santa Clara County dropped 21% to $530,000, down from $668,000 in 2008. In just two years, median prices have plummeted an astonishing 37%, falling from an all time high of $836,780 in 2007 (see Figure 4.5). The severity of this drop-off is partially explained by changes in the mix of homes that have been selling in Santa Clara County and the Bay Area. While for much of 2007 sales remained relatively strong for more expensive homes, the tightening credit market, a flood of foreclosures, and the Federal First Time Home Buyer Tax Credit have increasingly shifted market activity toward lower-priced homes. Nevertheless, much of the median price decline is reflective of a real drop in home values - and real wealth lost by homeowners - since the housing bubble burst. The collapse of the bubble has left numerous homeowners owing more on their mortgage than their home is worth. As of the last quarter of 2009, 21.8% of mortgage holders in Santa Clara County faced this predicament.

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, affordability rates for Santa Clara County families hoping to buy their first home have increased. In 2009, the affordability rate for first-time homebuyers surged to its highest level since at least 2003, with 56% able to purchase the entry-level single family home, more than double the rate in 2007 (see Figure 4.6). Low interest rates have also contributed to this increase in affordability.

Toward the end of 2009, however, affordability tailed off a bit, as home prices bounced back some. On a year-over-year basis, for the first time since November 2007, median home prices in Santa Clara County increased for the final 3 months of 2009 and January 2010. Yet, the sustainability of this most recent trend in home prices is highly questionable.
Housing prices may have further to drop; price-to-rent ratio still above historical norms

Despite dramatic declines in home prices in Santa Clara County over the past 2 years, the descent in values may not be over. Basic economic theory suggests home prices are fundamentally tied to rents, as most residents will not pay substantially higher monthly costs to own than they would to rent a similar property. The exception is during a speculative bubble – such as the one just experienced - where expectations of rapidly accumulating equity are built into the decision to purchase. By historical standards home prices in Santa Clara County are still inflated compared to the cost of renting. The price-to-rent ratio – the ratio of the price of a house to a year’s worth of rent for a comparable unit – remains well above historical standards both nationally and locally.

Nationwide, the price-to-rent ratio historically has averaged roughly to 15 to 1 (i.e. it costs $150,000 to purchase a home that would rent for approximately $10,000 per year). There are regional variations on this national average, and Silicon Valley has seen a somewhat higher ratio in recent history. In 1990 and the beginning part of this decade, price-to-rent ratios hovered near 20 to 1 in Santa Clara County. By mid-decade, however, the ratio was on a steady rise until hitting a peak in 2007 where home prices reached roughly 36 times the annual cost of renting a comparable house. These ratios have come down substantially since, but remain well above recent historical averages (see Figure 4.7), suggesting that the housing bubble may still have some deflating to do. In fact, an August 2009 study of price-to-rent ratios in 100 metropolitan areas found that San Jose was the most over-inflated market in the country. Combined with a likely rise in mortgage interest rates over the next year and the end of the first-time home buyers tax credit, these still high ratios indicate that Santa Clara County’s housing slump is likely to persist in the years ahead.

Figure 4.7 Source: U.S. Census Bureau, American Community Survey, U.S. Dept. of Housing and Urban Development. *2009 home price data calculated by adjusting 2008 price using the House Price Index provided by the Federal Housing Finance Agency
NEW HOUSING PRODUCTION

Multi-family units continue to be most common new housing type; growth in single-family detached homes is declining.

Building higher-density, multi-family units is part of the solution to the housing problems facing Santa Clara County, as these units make more efficient use of space, reduce sprawl and provide a more affordable housing option for families who cannot meet the expense of a single-family home. In 2008, while housing production declined with the economy, multi-family units made up 74% of housing growth in the county, up from 63% in 2007. These units continue to account for the lion’s share of new housing production in Santa Clara County. The rate of growth among single-family attached homes (e.g. townhouses) has increased substantially over the course of the decade, but came down some in 2008, with 9% of all housing units produced falling into this category compared to 21% in 2007. Meanwhile, the proportion of single-family detached homes is declining, from 39% of new units in 2000 to 17% in 2008 units (see Figure 4.8). The number of mobile homes in Santa Clara County – an important additional source of affordable housing – has remained virtually unchanged for the past decade.26

While these ratios show a strong effort to build higher-density projects, still the majority (54%) of existing housing units in Santa Clara County are single-family detached homes, developments which tend to require more land, increased infrastructure costs, and dependence on automobile travel.27 An impending tidal wave of demographic change reveals the significant need for denser, urban housing growth, and little need for additional single family detached units. In particular, massive growth among the age 65 and older population necessitates a shift to housing types with easier access to transit, opportunities for walking, and levels of density that allow for essential services to be located nearby. After seniors, the next fastest growing age demographic is 20 – 34 year olds, a population also likely to prefer (and be able to afford) smaller, higher density, multi-family units. Meanwhile, over the next 30 years, the 35-54 year-old population, those families most likely to be looking for single – family detached housing, will see little growth at all. In San Jose – Santa Clara County’s largest city - this age group is projected to shrink from 32% of the total population to 25% by 2040, indicating the county will need limited new housing to accommodate this demographic in the coming decades.28
KEY STATISTICS

- Transit ridership in Santa Clara County plummeted 6.5% in the first half of fiscal year 2010, as rising unemployment combined with fare increases and service cuts reversed a four-year upward trend.

- Bus and light rail service was cut 8% in January 2010, dropping transit service to its lowest level this decade. Meanwhile, Caltrain cut 8% of its weekday trains in summer 2009.

- Paralleling Bay Area employment declines, Santa Clara County freeway traffic dropped for the first time in four years in 2008, down 5% to 27,000 vehicle hours of delay.

- The price of a single ride transit fare for seniors jumped 33% in late 2009; since 2000, senior fares have climbed 186%.

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.

The economic downturn has come with serious repercussions for transportation in Santa Clara County. High unemployment rates have eased freeway traffic congestion for the first time in four years, but upward trends in transit ridership have also been reversed. These declines in ridership combined with plummeting sales tax revenue and millions in diverted state transit funding have left local public transit in dire financial straits, forcing major service cuts and increased fares. Risk of even deeper transit cuts remain, as budget challenges continue this year and future revenue projections are grim. If the Santa Clara Valley Transportation Authority (VTA) is forced to continue to rely on an eroding sales tax base for the vast majority of its operating revenue, the future of public transit in Santa Clara County may be in serious jeopardy.
Freeway congestion decreases for the first time since 2004

Traffic congestion on Santa Clara County’s 137 miles of freeway improved in 2008 for the first time in four years, allowing commuters more time to spend in their communities. The daily hours drivers spent in congested freeway conditions dropped 5% in 2008, falling from 28,300 vehicle hours of delay to 27,000 hours (see Figure 4.9). This decline – like the last 10 years of highway traffic trends – mirrors the trend in Bay Area employment, suggesting that 2008 job losses kept many workers off the road. Rising gas prices in 2008 may have also had an impact.

The worst congestion corridors in Santa Clara County continue to be found along Highway 101, home to three of the four most congested sections of freeway within the county. During the evening commute, southbound 101 travelers from Fair Oaks Avenue in Sunnyvale to North 13th St. in San Jose experienced the county’s most congested conditions. Whereas the county and Bay Area overall saw a decline in traffic in 2008, this stretch of highway experienced a 19% increase, ranking it as the 7th most congested segment in the Bay Area. Recognizing this gridlock, metering lights were turned on in November 2009 to help ease traffic along this southbound segment. Meanwhile, the most crowded morning stretch in 2008 continued to be northbound Interstate 280 between Meridian Avenue in San Jose and Wolfe Road, ranking as the 18th worst route overall in the Bay Area.

