

Tech jobs in Bay Area surpass dot-com era's peak

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The Bay Area now has a record number of technology jobs that surpasses even the peak of the dot-com years, a surge fueled by a hiring binge over the past four years.

And despite worries about a potential slowdown, experts are saying a "Tech Bubble 2.0" doesn't appear to be on the horizon.

The Bay Area now has 746,100 technology jobs, topping the record set during the dot-com era by 21,000 jobs, according to this newspaper's analysis of Employment Development Department statistics for the nine-county region.

While the surge has brought more jobs, it also has added to the region's housing and traffic woes, prompting some experts to warn that the expensive cost of living and transportation snarls could imperil the remarkable economic expansion in Silicon Valley and its nearby outposts.



Google's new logo near the Googleplex is seen on Charleston Road in Mountain View on Sept. 1, 2015. (Nhat V. Meyer/Bay Area News Group)

"We are creating all kinds of tech jobs, but at the same time we are nowhere near to solving all the housing and traffic problems," said Russell Hancock, president of San Jose-based Joint Venture Silicon Valley, a private-public partnership.

Roughly 1 in 5 payroll jobs in the Bay Area is now in high-tech industries, the analysis of the EDD figures shows -- a statistic that economists say has both an upside and a downside.

"What's good is that these are really good, high-paying jobs," said Jon Haveman, a principal executive with San Rafael-based Marin Economic Consulting. "What's bad is tech employment can be very volatile, so the Bay Area will experience job losses disproportionately in a downturn. That has happened in the past."

During the most recent 12 months, the number of tech jobs grew by 4.6 percent in Santa Clara County, 2.6 percent in the East Bay and 6.8 percent in the San Francisco-San Mateo area.

Experts believe the Bay Area job market is likely to stay hot and won't be frozen by a downturn, primarily because the foundation of the latest upswing is based on a foundation of solid companies with robust profits.

"People keep saying winter is coming for the tech sector," Hancock said, "but that isn't happening yet."

To be sure, the annual pace of growth has slowed a bit this year compared with the year before. But growth remains sturdy, the EDD figures show.

Over the 12 months that ended in June, tech companies added 34,400 jobs in the Bay Area, a 4.8 percent increase over the 12-month period ending in June 2015.

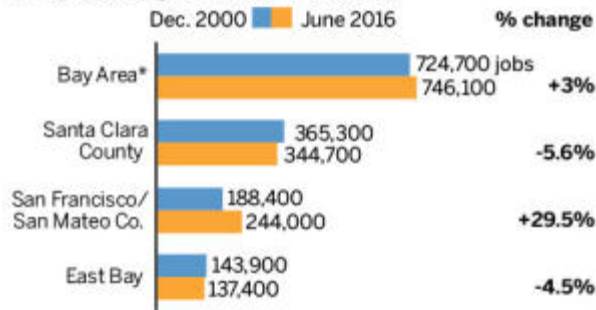
The current pace for tech hiring is slower than the 6.6 percent annual growth rate during the 12 months that ended in June 2015 and the 6.1 percent rate the previous year. But it is still ahead of the 3.2 percent rate for the 12 months ending in June 2013.

"I wouldn't worry too much about the ebbs and flows of job gains in technology," said Scott Anderson, chief economist with San Francisco-based Bank of the West.

RECORD NUMBER OF TECH JOBS

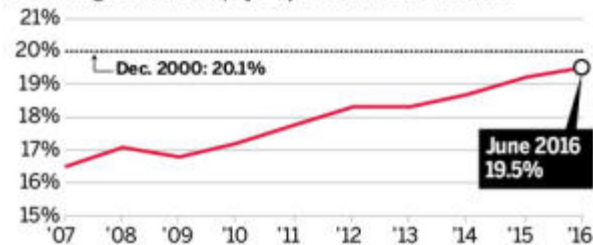
The Bay Area has now surpassed the record number of tech jobs set during the tech bubble in the early 2000s.

Tech jobs during the dot-com era vs. now



About a fifth of total jobs in the Bay Area are in tech

Percentage of nonfarm payroll jobs that are tech-related



*All nine counties

Sources: State Employment Development Department, BANG staff research

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Another strong signal that tech is a big engine pulling the Bay Area economy: The current pace of tech gains -- 4.8 percent over the most recent 12 months -- is well ahead of the 3.3 percent overall rate of job growth in the Bay Area.

"A lot of areas around the world would dream of having our job-creation numbers," Anderson said.

The EDD on Friday will release its July jobs report for the state and Bay Area.

While the overall pace of gains is slowing, analysts say the technology sector is more stable than it was in the dot-com era. They point to the array of local tech companies at the forefront of the employment boom: Firms such as Google, Apple, Facebook, LinkedIn and Salesforce are category leaders and are likely to hire at a brisk pace to meet demand for their products and services.

Google, Apple, Facebook and LinkedIn are pursuing major expansions in the area, acquiring offices, land or both through rentals and purchases. Apple has previously stated that it has about 25,000 employees in Santa Clara County. The Cupertino tech giant's hiring in the Bay Area has seen "significant growth" in recent years, a company spokesman said.

"I would still refer to this period as Tech Boom 2.0 rather than Tech Bubble 2.0," said Mark Vitner, a senior economist with San Francisco-based Wells Fargo Bank.

The current crop of tech giants also command handsome profits, in contrast to long-gone tech upstarts such as Webvan and Pets.com, which vanished after their business models collapsed.



Facebook, photographed in Menlo Park, Calif., on Friday, Dec. 11, 2015. (John Green/Bay Area News Group Archives)

"More of the innovations and companies that have risen out of the current environment have sustainable business concepts, many of which have already ramped up in a huge way," Vitner said.

Although the full nine-county Bay Area has more tech jobs now than during the dot-com bubble years, it's the San Francisco-San Mateo region -- not Santa Clara County -- leading the charge. As of June, San Francisco and the Peninsula saw a 29.5 percent increase -- 55,600 more jobs -- over the dot-com era levels. Santa Clara County's tech sector was eviscerated by the dot-com meltdown, and as of June remained 20,600 jobs, or 5.6 percent, below the peak of December 2000. The East Bay also was shy of its dot-com high, down 6,500 jobs, or 4.5 percent.

—This is a completely new tech industry in the Bay Area, compared with the dot-com bubble," said Jeffrey Michael, director of the Stockton-based Center for Business and Policy Research at University of the Pacific. "Today's tech sector is oriented toward the web, software and cloud services. A great deal of that old tech industry is never coming back."

Even with the striking shift in the composition of tech jobs, the sector has regained the economic dominance it wielded during the dot-com years.

Both in December 2000 and June 2016, technology jobs accounted for roughly 20 percent of the total nonfarm payroll employment in the Bay Area.

Experts believe the job boom is intense enough that tech firms will continue to have trouble finding an ample supply of skilled candidates.

"The tug of war for talent is intense," said Carl Guardino, president of Silicon Valley Leadership Group. "But when companies hire tech workers, the challenge is to find the new workers a place to live that is not a dorm-type existence. And to find a way to keep them from being killed by the commute."

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