

The Place Where the Poor Once Thrived

San Jose, in the heart of Silicon Valley, used to be the best place in the country for kids to experience a Horatio Alger, rags-to-riches life. Is it still?



A worker builds new homes in San Jose.

Scott Anger / AP

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TEXT SIZE



SAN JOSE, Calif.—This is the land of opportunity. If that weren't already implied by the landscape—rolling green hills, palm trees, sun-kissed flowers—then it's evident in the many of stories of people who grew up poor in these sleepy neighborhoods and rose to enormous success.

People like Tri Tran, who fled Vietnam on a boat in 1986, showed up in San Jose with nothing, made it to MIT, and then founded the food-delivery start-up Munchery, which is [valued at \\$300 million](#).

“I think that in this land, if you are really determined and focused, you can go pretty far,” he told me.

Indeed, data suggest that this is one of the best places to grow up poor in America. A child born in the early 1980s into a low-income family in San Jose had a 12.9 percent chance of becoming a high earner as an adult, according to a [landmark study](#) released in 2014 by the economist Raj Chetty and his colleagues from Harvard and Berkeley. That number—12.9 percent—may not seem remarkable, but it was: Kids in San Jose whose families fell in the bottom quintile of income nationally had the best shot in the country at reaching the top quintile.

By contrast, just 4.4 percent of poor kids in Charlotte moved up to the top; in Detroit the figure was 5.5 percent. (San Jose, for the purposes of the study, was defined as the San Jose commuting zone, which includes the counties of Santa Clara, Monterey, San Benito, and Santa Cruz.) San Jose had social mobility comparable to Denmark’s and Canada’s, and bested other progressive cities such as Boston (10.5 percent chance) and Minneapolis (8.5 percent chance).

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The reasons kids in San Jose performed so well might seem obvious. Some of the world’s most innovative companies are located here, providing

opportunities such as the one seized by a 12-year-old Mountain View resident named Steve Jobs when he called William Hewlett to ask for spare parts and subsequently received a summer job. This is a city of immigrants—38 percent of the city’s population today is foreign-born—and immigrants and their children have historically experienced significant upward mobility in America. The city has long had a large foreign-born population (26.5 percent in 1990), leading to broader diversity, which, the Harvard and Berkeley economists say, is a good predictor of mobility.

Indeed, the streets of San Jose seem, in some ways, to embody the best of America. It’s possible to drive in a matter of minutes from sleek office towers near the airport where people pitch investors on ideas to cul-de-sacs of single-family homes with orange trees in their yards, or to a Vietnamese mall where, on a recent weekday, Vietnamese immigrants clustered in the parking lot celebrating the Lunar New Year by playing dice games. The libraries here offer programs in 17 languages, and there are enclaves of small businesses owned by Vietnamese immigrants, Mexican immigrants, Korean immigrants, and Filipino immigrants, to name a few.

But researchers aren’t sure exactly why poor kids in San Jose did so well. The city has a low prevalence of children growing up in single-parent families, and a low level of concentrated poverty, both factors that usually mean a city allows for good intergenerational mobility. But San Jose also performs poorly on some of the measures correlated with good mobility. It is one of the most unequal places out of the 741 that the researchers measured, and it has high degrees of racial and economic segregation. Its schools underperform based on how much money there is in the area, said Ben Scuderi, a predoctoral fellow at the Equality of Opportunity Project at Harvard, which uses big data to study how to improve economic opportunities for low-income children.

“There’s a lot going on here which we don’t totally understand,” he said. “It’s

interesting, because it kind of defies our expectations.”

The Chetty data shows that neighborhoods and place mattered for children born in the San Jose area of the 1980s. Whether the city still allows for upward mobility of poor kids today, though, is up for debate. Some of the indicators such as income inequality, measured by the Equality of Opportunity Project for the year 2000, have only worsened in the past 16 years.