Nationally, the San Jose area ranks as the 6th most congested commute shed, averaging 53 hours – or more than 2 full days – of traffic delay per driver in 2007. This congestion cost the South Bay an estimated $1 billion in lost productivity and wasted fuel. The recent decline in traffic is surely welcomed by weary commuters and their families. Still, given the strong correlation between the local economy and traffic historically, unless Santa Clara County can implement effective strategies to encourage the use of alternative modes of transportation, as the economy rebounds and grows so too will congestion problems.
Local roadway congestion edges up

While freeway traffic in Santa Clara County saw improvement from 2007 to 2008, congestion on local roadways worsened slightly in the two year period from 2006 to 2008. 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.35

From 2006 – 2008, the most recent data available, the proportion of intersections rated with an LOS level of C or better (i.e. uncongested) dropped from 47% to 44%. Since 2004, the share of uncongested intersections has been steadily falling while those considered congested have grow from 51% of the total to 56%. However, on the positive side, the share of intersections falling into the severely congested category, LOS F, has continued to inch downward, dropping from 2% of those measured to 1%, or just 3 intersections in 2008. This is substantially below the year 2000 peak of 10% at LOS F (see Figure 4.10).36

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 2008 – the most recent data available – 76.9% of county residents chose to drive by themselves to their place of employment, a very narrow drop from the 77.5% who drove alone in 2007.37 The share of workers choosing to carpool also came down slightly from 9.7% to 9.1%, while 3.7% of commuters opted for public transportation in 2008, up from 3.4% in 2007. Since 2000, the transportation mode choices commuters have made in Santa Clara County has changed very little. The largest mode shift seen during this period has been the percentage of workers using “other” commute modes including walking, bicycling, and working from home. These other modes have jumped from 7% of commuters at the turn of the century to 10.3% in 2008, mostly coming at the expense of carpooling (see Figure 4.11). In this time, bicycling has seen the largest relative growth, climbing from 1.2% of commuters to 1.8%. Those working from home grew from 3.1% in 2000 to 4.4% in 2008, while workers walking to their job edged up from 1.8% to 2.4%.38
The availability of public transit in Santa Clara County is a critical transportation indicator as thousands of low-income individuals and families rely on transit to get to work, school, medical appointments and other essential services. After suffering major cuts in service in the early part of the decade – cuts that were never fully restored – bus and light rail, the county’s two primary modes of public transit, maintained flat service levels at just over 1.5 million scheduled hours for fiscal years 2008 and 2009. However, in January 2010, due to a severe budget deficit service levels were cut back a full 8%. These reductions, the largest since the fallout of the dot-com crash, have dropped service to decade low levels. Bus service is now 22% below year 2000, while bus and light rail service combined are down 20% from a 2001 peak (see Figure 4.12). Meanwhile, Caltrain – which serves Santa Clara County as well as San Francisco and San Mateo counties – was forced to cut 8 of its 98 weekday trains last summer due to budget constraints.

Continuing revenue challenges, including poor sales tax projections and the governor’s threat to eliminate state funding for transit operations, leave local transit service at risk of further cuts. Public transit in the Valley now finds itself in the precarious position where, if service continues to be cut back, revenue from ridership will accelerate its decline, and even further service cuts will become necessary. To avoid this devastating downward spiral, local transit must find a more sustainable and reliable revenue stream for operations.

Figure 4.12 Source: VTA *Data for 2010 is a snapshot of service levels as of Feb. 2010, extrapolated out for a year’s worth of service.
Plummeting sales tax revenue and loss of state funding leaves VTA budget in crisis

While all Bay Area transit agencies are currently facing grim budget circumstances, no major agency in the region is as dependent on eroding sales tax revenue as the Santa Clara County Valley Transportation Authority (VTA). VTA relies on sales tax for a full 70% of its operating revenue. Over the past 10 years, 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. Most recently, these revenues have plunged downward, dropping 16% in one year from FY2008 to FY2009, and are projected to drop another 13% in FY2010, bringing revenue to its lowest level this decade. This low point represents a 35% decline from revenue levels in 2001, even before factoring in inflation (see Figure 4.13).

While the short-term volatility of sales tax has been problematic for VTA’s budget stability, even more alarming are longer term trends that indicate an erosion of the sales tax base. Trends in consumer spending show an ever growing shift toward purchase of services – which are not currently taxed in California – rather than taxable goods. Furthermore, an increasing share of the goods that are purchased are untaxed Internet sales. As a result, projections for the next 10 years of VTA’s sales tax show a 24% decline in real sales tax revenue. Exacerbating VTA’s budget problems even further, in recent years, California has diverted millions of dollars in state transit funding to close its own general fund deficit. Over the past 3 years, VTA has lost $77 million in state aid. Despite a recent court ruling that found this state action to be illegal, the governor has proposed a strategy to get around the lawsuit and effectively eliminate state funding for local transit operations for the foreseeable future.

All of these factors have combined to force VTA into what is perhaps its most perilous financial position ever. At a time when environmental concerns, an aging population, and hopes for a strong economic recovery reveal the growing need for robust transit infrastructure, VTA has been forced to cut transit service, raise fares, and lay off workers. Meanwhile, risks of even deeper cuts remain, as the agency still faces a deficit of more than $30 million for the coming year and future budget projections indicate continuing challenges. Unless more sustainable and reliable funding sources can be dedicated, the future of public transit service in the Valley is in danger.
Fare increases, recession reverse a four-year upward trend in transit ridership

After four consecutive years of increasing public transit use, the economic downturn and budget cuts have reversed transit ridership trends in Santa Clara County. Numbers through the first half of fiscal year 2010 show a 6.5% drop in average weekday ridership for combined bus, light rail, and Caltrain service from fiscal year 2009. Caltrain experienced the steepest ridership decline in this period, dropping 9.5% systemwide. Bus use has also dropped off significantly, with average weekday boardings falling 6.3% from 111,820 in FY2009 to 104,822 in FY2010. Meanwhile, light rail ridership - after reaching an all-time high for the third consecutive year in FY2009 - has fallen 5.7% in FY2010, sliding from 34,305 average weekday riders to 32,354.

This across the board drop-off in transit ridership is not only a reflection of the falling gasoline prices and growing unemployment rates seen in 2009; it is also the direct consequence of major budget cuts enacted by local transit agencies. On October 1st, 2009, to help close a massive budget deficit, VTA raised fares 14% for basic service, a move that preceded a 13% plunge in bus and light rail ridership that month compared to the previous October. Caltrain, after raising fares early last year, cut 8 of its 98 weekday trains in the summer, contributing to its negative ridership trends. Ongoing budget challenges are expected to drive transit use down even further. The ridership declines cited above for bus and light rail do not take into account the 8% cut in service made effective January 2010, which is expected to reduce ridership at least another 2%. Even with these service cuts and fare hikes, VTA continues to face a major budget deficit that could result in even larger reductions in transit service and corresponding declines in ridership.

