GROWING TOGETHER OR drifting apart?

Working Families and Business in the New Economy

A Status Report on Social and Economic Well-Being in Silicon Valley

Chris Benner
Special Foreword by
Amy B. Dean

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GROWING TOGETHER OR DRIFTING APART:
Working Families and Business in the New Economy
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Acknowledgements

Chris Benner is the primary author of this report. Mr. Benner leads Working Partnerships’ research projects to document the rise of contingent employment, the availability of successful labor market intermediaries and is the author of the study, “Shock Absorbers in the Flexible Economy: The Rise of Contingent Employment in Silicon Valley.” He is a doctoral candidate in City and Regional Planning at the University of California, Berkeley.

Amy Dean is the Chief Executive Officer of the South Bay AFL-CIO Labor Council. Ms. Dean is responsible for directing all policies and political activities of the AFL-CIO in the Silicon Valley region of California. As the primary umbrella organization for local unions, the South Bay AFL-CIO Labor Council is the fifteenth largest labor council in the nation, comprised of 110 affiliated local unions representing over 100,000 working families in the Silicon Valley. As the Chair of the National Advisory Committee on the Future of Central Labor Councils, Ms. Dean is leading a nationwide strategic planning effort to expand the role of Central Labor Councils in economic development and coordinated organizing campaigns. In 1995, Amy Dean founded Working Partnerships USA, a non-profit organization dedicated to rebuilding the links between regional economic policy and community well-being.

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Jim Grossfeld, for his extensive assistance with editing and writing the final document.

Tony Bustamante and Peter Costello for assistance with the layout.

Poncho Guevara, for graphic design assistance.
Dear Friend,

At a time when you can hardly open a newspaper without reading about the strength of America’s new economy, we would all do well to remember that too many families are still struggling to get by in the “old” one. That is why this report raises important and serious issues.

*Growing Together, Or Drifting Apart?* poses the question many of our national leaders have shied away from asking: whether many of the accomplishments of the new high-tech economy are actually slipping through the fingers of numerous working families. This study not only warns us of real problems, it calls on each of us to take action.

As Amy Dean points out, while Silicon Valley is setting the pace in the information-based economy, “hundreds of thousands of our neighbors are at risk of being left behind.” She reminds us that it’s up to policy makers, labor and business to join forces to guarantee that does not happen.

Whether or not you agree with its point of view, *Growing Together, Or Drifting Apart?* ought to be required reading for anyone concerned with Silicon Valley’s future.

Sincerely,

Anna Eshoo
Member of Congress

Jim Beall
Santa Clara County Supervisor

Susan Hammer
Mayor of San José
GROWING X TOGETHER X OR X DRIFTING X APART

WORKING X PARTNERSHIPS X USA
At the age of 25, the future looked bright for Richelle Noroyan. With a bachelor’s degree and experience working summers at IBM during college, she had hopes of establishing a successful career. After six months of looking for permanent employment, she realized that she was only going to find employment through a temp agency so she accepted a series of $7.00 an hour jobs. Richelle made a breakthrough when Apple Computer offered her a job as a project coordinator. It was still a temporary position that offered no medical benefits. Finally after 15 months, Apple hired her as a regular employee. But Richelle’s new job came at a high price. The years she worked without health insurance led her to ignore acute pain in her foot which has now turned into tendonitis. She has pain when she walks and may have to have surgery to fix the problem.

Doug McPhail had everything in the world going for him. Thirty years old, he was earning $45,000 a year at a Silicon Valley firm. But just as he was beginning to work on his MBA, the company decided the unit Doug was working in didn’t fit into their product line. Less than a year after being hired, and with only one week’s notice, Doug was laid off. Trying to finance school without the steady income he had counted on, he depleted his savings and had to move in with his sister. Thankfully, after graduation, Doug found a job. But he’s still working to pay down the heavy debt he incurred while in school.

Alejandro Rodriguez and his family came to the United States over a decade ago to escape the poverty of his native Nicaragua. For the last four years he’s worked as a shipping clerk at Hewlett-Packard, but always on a contingent basis. In fact, two years ago the company transferred almost all the employment in his building to Manpower, a temporary employment agency. Recently, Alejandro hurt his back at work, but because he had no health insurance his injury went untreated. After he hired a lawyer and threatened the temp agency with legal action, Manpower agreed to pay for Alejandro to be treated by a doctor.

Richelle Noroyan, Doug McPhail, and Alejandro Rodriguez. Different people, but each sharing the same dream of careers, families and homes of their own in a safe and healthy Silicon Valley. But for each
of them, and too many others, turning those simple, American dreams into a reality is growing more elusive each year.

It’s no secret that Silicon Valley is blessed with a robust economy fueled by innovation and entrepreneurial genius. Today, 20 of the world’s 100 largest electronics and software companies have made our Valley their home. Though our community has less than 10% of California’s population, we generate 38% of our state’s export sales. The fact that Silicon Valley stands for quality world-wide is a source of pride to all of our families.

However, as this study documents, while Silicon Valley is setting the pace in America’s new information-based economy, hundreds of thousands of our neighbors are at risk of being left behind. At a time when Silicon Valley business and the community should be growing together, our research finds that, in far too many respects, we are only drifting apart.

**Shrinking Paychecks**

Like Richelle, Doug and Alejandro, the working families of Silicon Valley aren’t looking for handouts, but only the chance to work hard and take their place in the region’s winner’s circle. That’s part of the reason why Silicon Valley has one of the highest levels of productivity in America today. But, despite our productivity, the hourly wages of three-quarters of Silicon Valley’s workers were actually lower in 1996 than in 1989. In fact, five of the ten fastest growing occupations in our Valley today pay less than $10 an hour for entry level positions. However, while the majority of workers were bringing home paychecks that were either small or shrinking, corporate executive earnings have only climbed. In the electronics industry today, top executives now pay themselves 220 times as much as average production workers compared to 42:1 in 1991.

In a community where rents increased by more than 16% since 1990 — and where the median price of a home is over $320,000 — the implications of our community’s growing wage gap are clear. But the crisis facing this “other” Silicon Valley can’t only be measured in paychecks and housing costs.
Traffic jams and long delays are growing commonplace on our roads and freeways. The threat of toxic hazards continues to plague us both on the job and in our neighborhoods. Though high school drop out rates throughout California have been decreasing, in Santa Clara County they’ve been on the rise. Gang activity in our community is growing. The fact that juvenile felony arrest rates have quadrupled since 1985 is a grim reminder that Silicon Valley’s streets have become more dangerous, even as its businesses have grown more profitable.

The Virtual Corporation

In the past, the quality of life within a region could often be calibrated to the competitiveness of its largest employers. And for good reason. In the 1950s, for example, a booming auto industry enabled the United Auto Workers to bargain lucrative contracts which helped to move hundreds of thousands of southeastern Michigan families into the middle-class. The claim that what was “good for General Motors was good for America” rang true for many communities nationwide. In return for these wages and benefits, auto makers reaped the advantages of a stable workforce governed by a mutually agreed to set of rules.

However, in our Valley no institution has yet stepped forward to fill the same role in the electronics and software industries. Unlike the auto industry, which created rigidly tooled, mass production facilities to build its product, the semiconductor, computer and software industries today are more a collection of “virtual” corporations: highly flexible firms which invest less in the development of plants than in collaborative relationships with suppliers and subcontractors. In these industries a model of trade unionism designed for the era of Henry Ford and Frederick Taylor is as unworkable as it is unattractive.

But employee organizations do have a vital part to play in winning better lives for workers like Richelle, Doug and Alejandro, though, in many respects, they will need to function differently in the future. Like the industries of the new economy, the unions of the new economy will themselves need to become more nimble and innovative. The next
generation of unions, for example, will bargain less for rigid work rules, and more for a real voice in workplace decision making. Their members won’t always be the employees of individual companies, but individuals working for a range of employers. The contracts they negotiate won’t only win new opportunity for their members, but also set standards for entire industries.

A New Economy and a New Social Compact

Similarly, it is up to the business community to recognize its new responsibilities. A growing contingent workforce may satisfy Wall Street’s definition of corporate success, but we expect employers in Silicon Valley to live up to a higher standard. Not simply because it’s good corporate citizenship, but because, in the new economy, a healthy, educated, stable and empowered workforce provides any employer with a strategic advantage. Achieving this won’t come easy, but it won’t happen at all unless business embraces its stakeholders much as it does its stockholders. That means joining with government and labor to craft a new social compact so all of us can step into the winner’s circle together. In that respect, we urge employers to see this report less as an indictment of their failures in the past, than as an invitation to work with us to help shape the future.

Silicon Valley is an exceptional community of talented men and women. Together, we’ve presented America — and the world — with an exciting vision of a new, information-based economy: an economy that can generate prosperity in which all can share. But we also know that making that vision real for our generation begins with carefully assessing the problems we will face along the way. We present this report in that spirit and with the hope that it will help our community and business grow together, not continue to drift apart.

Amy B. Dean
Founder
Working Partnerships USA
January 1998
Growing Together, or Drifting Apart? provides a detailed statistical portrait of the daily life of residents of Silicon Valley. By evaluating data on wages, employment and poverty, and analyzing key indicators of social and community life, we are presenting a comprehensive overview of our region’s well-being.

This report comes at a critical time. Many leaders in both government and the private sector believe the Silicon Valley experience can provide important clues for an America anxious to succeed in a new, global economy. There is significant evidence to suggest they are wise to do so. As this report points out, over the course of the last two decades our region’s economy has prospered far more than most. Our success, fueled in large part by the growth of new, information technology industries, has recently given rise to a host of efforts by others in the U.S. and worldwide to create high-tech “corridors” in their own communities.

However, while there is no question that much of the Silicon Valley experience merits this enthusiasm, our report finds that the rewards of our region’s economic competitiveness are still not being shared by many residents of our community. Further, we find that despite our region’s successes, Silicon Valley is experiencing a dramatic growth in income inequality and economic insecurity.

The decoupling of economic competitiveness from the quality of life has disturbing implications. Economic development policies have long been guided by the assumption that the success of private employers accrues to the benefit of the community as a whole. To this end, local
governments have routinely embraced an array of incentives to encourage the location, growth and retention of various industries. However, by examining a range of indicators our report suggests that, absent the presence of mediating institutions, the competitiveness of Silicon Valley industry has not resulted in a higher quality of life for local residents.

