

How COVID-19 Will Accelerate Silicon Valley Exodus

The Bay Area's prominence as the global tech center has already been eroding, and some think the coronavirus will be the last straw.

When Verious Smith graduated college, he was like many young entry-level software engineers—he planned to get a job in technology and climb the ladder, eventually reaching the Promised Land, Silicon Valley.

That was in 2010, and the number of jobs for tech workers in that region was unparalleled in the world. So it was reasonable to assume he'd end up there eventually.

Smith got a job for a smallish local company in Houston as one of the organization's only two web developers. This job didn't last long. The company hit a financial bump, and soon Verious was out of work.

So he took up freelancing. One of his earliest clients was another local company that needed work done to their website. They offered him a \$1,700 contract, and Verious took it. "That was the most I'd ever made at that time," he said, after comparing the hours he spent working on the project against what he was paid.

A light bulb lit up. He just made a Silicon Valley job's wage working on his couch, enjoying the lower cost of living in Texas. This was the first time he'd questioned what many entry-level tech workers just assume; that the ideal path for a developer is to work your way up until you land in Northern California.

He loved the prospect of not having to punch a clock, not having to report to a boss, not having to fear the potential that his job could disappear tomorrow. It was then that he decided to be a permanent freelancer.

He did eventually migrate to California, though not to the Northern end, but Southern. Today he lives in Corona, CA, which is not known for a booming tech industry—though, Smith is quick to point out it does have a small but active techie scene. He formed his one-man-plus-several-virtual-assistants agency, Philoveracity, and has been going strong ever since.

He discovered 10 years ago what many people are only now discovering, thanks to the stay-at-home orders COVID-19 necessitates; You don't need to be in an office to do most technology-related jobs.

As more people in the industry realize this, it could have big implications for Silicon Valley, a place where technologists congregate physically to work in offices together.

What it means for Silicon Valley

The region has already been experiencing an exodus. A survey by the Brunswick Group of 300 Silicon Valley tech workers found 49 percent of respondents expected an area outside the San Francisco Bay Area

to take the title as the world's leader in innovation. About 74 percent predicted China would be more of a competitive threat to the region's dominance than anywhere in the U.S.

About half of those surveyed said their organization is finding it harder to find fresh talent than it was a year ago. This is because the younger tech workers are less inclined to stay in the Bay Area; 41 percent of respondents 18–34 years old said they planned to leave in the next year.

Not only are young engineers gravitating to Silicon Valley in smaller numbers, but many smaller tech hubs are popping up all over the U.S. to pull talent into their orbit.

Job search site ZipRecruiter analyzed its more than 8 million job ads and found the 20 fastest growing areas for engineering, software and other tech jobs, and they uncovered some surprises.

Huntsville, AL topped the list with more than 300 percent growth. Thousand Oaks in Southern California came in second with 200 percent, and Phoenix, AZ came in third with 188 percent. A lot of Midwest states made the list, such as Kansas City, KS, Cincinnati, OH and Indianapolis, IN. A few surprises came out of the south, such as Nashville, TN and three cities in Florida: Orlando, Jacksonville and Tampa.

"The tech industry is no longer bound to the coast," ZipRecruiter's Chief Economic Adviser, Cathy Barrera, told Business Insider shortly after the report came out. "As a result, we're seeing the tech industry expand out of the major metropolis areas, and into smaller regional cities that have since flown largely under the radar."

Why this is happening: Cost of living

A few things could explain this. The most obvious one to anybody who pays attention to real estate is, the Bay Area has the most astronomically expensive housing costs.

For perspective, a tiny one-bedroom, one-bath, 570 square-foot house on Laidley St. in San Francisco's Glen Park neighborhood recently made headlines as the city's cheapest piece of real estate at \$599,000, no front or back yard, no garage, wedged on a weird triangle-shaped lot.

On the other side of the coin is Nashville, where you can get a small mansion for this price, usually with acreage, often with your own personal river, forest or even a cave.