The current slump in ridership follows one of the most successful periods of transit ridership growth in recent local history. Fiscal year 2009 marked the fourth consecutive year of at least 4% growth in transit use in Santa Clara County. Light rail hit an all-time high in ridership and Caltrain use in Santa Clara County reached a decade high. Most impressively, the local bus system – fueled by a major revamp of bus service in January 2008, including more frequent service on popular routes, an increase in low-fare community busing and cutting back underutilized routes – experienced two consecutive years of the largest growth in ridership since 1997, growing 4.5% and 4.8% in fiscal years 2008 and 2009, respectively (see Figure 4.14). All the progress gained from these innovations now stands threatened by recent service cuts and looming budget deficits.
The availability of transportation alternatives plays a critical role in the quality of life of seniors. Numerous studies and surveys demonstrate the need for affordable, accessible transportation options for older adults. National surveys indicate that more than 50% of non-drivers over age 65 stay home on any given day partially because they lack transportation options. On the local level, a 2004 study of Santa Clara County seniors found that transportation was the most common concern expressed, with issues raised about the cost of transportation and accessibility. A 2006 Gilroy survey found that 12% of older adults have had transportation problems affect their ability to keep a medical or other important appointment. Respondents indicated the need for improved local transit service, senior discounts for transit, and improved pedestrian facilities.

Recent fare increases and service cuts have made transit less accessible for older adults in Santa Clara County. Seniors living on a fixed income often face difficulties stretching their dollars to cover growing transportation costs and, as costs go up, may be forced to choose not to ride. The cost of a VTA senior fare for a transit ride has increased 186% since 2000, most recently jumping 33% last fall. Meanwhile, the average social security payment in Santa Clara County has climbed just 27% since 2000, up to $11,748 per year in 2008 (the most recent data available). As the cost of transit for seniors rise, transit service levels have dropped, including an 8% drop in bus and light rail service in January 2010. These cuts disproportionately impact older adults, who are more likely to be transit-dependent than their younger counterparts.

Paratransit, an escort transportation service for individuals with functional disabilities, remains an important alternative travel option for many seniors, providing over 1 million affordable, escorted trips for individuals in Santa Clara County last year. But, while roughly two-thirds of paratransit riders in the county are over age 60, many seniors do not qualify for this ADA program. VTAs paratransit service provider, Outreach & Escort, Inc., has raised some funding to provide subsidized bus passes and discounted taxi rides for seniors in need, but additional strategies and funds will be required to meet the need.

Major demographic shifts in the coming years will only increase the need for accessible transportation options for seniors. In San Jose, between now and 2040, the population over age 65 is expected to more than triple in size, growing from 10% of the population to 21%. Meeting the mobility needs of these seniors will require ongoing investment in public transit, strategies to ensure affordability for seniors on fixed income, as well as land use planning to ensure transit accessibility of essential services like medical facilities and grocery stores.

Figure 4.15 Source: VTA Prices are as of the first day of the calendar year.
KEY STATISTICS

- After six consecutive years of growth and a nearly 50% total increase from 2000 to 2006, property crime in Santa Clara County decreased 17% from 2006 to 2008, dropping to 1,271 crimes per 100,000 residents.
- In 2008, domestic violence-related calls for assistance in Santa Clara County declined for the sixth straight year, marking an overall decrease of 29% since 2002.
- Child abuse rates in Santa Clara County fell 37% in 2008, down to 4.8 substantiated cases per 1,000 children, the sharpest drop of any large county in California.

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.

Several key measures of public safety in Santa Clara County have shown marked improvement in recent years, indicating an increase in overall community safety. In 2008, child abuse rates fell to by far the lowest level this decade, while property crime, domestic violence, and severe traffic collisions all experienced consecutive years of decline. Violent crime in Santa Clara County dropped under 300 crimes per 100,000 residents for just the second time in 19 years. The juvenile felony arrest rate also inched downward in 2008, though it remains significantly elevated above rates earlier in the decade.
Violent crime rate in Santa Clara County drops 4% in 2008; property crime down 17% since 2006

The crime rate, and violent crime in particular, is one of the most commonly cited indicators of public safety. In 2008 (the most recent data available), the violent crime rate in Santa Clara County came down slightly from 2007 levels, dropping 4% to 295 crimes per 100,000 residents, and marking the sixth consecutive year the violent crime rate has hovered around 300. The 2008 rate is now 36% below the decade's peak in 2001 of 458 violent crimes per 100,000 people (see Figure 4.16) and 39% below the current California rate of 486 crimes per 100,000.

Property crime in Santa Clara County has followed a different trajectory than violent crime over the past decade. After six consecutive years of growing rates, property crime came down substantially between 2006 and 2008, falling 8% in 2007 and another 9% in 2008, down to 1,271 property crimes per 100,000 residents (see Figure 4.16). Property crime in Santa Clara County is now 26% below the statewide rate of 1,722 crimes per 100,000.

Juvenile felony arrest rate remains high for a fourth straight year

The juvenile felony arrest rate can reveal levels of social breakdown, as juvenile crimes not only harm those victimized, but youth who commit felonies severely limit their options for the future. In 2005, after four years of declining or stable juvenile crime, the juvenile felony arrest rate jumped 24% in just one year up to 1,492 arrests per 100,000 youths. Since that time, arrests have remained relatively high by recent standards, most recently registering at 1,521 arrests per 100,000 youths in 2008 (see Figure 4.17). The causes behind these higher rates are uncertain.

Although juvenile crime remains elevated from levels in the earlier part of this decade, compared to the previous decade, these rates have come down. Felony arrests among youth remain 36% below the average juvenile felony arrest rate in Santa Clara County during the 1990s, including 32% below the arrest rate for violent offenses.
Domestic violence-related calls decrease for the sixth consecutive year

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 an 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 – has continued its steady decline 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. Since 2002, calls have dropped every year, for a decline of nearly 30% in that six-year span (see Figure 4.18). These 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.

Though data on calls for assistance is not yet available for 2009, Santa Clara County did experience a spike in the number of domestic violence-related deaths last year. In 2009, there were 11 domestic violence fatalities, reversing a steady downward trend that saw an average of nearly 19 deaths per year in the county at the start of the decade bottom out with 4 deaths in 2007 and just 3 in 2008 - the lowest number since 1994, when the county began tracking this figure. This rise in domestic violence deaths may be an early indication that domestic violence rates could now be going back up in the county. A trend reversal of this kind would not be wholly unexpected, given the increased risk of domestic violence associated with hard economic times, particularly high unemployment rates.

Child abuse rates drop 37% in 2008

After 4 years of marginally rising rates, Santa Clara County saw a dramatic drop in the rate of child abuse in 2008. Substantiated cases of child abuse and neglect fell from 7.6 per 1,000 children in 2007 down to 4.8 cases in 2008, a 37% decline (see Figure 4.19). Though data for 2009 is not yet available, officials from the Santa Clara County Social Services Agency report that rates have remained low in 2009, despite negative trends in the economy that are usually associated with increased risk of abuse.

These declining child abuse rates are part of a downward trend occurring statewide in recent years. Still, Santa Clara County’s one year drop in 2008 was steeper than any other large county in California, putting the local child abuse rate now at less than half of the statewide rate of 9.7 cases per 1,000 children. This local decline 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 growing public awareness campaign. Furthermore, Santa Clara County has made child welfare a clear priority. Despite the Governor vetoing $124 million in state and federal matching funds out of the state budget for Child Welfare Services last summer, Santa Clara County chose not to allow these cuts to trickle down, ensuring that critical child protection programs were maintained locally.
Injury collisions drop for the 8th consecutive year; but Caltrain fatalities spike to highest level in 14 years

Since 2000, the total number of injury and fatal traffic collisions on Santa Clara County roads and highways has been steadily dropping. Overall, severe motor vehicle collisions have declined each of the last eight years, falling more than 7% in 2008, the largest one-year drop since the dot-com crash pulled thousands of drivers off the road in 2001 (see Figure 4.20). Though severe collisions have been declining throughout the decade – even when traffic was on the upswing – 2008’s steep drop is likely due in part to it being the first year of declining freeway congestion in Santa Clara County since 2004.74