There is some validity to comparing the impact of the growth of the information technology industry on our community to that of the steel industry on Pittsburgh or the meat packing industry on Chicago. Though, in their time, both industries were dynamic and highly competitive, it was only after the wide scale organization of labor unions that this resulted in the creation of large numbers of middle-class wage earners. Similarly, the Silicon Valley experience suggests that, barring the development of similar wage-setting institutions, income inequality will continue to expand, even as local industry continues to prosper.

Responding to income inequality and building an economy where businesses and workers’ wages do grow together, in fact, requires bold and innovative leadership from Silicon Valley’s policy makers, business leaders and community activists. Reaching a consensus will require each to challenge many traditional assumptions about the roles of both industry and public institutions in community life. While this will be difficult, failing will have enormous implications for the businesses and families who have made their home in Silicon Valley.
Major findings of this report include:

**Growing Economic Inequality:** While incomes have been rising steadily for high-income wage earners, others have experienced only limited benefits from our area’s economic success. This disparity has persisted even in the face of growing productivity and sales in the region’s information technology industry.

- In 1996, hourly wages for 75% of the workforce were still lower than they were in 1989, prior to the last recession. Wages for the bottom 25% of the workforce have actually declined by more than 13% in inflation-adjusted terms since 1989.

- Five of the ten fastest growing occupations in our region pay less than $10 per hour for entry-level positions.

- An estimated 19% of all area jobs pay less than a living wage* for a single adult. Nearly 40% of all jobs pay too little to keep a single parent and child out of poverty. A full 55% of Silicon Valley jobs pay too little to support a family of four.

- The ratio of earnings for top corporate executives to that of production workers in the electronics industry has climbed from 42:1 in 1991 to 220:1 in 1996.

*Defines the minimum income required to be self sufficient without any form of public subsidies. In Santa Clara County, a worker needs to earn between $11.00-$17.00 per hour, depending on the marital status and number of children.
Decaying Quality of Life: Area housing costs have soared in recent years, far out-pacing income growth, while access to quality health care and education show dramatic disparities.

- The average rent in Santa Clara County for a one bedroom apartment is now over $1,100. In the last four years, average rents have increased 28%.

- The median purchase price of a home in Santa Clara County in 1996 was 7.6% above the 1995 level. The median price in August 1997 was $323,000, a nearly 20% increase over the same month in 1996.

- Over 27% of Latina mothers in Santa Clara County have late prenatal care, or none at all. The teen birth rate for Latinas is nearly one-in-eight.

- Nearly 13.6% of Santa Clara County adults report no health insurance coverage. For Latino residents, the rate of non-coverage is nearly 25%.

- In one of the most disturbing trends, the high school drop out rate has been increasing and over 40% of Latino adults lack a high school degree.
Strained Public Sector Services: Though both population growth and expanding wage inequality have placed new demands on public education and an array of public services, local government has continued to face severe financial constraints in providing them. Since the 1978 passage of Proposition 13, local tax burdens have shifted from property taxes and federal transfers, to an increasing reliance on sales taxes and service charges—regressive taxes which place an unfair burden on middle-income and lower-income residents. The result is that even though our community as a whole benefits from public education and the provisions of other public services, the cost of providing those services is increasingly being borne by those who can least afford to pay. This new reliance on the sales tax impacts local economic development strategies as local governments give preference to retailers and other sales tax generators over industries which may have greater value to the community.

Threats to Environmental Quality and Public Health: While environmental threats posed by the electronics industry are not as readily apparent as those posed by heavy industries such as oil and steel, significant environmental problems such as groundwater contamination, high-volume water use, and serious toxic exposure in the workplace are hallmarks of high tech production. Our region’s heavy reliance on automobiles is also straining our transportation infrastructure while posing a growing hazard to public health and environmental quality.

“Our region’s heavy reliance on automobiles is also straining our transportation infrastructure while posing a growing hazard to public health and environmental quality.”
GROWING TOGETHER OR DRIFTING APART
WORKING PARTNERSHIPS USA
Growing Together, or Drifting Apart? profiles the economic and social well-being of Silicon Valley residents. It presents a comprehensive overview of our region’s economy, analyzing significant trends in employment, wages, income and poverty. This report also presents various indicators of community life and key factors in determining social well-being. By presenting this material, Growing Together, or Drifting Apart? is intended to foster an informed discussion of our region’s economic development strategies and how the competitiveness of Silicon Valley business can better lead to an improved quality of life for area residents.

Silicon Valley: The Heart of the New Economy

Once known only for its fruit orchards, Silicon Valley is now regarded as the heart of the new economy: a diverse array of information technology industries centered around the production of semiconductors, computers, software and related “high-tech” industries. According to a recent Business Week magazine survey, 45% of all industrial growth in the United States during the last five years came from the computer and semiconductor industries alone. In fact, 20 of the world’s 100 largest electronics and software firms are headquartered in Silicon Valley today. The presence of these industries is a principal reason why Silicon Valley is the nation’s largest export market today, and accounts for 38% of state export sales despite the fact that it has less than 10% of California’s population.

1: Silicon Valley includes all of Santa Clara County and significant parts of neighboring counties including Alameda, San Mateo and Santa Cruz Counties. For analytical purposes, data has been collected from Santa Clara County as the largest geographic segment of Silicon Valley and a key indicator of trends in the region.
Measuring Success in the New Economy

By most traditional measures of economic growth, Silicon Valley can be considered a clear success. A review of the area’s Gross Regional Product, productivity, unemployment and corporate profits paints a vivid portrait of an economy which is the envy of urban America. However, despite its prosperity, Silicon Valley is plagued by declining wages and a deteriorating quality of life. This incongruency suggests the need for more realistic indicators that measure the well-being of a community, not simply the competitiveness of its principal employers.

The quandary presented by traditional economic indicators is threefold:

- First, they do not capture a series of standard economic factors that fundamentally shape the quality of life. Among these factors are: wages, income distribution, income inequality, job insecurity, and the rise in temporary, part-time and other forms of contingent employment.

- Second, traditional economic indicators do not capture issues that are crucial to determining the quality of life. For example, they fail to incorporate data measuring education, public health, recreation and other elements vital to assessing the quality of individual and community life.

- Third, traditional indicators also fail to assess the true economic cost of a variety of vital activities. For example, housework, child care...
and care for the elderly are crucial to our economic well-being, yet they are not counted in measures of economic activity when performed by family members rather than purchased as outside services. Additionally, indicators often determine that some activities are an economic benefit to society, when closer scrutiny suggests they should be regarded as a cost. The expense of treating patients exposed to pollution, for example, may generate economic activity in a community, but also has definite costs. Environmental destruction and the depletion of natural resources are very real costs that are not calculated into traditional economic indicators.

In response to these and other concerns, economists are developing new approaches to measuring the social and economic health that go well beyond traditional indicators. Preparing such indicators allows us not only to better measure the socioeconomic well-being of our communities, but to craft sensible responses to the problems within them. In this respect, *Growing Together, Or Drifting Apart?* was prepared not as an academic exercise, but as a tool to help build a consensus on economic development strategies in Silicon Valley.

**Outline of Report**

*Growing Together, Or Drifting Apart* is divided into five parts:

“Who Are We? A Demographic Profile of Santa Clara County” provides a statistical overview of the composition of Silicon Valley’s population and the components of population change.
“Working in the New Economy: Employment, Wages and Income Trends” details employment and wage trends in the Silicon Valley, as well as developments in income inequality, economic opportunity, and poverty.

“Community and Society: Health, Education and Related Trends” offers indicators on the quality of life in our region by exploring trends in health, education, housing and other areas.

“Civic Life: Public Institutions and Involvement” analyzes trends related to local government and public participation.

“Environmental Quality and Public Health: Indicators of Sustainability” provides indicators of environmental quality, public health and sustainability in Silicon Valley.
III. Who Are We? A Demographic Profile of Santa Clara County

Total Population

In 1997, Santa Clara County had an estimated population of 1.65 million people, a 10.4% increase from 1990. However, this growth has been uneven and centered largely in the county’s southern and eastern communities. Morgan Hill, for example, showed a population increase of 22.2%. Milpitas grew by 20.7%. In comparison, San Jose grew by 11.6% adding an estimated 90,000 residents since completion of the last census.

<table>
<thead>
<tr>
<th>Table 1: Population Estimates by City, January 1, 1997</th>
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<tbody>
<tr>
<td>1990</td>
</tr>
<tr>
<td>Santa Clara County</td>
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<tr>
<td>Campbell</td>
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<td>Cupertino</td>
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<td>Gilroy</td>
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<td>Los Altos</td>
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<td>Los Altos Hills</td>
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<td>Los Gatos</td>
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<td>Milpitas</td>
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<td>Monte Sereno</td>
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<td>Morgan Hill</td>
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<td>Mountain View</td>
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<td>Palo Alto</td>
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<td>San Jose</td>
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<tr>
<td>Santa Clara</td>
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<tr>
<td>Saratoga</td>
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<tr>
<td>Sunnyvale</td>
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<tr>
<td>Unincorporated</td>
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</tbody>
</table>

Source: California Department of Finance
Growing Diversity

Not unlike California as a whole, Silicon Valley is becoming more ethnically diverse with each passing year. According to the most recent data, all of Santa Clara County’s net population gain since 1990 is the result of the growth of its non-white population. The white population now represents less than 53% of the county’s total population, while the Latino population has grown to 23%. The number of Asian/Pacific Islanders has also grown and now represents 20% of Santa Clara County’s residents. Growth in the county’s African-American community has remained relatively static and continues to represent approximately 4% of Santa Clara County’s population.

Chart 1: Santa Clara County Population by Race–1990-1995

Source: California Dept. of Finance
Changes in the region’s population in this decade reflect a number of different trends. Immigration from other countries resulted in an average of 15,000 new residents annually. However, from other areas of the U.S., fewer people are moving to Silicon Valley than the number leaving, averaging 11,000 people per year. Most of the population growth is as a result of childbirth rather than immigration.

“Most of the population growth [in the Valley] is as a result of childbirth rather than immigration.”

