

# Silicon Valley subcontracting makes income inequality worse, report finds

A new University of California study has found that subcontracted jobs have expanded rapidly, offering low wages to predominantly black and Latino workers

**Julia Carrie Wong in San Francisco**

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Subcontracted jobs have grown at three times the rate of all private sector jobs in Silicon Valley over the past 24 years, exacerbating the region's gaping income inequality, according to a new report from the University of California, Santa Cruz.

The tech firms whose campuses dominate Silicon Valley are known to employ armies of subcontracted employees as janitors, cafeteria workers, gardeners, security guards and shuttle drivers. Researchers found that growth in subcontracted industries has outpaced overall job growth since 1990 - 54% compared with 18%.

That rise is "contributing" to income inequality, the report says, because subcontractors earn less money, have less access to healthcare, and are more likely to be black or Latino than their directly employed counterparts.

"This report shows that the rise in subcontracting has made the hi-tech sector a weak engine for middle-class job creation," said Ben Field of the South Bay Labor Council, a coalition of unions. "Additionally, it shows that the few good jobs tech does create go disproportionately to white men."

Because there is no single source of data to reveal just how many of those workers exist - and what their working conditions are, researchers Chris Benner and Kyle Neering examined publicly available labor market data to estimate the overall size of the "potential" contract workforce and study its characteristics.

There is "clear evidence that contract workers to high-tech firms face substantially lower wages, and have substantially worse socio-economic circumstances, than comparable workers who are directly employed by high-tech firms," Benner and Neering wrote.

While black and Latino workers comprise just 10% of the tech industry's direct employees, they make up 39% of subcontracted workers and 58% of blue-collar subcontracted workers. (The study distinguishes between white-collar subcontracted workers, such as accountants or technical consultants, and blue-collar workers, such as janitors or security guards.) Those blue-collar subcontracted workers earn an average annual income of just \$19,900.

Silicon Valley Rising, a coalition of labor and community groups advocating for better jobs in the industry, refers to this racial disparity as “occupational segregation”.

“Tens of thousands of Black, Latino, Asian, immigrant and female workers - that ‘diversity’ that tech companies are trying so hard to find - are right under their nose,” SVR writes, “keeping their campuses clean and safe, feeding and transporting their employees.”

In recent years, unions affiliated with Silicon Valley Rising have mounted campaigns to unionize contracted workers at tech companies, including shuttle drivers and security guards. Unionized workers earn on average \$200 more per week, than non-union workers, according to United States secretary of labor, Thomas Perez.

But the rise of subcontracting complicates those efforts as well.

In late January, subcontracted cafeteria workers at Intel’s corporate headquarters in Santa Clara petitioned their employer, Guckenheimer Corporate Dining, asking for a “fair process” to form a union.

A few weeks later, Intel replaced Guckenheimer with a new contractor, Eurest. Neither Intel nor Eurest responded immediately to a request for comment.

“Intel is an example of the effect that subcontracting has on workers,” says Jessica Choy, a spokeswoman for Unite Here, the union organizing Intel cafeteria workers. “They’re on their third food service contractor in two years. The workers can’t count on their jobs being stable, and they can’t plan for the future.”

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