Though severe motor vehicle crashes have been decreasing, not all measures of traffic safety have revealed a positive picture. In 2009, fatalities on Caltrain tracks – spanning Santa Clara as well as San Francisco and San Mateo counties – climbed to their highest level since 1995, claiming 19 lives, including 6 suicides.75 Furthermore, in 2008 San Jose was ranked as the 26th most dangerous metropolitan area in the nation – out of 52 large metro areas studied – in terms of pedestrian safety.76

Figure 4.20 Source: California Highway Patrol
5

PURSUING THE DREAM

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

KEY STATISTICS

- For Santa Clara County’s high school seniors, college preparedness dropped to 38% in 2008, its lowest level since 2004.
- Only 14% of Latinos and 18% of African-Americans are prepared for college, compared to 43% of white students and 63% of Asian-Americans.
- The high school graduation rate has been falling steadily for five years, from a 93% graduation rate in 2003 down to 82% in 2008.
- School funding per student increased modestly last year, but recent state budget reductions have rolled back gains, and future cuts loom.
- Large disparities in funding between schools persist; within Santa Clara County, a student attending a school in the highest-funded 20% had 1,638 more dollars invested annually in his or her education than did a child attending a school in the lowest quintile.

WHY IT MATTERS

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.

In 2006-07, 36% of the county’s public K-12 students were Latino, 26% white, 25% Asian American, 5% Filipino, and 3% African American. Although there are more Latino students enrolled in Santa Clara County public schools than any other ethnic group, Latino high school graduates exhibit the lowest college readiness rate. 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. An estimated 18% of Silicon Valley high school students drop out before graduating.

With California already fifth from the bottom in state school spending per student, state budget cuts dealt significant blows to K-12 education last year. Worse is expected in the upcoming year’s budget. 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.
Fewer high school students graduate prepared for college; preparedness rate of high school seniors drops to 38%, reversing the prior three years’ gains.

The college preparedness rate among Silicon Valley’s high school seniors dropped to 38% in 2008, its lowest level since 2004.

This indicator measures the percent of 12th graders who completed the prerequisite courses required to enter California’s public four-year colleges (US or CSU), known as the “A-G requirements”. This rate had been climbing slowly but steadily for the previous three years, from 38% in 2003-04 up to 42% in 2006-07. However, last year’s decline erased these gains.

In today’s economy, post-secondary education is vital to securing a good job that will lead to economic well-being. (See Indicator 3 of this chapter for data on the wage premium for post-secondary education.) Conversely, a well-educated population is vital to continued economic growth. The lack of increase in the college preparedness rate is a danger sign for Silicon Valley’s economic future.

Wide disparities exist in college preparedness among students of different racial/ethnic backgrounds.

The overall college preparedness rate of 38% masks large ethnic/racial differences in the coursework completed by the county’s high school seniors. In the class of 2008, Asian-American students had the highest college preparedness rate at 63%, followed by white students at 48% and Filipinos at 37%. Pacific Islanders and Native Americans were less likely to complete college prerequisites at 27% and 21% respectively. The least likely to be prepared for college were African American and Latino students, with respective rates of 18% and 14%.

Multiple factors influence college preparedness rates, among them disparities by school and district; if the A-G courses are not offered or fill up, students are unable to complete them.
HIGH SCHOOL GRADUATION RATES

High school graduation rate declines to 82%

While one cohort of students is being prepared for college, another is dropping out. Santa Clara County is losing ground on dropout rates; the percent of entering high school seniors who graduate has been falling steadily for five years, from a 93% graduation rate in 2003 down to 82% in 2008.¹

Beginning in 2006-07, the state introduced a new system for tracking dropouts using student-level data to provide a more complete picture. This system revealed that dropout rates were higher than previously thought. Figure 5.3 shows graduation rates since 1999-00; the large drop between 2005-06 and 2006-07 is largely attributable to this change in methodology.

We now know that 18% of students who enter 9th grade in Santa Clara County do not complete high school. While lower than the reported state dropout rate of 20%, this is unacceptably high.

Annual dropouts in the city of San Jose alone will cost the community $399 million

Youth who do not graduate high school not only impact their own economic future, but that of the community in which they will live. A major research project at the UC Santa Barbara Graduate School of Education estimated the long-term economic costs of the high dropout rate for cities throughout California.

For the city of San Jose, the study estimated that the 2,328 dropouts in 2006-07 will cost the community a total of $399 million over their lifetimes. This estimate includes $219.6 million in lost wages compared to the earning potential of high school graduates, along with $93.0 million attributed to an increased crime rate, $5.3 million in increased public health care costs, and $81.2 million in other costs due to lost productivity. ²
Santa Clara County schools gain greater funding per student over the decade; but recession and budget crisis force severe cuts, with further cuts expected this year.

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. Over the past decade, Santa Clara County schools have seen a moderate increase in available resources, as annual expenses per student day (known as Average Daily Attendance, or ADA) rose from $6,796 in 2000-01 to $8,943 in 2008-09 (not adjusted for inflation).

After accounting for inflation, this represents a 5.2% real increase since 2000. However, this measure does not reflect the impact of budget cuts imposed on schools in 2008-09 and – especially – in the current school year. State budget cuts throughout 2009 resulted in Proposition 98 funding, the main source of state funds for schools, falling by more than 10%.

As a result, the State Superintendent of Public Instruction reported that 16,000 teachers were laid off last year. A survey of K-12 principals across the state found that most schools were forced to make deep cuts in multiple areas: two-thirds of schools increased class sizes, 42.5% laid off teachers, 57.5% reduced or eliminated textbook purchases, 75% reduced instructional materials and supplies, 70% cut back or eliminated summer school, and 48% cut or eliminated after-school programs.

The 2010-11 budget threatens still worse to come for California’s public schools. In March 2010, the governor proposed a budget cutting $2.4 billion from public education, forcing schools to send out 22,000 notices of possible layoffs. If the Governor’s proposals are enacted, Santa Clara County K-12 districts and the County Office of Education will lose approximately $74,290,000 in funding next year, a reduction of $313 per student.

In San Jose, the impacts of these proposed cuts are illustrated by East Side Union High School District, which under the Governor’s plan would lose $19.8 million in 2010-11 – 10% of its operating fund. East Side Union, which serves a heavily minority and lower-income student population and is Northern California’s largest high school district, had previously made significant cuts including increasing class sizes to 36. In March 2010, East Side Union released a proposed budget outlining how it would deal with these cuts, with measures including layoffs of 73 teachers and 79 other staff including counselors, psychologists, library aides, student activity directors, custodians, office staff and aides. School libraries would close and the district would maintain just one counselor per 2,000 students.

While the final state budget has yet to be negotiated, it is certain that K-12 education, making up the lion’s share of the budget, will not escape unscathed. In 2007 – even before the recession took its toll – California was 5th from the bottom in funding per student among all 50 states, spending $2,393 below the national average per student.
The funding disparity between school districts widens; in 2007-08, Palo Alto Unified spent $13,162 per student, nearly twice as much as Milpitas Unified at $7,491.

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.

Public schools in California are funded primarily by a combination of state General Fund dollars and local property taxes, with additional funds coming from the federal government, the state lottery, parcel taxes, and contributions or gifts. In general, districts with wealthier populations are able to raise more local dollars for their schools. Despite complex “revenue limit” formulas used by the state to attempt to equalize funding, there is substantial inter-district disparity in funding per student, with the result that the resources available for a public school student depend greatly on where he or she lives. For example, comparing two school districts in Santa Clara County: in 2007-08 Milpitas Unified spent $7,491 per student (measured as spending per Average Daily Attendance, or ADA), while Palo Alto Unified spent $13,162 per ADA – nearly twice as much.11

The disparity between districts has increased over the past decade. If all districts are divided into five quintiles based on expenses per student, between 1998-99 and 2007-08, the lowest-funded quintile saw spending per student grow by a net 15.0% (inflation-adjusted). By comparison, the highest-funded quintile grew by 29.0%, widening the resource gap (see Figure 5.5).

