

## Silicon Valley's COVID windfall raises alarm about region's economy

*Tech revenues 'orders of magnitude' larger than in dot-com boom: expert*

An unprecedented flow of riches is concentrating wealth among Silicon Valley companies that capitalized on the world's locked-down lives amid the pandemic, raising fears that a dramatically lopsided recovery will warp the economic future for the Bay Area.

"Any time you have a jolt to the economy ... those that have the ability to most benefit from that will benefit handsomely," San Jose Chamber of Commerce CEO Derrick Seaver said. "We have a particular focus on making sure that the businesses that were on the negative end of the last two years are given a fair playing field to recover."

Apple's revenue skyrocketed to a record \$366 billion last year, from \$275 billion in 2020 as the virus began wreaking havoc, and from \$260 billion in 2019 before the pandemic, propelled by device sales and services to people suddenly living through screens. Google's 2021 take leaped to a record \$258 billion from \$183 billion in 2020 and \$162 billion in 2019. And Facebook's income surged to a record \$118 billion from \$86 billion in 2020 and \$71 billion in 2019, as advertisers scrambled to target ads to populations shopping much more heavily online. All three also reaped record profits.

Meanwhile, other industries like tourism, restaurants and brick-and-mortar retail floundered.

"The big story of Silicon Valley's pandemic years was money, money and more money," said Margaret O'Mara, a University of Washington professor who studies the technology industry. "The last two years also further strengthened and consolidated the power of the very biggest players. The Valley has always had large and dominant employers, from Lockheed and HP in the early years to Intel and other chipmakers a few decades later. But the intense concentration of wealth and talent in a few very large firms ... is new."

A similar bounty also poured into smaller companies able to leverage locked-down lives into eye-popping gains.

San Francisco-based food and grocery delivery apps cashed in by providing sustenance and supplies, with DoorDash hitting nearly \$5 billion in revenue in 2021, more than five times its 2019 level. Private company Instacart's revenue is estimated to have tripled in that period. San Jose video-conferencing company Zoom took workplace meetings remote and saw its revenue multiply tenfold to \$4.1 billion in 2021 from the year before the pandemic. Los Gatos streaming firm Netflix, replacing shuttered movie theaters and entertaining the isolated, saw its revenue jump 50% to \$30 billion in 2021 compared to 2019. San Francisco business software and cloud-computing firm Salesforce, whose digital tools became key solutions for companies adjusting to the pandemic, recently reported its 2022 income – at nearly \$27 billion, double its 2019 take.

Corporate revenues and market valuations in the Silicon Valley tech industry grew "orders of magnitude larger than what the Valley saw during the dot-com and personal-computing booms," O'Mara said.

The consolidation of wealth and power into major tech companies will reduce competition, potentially leading to higher prices for consumers, more aggressive extraction of personal data and fewer opportunities for new innovators, said Omar Ocampo, a researcher at the left-leaning think tank Institute for Policy Studies.

"What does this mean for new actors who want to enter the market? They either can't compete, or they get bought out, or they only exist to be absorbed by a particular company," Ocampo said.

While San Jose Chamber CEO Seaver applauded the successes of the region's big pandemic winners, his organization wants to see government aid targeted toward businesses that are still hurting, and wants companies formulating remote-work policies to consider that "employees leaving home to come to work has a stimulating effect on the broader economy."

Expanding markets and "so much cash on hand" have allowed Google and Facebook to "spend big on advanced research and further grow their real estate footprint and workforce in the Bay Area," O'Mara noted, but have also fueled expansions elsewhere by those companies and other tech firms.

That's a problem for the Bay Area, said Jeff Bellisario, executive director of the Economic Institute at the Bay Area Council, a group representing hundreds of major employers including Apple, Google and Facebook. Despite massive revenue growth at certain tech firms, the Bay Area is still down 150,000 jobs from just before the pandemic, the council's analysis showed. Meanwhile, Bay Area companies are telling the council they are shifting their plans for future employment to other locations, Bellisario said.

"There needs to be a bit more recognition in the region that we can't just look back on the last 10 years of growth and think we can rely on that for the next 10 years," Bellisario said. "There's recognition that you can find talent elsewhere and cultivate new tech hubs elsewhere."

Growing "second-tier" tech centers with lower costs of living, such as Boise, Austin, Denver and Nashville, are attracting tech companies and tech workers, Bellisario said. Bay Area tech icons Oracle and HPE both moved their headquarters to Texas during the pandemic.