Trends among ethnic groups differ widely. With more than 75,000 new members between 1990 and 1995, Santa Clara County’s Asian/Pacific Islanders represent the fastest growing segment of this diverse community. Almost two out of three of these new residents migrated into the county. In contrast, of the 50,000 new members of Santa Clara County’s Latino community, only 14% came from outside the county.
“...the future of Silicon Valley is intertwined with that of its younger and growing Latino community. ... [which] is currently at greatest risk of being ‘left behind’”

Age Profile

The age of Santa Clara County residents differs dramatically by race with the white population significantly older than that of the county as a whole. For example, though whites made up 55% of the county’s total population in 1995, only 44% of children under the age of 15 were white. Of residents age 65 and older, nearly 73% were white. In contrast, Latinos, account for 23% of the total population, but make up 31% of all children under the age of 15, and only 12% of residents age 65 and older.

The implication of this shift is that the future of Silicon Valley is intertwined with that of its younger and growing Latino community. However, as highlighted later in this report, it is the Latino community which is currently at greatest risk of being “left behind” economically and socially.
By far, educational attainment is one of the most telling indicators of any community’s well-being. This is particularly true in Silicon Valley, where employers in the information technology industry require a highly skilled and sophisticated workforce. However, educational attainment in Santa Clara County is sharply stratified along ethnic and racial lines. According to 1990 data, the county’s Chinese, Japanese and Indian communities are, by far, the best educated with more than 60% of adults aged 18-64 having received a college degree. No other ethnic group approaches this level of educational attainment. Over 40% of Latino adults lack a high school education and in the Native American community, more adults lack a high school diploma than have a college degree.
Editor Note: Reference for Section IV (following page)
IV. Working in the New Economy: Employment, Wages and Income Trends

Silicon Valley’s Economy in Perspective

As often noted, Silicon Valley’s economy is dominated by a high concentration of electronics and related information technology industries. An estimated 25-to-35% of all employment in our region is directly related to these firms. Like the entertainment industry in Los Angeles, Silicon Valley’s information technology industry is significant, but not the only employment sector impacting the economic well-being of the region.

The Information Economy is a Manufacturing Economy

Of the 28% of Silicon Valley’s workforce employed in manufacturing industries, four of every five are employed in computer, semiconductor and related industries. Another 33% of Silicon Valley’s workforce is employed in what statisticians refer to as “service industries,” an extraordinarily broad category encompassing a host of industries from health care to education. While many of these positions, particularly in the retail industry, require relatively few skills, the concentration of information technology firms in Santa Clara County has generated an array of new, highly sophisticated service jobs. For example, the development of custom software, though requiring highly specialized skills, is still considered a “service” job for the purpose of data collection.

Editor Note: Reference Chart No. 7 on previous page
Largest Employment Sectors

The largest employment sector in Silicon Valley is electronic components, a sector that includes semiconductor manufacturing. Given the depth of technical knowledge and problem solving required of many workers in this industry, which includes semiconductors, it is little surprise that the incomes it provides are among the highest of any in Santa Clara County. Annual incomes of workers in this industry averaged $62,445, well above the county average of $44,792. By comparison, the second largest employer in Santa Clara County, local government, paid an average of $34,684 a year. Other enterprises related to computers and data processing, the third and fourth largest employers in Silicon Valley, also provide wages far in excess of the county average. However, the fifth and sixth largest employers, restaurants and taverns, and temporary employment agencies, offered wages at a fraction of the county average. For example, the average earnings of an employee of a restaurant or similar establishment totaled $11,933, only 26% of the county average. All told, eight of the top 15 employment sectors in Silicon Valley provide wages well above the county average, while six offer pay significantly below it.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Total Employment</th>
<th>Average Payroll</th>
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<tbody>
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<td>Electronic components and accessories</td>
<td>69,169</td>
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<td>Local Government</td>
<td>67,240</td>
<td>$34,684</td>
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<td>Computer and office equipment</td>
<td>47,885</td>
<td>$77,137</td>
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<tr>
<td>Computer and data processing services</td>
<td>47,848</td>
<td>$83,607</td>
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<td>Eating and drinking places</td>
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<td>$11,933</td>
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<td>Personnel supply services</td>
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<td>Measuring and controlling devices</td>
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<td>Private Hospitals</td>
<td>17,925</td>
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<td>Wholesale Electrical goods</td>
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<td>Miscellaneous business services</td>
<td>14,868</td>
<td>$26,715</td>
</tr>
<tr>
<td>Professional commercial equipment--Wholesale</td>
<td>14,689</td>
<td>$62,342</td>
</tr>
<tr>
<td>Research and testing services</td>
<td>14,599</td>
<td>$65,882</td>
</tr>
<tr>
<td>Federal Government</td>
<td>13,136</td>
<td>$43,688</td>
</tr>
<tr>
<td>Retail--Grocery stores</td>
<td>12,903</td>
<td>$22,369</td>
</tr>
<tr>
<td>Communications equipment</td>
<td>11,764</td>
<td>$66,493</td>
</tr>
<tr>
<td><strong>County Totals</strong></td>
<td><strong>885,560</strong></td>
<td><strong>$44,792</strong></td>
</tr>
</tbody>
</table>

Source: California Employment Development Department

“...eight of the top 15 employment sectors in Silicon Valley provide wages well above the county average, while six offer pay significantly below it.”
Driving Industry Clusters

Analysts of economic development in Silicon Valley often base their analysis on “driving industry clusters” in the region — concentrations of largely complimentary industries which are seen as driving wealth creation in the value through the exports of goods and services. Major driving industry clusters in the area include: computers/communications, semiconductors, software, bioscience, professional services, manufacturing/innovation services, and environmental technologies. Studying employment trends and industry dynamics in these sectors can provide important clues to understanding the region’s economic health. However, this approach has at least three major flaws in terms of assessing the overall well-being of the region’s economy and working families in the area.

First, this approach hides inequality within firms. By focusing on total employment, this approach fails to examine the types of jobs firms are creating, how many of those jobs are part-time or full-time, how many are temporary or permanent, and how many provide opportunities for advancement or are just dead-end jobs. In addition, by focusing only on average wages, this approach fails to examine wage inequality within the firm, and whether the incomes of workers within those firms are going up at the same time as company revenues and profits are expanding.

Second, this approach makes little effort to assess inequality of wages within clusters. Starkly divergent trends can be “hidden” within industry clusters. Some economic analysts use the category of “professional services” but include within this category both true professional services (e.g., attorneys, architects, accountants, etc.) and a variety of
“While employment at Sun, Hewlett-Packard, Apple and other major computer companies has been stagnant or declining in recent years, hiring by contractors which manufacture components used by these firms has been rapidly expanding.”

A somewhat similar trend is also revealed on closer examination of employment within the cluster of “computers/communications” firms. While employment at Sun, Hewlett-Packard, Apple and other major computer companies has been stagnant or declining in recent years, hiring by contractors which manufacture components used by these firms has been rapidly expanding. However, the earnings of employees of these contractors are 30% less than that of workers at the original equipment manufacturer. Not unlike its neglect of the out-sourcing low-end professional services, this methodology largely ignores the impact on wages of this growing reliance by major computer firms on component manufacturers.
The third serious flaw in the analysis of driving industry clusters is their assumption that the success of individual clusters has a spillover effect on the regional economy. As the following section shows, this is plainly not the case. While other sectors of Silicon Valley’s economy have grown along side these clusters, they have generated wages far below the Santa Clara County average.

The third serious flaw in the analysis of driving industry clusters is their assumption that the success of individual clusters has a spillover effect on the regional economy. As the following section shows, this is plainly not the case. While other sectors of Silicon Valley’s economy have grown along side these clusters, they have generated wages far below the Santa Clara County average.

### Table 6: Top 10 Industries with Greatest Total Job Growth, 1992-1996

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Software</td>
<td>32,331</td>
<td>$88,983</td>
</tr>
<tr>
<td>Outsourcing Services</td>
<td>29,463</td>
<td>26,448</td>
</tr>
<tr>
<td>Innovation Services</td>
<td>20,487</td>
<td>69,559</td>
</tr>
<tr>
<td>Semiconductors</td>
<td>15,750</td>
<td>81,475</td>
</tr>
<tr>
<td>Construction</td>
<td>10,074</td>
<td>44,375</td>
</tr>
<tr>
<td>Contract Manufacturing/Computer Components</td>
<td>8,463</td>
<td>50,639</td>
</tr>
<tr>
<td>Eating and Drinking Places</td>
<td>8,380</td>
<td>12,515</td>
</tr>
<tr>
<td>Travel, Tourism, Leisure</td>
<td>6,342</td>
<td>24,694</td>
</tr>
<tr>
<td>Non-Food Retail Sales</td>
<td>6,200</td>
<td>24,938</td>
</tr>
<tr>
<td>Transportation/Public Utilities</td>
<td>5,348</td>
<td>39,892</td>
</tr>
</tbody>
</table>

Source: California Employment Development Department

**Occupational Growth**

Silicon Valley’s highly educated workforce has long been recognized as one of our region’s greatest strategic assets. The fact that a high proportion of computer scientists and engineers have made their home in Santa Clara County is critically important to the region’s economic future. However, Silicon Valley has also witnessed an alarming growth in low-skill, low-wage jobs, as well. In fact, five out of the ten occupations with the greatest projected number of job openings pay a starting wage of less than $10 an hour. Though Silicon Valley continues to experience a growing demand for electrical engineers, systems analysts and other high-skill specialists, it is also becoming an economy of waitresses, janitors and cashiers.

“...Silicon Valley has also witnessed an alarming growth in low-skill, low-wage jobs...”
Average annual income in the Silicon Valley has been increasing in recent years, but closer review suggests that wage gains for most Silicon Valley residents have been much weaker than generally believed. For example, in 1996 average real annual earnings climbed locally by 5.1%. However, when adjusted to reflect wage inequality within different sectors of the workforce and income increases resulting from additional hours worked, the story is much more complex.

A careful analysis of hourly earnings reveals a disturbing trend toward growing wage inequality. In fact, most wage earners in Silicon Valley have yet to fully recover from the recession of the early 1990s. By 1996, only Silicon Valley’s highest income workers, those at the 90th percentile, were earning wages above those earned in 1989. Lower wage workers, those at the 10th and 25th percentile, have actually seen their wages drop by more than 13% since 1989.
As Table 9 indicates, earners with a high school education or less and wage earners at the bottom 20% of the labor market have experienced a particularly steep decline in their wages over the past seven years. Non-white workers have also experienced a significant erosion in their wages during this period. The fact that 1995-96 average hourly earnings fell to $17.34 from $18.66 in 1989-90 indicates that the annual income increase for many is actually the result of working more hours for less money.