In dollar terms, over nine years spending per student in Palo Alto Unified (already one of the highest-funded districts) went up by $3,505 after inflation – in 2007 dollars, from $9,657 to $13,162. Over the same period, spending per student in Milpitas Unified (one of the lowest-funded districts) grew by just $1,308 after inflation – from $6,279 to $7,491 – exacerbating the gap between the two districts.

The net effect of this trend is that, in school year 2007-08, a student attending a school in the highest 20% had 1,638 more dollars invested in his or her education than did a child attending a school in the lowest quintile.
KEY STATISTICS

• The college-going rate plummets, with just 36.5% of Santa Clara County’s graduating high class of 2008 going directly on to college. Compared to the Class of 2007’s college-going rate of 52.5%, this is an unprecedented drop and by far the lowest rate in the past two decades.

• The extraordinarily low rate of college enrollment is due almost entirely to graduates’ plummeting enrollment at community colleges, which went from receiving 19.5% of all Santa Clara County graduating seniors in 2007 to just 7.0% in 2008.

• In 2010, state budget cuts may reduce college access further still; the CSU system alone anticipates having to turn away 45,000 eligible applicants.

• In 2009-10, the California State University system increased student fees by 28.9%. University of California fees rose 16.1%.

• Since 2003, the cost of attending a UC or CSU college has more than doubled.

• Recently passed federal student loan reform will provide assistance to help students afford the high cost of college, including increased Pell Grants and lower student loan payments, as well as $2 billion in competitive grants for community colleges.

• Alternative forms of post-secondary education are widely used; for example, in 2007 Silicon Valley apprenticeships had a total of 7,294 students enrolled in 3-to-5-year programs.

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 current 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. 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.
Dramatically fewer high school graduates go on to college in 2008; this unprecedented drop is due to a sharp reduction in recent graduates’ access to community colleges.

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% in 2005 for the first time in more than twenty years before rebounding somewhat in 2006 and 2007. (See Figure 5.6.)

This small but promising growth was abruptly reversed in 2008 when the college-going rate dropped from 52.5% to 36.5% - meaning that nearly two-thirds of the graduating class of 2008 did not go on to college.12 A one-year drop of this magnitude is unprecedented. Its source can be found in a confluence of factors that came together to push recent graduates out of California’s community colleges. Nearly all of the decline in college attendance is due to a fall in enrollment at community colleges, which went from receiving 19.5% of all Santa Clara County graduating seniors (3,343 students) in 2007 to just 7.0% (1,274 students) in 2008.

Community college enrollment overall did not drop in 2008 – in fact, statewide enrollment increased by 10.2% between fall 2007 and fall 2008.13 However, the state provided only enough funding for a 2% enrollment increase, leaving community colleges scrambling to rearrange budgets and schedules. Budget cuts and fee increases at the University of California and California State University systems also induced greater numbers of students to turn to the more affordable community college class space rather than UC or CSU. Finally, the deteriorating economy meant that freshly minted high school graduates were competing for limited community college class space with thousands of laid-off workers seeking training that would give them an edge in the job market.

As a result, in spring 2009 De Anza College opened up the first day of spring registration with 8,000 out of 24,000 applicants unable to enroll in the classes they needed. By quickly rearranging schedules and cutting 152 less popular classes, De Anza managed to create class space for 5,000 of those, but 3,000 were still turned away.14

The same scene was repeated in fall 2009, with 300 De Anza classes cut and 8,438 students unable to get into classes.15 Across the county and the state, community colleges saw the impacts of increased demand combined with decreased funding. Over the last two school years, California community colleges have been hit by state budget cuts totaling $840 million.16 In 2009-10 these cuts have led to enrollment declines of 1% statewide and 3.3% in the Foothill-De Anza district, as colleges are forced to cut classes despite rising demand.17

Along with still-deeper cuts to community colleges, recent decreases in state funding for the California State University and University of California systems may result in even fewer graduates making it to college in 2010. In fall 2010 the CSU system anticipates having to turn away 45,000 eligible applicants.18

San Jose State University is particularly vulnerable. It has already been hard hit; in fall 2009, one-third of total student enrollment cuts to the 23-campus CSU system fell on SJSU alone.19 San Jose State was able to accept all eligible students from Santa Clara County high schools,20 but rejected 8,700 applicants from outside the county or seeking transfers – the first time ever that qualified students were turned away.21

In preparation for proposed 2010-11 state budget cuts, San Jose State in March 2010 released plans to cut enrollment by an additional 2,500 students; combined with rising demand, this could mean a much larger number of qualified applicants will be turned away.
The college-going rate declines substantially for students of every ethnic group.

In 2008, high school seniors of all major ethnic backgrounds in Santa Clara County were substantially less likely to go on to college than in previous years. The smallest decline was seen among white students, whose college-going rate dropped by 9 percentage points compared with 2007; all other ethnic groups saw declines of at least 10 percentage points, with the largest drop among Filipino students, who fell 19 percentage points.*

The differing impacts of cuts on white students and students of color are partially explained by the divide between which groups enroll in UC/CSU and which enroll in community colleges. Community colleges predominately serve minority and low-income students. For example, in 2007 (prior to the cuts), of the college-going students, 60% of Latinos enrolled in community college and 40% in a UC or CSU; for white students, the percentages were reversed, with 37% enrolling in community college and 63% in UC or CSU. Thus, reduced access to community college classes has a particularly harsh impact on college opportunity for Latino students, who already suffer the lowest college-going rate.23

*Native Americans experienced a far greater decline, but with their small population size in Santa Clara County – there were only 74 total Native Americans graduates in 2008 – individual variation can cause large swings in the college-going rate.
Since 2003, the cost of attending a UC or CSU college has more than doubled.

Californians seeking to enter college this year face a double whammy: at the same time that the recession has reduced many families’ financial ability to spend on education, the cost of college is rapidly growing. At University of California campuses, student fees (the equivalent of tuition) increased by 16.1% in 2009-10, following increases of 6.7% in 2008-09 and 10.5% in 2007-08. California State University fees grew by 28.9% in 2009-10, 7.8% in 2008-09, and 10.1% in 2007-08.

Since 2002-03, when the state began a series of sharp increases in fees, the cost of a year of public college in California has more than doubled: from $4,017 to $9,311 for UC, and from $2,005 to $5,382 for CSU. Even community colleges – which until 1984 were free of charge – more than doubled their annual fees during the 2003-2010 period, from $330 to $780.24

For the coming academic year of 2010-2011, budget proposals would raise fees by an additional 15% for the University of California and 10% for California State University.25

The total cost of college for a full-time student includes housing, books and related living expenses as well as fees or tuition. For 2009-10, the average total expense of one year at a University of California campus for a student living on-campus was $26,985; for San José State University, it was $22,336.26 A four-year degree at a CSU campus such as San Jose State that would have cost a low-income family a third of its annual income in 1975 takes almost 60 percent of the same family’s income today.27

Expenses are also rising at private colleges, many of which lost considerable portions of their endowment during the financial markets’ decline. USA Today projects that for fall 2010 private colleges will raise tuition by 4-6% while reducing or eliminating grant-based financial aid.28 A San Jose Mercury News article in April 2009 reported that the recession was driving many more Silicon Valley students to refuse admission at top universities that they could no longer afford.29

In 2009, a nationwide survey found that the number one reason students drop out of college is the cost. Among students who started but did not complete college, 54% said their major reason for dropping out was the need to work and make money. Another 31% said the major reason was that they could no longer afford tuition and fees.30

The cost of college and associated expenses is a major barrier to students from low-and middle-income families. Even students who are high academic achievers are unlikely to receive a college degree if their family is poor. In a nationwide study comparing students’ 8th grade standardized test scores with their college graduation rates, the effects of income overwhelmed the effects of high test scores. A student in the lowest-scoring group, but from a high-income family, had a 30% chance of attending and completing college, compared to just a 3% chance for low-scoring students from low-income families. For students with the highest test scores, those from high-income families had a 74% chance of completing college, while high scorers from low-income families had a 29% chance. In other words, having a wealthy family contributed more to college success that did high academic performance.31
Federal student loan reform will provide assistance to help students afford the high cost of college

National student loan reform passed by Congress and signed by President Obama in March 2010 will provide additional aid for some students and cut down on high student loan payments. These changes will be paid for by the savings from eliminating private banks’ role as middlemen in federal student loans.

