

Many left behind as Silicon Valley rebounds

March 10 2013, by Martha Mendoza

(AP)—On a morning the stock market was sailing to a record high and a chilly storm was blowing into Silicon Valley, Wendy Carle stuck her head out of the tent she calls home to find city workers duct taping an eviction notice to her flimsy, flapping shelter walls.

"I have no idea where I'm going to go," she said, tugging on her black sweatshirt over her brown curls and scooping up Hero, an albino dog.

She glanced at the glimmering windows on a cluster of high-tech office buildings just blocks away and shook her head.

"Did you know [Google](#) shares hit \$840 each this morning?" she asked. "I just heard that on the radio."

Carle, who did not want to give her age, used to manage apartments. Today she lives on a Supplemental Security Income disability payment of \$826 a month due to back and joint problems.

The [Silicon Valley](#) is adding jobs faster than it has in more than a decade as the tech industry roars back. Stocks are soaring and fortunes are once again on the rise.

But a bleaker record is also being set this year: Food stamp participation just hit a 10-year high, homelessness rose 20 percent in two years, and the average income for Hispanics, who make up one in four Silicon Valley residents, fell to a new low of about \$19,000 a year— capping a steady 14 percent drop over the past five years, according to the annual

Silicon Valley Index released by Joint Venture Silicon Valley, representing businesses, and the philanthropic Silicon Valley Community Foundation.

Simply put, while the ultra-rich are getting even richer, record numbers of Silicon Valley residents are slipping into poverty.

"In the midst of a national economic recovery led by Silicon Valley's resurgence, as measured by corporate profits and record stock prices, something strange is going on in the Valley itself. Most people are getting poorer," said Cindy Chavez, executive director of San Jose-based Working Partnerships USA, a nonprofit advocating for affordable housing, higher minimum wages and access to health care.

Nowhere is this growing disparity more obvious than this sprawling and trash-strewn 28-acre (11.3-hectare) tent city that authorities are trying to clean out. Beneath the sweeping shadow and roar of jets soaring in and out of nearby San Jose's international airport, residents here say times are so tight they have nowhere else to turn.

"This is the most ridiculous place ever," said Kristina Erbenich, 38, clambering onto her bike, a heavy pack on her back. The former chef said she spent \$14,000 on hotel rooms before her savings ran out. "If everyone around here is so rich, why can't they do something to help?"

United Way Silicon Valley CEO Carole Leigh Hutton wonders the same thing.

"How is it that in an area so very rich, we have so many people so very poor? Why can't we break that cycle? With all the brain power in the Silicon Valley, we should be able to solve these problems. But what we need is the collective will."

The causes for the growing disparity are complex, but largely come down to one thing: a very high cost of living. The median home price is \$550,000, and rents average just under \$2,000 a month for a two-bedroom apartment in this region that is home to many of the nation's wealthiest companies including Facebook, Apple Inc., Hewlett-Packard Co. and Google. For a family of four, just covering basic needs like rent, food, childcare and transportation comes to almost \$90,000 a year, according to the nonprofit Insight Center for Community Economic Development.

"The fact is that we have an economy now that's working well only for those at the very top," said Lawrence Mishel at the Economic Policy Institute in Washington, D.C. "Unless we adopt a new approach to economic policy, we're going to continue going down this path, which means growth that does not really benefit the great majority of people in this country."

Nationally, Mishel says the declining value of the federal minimum wage is a major factor driving inequality. On Monday, in an effort to address this, minimum hourly wages will rise from \$8 per hour to a new minimum of \$10 per hour, the nation's largest minimum wage increase approved by voters last fall. While it's a dramatic shift for tens of thousands of workers, it's a minuscule fraction of the increases top earners in the region enjoyed last year.

Silicon Valley's top tech magnates inched up the Forbes annual list of the richest people on the planet released this week: Oracle Corp. CEO Larry Ellison had a reported net worth of \$43 billion, Google co-founders Larry Page and Sergey Brin had about \$23 billion each, Facebook CEO Mark Zuckerberg, was worth an estimated \$13.3 billion, and Laurene Powell Jobs, widow of Apple Inc. co-founder Steve Jobs, had an estimated worth of \$10.7 billion.

"The wealth numbers are staggering, they are absolutely staggering," said Alf Nucifora, who chairs the Luxury Marketing Council of San Francisco

One in five ultra-wealthy Americans, defined by having a net worth above \$30 million, lives in California, stoked by the "wealth-generating cluster" of the Silicon Valley, according to WealthX, a company that tracks the super-rich. Stanford University, in Palo Alto, boasts 1,173 alumni with a net worth of more than \$30 million—only Harvard University and the University of Pennsylvania have more.

"The Silicon Valley is an ecosystem of human capital, venture capital, risk, an educational infrastructure," says WealthX president David Friedman. "All of those things combine into this glorious cocktail of prosperity."

But many residents, even those with college educations, are finding it tougher than ever to make it in the Silicon Valley.

Before the Great Recession, about 10 percent of people seeking food had at least some college education. Today, one in four who line up at food pantries for bags of free food have been to college. Last year the share of households in Silicon Valley earning less than \$35,000 rose two percentage points to 20 percent, according to the 2013 Silicon Valley Index.

"There are millionaires, even billionaires, who sit in their sunrooms watching me work in their gardens and they have no clue what's going on," said Sherri Bohan, a credentialed horticulturist who ran a landscape gardening firm for 30 years and raised two sons as a single mom. Today, retired and disabled, she picks up a free bag of groceries every week at her local food bank. Without the food she says she would go hungry.

Silicon Valley's rich do give, and often significantly, but the money mostly leaves the area. Facebook's Zuckerberg gave \$100 million to Newark New Jersey, public schools in 2010; his \$500 million gift to the Silicon Valley Community Foundation last year has yet to be designated. The Google Foundation donated about \$11 million in 2011, according to its tax forms, largely to global environmental and health projects.

"Many people come here to work, but they have no idea what's really going on," said Lisa Sobrato Sonsini, whose Sobrato Family Foundation—funded by profits gained as a leading real estate and development firm in the region—is the single largest contributor to local charities in the region. "The companies are generous, but they don't see the need directly in front of them, they want to send their money away."

Phyllis Kizer, a long time high-tech business analyst, is disturbed by the challenges people in her community face.

"Looking at myself, I'm very well paid for what I do, I have no complaints," she said.

Once a week, Kizer heads to a low income school where she sits with children, including recent immigrants, helping them learn to read.

"I love books, and I love teaching," she said. "I wanted to pass that on. Some of these children, they can really go far, but we need to help."

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Citation: Many left behind as Silicon Valley rebounds (2013, March 10) retrieved 16 April 2024 from <https://phys.org/news/2013-03-left-silicon-valley-rebounds.html>

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