**Table 8: Real Hourly Wages by Percentile: San Jose, CA 1979-96 (1996 Dollar)**

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10th</td>
<td>7.45</td>
<td>7.44</td>
<td>7.16</td>
<td>7.21</td>
<td>7.32</td>
<td>6.78</td>
<td>6.24</td>
<td>6.15</td>
<td>6.29</td>
<td>6.21</td>
<td>-3.9% -13.3%</td>
</tr>
<tr>
<td>50th</td>
<td>14.06</td>
<td>16.00</td>
<td>14.94</td>
<td>16.55</td>
<td>14.94</td>
<td>14.39</td>
<td>14.44</td>
<td>13.42</td>
<td>14.27</td>
<td>14.81</td>
<td>6.2% -0.9%</td>
</tr>
<tr>
<td>75th</td>
<td>20.83</td>
<td>21.98</td>
<td>23.61</td>
<td>23.80</td>
<td>22.67</td>
<td>21.01</td>
<td>21.74</td>
<td>20.99</td>
<td>21.26</td>
<td>22.00</td>
<td>13.4% -6.8%</td>
</tr>
<tr>
<td>90th</td>
<td>29.01</td>
<td>29.88</td>
<td>31.61</td>
<td>31.69</td>
<td>31.18</td>
<td>29.25</td>
<td>30.66</td>
<td>30.29</td>
<td>29.01</td>
<td>32.30</td>
<td>9.0% 2.2%</td>
</tr>
</tbody>
</table>

Source: Analysis of U.S. Census Data from the Current Population Survey

As Table 9 indicates, earners with a high school education or less and wage earners at the bottom 20% of the labor market have experienced a particularly steep decline in their wages over the past seven years. Non-white workers have also experienced a significant erosion in their wages during this period. The fact that 1995-96 average hourly earnings fell to $17.34 from $18.66 in 1989-90 indicates that the annual income increase for many is actually the result of working more hours for less money.

**Table 9: Real Average Hourly Wages by Group, San Jose 1979-1996**

<table>
<thead>
<tr>
<th>By Gender</th>
<th>1979</th>
<th>1989-90</th>
<th>1995-96</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>$19.67</td>
<td>$21.03</td>
<td>$19.14</td>
<td>6.9% 9.0% -2.7%</td>
</tr>
<tr>
<td>Women</td>
<td>$12.14</td>
<td>$15.53</td>
<td>$15.09</td>
<td>27.9% -2.9% 24.3%</td>
</tr>
<tr>
<td>By Education Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School or less</td>
<td>$14.48</td>
<td>$14.10</td>
<td>$11.71</td>
<td>-2.6% -16.9% -19.1%</td>
</tr>
<tr>
<td>More than High School</td>
<td>$18.35</td>
<td>$20.83</td>
<td>$19.82</td>
<td>13.5% -4.8% 8.0%</td>
</tr>
<tr>
<td>By Race</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>$17.28</td>
<td>$20.01</td>
<td>$19.54</td>
<td>15.8% -2.4% 13.1%</td>
</tr>
<tr>
<td>Non-White</td>
<td>$14.31</td>
<td>$15.99</td>
<td>$14.48</td>
<td>11.7% -9.4% 1.2%</td>
</tr>
<tr>
<td>By Class</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bottom 20%</td>
<td>$7.41</td>
<td>$7.55</td>
<td>$6.40</td>
<td>1.9% -15.3% -13.7%</td>
</tr>
<tr>
<td>Top 20%</td>
<td>$28.23</td>
<td>$31.93</td>
<td>$30.45</td>
<td>13.1% -4.6% 7.9%</td>
</tr>
</tbody>
</table>

Source: Analysis of U.S. Census Data from the Current Population Survey

A generally accepted measure of inequality is the Gini coefficient. This indicator measures the extent a region’s total income is con-
centrated in a minority of the population. Today, wage inequality in Silicon Valley exceeds that of the U.S. as a whole. Given that this measure is based only on wages and fails to reflect earnings from stock options, the true extent of inequality in Silicon Valley is likely greater than that reflected by the Gini coefficient.

“Today, wage inequality in Silicon Valley exceeds that of the U.S. as a whole.”

Executive Pay Growth

An additional indicator of widening wage inequality in Silicon Valley is the steep increase in the earnings of executives at major firms in Santa Clara County relative to the earnings of their employees. Since 1991, the average annual compensation of the highest paid 100 corporate executives at Silicon Valley’s largest companies grew by 390%.
In contrast, the average annual income of production workers in the electronics industry declined by 6%. The ratio of annual income of the top 100 executives to that of the average production worker climbed from 42:1 in 1991 to 220:1 in 1996.

| Table 10: Corporate Executive to Production Worker Wages, Silicon Valley, 1990-1996 |
|----------------------------------|--------|--------|--------|--------|--------|--------|
| Average Total Compensation      | $1,413,831 | $2,530,471 | $2,918,019 | $3,142,797 | $4,714,747 | $6,937,130 |
| Top 100 Silicon Valley          |        |        |        |        |        |        |
| Executives                      |        |        |        |        |        |        |
| Average Income, Production      | $33,617 | $33,985 | $33,336 | $32,437 | $31,843 | $31,512 |
| Workers in Electronics Industry |        |        |        |        |        |        |
| Ratio of Average of Top 100 Executives to Average Production Worker | 42 | 74 | 86 | 97 | 148 | 220 |
| % Change 1991-96                |        |        |        |        |        |        |

Source: San Jose Mercury News and California Employment Development Department

Productivity and Wages

Silicon Valley can boast one of the highest levels of productivity of any region in the United States. In our region, value added per manufacturing employee (a key measure of productivity) was $114,000 in 1992 compared to a U.S. average of less than $80,000. However, this impressive productivity is not reflected in workers’ paychecks.

From 1977 through 1992, value added per manufacturing employee grew at a rate of 2.5% annually. But the wages paid to manufacturing workers have increased by only 0.7% annually.

“Since 1991, the average annual compensation of the highest paid 100 corporate executives at Silicon Valley’s largest companies grew by 390%. In contrast, the average annual income of production workers in the electronics industry declined by 6.”
“Silicon Valley can boast one of the highest levels of productivity of any region in the United States.”
Livable Wages and Measuring Poverty

Given that the cost of living in Silicon Valley is significantly higher than that of the nation as a whole, federal officials routinely underestimate poverty in our region. In response to this discrepancy, the Santa Clara County Social Services Agency has determined a wage they believe is necessary to ensure minimum self-sufficiency in our area. This wage estimate is based on actual costs in Silicon Valley.

“Almost 55% of jobs in the area fail to pay enough to keep a family of four out of poverty.”

Table 11: Minimum Self-Sufficiency Wage
San Jose, CA/Santa Clara County, 1996

<table>
<thead>
<tr>
<th></th>
<th>One Adult</th>
<th>One Adult+ One Schoolage Child</th>
<th>One Adult+ One Schoolage Child</th>
<th>Two Adults (both Working) + One Infant + One Schoolage Child</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>$731.00</td>
<td>$903.00</td>
<td>$903.00</td>
<td>$903.00</td>
</tr>
<tr>
<td>Child Care</td>
<td>$0.00</td>
<td>$275.00</td>
<td>$794.80</td>
<td>$1,041.60</td>
</tr>
<tr>
<td>Food</td>
<td>$125.00</td>
<td>$240.45</td>
<td>$315.35</td>
<td>$423.50</td>
</tr>
<tr>
<td>Transportation</td>
<td>$114.16</td>
<td>$117.81</td>
<td>$117.81</td>
<td>$231.97</td>
</tr>
<tr>
<td>Medical Care</td>
<td>$77.35</td>
<td>$139.03</td>
<td>$176.79</td>
<td>$225.45</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$104.75</td>
<td>$167.53</td>
<td>$230.75</td>
<td>$282.55</td>
</tr>
<tr>
<td>Taxes</td>
<td>$270.66</td>
<td>$384.93</td>
<td>$581.01</td>
<td>$774.76</td>
</tr>
<tr>
<td>Earned Income Tax Credit (-)</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Child Care Tax Credit (-)</td>
<td>$0.00</td>
<td>($42.00)</td>
<td>($80.00)</td>
<td>($80.00)</td>
</tr>
<tr>
<td>Monthly Self-Sufficiency Wage</td>
<td>$1,422.92</td>
<td>$2,185.75</td>
<td>$3,039.31</td>
<td>$3,802.83</td>
</tr>
<tr>
<td>Hourly Self-Sufficiency Wage</td>
<td>$8.08</td>
<td>$12.42</td>
<td>$17.27</td>
<td>$10.80 per adult, or $15.72 per adult</td>
</tr>
</tbody>
</table>

Source: Wider Opportunities for Women

By comparing the estimates above to the actual hourly wages earned by area residents, it is clear that approximately 19% of Silicon Valley’s jobs fail to provide a wage which would allow a single person to be self-sufficient. Additionally, nearly 40% of area jobs fall short of providing the minimum earnings necessary to support an adult with one child. Almost 55% of jobs in the area fail to pay enough to keep a family of four out of poverty.
“In Santa Clara County, personal bankruptcy filings have increased 65% in the last six years,”

**Bankruptcy Filings**

In order to provide for their basic needs, many area residents are using credit cards, borrowing heavily and, as a result, are falling into debt. Unfortunately, accurate data on individual consumer debt on a regional basis is unavailable. However, one proxy for this is data related to personal bankruptcy filings. In Santa Clara County, personal bankruptcy filings have increased 65% in the last six years, providing an indication of the financial hardships being faced by many Silicon Valley residents.
Welfare Reform

While many of the obstacles facing Silicon Valley’s low income families suggest a flaw in our region’s labor market, one may instead be traceable to significant changes in Federal and state policy. The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, better known as welfare reform, coupled with the state’s new CalWORKs welfare system, represents a radical, new response to the problems facing low and poverty wage workers.

Included among the principles guiding both the Federal and state measures are the following:
• Stringent work requirements for welfare and food stamp recipients;

• Narrow time-limits on eligibility for welfare benefits, including a new, five-year life time limit;

• An abolition of the principle of guaranteed public assistance to those in need.