Key elements of the newly passed student aid legislation include:

- $40 billion in additional funding will enhance the Pell Grant program that helps approximately 6 million low-income students pay for college each year. The maximum Pell Grant award will be raised from $5,550 currently up to $5,975 in 2017, and more grants will be awarded.
- Beginning in 2014, student loan payments for eligible students will be limited to 10 percent of graduates’ discretionary income, lowering the current 15 percent payment cap.
- Students working in public service after graduation will see the balance of their debt forgiven after ten years of repayment.
- $2 billion will be provided to community colleges over the next four years via a competitive grant program.
- $2.55 billion will be provided to colleges and universities that serve mostly minority student populations.33

The bill does not directly affect the cost of college, although it gives more students assistance with covering that cost.

“Public higher education in California is being constricted in ways that make it hard to recognize compared with what it was just a decade ago.... Low cost, universal access, top educational and research quality – these three basic underpinnings are eroding fast.” – Los Angeles Times editorial, Dec. 28, 2009. 32
MULTIPLE PATHWAYS TO HIGHER EDUCATION

Alternative forms of post-secondary education are widely used; for example, in 2007 Silicon Valley apprenticeships had a total of 7,294 students enrolled in 3-to-5-year programs.

When designing policies addressing the need for higher education, often only programs leading to a bachelor’s or advanced degree are considered. Yet 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 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 often charge tuition.

Many joint labor/management training committees also provide periodic training for incumbent workers to learn new skills or keep them current with the latest developments in their trade. For example, as demand has grown for solar panels, the International Brotherhood of Electrical Workers has created a comprehensive training course through which electricians can learn how to size, install and maintain solar photovoltaic panels.

As of 2007 the apprenticeship programs that include the Silicon Valley region were training a total of 7,294 active apprentices, equivalent in size to enrollment at a mid-sized community college. The table above provides active apprentices in each of the ten largest apprenticeship programs serving Santa Clara County.

Another focus of alternative post-secondary educational programs is training and skills upgrades for adults already in the workforce, reflecting workers’ growing need for lifelong learning to maintain their competitiveness in the present-day job market. In Santa Clara County, just over half (56%) of those enrolled in higher education are traditional-aged students (age 24 and under); 22% are age 25 to 34, and another 22% are age 35 or over. However, the percent of adults 25 and up enrolled in higher education has declined in recent years from 7.7% in 2000 to 5.6% in 2008, suggesting that funding cuts and fee increases in community colleges and adult education may be making lifelong learning less accessible.

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<th>Trade / Sponsor</th>
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</tr>
<tr>
<td>Sound &amp; Communications System Installers</td>
<td>367</td>
</tr>
<tr>
<td>Barbering &amp; Cosmetology</td>
<td>434</td>
</tr>
<tr>
<td>Elevator Constructors</td>
<td>421</td>
</tr>
<tr>
<td>Electricians</td>
<td>404</td>
</tr>
<tr>
<td>Plumbers and Fitters</td>
<td>331</td>
</tr>
<tr>
<td>All others</td>
<td>2997</td>
</tr>
<tr>
<td>Total active apprentices</td>
<td>7,294</td>
</tr>
</tbody>
</table>

As of Dec. 31, 2007. Geographic scope varies by program; some serve Santa Clara County while others include all Northern CA. Source: California Dept. of Industrial Relations.
KEY STATISTICS

- Silicon Valley residents are more highly educated than the state or national average; nevertheless, the majority of adults (age 25+) lack a four-year college degree.

- Wide disparities persist in educational attainment by ethnicity; 64% of Latino adults and 42% of Vietnamese adults have at most a high school diploma.

- Santa Clara County workers with a bachelor’s degree earn three times as much as workers without a high school diploma.

- For 2006-2016, 58 percent of projected annual job openings in Santa Clara County require no formal education beyond high school. However, more than half of these lower-skilled job openings pay less than a living wage.

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 little or no formal education beyond high school 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.

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.

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.
Overall, Santa Clara County adults possess higher educational levels than those in the state or nation as a whole.

As shown in Figure 5.9, about one-third of Santa Clara County adults have never been to college, one-quarter have some college but not a four-year degree, one-quarter have a bachelor's degree, and one-fifth hold advanced degrees. By comparison, those who have never been to college make up 41% of all adults in California and 44% 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 Santa Clara County has been successful in attracting highly educated workers, it is notable that the majority (56%) of adults still do not possess a four-year degree. Job creation and economic development strategies must take into account the employment needs and skills of this majority population.

Educational access and attainment among Santa Clara County adults reveals a huge gap based on race and ethnicity; nearly two-thirds of Latinos over age 25 have never been to college.

Although educational attainment of the county population as a whole is relatively high and growing, there remain massive racial and ethnic gaps in average education level. Most strikingly, 64% of Latino adults in Santa Clara County have never been to college. The Vietnamese American adult population also has a lower average educational level; 42% have never been to college, and only 10% have an advanced graduate or professional degree. Among African Americans, 35% have never been to college and 11% have advanced degrees.

At the opposite end of the scale, the Indo-American population in Silicon Valley is very highly educated, with fully 55% of adults possessing advanced degrees. Figure 5.10 shows educational attainment for all ethnic groups with a population of 65,000 or more within Santa Clara County.
Workers with a bachelor’s degree earn three times as much as workers without a high school diploma.

In general, education is a good investment; a higher level of education typically leads to substantially greater earnings throughout one’s working lifetime. In 2008, a worker in Santa Clara County without a high school diploma earned a median of just $23,975, compared to $33,699 for a high school graduate, and $71,998 for a bachelor’s degree holder.

The amount of the wage premium for education varies by sex, although both genders receive substantial returns to education. In 2008, working women with some college earned, on average, 40% more than women with a high school diploma; the corresponding premium for men was only 25%. On the other hand, a bachelor’s degree brought a greater payoff for men: 77% over some college, compared to 41% for women.

Although education is a critical factor in economic security, it is increasingly the case that even college graduates are suffering from eroding wages and lack of quality jobs. From 2002 to 2007, the most recent period of national economic growth, real hourly wages did not increase for any group – from workers with less than a high school education all the way to those with advanced degree, every group saw decline or stagnation of their wages.

Between 2000 and 2007, the real hourly wage for college graduates entering the workforce actually declined. For male college graduates, the entry-level wage fell 3.2%; for female graduates it dropped 1.7%. In short, a college education is no longer a guarantee of entrance into the secure middle class. Although education is necessary for economic success, it is insufficient for raising the overall standard of living if there are not enough high-quality jobs available for graduates.