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UNEMPLOYMENT	Region				Percentage Point Change	
		May 2019	April 2020	May 2020*	1 month	12 months
		San José–Sunnyvale MSA	2.2%	12.0%	11.2%	- 0.8
San Francisco MD	1.9%	12.1%	11.9%	- 0.2	+ 10.0	
California	3.6%	16.2%	15.9%	- 0.3	+ 12.3	
United States	3.4%	14.4%	13.0%	- 1.4	+ 9.6	

*Issues arising from data collection at the national level make it difficult to accurately report unemployment figures at this time for the month of May 2020

INDUSTRY EMPLOYMENT	Sector—May 2020				Percentage Change (Combined Region)	
		San Jose MSA	San Francisco MD	Combined Region	1 month	12 months
		Total Nonfarm	1,018,800	1,010,200	2,029,000	+ 1.0%
Construction	43,800	38,200	82,000	+ 25.6%	- 15.2 %	
Manufacturing	162,100	35,300	197,400	+ 0.9%	- 6.6%	
Retail Trade	67,800	63,200	131,000	- 2.4%	- 18.1%	
Information	93,200	89,400	182,600	- 0.9%	- 5.5%	
Professional & Business Services	232,400	281,600	514,000	+ 0.3%	- 2.8%	
Educational Services	44,000	30,300	74,300	- 1.1%	- 9.5%	
Health Care & Social Assistance	119,800	99,500	219,300	+ 0.5%	- 8.7%	
Leisure & Hospitality	59,400	66,600	126,000	+ 9.0%	- 50.7%	
Government	95,200	125,800	221,000	- 2.8%	- 4.9%	

Note: San José MSA (San José–Sunnyvale–Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties
San Francisco MD (San Francisco–Redwood City–South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

LABOR FORCE & ANNUAL CHANGE	9-County San Francisco Bay Area									
	Labor Force			Employed			Unemployment			
	May 2019	May 2020	Change	May 2019	May 2020	Change	May 2019	May 2020	Change	
California	19,261,800	18,405,800	- 4.4 %	18,566,800	15,484,600	- 16.6%	3.6%	15.9%	+ 12.3	
Alameda County	837,300	801,700	- 4.3%	815,600	693,700	- 14.9%	2.6%	13.5%	+ 10.9	
Contra Costa County	556,600	532,900	- 4.3%	541,600	460,400	- 15.0%	2.7%	13.6%	+ 10.9	
Marin County	138,300	127,000	- 8.2%	135,600	113,900	- 16.0%	2.0%	10.3%	+ 8.3	
Napa County	74,300	72,100	- 3.0%	72,500	61,800	- 14.8%	2.3%	14.4%	+ 12.1	
San Francisco County	575,500	550,900	- 4.3%	564,400	481,500	- 14.7%	1.9%	12.6%	+ 10.7	
San Mateo County	453,900	427,400	- 5.8%	445,800	380,200	- 14.7%	1.8%	11.1%	+ 9.3	
ssSanta Clara County	1,043,400	1,010,000	- 3.2%	1,020,700	898,600	- 12.0%	2.2%	11.0%	+ 8.8	
Solano County	208,200	199,800	- 4.0%	201,300	171,300	- 14.9%	3.3%	14.2%	+ 10.9	
Sonoma County	256,500	246,700	- 3.8%	250,500	215,200	- 14.1%	2.4%	12.7%	+ 10.3	
SF Bay Area (sum)	4,144,000	3,968,500	- 4.2%	4,048,000	3,476,600	- 14.1%	2.3%	12.4%	+ 10.1	

Note: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

REGIONAL LAYOFF ACTIVITY	May 2020 Layoff Events			WARN SUMMARY	
	Company	Location	# Affected	Events YTD [†] :	561
	<p><i>Due to the effects of the Coronavirus shelter-in-place, layoff events for the month of May 2020 are too numerous to be displayed in their entirety.</i></p>			Individuals Affected YTD :	32,400
<p>May 2020 / NOVA Region</p>			Individuals Previous YTD [‡] :	4,179	
<p>Layoff events: 16</p> <p>Individuals affected: 1,550</p>			<p>* WARN: Worker Adjustment and Retraining Notification (notice of mass layoff or closure)</p> <p>† YTD: Year to Date (Program year: July 1–present)</p> <p>‡ Previous YTD: (Same date range as YTD, one year prior)</p>		

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

Source: California EDD, CalJOBS: WARN database