By replacing the principle of entitlement with an assumption that government’s role should be limited to helping individuals into the workforce, the success of both the Federal and state measures will depend on our economy’s ability to provide an adequate supply of permanent, good-quality jobs. However, even Santa Clara County, which currently boasts one of the state’s lowest unemployment rates, will be unable to accommodate the new job seekers who will enter the workforce as a result of welfare reform. According to data collected by the California Budget Project, welfare reform will result in three times as many job seekers in Santa Clara County as there will be available jobs.

Additionally, as noted elsewhere in this report, many of the jobs former welfare recipients are likely to find will not allow them to earn an adequate income. This problem is particularly acute for single parents with children. Absent public assistance, nearly 40 percent of all jobs...

...welfare reform will result in three times as many job seekers in Santa Clara County as there will be available jobs.”
in Silicon Valley pay too little to keep a single mother with one child out of poverty.

The lack of Silicon Valley jobs providing adequate wages is underscored by the fact that many Santa Clara County welfare recipients today routinely enter the workforce, only to be forced back on to welfare rolls by low wages. For example, 45% of families receiving assistance in Santa Clara County currently exceed the five-year lifetime limit, though the median length of time recipients obtained benefits was only 21 months.

Another key factor in the inability of welfare recipients to both enter and remain in the workforce is the lack of critical support services such as transportation and child care. However, both the Federal and state welfare reform measures have failed to adequately address either concerns. For example, while the availability of subsidized childcare in Santa Clara County has dramatically improved over the past decade, the new demand for subsidized childcare resulting from welfare reform far outstrips the available supply. Though 12,000 subsidized childcare “slots” exist today, the Community Coordinated Child Development Council of Santa Clara County reports that almost 14,000 eligible children are still waiting for subsidized child care. More than 46,000 total children in Santa Clara County are on public assistance.

By requiring welfare recipients to work, while denying them adequate wages and support services, welfare reform is far more likely to worsen poverty in Silicon Valley than it is to alleviate it.

“Absent public assistance, nearly 40% of all jobs in Silicon Valley pay too little to keep a mother with one child out of poverty.”
GROWING TOGETHER OR DRIFTING APART

Number of Children on AFDC/TANF
Santa Clara County

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Children</td>
<td>42,527</td>
<td>57,017</td>
<td>60,609</td>
<td>46,801</td>
</tr>
</tbody>
</table>

Source: Santa Clara County Children’s Report Card

Number of Children on AFDC/TANF

- 1990: 42,527
- 1992: 57,017
- 1994: 60,609
- 1997: 46,801
V. Community and Society: Health, Education and Related Trends

Current trends in employment and wages are only one measure of the quality of life and long term well being of Silicon Valley’s residents. Other measures include developments related to housing, education, health and family life.

HOUSING AFFORDABILITY

Home Ownership

The scarcity of affordable housing has clearly become one of the most significant challenges facing residents of Silicon Valley. The median purchase price of a house in Santa Clara County in 1996 was $270,000. This represents a 6% increase over the 1995 median purchase price of $255,000. The median purchase price of a single-family house sold in August 1997 was $323,000, an increase of approximately 20% over the same month one year earlier.

“... has clearly become one of the most significant challenges facing residents of Silicon Valley.
Rental Market

In light of the fact that seven out of ten residents cannot afford to purchase a home in Santa Clara County, many are trapped in the area’s rental housing market. Here, the lack of affordable housing is particularly acute. The average monthly rent in Santa Clara County for all apartments is $1,100. In the last four years the average rent for apartments in Santa Clara County increased by 28%.

HEALTH ACCESS AND HEALTH CARE

Infant Mortality Rate

The infant mortality rate is an important, basic indicator of child health. In 1995, Santa Clara County showed an overall decrease in infant mortality rates to 5.2 deaths per 1,000 live births. However, the rate
for African-Americans is still significantly higher. In 1993, the last year reliable statistics were available, the infant mortality rates for African-Americans in Santa Clara County was 20.6 per 1,000 live births.

Table 14: Infant Mortality by Race, Santa Clara County, 1990-1994  

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>African-American*</td>
<td>24.1</td>
<td>19.2</td>
<td>16.9</td>
<td>20.3</td>
<td>9.1</td>
<td>12.9</td>
</tr>
<tr>
<td>Hispanic</td>
<td>5.7</td>
<td>8.0</td>
<td>6.2</td>
<td>6.2</td>
<td>6.1</td>
<td>4.8</td>
</tr>
<tr>
<td>Asian/Other</td>
<td>4.8</td>
<td>4.8</td>
<td>5.1</td>
<td>3.4</td>
<td>5.0</td>
<td>4.6</td>
</tr>
<tr>
<td>White</td>
<td>4.0</td>
<td>5.9</td>
<td>5.0</td>
<td>3.7</td>
<td>5.1</td>
<td>5.3</td>
</tr>
<tr>
<td>County Average</td>
<td>5.6</td>
<td>6.9</td>
<td>6.0</td>
<td>5.3</td>
<td>5.8</td>
<td>5.2</td>
</tr>
</tbody>
</table>

Source: Santa Clara County Health Status Report, 1996  
*Numbers are too small for statistically reliable rate in 1994 and 1995

Prenatal Care

The availability of prenatal care is a crucial measure for judging the health of any community. While recent years have seen significant improvements in access to prenatal care, many of Silicon Valley’s expectant mothers are still receiving inadequate care, or none at all. While fewer than 10% of white and Japanese-American expectant mothers lacked adequate prenatal care, 27.9% of Latino and 35.7% of Native Americans went without the care they needed.

Table 15: Percent of Mothers with Late or No Prenatal Care, Santa Clara County, 1990-1995  

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>11.9</td>
<td>12.1</td>
<td>9.9</td>
<td>8.7</td>
<td>9.4</td>
<td>9.6</td>
</tr>
<tr>
<td>African-American</td>
<td>28.0</td>
<td>27.5</td>
<td>27.1</td>
<td>23.6</td>
<td>23.9</td>
<td>21.1</td>
</tr>
<tr>
<td>Hispanic</td>
<td>34.5</td>
<td>35.8</td>
<td>32.1</td>
<td>30.6</td>
<td>29.5</td>
<td>27.9</td>
</tr>
<tr>
<td>Chinese</td>
<td>15.9</td>
<td>16.3</td>
<td>16.8</td>
<td>14.8</td>
<td>11.7</td>
<td>15.2</td>
</tr>
<tr>
<td>Japanese</td>
<td>10.5</td>
<td>8.1</td>
<td>9.5</td>
<td>7.1</td>
<td>11.4</td>
<td>8.7</td>
</tr>
<tr>
<td>Other Asian</td>
<td>23.8</td>
<td>23.3</td>
<td>20.9</td>
<td>18.6</td>
<td>18.4</td>
<td>21.2</td>
</tr>
<tr>
<td>Native American</td>
<td>37.3</td>
<td>30.7</td>
<td>21.3</td>
<td>26.5</td>
<td>14.2</td>
<td>35.7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>21.6</td>
<td>22.4</td>
<td>20.2</td>
<td>18.8</td>
<td>18.5</td>
<td>18.7</td>
</tr>
</tbody>
</table>

Source: Santa Clara County Health Status Report, 1997
The lack of prenatal care is a principal factor in babies being born with a low birth weight. In Santa Clara County in 1995, 6% of babies were born with a low birth weight, up from 5.7% in 1994 and 5.3% in 1993.

Table 16: Percent of Low Birth Weight Births by Race/Ethnicity, Santa Clara County, 1990-1995

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>African-American</td>
<td>10.1</td>
<td>9.2</td>
<td>10.2</td>
<td>10.6</td>
<td>10.1</td>
<td>10.4</td>
</tr>
<tr>
<td>Native American</td>
<td>4.8</td>
<td>7.0</td>
<td>5.7</td>
<td>1.8</td>
<td>7.1</td>
<td>9.8</td>
</tr>
<tr>
<td>Japanese</td>
<td>6.7</td>
<td>6.5</td>
<td>4.6</td>
<td>4.9</td>
<td>4.9</td>
<td>7.3</td>
</tr>
<tr>
<td>Other Asian*</td>
<td>6.4</td>
<td>6.3</td>
<td>6.4</td>
<td>6.1</td>
<td>6.9</td>
<td>7.0</td>
</tr>
<tr>
<td>Latino</td>
<td>5.5</td>
<td>5.2</td>
<td>5.3</td>
<td>4.9</td>
<td>5.4</td>
<td>5.8</td>
</tr>
<tr>
<td>White</td>
<td>4.5</td>
<td>4.7</td>
<td>4.9</td>
<td>5.0</td>
<td>5.1</td>
<td>5.4</td>
</tr>
<tr>
<td>Chinese</td>
<td>4.4</td>
<td>3.9</td>
<td>4.8</td>
<td>3.9</td>
<td>4.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Total</td>
<td>5.3</td>
<td>5.3</td>
<td>5.5</td>
<td>5.3</td>
<td>5.7</td>
<td>6.0</td>
</tr>
</tbody>
</table>

*Includes SE Asian, Filipino, and other Asian
Source: Santa Clara County Health Status Report 1997

Teen Birth Rate

Rising teen birth rates play a role in a host of social problems. Comparatively, Santa Clara County’s teen birth rate for females ages 15-19 (49.3 per 1,000) is significantly lower than the rate for California as a whole (64.4 per 1,000). However, these rates vary by race and ethnicity. Latino teens, for example, had a birth rate of 113.7 per 1,000 in 1995. The fact that nearly one of every eight Latinas has children by the age of 19 is a contributing factor to the high dropout rate among Latino students in Silicon Valley schools.
Health Care Coverage

Access to affordable, quality health care coverage remains one of the key determinants of any family’s health care status. Unfortunately, until 1997, relevant data has not been systematically collected at a county level. However, a new data collection process, the Behavioral Risk Factor Survey, has determined that Santa Clara County residents enjoy a significantly higher level of health care coverage than Californians as a whole. Only 13.6% of local survey participants aged 18-to-64 lacked health care coverage compared to 23% for the state as a whole. The extent of coverage varies widely by race, however. While 7.1% of Santa Clara County’s white residents reported no health coverage, almost one of every four Latinos reported having no health coverage.