In the longer term, a reduction in the wage premium could have a negative effect on educational levels. If prospective students do not believe that they will be able to secure well-paying jobs upon graduation, they will have less motivation to invest their time, money, and foregone earnings in pursuing higher education.

**Figure 5.11** Source: American Community Survey. * Median for males with an advanced degree was more than $100,000; the Census Bureau does not report earnings above this level.
A projected 58% of job openings will not require any college or post-secondary education; half of these jobs pay less than a living wage.

The long-term forecast for the Silicon Valley economy shows that 58% of projected annual job openings through 2016 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; 52% of these lower-skilled jobs pay a median wage less than the current living wage for San Jose ($14.08/hr without health benefits).

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 3% of job openings are projected to call for a master's, PhD or professional degree.

If Silicon Valley's future job mix matches these projections, it may indicate that even highly educated workers will face increased competition for jobs. As of 2007, 20.5% of the county's low-wage workers (employed with incomes below 200% of the Federal Poverty Level) have an associate's, bachelor's or advanced degree, indicating that a college education is no guarantee of a well-paying job.

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Figure 5.12 Source: Occupational Employment Projections, California EDD
Working Partnerships USA exists to tackle issues directly affecting the lives of ordinary working people. We seek to achieve changes in the areas of jobs, health care, economic development, sustainability, housing and transportation that improve families’ lives, and for our work to inspire, inform and shape state and national policy.

When we published Life in the Valley Economy 2008, we made a change in this report that is a break from the mold of so many studies that focus exclusively on identifying the various economic factors at play in a given area and what they might portend for the future.

The change was a decision to go beyond asking questions about what the future holds – based on what has been learned about the present – and to propose ways to address the challenges we identified.

Or, in the words of LIVE 2008, “While recognizing the problem is the first step, reciting a litany of financial woes afflicting our families and communities does not, in itself, change anything. We need to take the next step: do something about it.”

That was the genesis of the SOLUTIONS section of LIVE and a significant element of the added value this work provides to the community Working Partnerships USA serves.

It’s appropriate that an economic study of Silicon Valley take this approach for several reasons.

San Jose is the largest city in Northern California and tenth largest in the nation. What is happening here and, more broadly, in Silicon Valley – whether it’s an economic trend or a fad in popular culture – often is a bellwether for the nation.

Our region is also renowned for innovation, whether it’s something new in technology or an original approach to public-private partnerships such as Team San José, which preserves high-quality jobs in operating municipal convention and cultural facilities, improves customer service and simultaneously reduces costs.

It is not surprising that Working Partnerships USA has earned a reputation for leading and innovation. Silicon Valley is a community of nearly two million without a majority racial or ethnic group. Its people are highly educated and open to the fruits that this kind of diversity produces, and this organization reflects them.

Being in the nexus of a creative and influential region and state means what happens here and how we deal with it has implications far beyond our valley. This is not a circumstance or a role that we wish to shirk. It is one we take seriously and to which Working Partnerships USA brings its full energy and capabilities.

The SOLUTIONS section of LIVE 2010 identifies seven local approaches – original in concept and sometimes sweeping in their potential for positively affecting our economic future – for meeting the challenges identified elsewhere in this report. In addition, SOLUTIONS revisits the transformative ideas originally proposed in LIVE 2008 to assess their implementation and success.

In diverse ways, each of these initiatives illustrates new ideas, processes, policies or practices that can provide a model for the state and nation of how to transform economic challenges into opportunities.

A community seeking prosperity that fails to address these issues has lost its way, and our goal with the LIVE reports is to find the right path for Silicon Valley.

Being in the nexus of a creative and influential region and state means what happens here and how we deal with it has implications far beyond our valley. This is not a circumstance or a role that we wish to shirk.
CHOOSING HIGH-QUALITY, LONG-TERM JOBS

1. Rebuilding the Convention Center

The completion of the San Jose Convention Center in 1984 was a choice the city made to invest in high quality jobs and its own vibrant and vital urban core. Twenty years later, San Jose chose to protect and expand on that original investment when it created Team San José, a unique public-private partnership to manage the convention center and the rest of the city's convention and cultural infrastructure in a way that reemphasized the value our city places on good jobs and what they mean to a community.

The city has once again reached a decision point about its downtown. The hotels and other businesses that thrive because of the Convention Center are poised to reinvest the tax money they generate to revitalize the facility into a larger, even more competitive venue for all types of exhibitions and meetings. Will the City take up this opportunity to extend its public-private partnership and choose to enlarge the convention center to bolster its competitiveness and its role as the central city’s economic engine, or stand pat and risk the decay to wages, careers and lives that could drag down our community?

CLIF CLARK, general manager, San Jose Marriott

“The proposed Convention Center expansion project is vital to drive San Jose’s local economy by generating up to $250 million in economic impact through increased events and more visitors to San Jose. The project will also support as many as 800 much needed hospitality and convention center jobs and up to 650 construction jobs in our community. It is the right project at the right time.”

2. Investing in green infrastructure

High tech provided the economic foundation for what became known to the world as Silicon Valley, and San Jose wisely seized that opportunity for innovation. Another huge opportunity now presents itself to our city: the arrival of high-speed rail and BART in the South Bay. The confluence of these two transportation arteries at San Jose’s Diridon Station – combined with CalTrain, Amtrak, ACE trains, light rail and bus lines already serving the station – has the potential to do for San Jose what the Golden Gate did for San Francisco.

San Jose's choice is whether to seize its role as the Bay Area’s transportation hub to diversify and strengthen the city’s future economy and drive green, transit-oriented development that enhances the community as a safe and healthy place to live, work and play.

BENA CHANG, Senior Associate, Housing & Transportation, Silicon Valley Leadership Group

“Transportation infrastructure provides the mobility needed for a strong, vibrant workforce, which is the backbone of the innovation economy. Diridon Station – as a major heavy rail and transit connection point – will spur development, dramatically increase transit options and connectivity, and create jobs.”
3. Investing in green jobs

Climate change and the enormous national toll in lives and wealth from dependence on fossil fuels mean “going green” is no longer an option. It’s imperative. The choice is whether we turn the coming green economy into an opportunity that benefits working families as well as investors.

Santa Clara County Green Pays is a pilot program that plans to retrofit 500 homes in the county for greater energy efficiency by 2011. Beyond the green benefits of these retrofits, which will be affordable for low- and middle-income homeowners, Green Pays will establish strong and enforceable job standards as well as a model for contracting and workforce management that creates pathways out of poverty through careers with real opportunity for advancement. Green Pays is being designed as a financially self-sustaining model to capture the substantial cost savings gained by reducing energy usage. Once Green Pays proves itself through the pilot, it can be scaled up to retrofit 200,000 homes, generate thousands of well-paying green jobs and serve as a model for national replication.

NEIL STRUTHERS, executive officer, Building and Construction Trades Council

“Common sense and the health of our environment requires us to reduce our carbon footprint; Green Pays is what enables communities to leverage that into a new economy that doesn’t leave local workers behind.”

4. Strengthening the safety net and our quality of life

Once the site of downtown’s only hospital, in December 2009 the shuttered San Jose Medical Center site was purchased by Santa Clara County in order to build a new urgent care clinic on a portion of the land. This victory for health services downtown was won after years of committed advocacy and creative partnerships built up the means to address the problems created when the privately owned San Jose Medical Center closed its doors in 2004.

The people’s decision not to allow a private business decision that closed downtown’s only hospital to sabotage the economic and residential viability of the area was critical. By working through multiple levels of government to find a solution, a commitment was secured to restore the health care infrastructure necessary for a vibrant downtown. At the same time that it protects the valuable health care safety net for area residents, this investment by the county creates immediate construction jobs and preserves valuable real estate for further future development.

