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**A rising Silicon Valley doesn't lift all boats**

*Collective bargaining and good public policy is needed for California's tech corridor to foster widely shared prosperity*

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by **Amy B. Dean** (</profiles/d/amy-b-dean.html>) - [@amybdean](#) (<http://www.twitter.com/amybdean>)

Silicon Valley is the center of innovation in our economy. But are the profits it generates bolstering a strong middle class?

This question is as relevant today as it was in the 1990s, when the dotcom boom began. In fact, tech billionaires have since increased their lobbying (<http://www.latimes.com/local/politics/la-me-pol-tech-sacramento-20150301-story.html>) in Washington and Sacramento, and now play an increasingly influential role in political debates. Last month, the Capital and Main (

section/the-california-chasm/) website released a series of articles on inequality in California. The state “is the home to more super-rich than (<http://wuwr.wealthx.com/Wealth-X%20and%20UBS%20World%20Ultra%20Wealth%20Report%202013.pdf>) anywhere else in the country,” the authors noted. “And it also exhibits the highest poverty rate in the nation (<http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-251.pdf>), when cost of living is taken into account.”

The report added that Silicon Valley’s digital innovation has led to “unprecedented” rise in productivity levels. “But virtually all of the economic benefits went to those at the top,” it said.

This is not a new problem. From 1994 to 2003, I served as chief executive officer of the South Bay Labor Council (SBLC), a 100,000-member regional coalition of labor unions based in San Jose. When I first took the position, Santa Clara County, where the Council worked, was ushering in a new era for the tech industry. The first web browser had just been invented; the next year, Netscape went public and Yahoo was founded. As The ([http://www.nytimes.com/interactive/2014/12/23/us/gender-gaps-stanford-94.html?\\_r=0](http://www.nytimes.com/interactive/2014/12/23/us/gender-gaps-stanford-94.html?_r=0)) New York Times ([http://www.nytimes.com/interactive/2014/12/23/us/gender-gaps-stanford-94.html?\\_r=0](http://www.nytimes.com/interactive/2014/12/23/us/gender-gaps-stanford-94.html?_r=0)) put it ([http://www.nytimes.com/interactive/2014/12/23/us/gender-gaps-stanford-94.html?\\_r=0](http://www.nytimes.com/interactive/2014/12/23/us/gender-gaps-stanford-94.html?_r=0)) recently, Stanford University circa 1994 was “precisely when and where the web was stirring to life.”

Yet, despite the buzz around these new industries, there were striking similarities with past economic transformations. Amid prosperity and growth, many people felt left out of the gains. From defense research to semiconductor manufacturing, all past booms provided new opportunities for engineers and investors. But there’s a common pattern: Without outside pressure, prosperity doesn’t trickle down.

Silicon Valley’s inequality problem can be overcome, but only with concerted effort from outside the industry. An innovative combination of collective organizing and smart public policy will be required. This may include interventions that address the needs of working people who do not fit the image of high-wage techies, but who nevertheless play a critical role in the region’s economy.

## **Dot-com inequality**

In the mid-1990s, the economic insecurities felt by working people were reported in a number ([http://www.wpusa.org/Publication/wpusa\\_growing.pdf](http://www.wpusa.org/Publication/wpusa_growing.pdf)) of studies ([http://www.wpusa.org/Publication/wpusa\\_lwage.pdf](http://www.wpusa.org/Publication/wpusa_lwage.pdf)) conducted by the SBLC. These found that, beyond the core technology industry, the local economy depended on a sprawling network of service-sector jobs: cashiers, retail salespeople, waiters and waitresses, janitorial staff and office clerks. And while the new tech firms were booming and bringing growth to the region, workers in other service jobs actually saw their paychecks shrink. One in five Silicon Valley jobs did not pay enough for a single adult to live alone without public assistance; two in five jobs paid too little for a single parent and child to live above the poverty line.