“...almost one of every four Latinos reported having no health coverage.”
“Fueled in part by rising teen birth rates, the drop out rate for Silicon Valley’s Latino high school students...SOARED”

Education

Students in our region’s public schools are clearly more successful than their classmates statewide. For example, 42% of Santa Clara County’s students are taking SAT tests compared to the California state average of 36%. Silicon Valley’s students are also receiving scores which, on average, are 5.2% higher than their counterparts in other California communities. However, while some of Silicon Valley’s students are moving ahead, many others are falling back. Fueled in part by rising teen birth rates, the drop out rate for Silicon Valley’s Latino high school students, for example, soared from 5.5% in 1995 to 6.8% in 1996.
Family Stresses

In recent years, an increasing number of policy makers have come to understand that the quality of family life is a vital component to the well-being of communities. In this regard we found developments which were encouraging, but others which cause concern. According to Santa Clara County’s Department of Family & Children’s Services, reported cases of child abuse and neglect, a key indicator of family instability, were down. In 1996-97, 22,700 cases of child abuse and...
neglect were reported compared to 23,850 in 1995-96. During the recession years of 1991-1993, child abuse and neglect reached a recent high of more than 26,000 reported cases. It should be noted, though, that despite the recent decline, the current level of child abuse and neglect is significantly higher than the 19,000 cases reported in 1986-87.

Source: Santa Clara County Social Services Agency, Department of Family & Children's Services

Chart 19: Child Abuse and Neglect Referrals Received, 1986-997
However, while child abuse and neglect rates are dropping, juvenile felony arrest rates have increased dramatically. In 1989, the juvenile felony arrest rate was 1,820 per 100,000 people. By 1995, it has risen to 2,549. Since the 1980’s, the number of arrests for violent crimes have climbed from fewer than 150 per 100,000 people in 1985, to 622 in 1995.

"...while child abuse and neglect rates are dropping, juvenile felony arrest rates have increased dramatically."
WORKING PARTNERSHIPS USA 54 GROWING TOGETHER OR DRIFTING APART
An essential element of quality community life is the presence of strong and vital public institutions. One important measure of this is the ability of local government to provide adequate public services to its residents. In recent years, policy makers and other opinion leaders throughout urban America have debated the role of government in the delivery of public services. While some have advocated the privatization of various services, others point out that the public sector remains the only avenue for providing services efficiently and fairly on a community basis. Faced with severe restrictions on its ability to generate revenue, Silicon Valley government has gradually withdrawn from providing a range of services. Furthermore, the private sector has failed to fill the vacuum this has created.

Local Government Revenues and Expenditures

As a whole, government in California is far smaller today than it was 20 years ago. In fact, according to the California Budget Project, while California was the sixth highest tax state in 1976-77, by 1992-93, it ranked 27th. The decline in revenue generation is particularly significant at the local level. During roughly the same period, per capita revenue for California cities declined from $1,138 to $981. Similarly, per capita revenue for the state’s counties declined from $907 to $812.

The driving force behind the reduction in city and county revenues was the passage of Proposition 13 in 1978. As a result of the property tax reductions mandated by Proposition 13, California, which once had the fourth highest per capita property tax revenues in the U.S., now has the 34th. In addition, the decline in Federal assistance to
local government, particularly to cities, has also had a significant impact. Between 1977-78 and 1994-95 revenue for the County of Santa Clara declined from $788 per person to $734. Per capita revenues for the City of San Jose have also declined, dropping from $780 per person in 1977-78 to $776 per person in 1994-95. However, these reductions would have been far more severe had area lawmakers not moved to increase various taxes and fees to compensate for Proposition 13 and the decline in Federal support.

A More Regressive Tax Structure and Reduced Services

Faced with declining revenues, municipal government opted to increase what fees and taxes they could while reducing services. However, the costs of their choices fell disproportionately on Silicon Valley’s middle and low income families. The highly regressive sales tax has now become the single largest revenue source for the City of San Jose, accounting for nearly 12% of the city’s budget. City officials have also increased various fees and service charges. For example, sewer charges, which were $57 in 1977-78 had increased to $114 per person by 1994-95. County government, which has relatively little authority to raise revenue on its own, has had more difficulty compensating for lost revenue. Despite transfers from the State government, total per capita revenue for the County of Santa Clara County is 20% lower than the average for California counties.

Simultaneous with this increase in tax regressivity has been a reduction in the quality and availability of public services for Silicon Valley residents. Though the County of Santa Clara has increased spending
on law enforcement and corrections from $165 per capita in 1977-78 to $228 in 1994-95, it has reduced outlays in every other area. Despite evidence of greater need, per capita expenditures for health care have declined nearly 20% over the last 20 years.

At the municipal level the story is much the same. Per capita spending by the City of San Jose on parks and recreation has been cut in half, from $91 in 1977-78 to $43 in 1994-95. Spending on libraries and museums and on streets and traffic has also been reduced.

“Despite evidence of greater need, per capita expenditures for health care have declined nearly 20% over the last 20 years.”
Chart 22: Per Capita Expenditures, Santa Clara County
1977-78 and 1994-95

<table>
<thead>
<tr>
<th>Function</th>
<th>1977-78</th>
<th>1994-95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health/Sanitation</td>
<td>$143.69</td>
<td>$752.39</td>
</tr>
<tr>
<td>Public Assistance</td>
<td>$158.42</td>
<td>$127.47</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$302.11</td>
<td>$268.45</td>
</tr>
<tr>
<td>Public Protection</td>
<td>$30.77</td>
<td>$43.61</td>
</tr>
<tr>
<td>General Function</td>
<td>$799.68</td>
<td>$752.99</td>
</tr>
</tbody>
</table>

Source: California Office of the Controller
“Spending on libraries and museums and on streets and traffic has also been reduced.”
Taxes and Community Development in Silicon Valley

No less significant than the effect declining revenues have had on Silicon Valley’s residents in the recent past, is the impact they could have on our region’s future. While the effect of service cuts on the immediate well-being of area families has long been evident, the new prominence of the sales tax poses a different risk.

With the growing reliance on the sales tax by the City of San Jose and other municipalities, there is the threat that public officials will promote sales tax generating enterprises, such as auto malls and “Big Box” retail outlets, over ventures which may generate more jobs of higher quality, pose fewer environmental hazards, or respond to other community needs. For example, although Silicon Valley is in dire need of affordable housing, local officials are acutely aware that new housing creates demand for new services while generating comparatively little tax revenue. (See Chart 25)
By redefining residential housing as a cost rather than an asset, the new approach to local government financing is turning some Silicon Valley communities into winners and others into losers. For example, though San Jose has a much higher percentage of residential land than the nearby city of Sunnyvale, prior to the passage of Proposition 13, both had roughly similar levels of revenues. However, by 1994-95, Sunnyvale earned $174 per capita in sales tax revenue and $113 per capita in property tax revenue, while San Jose was gaining only $101 in per capita sales tax revenue and $62 per capita in property tax revenue. The difference between the two municipalities reflects the higher proportion of commercial space in Sunnyvale.

One of the most sobering aspects of Silicon Valley’s reliance on the sales tax, however, is its elasticity. During an economic downturn, a time when public services are in greatest demand, sales of higher tax generating luxury items decline. While policy makers, of course, have the option of raising taxes on goods and services where demand is relatively inelastic, the bur-
The burden will fall inequitably on middle and lower income consumers. This generation of Americans, more than any in recent memory, understands the intimate relationship between environmental quality and public health. As a community, Silicon Valley has long prided itself for its environmental ethic. And, compared to much of urban America, that pride is well justified. However, our community also faces a range of challenges which, if left unaddressed, will seriously undermine the quality of the environment and the health of area residents.

**Environmental Costs of High Tech**

At the time the electronics industry was created, many believed it posed few environmental hazards. However, over the past 15 years, science has recognized a series of environmental costs of the electronics industry. For example, the production of every six-inch silicon wafer requires the use of 22 cubic feet of hazardous gases and produces 25 pounds of sodium hydroxide, 2,840 gallons of waste water, and seven pounds of miscellaneous hazardous wastes.

Prior to more stringent controls, many area companies improperly stored toxic waste material. As a result, Santa Clara County has more Superfund toxic cleanup sites than any other county in the U.S.
### Table 19: Superfund Sites in Santa Clara County California

<table>
<thead>
<tr>
<th>City</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mountain View</td>
<td>CTS Printex Inc., 1950 Colony Street</td>
</tr>
<tr>
<td></td>
<td>Fairchild Semiconductor Corp., 464 Ellis St.</td>
</tr>
<tr>
<td></td>
<td>Intel Corp., 365 East Middlefield Rd.</td>
</tr>
<tr>
<td></td>
<td>EW Study Area, Middlefield-Ellis-Whisman</td>
</tr>
<tr>
<td></td>
<td>Moffett Naval Air Station, Naval Air Station</td>
</tr>
<tr>
<td></td>
<td>Mountain View Center, 2540 California St.</td>
</tr>
<tr>
<td></td>
<td>JASCO Chemical Corporation, 1710 Villa St.</td>
</tr>
<tr>
<td></td>
<td>Raytheon Company, 350 Ellis St.</td>
</tr>
<tr>
<td></td>
<td>Spectra-Physics Inc., 1250 West Middlefield Rd.</td>
</tr>
<tr>
<td></td>
<td>Teledyne Semiconductor, 1300 Terra Bella Ave.</td>
</tr>
<tr>
<td>Sunnyvale</td>
<td>Advanced Micro Devices (Monolithic Mem.), 1165 E. Arques Ave.</td>
</tr>
<tr>
<td></td>
<td>Advanced Micro Devices Bldg. 901/902, 901 Thompson Pl.</td>
</tr>
<tr>
<td></td>
<td>Advanced Micro Devices, 915 Deguigne Dr. Bldg 915</td>
</tr>
<tr>
<td></td>
<td>FEI Microwave Inc (TRW Microwave Inc), 825 Stewart Dr.</td>
</tr>
<tr>
<td></td>
<td>Signetics, 811 E. Arques Ave.</td>
</tr>
<tr>
<td>Alviso</td>
<td>Westinghouse Electric Corporation, 401 E Hendy Ave.</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>Alviso, entire community North of Highway 237</td>
</tr>
<tr>
<td></td>
<td>Applied Materials Bldg 1, 3050 Bowers Ave,</td>
</tr>
<tr>
<td></td>
<td>Intel Facility III, 2880 Northwestern Pkwy.</td>
</tr>
<tr>
<td></td>
<td>Micro Storage/ Intel Magnetics, 2986 Oakmead Village Ct.</td>
</tr>
<tr>
<td></td>
<td>National Semiconductor Corp, 2900 Semiconductor Dr.</td>
</tr>
<tr>
<td></td>
<td>Synertek Building One, 3050 Coronado Blvd.</td>
</tr>
<tr>
<td>San Jose</td>
<td>Fairchild Semiconductor Corp. 101 Bernal Rd.</td>
</tr>
<tr>
<td></td>
<td>International Business Machines, 5600 Cottle Rd.</td>
</tr>
<tr>
<td></td>
<td>Lorentz Barrel &amp; Drum Co., 1515 S. 19th St.</td>
</tr>
<tr>
<td></td>
<td>Solvent Service, 1021 Berryessa Rd.</td>
</tr>
<tr>
<td></td>
<td>Van Waters &amp; Rogers Inc, 2256 Junction Ave.</td>
</tr>
<tr>
<td>Palo Alto</td>
<td>Hammon Plating, 890 Commercial St.</td>
</tr>
<tr>
<td></td>
<td>Hewlett-Packard, 640 Page Mill Rd.</td>
</tr>
<tr>
<td>Cupertino</td>
<td>Intersil, Tantau Ave, 10900 Tantau Ave.</td>
</tr>
<tr>
<td></td>
<td>Siemens Corp, 1900 Homestead Rd.</td>
</tr>
</tbody>
</table>