A tent city in San Jose in 2013 (Jeff Chiu / AP)

Some San Jose residents say that as inequality has grown in recent years, upward mobility has become much more difficult to achieve. As Silicon Valley has become home to more successful companies, the flood of people to the area has caused housing prices to skyrocket—median sale price reached \$830,000 last year. By most measures, San Jose is no longer a place where low-income, or even middle-income families, can afford to live. Rents in San

Jose grew a whopping **42.6 percent** between 2006 and 2014, which was the largest increase in the country during that time period. The city has a growing homelessness problem, which it tried to address by shutting down “The Jungle,” one of the largest homeless encampments in the nation, **in 2014**. Inequality is extreme: The **Human Development Index**—a measure of life expectancy, education and per capital income—gives East San Jose a score of 4.85 out of 10, while nearby Cupertino, where Apple’s headquarters sit, receives a 9.26.

“Chetty’s data and the generation that it dealt with—things have changed since then,” said Dana Bunnett, the director of Kids in Common, a San Jose advocacy group. “It doesn’t strike me that it addresses what we’re really dealing with now in the community.”

Chetty’s study looked at more than 40 million children, focusing on the outcomes of those born between 1980 and 1982, and there’s a widespread consensus that it is accurate as far as their fates go. It indicates that for some in the 1980s and perhaps before, San Jose and Silicon Valley were indeed the land of opportunity, where anyone with drive could “make it.”

Chance of Intergenerational Mobility in America



The percentage chance that a child born in the early '80s in the bottom quintile of income made it to the top quintile in selected cities across the country (Datawrapper / Equality of Opportunity Project)

San Jose used to have a happy mix of a number of factors—cheap housing, proximity to a burgeoning industry, tightly-knit immigrant communities—that together opened up the possibility of prosperity for even its poorest residents. But in recent years, housing prices have skyrocketed, the region's rich and poor have segregated, and middle-class jobs have disappeared. Given this, the future for the region's poor doesn't look nearly as bright as it once did.

Leaders in San Jose are determined to make sure that San Jose regains its status as a place where even poor kids can access the resources to succeed. With Silicon Valley in its backyard, it certainly has the chance to do so.

“I think there is a broad consciousness in the Valley that we can do better than to leave thousands of our neighbors behind through a period of extraordinary success,” San Jose Mayor Sam Liccardo told me.

But in today's America—a land of rising inequality, increasing segregation, and stagnating middle-class wages—can the San Jose region really once again become a place of opportunity?

The idea that those at the bottom can rise to the top is central to America's ideas about itself. That such mobility has become more difficult in San Jose raises questions about the endurance of that foundational belief. After all, if the one-time land of opportunity can't be fixed, what does that say for the rest of America?

The San Jose where Tri Tran and his brother Trac arrived in 1986 was a much quieter place than it is today. There were big tech companies then: familiar names such as Hewlett-Packard, Apple Computer, and Intel, but they weren't global juggernauts. San Jose was still a place where a middle-class family could move, buy a house, and find jobs. The median home price in Santa Clara County in 1980 was just \$176,121 (equivalent to \$376,387 today).

When they arrived in San Jose, Tran and his brother moved in with his aunt and uncle, who had come to the United States three years before. Tran's uncle worked as a technician at a semi-conductor factory and his aunt did data entry; the family was lower-middle class but was able to buy a small three-bedroom home in San Jose.

Tran, who was 11 when he arrived, knew only a word or two in English. He remembers arriving on Halloween, confused about why strangely dressed children were coming to the door and receiving candy. He slowly learned English and survived in school with help from other Vietnamese children, who translated teachers' questions for him. By high school, he'd enrolled in honors English classes and set his sights on MIT because his uncle told him that all the best engineers at his company had gone to MIT. Following his brother's footsteps, Tran applied to MIT and was accepted, and with the help of financial aid and grants, he spent five years at the school getting a joint bachelor's and master's degree in computer science and electrical engineering. By the time he graduated, software companies in Silicon Valley were recruiting him. Tran's brother ended up as a tenured electrical-engineering professor at Johns Hopkins.



Munchery CEO Tri Tran (Munchery)

Tran's uncle didn't have a high-paying job in the tech industry, but he didn't need to have one to buy a house in San Jose and raise his family there. Their location exposed the family to higher-income people who had access to resources and cultural knowledge: Neither Tri nor his brother nor his uncle had heard of MIT until their uncle found a job in the region and was introduced to engineers who had gone there. They also attended schools with good math, science, and computer classes, where Tri could reach honors-level English classes by high school even though he'd started middle school speaking almost no English.

