

# Report says Silicon Valley economy sputtering

February 11 2010, By BROOKE DONALD , Associated Press Writer

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(AP) -- Silicon Valley's economy took a big hit during the global meltdown and could have trouble climbing out, according to a report released Wednesday.

The 2010 Index of [Silicon Valley](#) said the region is entering a "new phase of uncertainty" where job losses, a shrinking foreign talent pool, a drop in investments and state legislative gridlock could put its standing as the center of technology at risk.

The report, released annually by local nonprofit groups the Silicon Valley Community Foundation and Joint Venture, examines trends in employment, housing, education and other issues to provide a snapshot of the region's well-being.

"It's a report with a lot of bad news in it. Most years, Silicon Valley has all this good news. But this year, it's not entirely clear when the recession ends if we're going to be able to very easily get back. That's not a given," said Russell Hancock, president and chief executive of Joint Venture, an alliance of business and community institutions.

The report noted that the region lost 90,000 jobs from November 2008 to November 2009, and unemployment is higher than national levels. It's also the worst in the region since 2005.

And there are other signs of weakness.

The number of patents dipped slightly in 2008, and venture capital financing, which provides money to start-ups, plunged. Office vacancy rates also were up 33 percent from 2008 to 2009, and incomes dropped 5 percent between 2007 and 2009, to \$62,003.

The authors also worried that as other areas seek to compete with Silicon Valley, including India and China, the region will have a hard time attracting top talent, particularly for science and engineering positions. The report noted high high-school dropout rates, fewer students meeting basic state college entrance requirements and persistent [racial disparities](#) in education.

Silicon Valley's woes aren't totally unique - the recession has hit industries and geographic regions worldwide - but many people thought the high tech sector that drove the region was immune, and for a while, it was, said Stephen Levy, senior economist at the Center for the Continuing Study of the California Economy.

"What changed is that this became a worldwide recession and financial panic set in and exports were falling. There may have been an individual product that thrived, like the iPhone, but overall we couldn't sustain it," said Levy, who is also an adviser on the study.

The authors suggest Silicon Valley revisit its roots as one way to emerge from the [recession](#) thriving.

The region started as an area invested in the defense industry, space and creation of the Internet, and the federal government heavily funded those ventures, said Emmett Carson, chief executive and president of the Silicon Valley Community Foundation.

"When the government made those investments, there were spinoffs that happened in people's garages. People were drawn here because this was

the place that certain work was going on and people were making it happen," Carson said.

He said now the government is making massive investments in biotechnology and clean technology, and local business and government leaders need to compete for that money. The report suggested green jobs were key to the region's turnaround.

"We stand with a set of industries that is the future - green technology, medical records technology, innovations to make buildings and homes more efficient," Levy said. "But we have to be a place that's inviting to families and companies."

**More information:** <http://www.jointventure.org/>

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