Source: Silicon Valley Toxics Coalition
Workplace Health and Safety

The electronics industry is a light manufacturing industry, and as such causes fewer overall injuries than heavier manufacturing industries. Occupational illnesses, however, occur at a higher rate among electronics workers, and particularly workers in the semiconductor industry.

This is clear from studies that have looked at occupational illnesses severe enough to result in time lost from work. In 1995, the average in all manufacturing industries for work loss due to occupational illness was 6.2% of all reported reasons for workloss. The electronics industry as a whole produced a much higher prevalence of occupational illness cases, with 9.7%. The semi-conductors industry had the highest rate of occupational illness in 1995, with 12.8%, up from 10.9% in 1994.

Similar studies looking at all reported illness and injuries, including the larger number of cases that don’t result in loss of work, show an even stronger trend. Here, the manufacturing industry average is 14.3%, electronics industry 20.5%, and the semiconductor industry 30.2% in 1995, with significant increases in the 1992-1995 period.

The rapidly increasing pace of technological change in semiconductor manufacturing places workers in increased danger. In the 1980’s, a typical schedule of a new technology, from research and development to pilot lines to full manufacturing was 6-8 years.

“The semi-conductor industry had the highest rate of occupational illness in 1995”
Now, these efforts are being compressed into a 2-3 year time frame. Any large semiconductor facility uses several thousand chemicals, and the opportunities for health professionals to evaluate new or unusual health hazards are being diminished by the quickening pace of technological change.

### Table 20: Workloss Occupational Illness as Percent of All Reported Injuries and Illnesses

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All Manufacturing Industries</td>
<td>5.4</td>
<td>5.7</td>
<td>6.2</td>
<td>6.2</td>
</tr>
<tr>
<td>Electronic Components and Accessories (367)</td>
<td>8.2</td>
<td>8</td>
<td>9.9</td>
<td>9.7</td>
</tr>
<tr>
<td>Semiconductor and Related Devices (3674)</td>
<td>8.9</td>
<td>9.4</td>
<td>10.9</td>
<td>12.8</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics

### Table 21: Occupational Illnesses as Percent of All Reported Injuries and Illnesses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All Manufacturing Industries</td>
<td>13.2</td>
<td>13.8</td>
<td>14.6</td>
<td>14.3</td>
</tr>
<tr>
<td>Electronic Components and Accessories (367)</td>
<td>17.3</td>
<td>17.3</td>
<td>20.3</td>
<td>20.5</td>
</tr>
<tr>
<td>Semiconductor and Related Devices (3674)</td>
<td>20.3</td>
<td>24.7</td>
<td>26.7</td>
<td>30.2</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Energy Use

Energy use is a key measure of environmental sustainability. The use of non-renewable fossil fuels depletes the environment and undermines Silicon Valley’s long-term economic viability. Over the course of the past decade, the use of renewable resources in the production of electricity by Pacific Gas & Electric has significantly declined.

“Over the course of the past decade, the use of renewable resources in the production of electricity by Pacific Gas & Electric has significantly declined.”

Chart 28: Net PG&E System Sources of Energy 1984
Transportation

Silicon Valley’s transportation infrastructure is being stretched beyond the breaking point. Heavy traffic jams and long delays have become commonplace on area freeways. In 1996, for example, vehicle delays on freeways in Santa Clara County increased to their highest level in eight years. The hours lost due to delays in traffic soared from 13,000 in 1995 to 20,000 in 1996.

“The hours lost due to delays in traffic soared from 13,000 in 1995 to 20,000 in 1996.”
Driving to work alone remains the dominant mode of transportation for area commuters. Trends charted through 1995 showed a gradual improvement in the number of motorists using car pools or opting to use public transportation. However, in 1996 the percentage of people driving alone showed an increase.

“Driving to work alone remains the dominant mode of transportation for area commuters.”
The number of residents using more energy efficient and environmentally sound public transportation increased in 1995-97. The usage rate had declined in the previous four years.
By examining a series of key indicators we have reached several conclusions about the economic and social well-being of Silicon Valley:

- *Despite the fact that our region’s information technology industry is highly competitive, the economic security of the majority of Silicon Valley’s workforce is continuing to decline.*

- *While Silicon Valley’s private sector is flourishing, our public institutions have grown weaker. In turn, this weakness has contributed to a gradual decline in the quality and availability of adequate housing, education and health care services throughout our region.*

- *Though Silicon Valley’s concentration of high-tech firms has positioned our community to be a global center of the new economy, it has also generated environmental and public health hazards not unlike those of the old economy.*

Faced with these challenges, traditional policy makers might suggest an expanded role for government. In fact, several problems identified in this report — particularly those related to health, education and transportation — do require a public sector response. Additionally, as evidenced by the 1995 Santa Clara County Board of Supervisors decision linking business tax incentives to the creation of quality jobs, local government can address widening income inequality and the growth of the contingent workforce.
However, while government can help fashion solutions, public sector intervention should not be construed as a solution in and of itself. The evolution of two Silicon Valleys — one comfortable and prosperous, the other struggling to get by — is, in many respects, a problem well beyond the capacity of government alone to respond. Instead, it requires a new role to be played between government and other institutions: the formation of a new social compact of business, labor, policy makers and community leaders to build a Silicon Valley where employers and employees both move ahead, and where no family is left behind.

**Working Partnerships USA**

In 1995 Working Partnerships USA was formed in order to respond to the growing rift between business competitiveness and community prosperity in Silicon Valley. Founded by community leaders, Working Partnerships has launched a series of initiatives to redefine community economic development.

In its first year, Working Partnerships led a community campaign in support of the Santa Clara County measure linking tax assistance to businesses with job creation. Later, it worked with San Jose officials to ban further development of “Big Box” retailers within the city. The following year, Working Partnerships released its study, “Shock Absorbers in the Flexible Economy,” which charted the growth of contingent employment in Silicon Valley. The group also initiated a vigorous program in conjunction with San Jose State University to train grassroots leaders in issues related to economic development.

However, just as significant as its efforts to foster a public debate about economic development has been, Working Partnerships’ program to promote promising, new approaches to labor-management relations and employment policies in today’s workplace.
The Next Generation of Unions

Consistent with its mission of promoting both economic competitiveness and a higher quality of life for area workers, Working Partnerships is encouraging the creation of “high performance” work systems. These joint efforts, which bring unions and employers together to improve both working conditions and product design and delivery, can fundamentally transform labor-management relations. By promoting these new, collaborative, work systems, Working Partnerships is proving to be a catalyst for the “next generation” of unions: institutions which in addition to offering employees a strong voice, also provide employers with an innovative partner.

For example in 1998, together with area community colleges and local unions, Working Partnerships will launch a pilot project that will provide skills certification, job rights training, and job placement for temporary workers seeking clerical jobs with employers throughout Silicon Valley. The organization will administer portable benefits and provide ongoing job referrals to participants. The efforts of Working Partnerships will prove particularly valuable as Santa Clara County struggles to help area welfare recipients make a successful transition into the working world.

The Challenge Facing Business

Silicon Valley business must, of course, play a central role in shaping any strategy to assure that our region’s prosperity is widely shared. Playing that role first requires an authentic partnership with the community built on shared goals, not private interests. Operating as a “high-tech Chamber of Commerce,” the action agenda that many leaders of Silicon Valley’s information technology industry

“an authentic partnership with the community built on shared goals, not private interests.”
have described clearly addresses their most critical needs. For example, recent interest from the business community in area schools has been focused on concerns relating to a feared shortage of skilled employees in the future. Addressing this concern must undoubtedly be part of any educational reform initiatives undertaken in the Valley. However, focusing primarily on this concern will not ultimately lead to the well-rounded public education that our children need and deserve.

The Next Step: A Comprehensive Economic Blueprint

As this report notes, the growing disparity in wages and the quality of life in Silicon Valley raises a series of fundamental questions about jobs, and the roles government, business, labor and others can play in our economic life. Those questions and others can be and should be fully addressed. To this end, in the summer of 1997, Working Partnerships launched a series of roundtable discussions to provide for both an in-depth analysis of Silicon Valley’s economy, as well as an assessment of the values and priorities which should guide economic development throughout the region. These discussions have so far involved over 300 area leaders and activists who have met to discuss topics such as health care, jobs, education, housing and other issues. Their continuing efforts will culminate in the preparation of a Community Economic Blueprint for Silicon Valley. This process offers an excellent opportunity to begin building a new consensus to guarantee that everyone in our community truly grows together.

“This process offers an excellent opportunity to begin building a new consensus to guarantee that everyone in our community truly grows together.”
The Economic Policy Institute was founded in 1986 to widen the debate about policies to achieve healthy economic growth, prosperity, and opportunity in the difficult new era America has entered.