People were growing apart even within the tech industry. In fact, the SBLC report found that the tech firms depended on a growing army of temporary workers and independent contractors, many of whom were searching for full-time work with benefits. The rise in offshore outsourcing of electronics-manufacturing and software designer positions allowed companies to shift production on the fly and streamline costs.

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**“ As seen at the dawn of the Internet age, the new Internet-based industries, left to their own devices, are not fostering widely shared prosperity. ”**

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The new business model was highly profitable for some. As the SBLC found in 1998, top executives in the electronics industry were paying themselves 220 times more than the average production worker, up from 42:1 in 1991. But there was a flip side to these earnings: The region was awash in low-wage employment and a small portion of high-paying jobs was driving the cost of living through the roof. Income inequality is on the rise again across California and it's repeating the pattern of the dot.com era. The result is the steady weakening of the middle class. "It's as if the economy has lost its spine," says Russell Hancock, chief executive of Joint Venture Silicon Valley, in the Capital and Main (<http://capitalandmain.com/inequality-section/silicon-valleys-brave-new-economic-order/>) report. "And this has important implications for the kind of community we become."

In the 1990s, we saw that the arrival of new industries in Silicon Valley was not going to lift all boats if left to their own devices. Active steps were needed to address inequality. Collective bargaining was an obvious solution. Allowing employees to freely choose whether to come together in their workplace and negotiate their wages and working conditions is a straightforward answer that does not require new government policies.

During the first dot-com boom, janitorial staff, building security workers, construction workers, hotel and restaurant employees and cafeteria workers were able to openly organize. However, the growth of subcontracting made collective bargaining difficult to secure for many workers. Changing employment practices meant many employers were no longer legally accountable for the wages and working conditions of those laboring in their buildings. There was dire need for public policy interventions to address pressing problems that were affecting the community as a whole.

We pursued a policy agenda that was designed to re-establish the link between the industry's success and the wellbeing of the community. The policy targeted issues such as living wages, health care, public transportation and affordable housing. In 1998 the San Jose City Council passed one of the first living wage ordinances in the country, ensuring that projects receiving tax subsidies paid their workers decent wages. Because many jobs in the Valley did not offer family medical or dental plans, we proposed a public insurance program that could provide universal child health insurance. The Children's Health Initiative has since provided health care to 71,000 uninsured children. San Jose also passed zoning requirements to ensure that developers would include affordable housing when building in the city's largest undeveloped tracts.

## **New policies**

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These were steps in the right direction, but they were only a start. To address this decade's growing inequality, we will need further public policy measures to ensure that Silicon Valley's business prosperity is shared by working families as well.

The SBLC and its community partner, Working Partnerships USA, are stressing the need to raise the wage floor. In December, the Santa Clara County Board of Supervisors passed one of highest living wage ordinances in the country (<http://sanfrancisco.cbslocal.com/2014/12/09/living-wage-requirement-approved-for-companies-non-profits-with-santa-clara-county-contracts/>), establishing a \$19.06

minimum, with health insurance, sick leave and predictable scheduling for county employees and those employed by the \$2.5 billion worth of county contracts negotiated each year.

“If the County can do it,” says Derecka Mehrens, executive of Working Partnerships, “then Apple can do it, then Google can do it.”

Working Partnerships is also pushing to protect renters threatened by skyrocketing property values. They are promoting increased eviction protection for seniors, the disabled and families with four or more children, as well as expansion of rent control and prohibitions to protect Section 8 voucher users from discrimination.

As important as these policies are, we still need to modernize labor laws. The National Labor Relations Act often proves incapable of addressing the inequities of the new economy and leaves employees who have been outsourced and subcontracted without a means of collectively negotiating. An updated system of labor law would ensure that employees have a meaningful legal recourse when their rights are infringed upon while holding employers accountable no matter the complexities of their employment structure. As seen at the dawn of the Internet age, the new Internet-based industries, left to their own devices, are not fostering widely shared prosperity. Collective bargaining and fair public policy have effectively reversed trends toward inequality in the past. To combat an economic situation that today is producing ever-greater extremes, it is important that we reinvent and reinvigorate these solutions.

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