Indeed, the abundance of middle-class jobs in the area could be one reason San Jose had such impressive mobility numbers, said Manuel Pastor, a sociology professor at UCLA who studied the Silicon Valley region in his book *Equity, Growth, and Community*, written with Chris Benner. Families could afford homes and encourage their children to get a good education and pursue the high-paying jobs of the area.

In 1980, Silicon Valley “had a large manufacturing sector, it was a big, middle-class area, and it was definitely a launching pad for people to be able to do well,” Pastor told me.

It probably didn’t hurt that the San Jose area also had a growing number of immigrants from Asia, whose children historically [do better than average](#) academically. The [1980 Census](#) counted around 95,000 people of Asian origin in the county; that number grew to 261,000 by 1990 and to 430,095 by 2000.

The type of Asian immigrants who moved to San Jose “set up their children to be mobile,” said Jennifer Lee, a professor of sociology at the University of California, Irvine, and the author of *The Asian American Achievement Paradox*. Because of changes in U.S. immigration law, the immigrants who were most able to land in San Jose were those with some education in their home countries, Lee said. Even if they couldn’t work in their professional fields in the U.S., they used their educations to set up institutions such as tutoring organizations and community centers to help their children do well. Asian immigrant parents might not have been able to afford expensive SAT-prep courses, but they were able to send their kids to tutoring and SAT-prep offered through their close-knit communities.

“If you have a large proportion of an immigrant group who is highly educated and skilled, they create the ethnic institutions from which more co-ethnics can benefit, regardless of class,” she said.

Chetty and his colleagues used IRS data to measure the earnings of parents of kids born between 1980 and 1982, focusing on parental earnings between 1996 and 2000 to assess a family’s economic success. They then looked at the tax data of the children once they were grown to measure their earnings in 2011 and 2012. They used the national income distribution to rank people into quintiles, and then used those rankings to measure how people of

similar incomes moved up or down the economic ladder in different places around the country. While this captured the overall mobility trends of the region, it didn't break those patterns down by ethnicity, as the data they used did not include that information.

In addition to showing that, in San Jose, children in the bottom quintile had the best shot of moving up to the top quintile, the process also showed that children across the economic spectrum in San Jose were likely to do better than their parents.

Children in the 25th percentile of income at birth in San Jose ended up, on average, in the 45th percentile as adults, while kids in Charlotte who started out in the 25th percentile of income only ended up in the 36th percentile as adults.



San Jose residents attend a Lunar New Year festival in Little Saigon. (Alana Semuels)

So what made San Jose so special? For one, the proximity to the burgeoning

companies of Silicon Valley may have helped even those children whose parents had little or no education.

“We have the benefit of exposure here,” Iqbal Chadda, the principal of Shirakawa Elementary School, a school district on the east side of San Jose, told me. In his 30 years in the district, he’s seen many kids move from the bottom to the top. He remembers visiting the home of one child to admonish him for not doing his schoolwork only to find him sleeping on the dirt floor with nine other family members. The boy is now a successful engineer, he said. Kids like that likely benefited from the region’s resources—those interested in space can go see NASA’s Ames Research Center, those who want to learn more about coding can visit Google’s campus, those who want to be biologists can visit the tide pools of the ocean.

What’s more, the region was home to a handful of wealthy entrepreneurs who were invested in the fate of the whole region in the early days of the tech industry, creating opportunities for the region to share in the prosperity of the tech companies, Pastor said. They gave money to local organizations—both David Packard and William Hewlett formed foundations in the 1960s, Steve Wozniak “adopted” a local school district after leaving Apple—and they worked together on the problems facing the community where their companies were located and their employees lived.

“There was a sense of civic commitment on the part of the business elite,” Pastor said. “They viewed the valley as a special place that merited their leadership and their investment.”

