PHYS.ORG

Middle Class Workers Feeling the Valley's Squeeze

April 4 2007

Not only did the middle class of Silicon Valley weather the toughest times during the dot-com bust, they've also had the hardest time recovering, finds a report issued Mar. 29 by Working Partnerships USA, an economic research and public policy group.

"The report is a reality check - analyzing the real and urgent problems facing Santa Clara County. But, it is not intended to sow pessimism or negativity. Rather, it calls for our communities to aim high," wrote Phaedra Ellis-Lamkins, executive director of Working Partnerships USA, in the foreword.

The report, entitled LIVE (Life in the Valley Economy), examines the state of the Valley's economy "through the lens of middle-class and working-class households," and argues that middle-class families are worse off today than they were in 2000, citing median household incomes that fell $9,011 (from $83,370 to $74,293) between 2000 and 2005.

Workers real median wages have stagnated since 2002, according to the report, as seven of the region's 20 largest occupations now pay less than the minimum wage. The official poverty rate in the Valley grew in the same time frame, from 6.5 to 8.3 percent.

The bad news about the difficultly for a middle-class worker to make a living didn't end there. The Valley had 156,700 fewer jobs in Jan. 2007 than it did Jan. 2001, a 15.4 percent drop. The cost of living also increased substantially, as a family's average cost for job-based health insurance doubled, the price of electricity grew 15 percent and the average cost for child care in Santa Clara County grew by 40 percent.

The report argued that an increased burden of economic risk was being shifted to the Valley's middle-class residents. Median real debt for households in the western United States jumped from $41,529 in 2001 to $77,574 in 2004. Between 2001 and 2003, one in every six adults in Santa Clara County lost a job due to layoffs, spending an average of 17 weeks out of work.

Meanwhile, only 40 percent of the unemployed in the county actually received unemployment benefits, which ranged from $40 to $450 per week.

The report notes that Silicon Valley's great leap forward in ensuring that every child receives health care coverage. However, little has been done to make the same guarantee for adults. While 97.4 percent of Santa Clara County's children had health care coverage in 2004, up nearly two percentage points from 2001, job-based health insurance declined for adults, falling from 74.7 percent in 2001 to 70.6 percent in 2005.

In perhaps the most well-known example of the fiscal squeeze put on the Valley's residents, the report details that between 2000 and 2005, the proportion of households spending more than half their income on housing grew for both renters (from 18.3 to 22.8 percent) and homeowners (from 9.6 to 18.4 percent). Even though home sales have fallen 26 percent since 2004, home prices have yet to end their upward climb, as the median price for single-family homes grew from $521,240 in 2000 to $775,000 in 2006.

There was some good news for Silicon Valley's community. Traffic levels improved, with congestion on Santa Clara County freeways falling

54 percent between 2000 and 2005. In addition, the already-low crime rate fell another 28 percent in the same time frame.

Some of the worst news about Silicon Valley's effect on middle-class workers came in the areas of education and income inequity.

While the overall education level of Santa Clara County's adults increased between 2000 and 2005, as 44.6 percent of adults over the age of 25 held at least a bachelor's degree (up from 40 percent in 2000), two-thirds of its Latino population (66.9 percent) have never attended college. Only 49 percent of the county's high school Class of 2005 enrolled in college, making it the first class in 20 years to send less than half of its graduates onto higher education.

Finally, in the past five years, the number of households making $50,000 to $99,999 - considered the secure middle class - fell by 4.4 percent, all the while the share of the population with income of less than $10,000 per year grew by 53.3 percent.

"It is incumbent upon us not to let a few bad years lead to a permanent lowering of our expectations… The problems are collective and symptomatic; so too must be the solutions," said Ellis-Lamkins.

provided for information purposes only.