ROZ DEAN, chair, Coalition for a Downtown Hospital

“This long-awaited clinic will provide urgently needed health care access to local residents. It is a significant step toward preserving a liveable downtown and toward the ultimate goal of an easily accessible full-service hospital, for which the Coalition for a Downtown Hospital will continue to advocate.”
5. Restoring lost high-quality jobs

The closure of this Alameda County automobile manufacturing plant highlights not only the recessionary impact of the loss of plant’s 4,700 jobs but how such an event can ripple through the wider economy, directly jeopardizing the jobs of 25,000 others who work for NUMMI’s suppliers. The facility’s location on a main rail line and freeway make it a prime industrial site, and there are various proposals for reuse including the manufacture of electric cars or perhaps building the high-speed trains that will run over California’s recently approved high-speed rail system.

Whatever occupies the NUMMI plant, however, presents an important choice for the local economy. Will it create the kind of high-quality jobs that Toyota and General Motors once provided there, or become a magnet for low-wage jobs with few or no benefits that undercut local standards and create an economic sinkhole?

6. Preparing workers for careers in the green economy

The choice outlined above to make the green economy work for everyone means choosing to invest in the people who will make it happen. Work2future, Roofers Local 95, several local roofing companies and the Building Trades Council have created a pilot pre-apprenticeship program to train disadvantaged residents in an intensive course designed to lead to employment as apprentices in energy efficient building and construction trades. This training program is uniquely targeted at placing its graduates not in short-term, low-wage jobs, but in “learn-while-you-earn” apprenticeships that provide a quality wage and entry into a rigorous four-year trade education leading to a lifelong career.

This investment in education will help jumpstart a broader vision of a comprehensive green career pathway that could provide hundreds of Valley residents each year with basic training, retraining or advanced education to take advantage of the promises of the green economy.
7. Directing the Santa Clara County Council on Health

While the nation dithered, Santa Clara County chose to move toward a healthy future for all its residents with the Children’s Health Initiative, which guarantees coverage to virtually every local child, and then with the launch of Healthy Workers coverage for small businesses and their employees. With these programs already in place, Santa Clara County is well prepared to implement national health care reform provisions in a way that benefits all residents and is best suited to local needs.

The next choice concerns whether we will come together to create a coordinated, effective and efficient approach to address the county’s specific health needs, such as childhood obesity and coverage disparities among racial and ethnic populations. Santa Clara County is now in the process of creating a Council on Health, a panel of health experts and community leaders who will develop a comprehensive vision for tackling the health challenges in our region and make recommendations to the Board of Supervisors on concrete steps to achieve it. The new Council on Health must be charged with developing a comprehensive vision for tackling the health challenges in our region in their recommendations to the Board of Supervisors.

Dr. ALFONSO BAÑUELOS,
chief medical officer, Santa Clara Valley Medical Center

“The Council on Health can be a vital resource in identifying our most pressing health needs, proposing policy and in rallying community support for the steps we need to make. In collaboration with community health care network providers such as Santa Clara Valley Health and Hospital System and the Community Clinic Network Partners, access for quality medical care will be improved for our community.”
• **Healthy Workers.** This affordable, comprehensive, no-deductible health coverage plan for small businesses and their employees was rolled out March 1, 2010 and is now enrolling members. It will allow employers to offer a significant benefit, protect workers from financial hardship and protect the safety net county health system.

• **Green Retrofits.** A pilot program has been designed to enable energy efficiency retrofits of 500 homes by August 2011. It incorporates strong and enforceable job standards and is in the process of securing grant funding for startup and operations.

• **Living Wage at San Jose International Airport.** More than 500 contracted and concessionaire workers at the airport have been added to the city’s Living Wage policy. The safety and security training enabled under this policy along with the increased wages has cut job turnover, improved productivity and made the airport a more customer-friendly and safer place for travelers.

• **Cost-Benefit Analysis of Large Public Subsidies.** The pilot program to apply this analysis to publicly subsidized projects proved so successful that it has been incorporated in the City Council’s rules and a report documenting its success was prepared. Now the City Council and the public can get an objective picture of the number and quality of jobs that subsidized projects will generate before public funds are spent.

• **Universal Prevention.** Santa Clara County is in the process of forming a Council on Health that will recommend policies to address the county’s most pressing health issues.

• **Measure A and Valley Med.** This $840 million bond issue to fund seismic retrofits at the Valley Medical Center, the centerpiece of the Santa Clara County Health & Hospital System, passed with overwhelming public support. It also included funds to support development of an urgent care clinic at the former San Jose Medical Center site.

• **Inclusionary Zoning.** The San Jose City Council approved expansion of its successful Inclusionary Zoning policy to all areas of the city, allowing working families to live near their Silicon Valley jobs.

• **Santa Clara “Big Box” Ordinance.** The Santa Clara City Council enacted an ordinance regulating establishment of large “big box” retail stores that produced significant health and economic impacts such as reducing high traffic, lowering pollution and preventing creation of low-wage jobs without health benefits.

• **California Construction College.** The Construction College has secured federal funding to support its establishment. Certificate programs are now in development anticipating enrollment in the fall and the first graduates in spring 2011. Work has also begun on the creation of associates degree (two-year) programs in construction management and a possible affiliation with the National Labor College for bachelors and masters degree programs.

• **Transit Career Ladders Project.** This dual-track training program by the Valley Transportation Authority is now underway. All 10 enrollees in the maintenance track graduated, and all have been promoted to become first-level diesel mechanics. The operator apprenticeship program identified a gap in traditional training, which was that bus and train operators were not receiving customer service training. With that aspect added to the curriculum, all of the program’s graduates have successfully completed their probationary period, and the project is receiving inquiries for replication from other transit systems.

The changes happening in Silicon Valley are having impacts across the state and around the country.

**SOLUTIONS**

What’s happened with solutions from LiVe 2008?
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FOREWORD

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EXECUTIVE SUMMARY


CHAPTER 1: MAKING A LIVING

INTRODUCTION

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CHAPTER 3: STAYING HEALTHY

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4 California Dept. of Education, Educational Demographics Unit.


23 Note that college-going counts include only students who go straight from high school to college; there may be additional students who attend college after taking a year or more off following high school. Source: “Enrollment – Freshmen at Public Institutions / College Going Counts” and “Enrollment – Freshmen at Private Institutions / College Going Counts.” California Postsecondary Education Commission, Online Data. http://www.cpec.ca.gov/. Graph for college-going rate by ethnicity includes only enrollment at public colleges and universities.

24 California Postsecondary Education Commission, Resident Undergraduate Student Fees Graphs, http://www.cpec.ca.gov/FiscalData/FeesGraph.ASP


29 Dana Hull, “Top Silicon Valley students declining admission offers from top universities due to cost.” San Jose Mercury News, April 2009.


34 U.S. Census Bureau, 2008 American Community Survey. Extracted via American FactFinder.


38 American Community Survey, U.S. Census Bureau. Extracted via American FactFinder.

39 U.S. Census Bureau, 2008 American Community Survey. Extracted via American FactFinder. Includes workers age 25 and up with earnings in the past 12 months.


Working Partnerships USA is a public policy and research institute that builds partnerships with community groups, labor unions, and faith based organizations dedicated to improving the lives of working families in Silicon Valley. By combining the skills of research and policy development, advocacy, and organizing under one roof, we create innovative, practical solutions to problems facing working people and the middle class. Working Partnerships was founded in 1995 as a nonprofit organization.