This collaboration lasted for a long time, and was instrumental to the Valley’s success, Pastor said. For example, in 2000, when janitors who worked as cleaning contractors in Silicon Valley threatened to strike, a local labor official convinced the CEO of 3COM Corporation, Eric Benhamou, to write an op-ed in the *San Jose Mercury News* calling on his fellow CEOs to support the janitors

and lessen the region's growing wage gap.

“We also expect the least skilled of our jobs to command decent wages, and to enable all these workers to live and function within our society,”

Benhamou wrote.

The investment in the region spawned a number of civic organizations that helped even those without resources succeed. Perla Rodriguez, who grew up in the east side of San Jose in the 1970s and 1980s, said that the music programs available at a community center in East San Jose helped her and her siblings gain a sense of confidence that they might not have otherwise had. Then, when she graduated from high school and her father lost his job at a bread factory, she got a job answering phones at a law firm and was exposed to graduates from Stanford and Berkeley who served as mentors and encouraged her to think big.

“Through the course of my experience at the law firm, and getting to know a lot of Stanford and Cal grads, people of color, people who were very successful, it opened my world,” she said.

After working for a few years while attending a local community college, Rodriguez attended Stanford and is now a management consultant.

* * *

Today, a path like Perla Rodriguez's may be much more difficult to achieve in San Jose. For starters, it's unlikely that Mexican immigrants like her parents could have even bought a home there today. Her parents paid \$25,000 for their home in East San Jose in the 1970s; today that home is worth \$600,000.

Part of the problem is that as Silicon Valley prospered, more people moved to the region but housing supply didn't grow at the same pace, driving real

estate prices up. Now, costs are so high that even middle-income families are struggling. About one-fifth of residents of Santa Clara County [can't afford](#) basic necessities without supplemental assistance, according to the county. Between 2000 and 2011, the cost of every major household-expense category increased faster than wages, according to the group [Working Partnerships USA](#).

Javier Rivera, 37, has had trouble keeping up with the cost of living. When he arrived from Mexico 16 years ago, he was able to find room in a house with nine other people and pay his rent by working in landscaping. Now, he has a wife and two kids, and the family was homeless for a few weeks in June when his landlord raised the rent from \$1,600 a month to \$2,200 a month. They found a one-bedroom apartment they could afford, but the family is now thinking of moving elsewhere so they can live with more stability.

“It’s been extremely difficult to keep up with the cost of living here,” he told me.



Families are moving to lower-cost cities such as Modesto or Fresno, or doubling or tripling up, sharing one home between dozens of people, said Maricela Gutierrez, the executive director of the San Jose-based group Services, Immigrant Rights & Education Network (SIREN). She knows a few families in which the parents work in San Jose, but are forced to live far outside the region to afford the rent. Where they may have once woken up at 7:30 a.m. to get their kids ready for school, they now get up at 4:30 to make it to work on time, she said. This won't help their children's futures: One of the conclusions of the Chetty study is that families with shorter commuting distances fare better on mobility outcomes.

“One way to think about it is that if you're a beautiful beach community, you're a great place where people want to come,” Pastor said. “But as more and more people come, it gets overcrowded, and it's no longer a beautiful beach community, it's something else.”

While there might have once been a spectrum of incomes in the regions, now there are mainly jobs for highly educated people like the ones who work in technology companies, and for the people who work for those people, cleaning their homes or serving their food, said Scott Myers-Lipton, a professor at San Jose State University. About one-third of jobs in the region pay less than \$16 an hour, according to the advocacy group [Silicon Valley Rising](#).

In 2014, Santa Clara County had the highest median income in the nation, at \$93,500, according to [a study](#) by the U.S. Conference of Mayors. Nearly 60 percent of Santa Clara County residents had incomes of \$75,000 or above. But only 13 percent of households in the county made something in the middle (between \$50,000 and \$75,000), while 29 percent had incomes below \$50,000, the study showed. (This same pattern is playing out

nationally too, according to a [study](#) from the Pew Research Center.)



People line up at a food pantry in San Jose. (Mario Jose Sanchez / AP)

As the middle class shrank and as people of different incomes become more segregated, the resources that once allowed everyone a chance at mobility became harder to find. Broad-based investments in schools and other resources aren't as widely spread throughout the community, Pastor said. It's no accident that [fewer children](#) from poor families are enrolled in preschool than are children from wealthier families, according to a recent [Urban Institute report](#). The region's wealthiest K-12 school district spends \$5,745 more per student than the area's poorest school district, [Working Partnerships](#) found, which leads to disparities in college preparedness.