Today, America’s economy is threatened by slow growth and increasing inequality. Expanding global competition, changes in the nature of work, and rapid technological advances are altering economic reality. Yet many of our policies, attitudes, and institutions are based on assumptions that no longer reflect real world conditions.

Central to the Economic Policy Institute’s search for solutions is the exploration of policies that encourage every segment of the American economy (business, labor, government, universities, voluntary organizations, etc.) to work cooperatively to raise productivity and living standards for all Americans. Such an undertaking involves a challenge to conventional views of market behavior and a revival of a cooperative relationship between the public and private sectors.

With the support of leaders from labor, business, and the foundation world, the institute has sponsored research and public discussion on a wide variety of topics: trade and fiscal policies; trends in wages, incomes, and prices; the causes of the productivity slowdown; labor-market problems; rural and urban policies; inflation; state-level economic development strategies; comparative international economic performance; and studies of the overall health of the U.S. manufacturing sector and of specific key industries.
The institute works with a growing network of innovative economists and other social science researchers in universities and research centers all over the country who are willing to go beyond the conventional wisdom in considering strategies for public policy.

Founding scholars of the Institute include Jeff Faux, EPI president; Lester Thurow, Sloan School of Management, MIT; Ray Marshall, former U.S. secretary of labor, professor at the LBJ School of Public Affairs, University of Texas; Barry Bluestone, University of Massachusetts-Boston; Robert Reich, former U.S. secretary of labor; and Robert Kuttner, author, editor of The American Prospect, and columnist for Business Week and the Washington Post Writers Group. For additional information about the Institute, contact EPI at 1660 L Street, NW, Suite 1200, Washington, DC 20036, (202) 775-8810, HTTP://www.EPINET.org
Silicon Valley includes all of Santa Clara County and significant parts of neighboring counties including Alameda, San Mateo and Santa Cruz Counties. For analytical purposes, data has been collected from Santa Clara County as the largest geographic segment of Silicon Valley and a key indicator of trends in the region. Unless otherwise noted, adjustments for inflation are made using the CPI-U-X1 index. Budget figures for the City and County government are adjusted for inflation using the CPI for California for Fiscal Years from the California Department of Finance.

Tables:

Table 1

Table 2
Santa Clara County, Public Health Department Santa Clara County 1997 Health Status Report: A Platform for Action for the Year 2000 (San Jose, CA) 1997

Table 3
Employment figures for Santa Clara County are from the Labor Market Information Division of the California Economic Development Department.

Tables 4-6
All industry employment figures are from ES-202 data from the California Economic Development Department, Labor Market Information Division. The industry categories for Table 4 are from 3-digit Standard Industrial Classification (SIC) Codes. For the industry cluster analysis, the following SIC codes were used for each cluster:

- **Outsourcing Services**
  - 733-Mailing, reproduction, stenographic services
  - 734-Services to Buildings
  - 736-Personnel Supply Services
  - 738-Miscellaneous Business Services (60% is security services, 40% are services not elsewhere classified)

- **Professional Services**
  - 275-Commercial Printing
  - 279-Printing Trade Services
  - 731-Advertising Services
  - 732-Credit Reporting and Collection Services

- **Computer Equipment**
  - 3571-Electronic Computers
  - 3572-Electronic Storage Devices
  - 3575-Computer Terminals
  - 3577-Computer Peripheral Equipment, not elsewhere classified
  - 3661-Telephone and Telegraph Apparatus
  - 3663-Radio, TV Communications Equipment
  - 3695-Magnetic and Optical Recording Media

- **Printed Circuit Boards And Components**
  - 3672-Printed Circuit Boards
  - 3679-Electronic Components, not elsewhere classified

- **Software**
  - 7371-Computer programming services
  - 7372-Prepackaged software
  - 7373-Computer integrated systems design
  - 7374-Data processing and preparation
  - 7375-Information retrieval services
Innovation Services

- 5045-Wholesale distribution of computers, peripherals, etc.
- 5065-Wholesale distribution of electronic parts and components
- 7376-Computer facilities management
- 7377-Computer rental and leasing
- 7378-Computer maintenance, repair
- 7379-Computer related services, not elsewhere classified
- 8711-Engineering services
- 873-Research and Testing Services

Semiconductors

- 3559-Special Industry Machinery, not elsewhere classified
- 3674-Semiconductors and related devices
- 3825-Instruments to measure electricity

Construction

- 15-19-Construction Industry

Eating and Drinking Places

- 58-Eating and Drinking Places

Travel, Tourism and Leisure

- 45-Transportation by Air
- 472-passenger Transport Arrangement
- 701-704-Hotels, motels, rooming houses, camps.
- 783-799-Theatres, video houses, amusement/recreation services

Non-Food Retail Sales

- 52-53, 55-57, 59-All retail sales except food stores and eating and drinking places

Transportation/Public Utilities

- 40-49-Transportation and Public Utilities.

Table 7


Tables 8-9

Data for these tables are compiled from each year’s 12 monthly Current Population Survey (CPS) Outgoing Rotation Group (ORG) files, typically referred to as the CPS Earnings Files, or the CPS ORG Files. The CPS is a monthly survey of 60,000 workers nationwide conducted by the Bureau of the Census. The CPS provides the source for official U.S. government statistics on employment, unemployment, unionization, household income and employee earnings. Each month, questions on union status, weekly earnings, and hours worked per week are included in an earnings supplement. These questions are administered to a quarter sample of the CPS every month. The sampling design of the CPS is such that households are interviewed for four months, followed by eight months out of the sample, followed by an additional four months in the sample. The out-going rotation groups comprise the quarter sample who are asked questions from the earnings supplement.

From this national sample, we included all households living in Santa Clara County. The total sample size for Santa Clara County range from 908 households in 1979 to 447 in 1985, and rising to 603 in 1996. There is a slight anomaly in 1995. During 1995 the U.S. Census Bureau changed their system for sub-state geographic identifiers, and for four months (May-August) no sub-state geographic code is available for the CPS ORG files. Thus, the sample for 1995 includes only 238 people, and only includes the months of Jan-April and Sept-Dec. Thus figures for 1995 should be treated with some care.

In order to test the representativeness of the sample for Santa Clara County, we compared the gender and age characteristics for our sample in 1989, compared to the County population as reported in the 1990 census, and found no significant statistical difference.

Changes in annual or weekly earnings can result from changes in hourly earnings, or from more working time (either more hours per week or weeks per year). Our analysis is centered around the hourly wage (exclusive of benefits) because we are interested in changing pay levels for the workforce, and to be able to clearly distinguish changes in earnings resulting from more or less work, rather than more or less pay. In our view, the ORG files provide a better source of data for wage analysis than the traditionally used March CPS files. In order to calculate hourly wages from the March CPS, analysis must make calculations using three retrospective variables; annual earnings, weeks worked, and usual weekly hours worked in the year prior to the survey. In contrast, respondents in the ORG are asked a set of questions about hours worked, weekly wages, and hourly wages in the week prior to the survey, providing for more reliable data than the March CPS. Furthermore, the sample size is much larger for the ORG files, an especially important point when making analyses at a sub-national level.
Table 10
Data for Executive Pay is compiled by the San Jose Mercury News from annual company filings with the Securities Exchange Commission, and published in their annual survey of “What the Boss Makes”. Data for production worker wages comes from the California Economic Development Departments Average Production Worker Wages. Annual income was calculated by multiplying the average hourly wage by 2080 hours (52 weeks at 40 hours a week).

Table 11
The Self-Sufficiency Standard was conceived and developed by Dr. Diana Pearce, Director of the Women and Poverty Project of Wider Opportunities for Women in Washington DC. It calculates the earnings necessary to meet basic needs without public subsidies (such as public housing, food stamps, Medicare or child care) or private or informal subsidies (such as free babysitting by a relative/friend, food provided by churches or local food banks, or housing shared with relatives or friends). The self-sufficiency standard accounts for regional variations in cost, and takes into account that may costs differ by family size and age of children. Thus, it represents a more comprehensive and accurate picture of poverty levels than national official poverty thresholds, which do not take these factors into account.

Table 12
Estimates developed by California Budget Project (916-444-0500) based on data from the Employment Development Department.

Table 13

Table 14-17

Table 18
Mayor Susan Hammer’s Budget and Gang Policy Office. These are the Mayor’s estimates of expenditures and revenues related to residential units.

Table 19
Data collected by Silicon Valley Toxics Coalition (408-287-6707).

Tables 20-21

Charts:
Charts 1-5

Chart 6

Chart 7
California Economic Development Department, Labor Market Information Division, ES-202 Data for Santa Clara County.

Chart 8
Gini co-efficient was calculated by the Economic Policy Institute from wage figures from the Current Population Survey Outgoing Rotation Group files (CPS-ORG). See notes for Tables 8-9 for a detailed description of this data source.
GROWING TOGETHER OR DRIFTING APART

Charts 9-11
All figures are calculated from the Census of Manufacturers, 1982, 1987 and 1992, from the U.S. Department of Commerce and Bureau of the Census. Value added per employee is determined by dividing the total value added by manufacturer by the total number of employees. Average production worker wages is calculated by dividing total wages of production workers by total number of production workers, and represents the difference between the total value of shipments minus the cost of materials and the cost of new capital expenditures. Average wage for non-production workers is calculated by subtracting production workers and wages from the total reported employees and payroll.

Chart 12
Self-sufficiency wages for Santa Clara County were calculated by Wider Opportunities for Women (see notes for Table 13). Percent of jobs paying self-sufficiency wages was calculated from Economic Policy Institute’s analysis of wage data from the Current Population Survey Out-going Rotation Group data files (see notes for Table 8-9).

Chart 13
Administrative Office of the U.S. Courts, Statistics Division, Washington, DC.

Chart 14
Peninsula West Valley Association of Realtors (http://www.penwest.com).

Chart 15
Real Facts Real Estate Information Firm (415-884-2480) and California Economic Development Department, Annual Report on Employment, Hours and Earnings.

Chart 16

Charts 17-18
California Department of Education, Educational Demographics Unit (916) 657-3934.

Chart 19

Chart 20

Charts 21-24 and 26-27

Chart 25
Mayor Susan Hammer’s Budget and Gang Policy Office.

Chart 28

Chart 29 and 31

Chart 30
RIDES for Bay Area Commuter.