

Workforce Review

A monthly review of labor market information for Northern Santa Clara County

June 2010

Did you know?

Job Growth in U.S. Driven Entirely by Startups, According to Kauffman Foundation Study
New firms add an average of 3 million jobs in their first year, while older companies lose 1 million jobs annually

When it comes to U.S. job growth, startup companies aren't everything. They're the only thing. It's well understood that existing companies of all sizes constantly create – and destroy – jobs. Conventional wisdom, then, might suppose that annual net job gain is positive at these companies. A study released [July 7] by the Ewing Marion Kauffman Foundation, however, shows that this rarely is the case. In fact, net job growth occurs in the U.S. economy only through startup firms.

The new study, *The Importance of Startups in Job Creation and Job Destruction*, bases its findings on the Business Dynamics Statistics, a U.S. government dataset compiled by the U.S. Census Bureau. The BDS series tracks the annual number of new businesses (startups and new locations) from 1977 to 2005, and defines startups as firms younger than one year old. The study reveals that, both on average and for all but seven years between 1977 and 2005, existing firms are net job destroyers, losing 1 million jobs net combined per year. By contrast, in their first year, new firms add an average of 3 million jobs.

Further, the study shows, job growth patterns at both startups and existing firms are pro-cyclical, although existing firms have much more cyclical variance. Most notably, during recessionary years, job creation at startups remains stable, while net job losses at existing firms are highly sensitive to the business cycle.

Because startups that develop organically are almost solely the drivers of job growth, job-creation policies aimed at luring larger, established employers will inevitably fail, said the study's author, Tim Kane, Kauffman Foundation senior fellow in Research and Policy. Such city and state policies are doomed not only because they are zero-sum, but because they are based in unrealistic employment growth models.

And it's not just net job creation that startups dominate. While older firms lose more jobs than they create, those gross flows decline as firms age. On average, one-year-old firms create nearly one million jobs, while ten-year-old firms generate 300,000. The notion that firms bulk up as they age is, in the aggregate, not supported by data.

Source: Kauffman Foundation (07/07/10)



Developing a skilled workforce for Silicon Valley

June 2010

Labor Force Statistics (San José–Sunnyvale–Santa Clara MSA)

Civilian Unemployment Rate	June 2009	May 2010	June 2010	Percentage Point Change	
				Monthly	Annual
San José–Sunnyvale MSA	11.7%	11.2%	11.4%	+ 0.2	- 0.3
California	11.6%	11.9%	12.2%	+ 0.3	+ 0.6
United States	9.7%	9.3%	9.6%	+ 0.3	- 0.1%

Civilian Labor Force	June 2009	May 2010	June 2010	Percentage Change	
				Monthly	Annual
San José–Sunnyvale MSA	904,600	900,100	904,900	+ 0.5%	0.0%
Civilian Employed	798,900	799,600	801,700	+ 0.3%	+ 0.4%
Civilian Unemployed	105,700	100,400	103,100	+ 2.7%	- 2.5%

Industry Statistics (San José–Sunnyvale–Santa Clara MSA)

Greatest Change in Employment	June 2009	May 2010	June 2010	Percentage Change	
				Monthly	Annual
Total Nonfarm	858,400	849,600	851,700	+ 0.2%	- 0.8%
Construction	34,100	30,000	30,500	+ 1.7%	- 10.6%
Government: Federal	10,600	12,900	11,900	- 7.8%	+ 12.3%
Government: State	7,200	6,600	6,500	- 1.5%	- 9.7%
Machinery manufacturing	8,000	7,400	7,500	+ 1.4%	- 6.3%
Real Estate & Rental	13,100	12,200	12,300	+ 0.8%	- 6.1%

NOTE: San José-Sunnyvale-Santa Clara MSA (Metropolitan Statistical Area) = Santa Clara and San Benito Counties

Source: California Employment Development Department, LMID

Labor Force by City (NOVA 7-City Consortium)

	Labor Force			% Change Annual	Employed		% Change Annual	Unemployment Rate	
	June 2009	June 2010			June 2009	June 2010		June 2009	June 2010
Santa Clara County	879,800	879,400	0.0%	777,500	780,300	+ 0.4%	11.6%	11.3%	
Cupertino	24,100	24,100	0.0%	22,200	22,300	+ 0.5%	7.6%	7.4%	
Los Altos	12,500	12,600	+ 0.8%	11,800	11,800	0.0%	6.0%	5.8%	
Milpitas	31,900	31,900	0.0%	28,100	28,200	+ 0.4%	12.0%	11.6%	
Mountain View	41,800	41,800	0.0%	38,100	38,300	+ 0.5%	8.7%	8.4%	
Palo Alto	31,100	31,100	0.0%	29,100	29,200	+ 0.3%	6.3%	6.1%	
Santa Clara	56,500	56,500	0.0%	50,500	50,700	+ 0.4%	10.7%	10.4%	
Sunnyvale	75,000	75,000	0.0%	67,500	67,700	+ 0.3%	10.0%	9.7%	
NOVA Workforce Investment Area	272,800	272,900	0.0%	247,300	248,200	+ 0.4%	9.4%	9.1%	

NOTE: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

Regional Layoff Activity

Company	WARN**	City	Affected	Cause
Company Confidential	No	Santa Clara	17	RIF
Company Confidential	No	Mountain View	21	RIF
Company Confidential	No	Sunnyvale	1	RIF
Company Confidential	No	Mountain View	10	RIF
Company Confidential	No	Sunnyvale	3	Closure
City of Palo Alto	No	Palo Alto	45	RIF
Ingersoll Rand	No	Sunnyvale	6	RIF
Palo Alto Unified School District	No	Palo Alto	5	RIF
Symantec Corporation	Yes	Mountain View	53	RIF
			161	

WARN Summary

Individuals Affected YTD [†] :	3,293 ‡
WARN Current YTD:	71
WARN Previous YTD:	110

** WARN: Worker Adjustment and Retraining Notification (notice of mass layoff or closure)

† YTD: Year to Date (Fiscal year: July 1 - June 30)

‡ Summary Total may not equal sum of monthly numbers due to internal adjustments

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database