The massive influx of wealth into a handful of tech companies poses wider risks, said Institute for Policy Studies researcher Ocampo. Median household wealth in the U.S. has fallen since 2019, Ocampo said. "Compare that to how the tech industry has done," he said. "The pie is growing but the vast majority of people are getting a smaller and smaller slice."

**UNEMPLOYMENT**

Region	March 2021	February 2022	March 2022	Percentage Point Change	
				1 month	12 months
San José–Sunnyvale MSA	5.8%	3.0%	2.5%	- 0.5	- 3.3
San Francisco MD	5.8%	2.9%	2.4%	- 0.5	- 3.4
California	8.6%	4.9%	4.2%	- 0.7	- 4.4
United States	6.2%	4.1%	3.8%	- 0.3	- 2.4

**INDUSTRY EMPLOYMENT**

Sector — March 2022	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
<b>Total Nonfarm</b>	<b>1,139,300</b>	<b>1,149,400</b>	<b>2,288,700</b>	<b>+ 0.7%</b>	<b>+ 7.3%</b>
Construction	53,000	44,100	97,100	+ 0.2%	+ 5.7%
Manufacturing	171,900	38,000	209,900	+ 0.1%	+ 3.0%
Retail Trade	74,900	69,400	144,300	+ 0.1%	+ 3.1%
Information	109,000	116,000	225,000	+ 0.7%	+ 4.8%
Professional & Business Services	250,200	301,300	551,500	+ 0.8%	+ 6.8%
Educational Services	46,500	31,900	78,400	+ 0.8%	+ 8.9%
Health Care & Social Assistance	138,100	117,300	255,400	+ 0.3%	+ 3.2%
Leisure & Hospitality	94,400	107,500	201,900	+ 2.5%	+ 41.0%
Government	94,700	131,700	226,400	+ 0.8%	+ 2.6%

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**

Labor Force by Metropolitan Statistical Area (U.S. High-Tech Regions)

	LABOR FORCE			UNEMPLOYMENT			UNEMPLOYMENT RATE		
	March 2021	March 2022	Change	March 2021	March 2022	Change	March 2021	March 2022	Change
<b>United States</b>	<b>160,398,000</b>	<b>164,274,000</b>	<b>+ 2.4%</b>	<b>9,905,000</b>	<b>6,168,000</b>	<b>- 37.7%</b>	<b>6.2%</b>	<b>3.8%</b>	<b>- 2.4</b>
Austin, TX	1,279,555	1,355,186	+ 5.9%	61,597	36,641	- 40.5%	4.8%	2.7%	- 2.1
Boston, MA	1,653,600	1,690,168	+ 2.2%	96,424	52,095	- 46.0%	5.8%	3.1%	- 2.7
New York City, NY	4,161,200	3,989,200	- 4.1%	469,100	244,100	- 48.0%	11.3%	6.1%	- 5.2
Seattle, WA	1,712,736	1,771,402	+ 3.4%	89,810	45,848	- 49.0%	5.2%	2.6%	- 2.6
California	18,800,200	19,374,100	+ 3.1%	1,622,300	823,000	- 49.3%	8.6%	4.2%	- 4.4
San Diego	1,527,200	1,596,800	+ 4.6%	116,100	54,700	- 52.9%	7.6%	3.4%	- 4.2
San Francisco	961,800	1,024,600	+ 6.5%	55,700	24,900	- 55.3%	5.8%	2.4%	- 3.4
San José	1,036,300	1,080,500	+ 4.3%	59,800	27,400	- 54.2%	5.8%	2.5%	- 3.3
NOVAworks Region	742,600	786,700	+ 5.9%	38,000	17,200	- 54.7%	5.1%	2.2%	- 2.9

Note: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

**REGIONAL LAYOFF ACTIVITY**

March 2022 Layoff Events

Company	Location	# Affected
Fresenius Medical Care	Milpitas	13
<b>Total</b>		<b>13</b>

**WARN SUMMARY**

Events YTD<sup>†</sup>: 35

Individuals Affected YTD<sup>†</sup>: 2,315

Individuals Previous YTD<sup>‡</sup>: 20,405

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

† **YTD: Year to Date** (Program year: July 1–June 30)

‡ **Previous YTD:** (Same date range as YTD, one year prior)

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

Source: California EDD, CalJOBS: WARN data