“The pathway from one to the other is not as neat as it was in an earlier era,” Pastor said. “Now, people wind up being boxed into poorer neighborhoods and poorer school districts.”

In many ways, the story of San Jose is the story of much of America. Middle-class jobs, mostly in manufacturing, opened access to prosperity, in Santa Clara County perhaps more than just about anywhere else. Good schools and affordable homes helped children from many families chart a path to success. Those in the San Jose region got even more of a push, from the engaged entrepreneurs in the region and the motivated immigrants who called the area home.

Now, the region is trying to grapple, like much of America, with what to do about widening income inequality, asking itself if there's a way to avoid the decline of the middle class, and further, whether it even wants to.

And yet, many of the other things that made San Jose such a good place to grow up poor are still there. That includes hundreds of thousands of immigrant families who still instill the same values and create the same communities that they have over the past four decades.

Andy Ho's family moved to the San Jose area from Vietnam before he was born. They worked assembly-line jobs and immersed themselves in the local Vietnamese community; his mother still doesn't know much English, he told me from the steps of the San Jose State University home he shares with his fraternity brothers. That community came in handy when Ho was struggling in math in middle school and his mother took him to a Vietnamese tutoring center where he received assistance. Ho, 18, is now a college freshman.

"The tight-knit community that San Jose fostered has definitely helped my family," he said.

People in San Jose still seem committed supporting the community resources that help everyone succeed, Jill Bourne, the director of the San Jose Public

Library, told me. The city just passed a library parcel tax to support the system for 25 years, and every time that the library unveils a class on coding or adult education or ESL, they fill up within hours, she told me.

I visited the Tully Community Branch Library one afternoon while I was in San Jose, and was surprised how crowded it was. There was an immigration clinic going on in one room, a homework group in another, and the librarian kept making announcements about free snacks for kids. Children of countless ethnicities sat and did their homework and checked out books, while adults waited for computers.

“There’s a sense of hope and possibility I see in the community,” Greg Kepferle, the CEO of Catholic Charities Santa Clara County told me, that is manifested in the libraries, on the soccer fields and in the schools.

That includes people at the top of the income ladder, such as Mark Zuckerberg, who started advocating for immigration reform after he met an undocumented immigrant while [teaching a class](#) at a local after-school program, and Javier Rivera, the landscaper who was temporarily homeless and is struggling to pay the bills. Rivera still volunteers at his children’s school and helps fellow immigrants with legal matters. It’s the best way to make sure his family is integrated into American society, he says.



Muhamed Causevic (Alana Semuels)

At 25, Muhamed Causevic was born too late to be counted in the Chetty study. He and his family arrived in San Jose as refugees from Sarajevo in 2001, and Causevic's father, who had been an engineer, became a construction worker. Causevic remembers coming home one day to find his father bleeding after getting injured on the job.

“He said to me, ‘You saw what we were, you see what we’ve become,’” Causevic remembers. “Then he said, ‘You don’t want to become this,’ and even then, I understood.”

Causevic slowly learned English and became more comfortable in the United States, and was determined to go to college and pursue a white-collar career. He received a bachelor's from San Jose State in graphic design, and at 25, he's tweaking his portfolio and hopes to apply for a job at Google. He knows it's possible: Going to the mosque and community center growing up, he always heard stories of the sons and daughters of family friends who found lucrative jobs in the tech industry. Now he wants to be one of those people, too.

“The atmosphere here is dynamic,” he told me, walking through the bustling campus of San Jose State. “Everyone is talking about success.”

But now, perhaps more than ever, the stakes are high for Causevic and other children of the poor. Failure to achieve upward mobility can be tough, because Causevic sees wealth around him, and knows there's a large space

between the bottom and the top. The success and drive he sees around him now are both an inspiration and warning. In the San Jose of today, those who miss the brass ring could tumble to a very difficult place.

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