

'The Bay Area is broken': Why Silicon Valley startups are hiring elsewhere

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Silicon Valley may be the world's tech paradise, but it's a hiring nightmare for many local startups now forced to venture from Portland to Boise in search of talent.

Enormous salary expectations—driven by the Bay Area's soaring cost of living and competition from well-paying giants such as Google and

Facebook—have made it too expensive for a growing number of local startups to recruit employees here. Others say the workers they do have want to leave, frustrated by their inability to buy a home as the region grapples with a chronic housing shortage.

Now local startups increasingly are opening satellite operations in cheaper markets—no longer expecting all their employees to congregate in one Silicon Valley office for work, free food and ping-pong. It's a cultural shift shaking up the startup eco-system that has long been credited with powering Silicon Valley's iconic tech industry.

"As we've been looking to hire, we're running into the same issue that everyone else is running into—in that the Bay Area is broken," said Michael Dougherty, co-founder and CEO of San Mateo, Calif.-based advertising tech startup Jelli.

Jelli, founded in 2009, opened a satellite office last June in Boise, Idaho, where Dougherty says average salaries are about a third lower than the Bay Area. The startup has 10 people in the office so far and plans to add another 30 or 40.

"The community's cool," Dougherty said. "There's a lot of really great folks there."

As with many startups that operate satellite offices outside Silicon Valley, Jelli's 30 employees in San Mateo generally make more than their counterparts in Boise, Idaho. But the money goes farther in Boise.

The median home value in Boise is \$236,200—compared to \$1.3 million in San Francisco, \$1.1 million in San Jose and \$755,600 in Oakland, according to Zillow.

San Francisco-based startup UrbanSitter, which runs an online platform

for on-demand babysitters, recently started recruiting engineers in Portland, Oregon. About two years ago, one of their top engineers said he was moving to Portland because he wanted to buy a home in the Bay Area and couldn't. Not wanting to lose him, the company let him work remotely from his new home. The next year, two more UrbanSitter engineers announced within a week of one another that they, too, were moving to Portland in search of cheaper real estate.

"We said, listen, maybe this is a huge opportunity for us," UrbanSitter co-founder CEO Lynn Perkins said. "Maybe we should open an office in Portland."

UrbanSitter now has four engineers in a WeWork space in Portland—about a third of its engineering team. The company invested in Zoom video conferencing technology to bridge the 600-mile gap between the two offices and tries to share the fun events that have come to be synonymous with startup culture. Workers in Portland and San Francisco connect via video chat for lunches, happy hour drinks with online trivia games, and even the occasional in-office yoga session.

Those efforts help, but working in the satellite space isn't the same as being in the main office, said UrbanSitter lead engineer Travis Dobbs, who moved from the Bay Area to Portland in October.

"I would say there definitely is a small bit of longing," he said. "You feel like you're missing out a little bit on things that are happening in San Francisco."

Dobbs was fed up with renting a tiny, two-bedroom home in Berkeley with his wife, two kids and their dog. The family was so short on space that their son, now 1, slept in a room with Dobbs and his wife, and the dining room also served as the kids' playroom and an office. Shortly after moving to Portland, the family bought a five-bedroom house for

just over \$700,000. Now the kids each have their own room and a yard to play in.

Seeking talent outside the Bay Area is a major change, because Silicon Valley remains one of the world's premier tech talent pools, said Chris Nicholson, co-founder and CEO of open-source artificial intelligence startup Skymind. From the company's inception more than three years ago, Skymind's founders decided they weren't going to limit hiring to the San Francisco headquarters. Now about six of their 37 employees are in the Bay Area. They also have large engineering teams in Japan and the Ukraine and other workers scattered in Canada, Australia, Germany, India, Ohio, Tennessee and Los Angeles.

Nicholson says not paying everyone Silicon Valley wages is saving the company millions annually—a sum that can make or break a fledgling startup.

"It's a painful decision to make," he said, "but we did that to increase the likelihood of our survival as a company."

Remote working is becoming increasingly viable as Silicon Valley shifts its focus from hardware—and the silicon chips that gave the region its name—to software and app development, Nicholson said. Engineers can code from anywhere, and there's no shipping costs associated with transporting their code around the globe.

"Startups that decide to keep all their employees physically in one office in the Bay Area," Nicholson said, "by default become vehicles that transfer cash from venture capitalists to Bay Area landlords."

Toni Schneider, a partner at San Francisco-based venture capital firm True Ventures, said nearly every company his team invests in has some remote workers—it's become a "best practice" for a Silicon Valley

startup. Schneider is the former CEO of Automattic, the company behind the WordPress blogging website, which started 12 years ago with a mostly remote team of employees who worked from home. Over time, Schneider said, Automattic began attracting tech talent who lived in the Bay Area but wanted to leave, and those who wanted to stay in the Bay Area but ditch their nasty commutes.

"We never had a problem finding people," Schneider said, "whereas every single [startup](#) in San Francisco, we ask them what their biggest problem is, and it's always hiring. And that's directly related to the cost of living."

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