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Employment Falls in Silicon Valley

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Silicon Valley posted a drop in employment and recorded a decline in per capita income in 2008 for the first time in several years, as the recession caught up with the technology-heavy region.

The findings come in a closely watched annual report from Joint Venture Silicon Valley and the Silicon Valley Community Foundation, two nonprofits representing businesses, government agencies and philanthropies in the San Francisco and San Jose, Calif., area.

While Silicon Valley's economy held up for most of 2008, the region's growth halted in November and has since declined rapidly, said Russell Hancock, chief executive of Joint Venture Silicon Valley. "There was a feeling that Silicon Valley had special assets to help weather the crisis, but we now know we're in for the same pain," Mr. Hancock said. "We haven't hit bottom yet and it will be a while."

Among the bad news was that Silicon Valley posted a 1.3% drop in employment in December from a year earlier, the first time since 2005 that the area hasn't continued a jobs revival. In addition, Silicon Valley's per capita income declined 0.8% to \$63,880 in 2008 while per capita income in the U.S. broadly rose 0.2% to \$37,979. It was the first time since 2003 that the region's per capita income fell, according to the study.

There were also signs that Silicon Valley's innovation-oriented structure was showing some cracks. Venture capital investments -- which provide financing for the start-ups that eventually go on to produce innovative new products -- slid 7.7% in the region in 2008, the first decline since 2005. Few venture-backed companies were able to go public last year because of market turmoil. The overall number of patents being filed in the region also fell slightly, according to the study.

Silicon Valley's society also remains split between the haves and have-nots, according to the study. The percentage of households earning more than \$100,000 a year rose to 42% from 35% in 2002.

Meanwhile, the percentage of households earning less than \$35,000 a year reached 20%, up from 19% in 2002.

Mr. Hancock said Silicon Valley is laying some seeds for a revival. The region is betting on emerging sectors, such as clean technology-related companies that produce everything from solar panels to energy-saving devices. Investment in that field jumped 94% last year from a year earlier.