Is the Tech-Driven Economy Squeezing the Middle Class?

October 17th, 2015
Economic Prosperity Strategy for the Bay Area

• How and why are inequality and economic hardship on the rise even when jobs are growing?

• How do we build a more inclusive economy?

• Initial Goal:
  
  Identify strategies to increase opportunities for Bay Area low-to-moderate wage workers to move into middle-wage jobs.
Total Projected Job Openings in the Bay Area, 2010–2020

Source: Analysis of CA EDD data in Economic Prosperity Strategy
Low-Wage Jobs Are Spread Across Many Industries

Top Occupations with Median Wages below $17.83/hr in the East Bay:

- $15 to $18
  Office clerks, medical assistants, nursing aides, delivery truck drivers, receptionists, shipping clerks

- $12 to $15
  Pre-school teachers, janitors, security guards, laborers, groundskeepers, cooks

- $9 to $12
  Stock clerks, retail salespersons, home health aides, cashiers, maids, child care workers, bartenders, food prep workers, dishwashers, counter attendants, fast food cooks, and waiters/waitresses
Tech’s Economic Footprint

- Tech-related jobs = 24% of all jobs in the San Jose metro
- Venture capital = $10.4 billion invested in 2014
- Tech driving boom in commercial office leasing & development
Economic Impacts of Tech

• Silicon Valley is on the leading edge of the global economy - *Share of the nation’s total venture capital investment: 22%*

• Leading the nation in high-wage jobs – *Average (mean) weekly wage, ranked among all U.S. counties: #1*
Is Tech Putting the Squeeze on the Middle Class?

- Record profits of $127.8 billion in 2014 (total for the top 150 SV tech firms)
- Plus stock buybacks & dividends to investors of $134.4 billion
- Generates some very well-paying jobs

But...

- Also fueling enormous growth in low-wage, insecure jobs
- Major factor in growth of the “hourglass economy”
Tech’s Invisible Workforce

Median Wages for Selected Occupations, Santa Clara County, 2014

- Software Developers, Systems Software: $63.62
- Software Developers, Applications: $61.87
- Landscaping and Groundskeeping Workers: $13.82
- Janitors and Cleaners: $11.39
- Security Guards: $14.17

Median hourly wage, 2014 Q1

Occupational Segregation

Google
- Black: 1%
- Hispanic: 2%
- Asian: 34%
- White: 59%
- Other: 4%

Facebook
- Black: 1%
- Hispanic: 3%
- Asian: 41%
- White: 53%
- Other: 2%

Apple
- Black: 6%
- Hispanic: 7%
- Asian: 23%
- White: 54%
- Other: 10%

Source for Google, Apple, Facebook: Companies’ disclosure of their U.S. tech workforce. Source for all others: American Community Survey.
Cost of Living in Silicon Valley

Self-Sufficiency Standard for Santa Clara County, 2014
(2-adult, 2-child family)

Monthly: $7,199
Hourly: $20.45 (with 2 full-time workers)

Housing, $1,649
Child Care, $1,872
Food, $921
Transportation, $563
Health Care, $534
Miscellaneous, $554
Taxes, $1,106

Source: Insight CCED
Average SJ rent in 2014: $1,807 (#1 in the nation)

Average SJ rent increase in 2014: 12% (#1 in the nation)

Income needed to afford avg rent: $65,052 or $31.28/hr

Median SCC home sale price, Dec. 2014: $800,000

Note: RealFacts rent data, which represents rents at large apartment complexes, shows average rent in Santa Clara County at $2,364 for 2014 Q4.
Impact of Wealth Inequality

- Nation’s fastest growing homeless encampments in Silicon Valley
- People living in overcrowded conditions or burdened with overpayment
- Commuting long distances
- Low-wage workers working 2-3 jobs
- 130 – 150K residents uninsured
- Achievement Gap and dropout rates
• **16.2%** of working adults in Silicon Valley are considered “working poor”

Data source: Santa Clara County Social Services Agency
Build An Inclusive Economy

- **Raise the Floor**: Lift up conditions for low-wage workers
- **Expand the Middle**: Protect & expand middle-wage, family-supporting jobs
- **Open the Door**: Break down barriers so that people of all backgrounds have access to good jobs
Campaigns and Initiatives

- Silicon Valley Rising
  - Raise wages and benefits for workers;
  - Develop solutions for the region’s affordable housing crisis;
  - Increase corporate accountability for the treatment of contract tech workers.

- Transit Riders United

- Housing for All
END
Extra Slides
(not used)
A Challenge for the Region

- Workers in lower-wage jobs: 1.13 million
- Middle-wage job openings projected over next decade: 309,000
- Even if every worker had all the needed skills, there are simply not enough middle-wage jobs being generated for the majority of lower-wage workers to advance.

Source: Economic Prosperity Strategy for the Bay Area (forthcoming)
## A Tale of Two Valleys?

### Top Ten Occupations in Silicon Valley (2011)

<table>
<thead>
<tr>
<th>Low-to-moderate wage ($8 to $18/hr)</th>
<th>Middle wage ($18 to $30/hr)</th>
<th>High wage ($30/hr and up)</th>
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</thead>
<tbody>
<tr>
<td>Janitor</td>
<td></td>
<td>Computer Software Engineer, Applications</td>
</tr>
<tr>
<td>Food Prep or Serving Worker</td>
<td></td>
<td>Computer Software Engineer, Systems</td>
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<tr>
<td>Laborer or Freight, Stock &amp; Material Mover</td>
<td></td>
<td>General or Operations Manager</td>
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<tr>
<td>Retail Salesperson</td>
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<td>Registered Nurse</td>
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<td>Cashier</td>
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