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WORKFORCE REVIEW

A monthly review of labor market information for Silicon Valley

The party's ending: Silicon Valley braces for a new era of financial and political upheaval

It was fun while it lasted, but after years of sky-high valuations, Silicon Valley is engulfed in its worst sell-off since the 2008 stock market crash.

After a pandemic-fueled boom sent tech names soaring, many of those businesses have seen the worst six months of their lives as publicly traded companies. Peloton, the exercise startup, is emblematic of this ominous reality: Its shares have cratered from a high of $163 at the end of 2020 to about $17. On Thursday, The Wall Street Journal reported company executives were looking to sell a minority stake to an outside investor.

"Investor sentiment in Silicon Valley is the most negative since the dot-com crash," David Sacks, a venture capitalist in San Francisco and a former PayPal executive, said this week in a tweet, referring to the turbulent days of the early 2000s.

Tech companies are often especially vulnerable during an economic downturn, because most of these early-stage enterprises aren't profitable, relying instead on venture capital investments to cover expenses while they focus on rapid growth — something that's much more difficult when consumer demand slows down.

Firms that had scored headlines in the past 18 months for raising millions of dollars to achieve billion-dollar "unicorn" valuations have announced layoffs. They include the celebrity video-clip company Cameo; the stock market trading app Robinhood; Thrasio, which buys and sells third-party brands on Amazon; and the employment group Workrise.

Some people have begun to use the phrase "zombie unicorns" to refer to highly valued but shaky startups that might need new investors to rescue them.

"A lot of this is about companies that never thought the VC gravy train would slow," Dan Primack, a widely read tech and finance columnist for Axios, wrote this week.

The massive markdown is causing some observers to pause and reflect on the current state of tech. The mood has shifted: Our economic environment is less certain, and the ground on which the tech landscape stood is beginning to look, as tech executive and venture capitalist Dan Rose called it in a tweet, like an "abyss."

Another tech investor, Zach Coelius, noted that recent years had seen an explosion in tech funding — a phenomenon that appears to be reaching an end.

In an interview, Coelius said low interest rates and an abundance of investors had made it easy for tech entrepreneurs to found and grow businesses in the past decade. That has changed.

"Everyone was aggressively writing checks really, really rapidly, and that trains founders into a 'FOMO' mentality — you had to move quickly or you were going to lose," Coelius said, referring to a "fear of missing out."

He said pressure started to build at the start of the year, when interest rates began to rise and broader public stock markets began to fall. The situation worsened amid earnings season for the first quarter of 2022, as publicly traded companies delivered disappointing results or forecasts, he said.

"This earnings season was really a comeuppance for a lot of folks," he said. "Almost all the major public tech companies missed their numbers, and when that happens, the tide can turn really aggressively."

The sell-off began in winter 2021 and extended through the first half of 2022 amid fears of the omicron variant of Covid and a more hawkish tone from the Federal Reserve. War in Ukraine, rising oil prices and higher inflation have since all conspired to tank markets. One of the hardest hits to the tech world came at the end of April, when Amazon announced weaker than expected results and a gloomier forecast for the rest of the year.

Now, tech startups won't be able to raise money as easily, Coelius said, forcing them to conserve cash and scale back growth plans.

"Patience is your friend in these situations. You don't have to be as stressed about being the fastest-growing company in the world. It's a different mindset."

Instead, he said, startups can focus on improving their products and growing at a more sustainable rate.

Bill Gurley, general partner at the venture capital firm Benchmark, said some tech startups that previously didn't feel pressure to generate a profit will now be asked to do so, while also being more conservative with expenses.

"People want real earnings. They want real, free cash flow now," Gurley told CNBC this week.

"All these companies that have lived in this high-froth environment for the past decade, they kind of have to readjust, and the sooner they do it, the better," he said. "But it's not easy when everyone in your organization is operating in a singular fashion for 10 years."

Source: ***NBC News*** (05/07/22)
https://nbcnews.to/3wONpGq

novaworks

MAY 2022

LOCAL *Focus*

UNEMPLOYMENT

Region	April 2021	March 2022	April 2022	Percentage Point Change 1 month	Percentage Point Change 12 months
San José–Sunnyvale MSA	5.5	2.5	2.2	– 0.3	– 3.3
San Francisco MD	5.7	2.4	2.1	– 0.3	– 3.6
California	8.3	4.3	3.8	– 0.5	– 4.5
United States	5.7	3.8	3.3	– 0.5	– 2.4

INDUSTRY EMPLOYMENT

Sector — April 2022	San Jose MSA	San Francisco MD	Combined Region	Percentage Change *(Combined Region)* 1 month	Percentage Change *(Combined Region)* 12 months
Total Nonfarm	**1,149,100**	**1,160,500**	**2,309,600**	+ 0.8%	+ 7.2%
Construction	53,800	43,700	97,500	+ 0.3%	+ 5.5%
Manufacturing	172,700	37,900	210,600	+ 0.5%	+ 3.3%
Retail Trade	75,300	68,800	144,100	– 0.2%	+ 3.2%
Information	109,400	116,000	225,400	+ 0.0%	+ 5.2%
Professional & Business Services	252,500	305,600	558,100	+ 0.9%	+ 7.8%
Educational Services	46,500	32,000	78,500	0.0%	+ 7.8%
Health Care & Social Assistance	137,700	117,500	255,200	– 0.3%	+ 2.3%
Leisure & Hospitality	98,500	112,400	210,900	+ 4.4%	+ 33.9%
Government	95,500	132,400	227,900	+ 0.7%	+ 2.4%

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 NOVA Jurisdiction — *Santa Clara County (partial) + San Mateo County (complete)*

	Labor Force April 2021	Labor Force April 2022	Labor Force *Change*	Unemployment April 2021	Unemployment April 2022	Unemployment *Change*	Unemployment Rate April 2021	Unemployment Rate April 2022	Unemployment Rate *Change*
• San Mateo County	420,900	448,600	+ 6.6%	22,500	8,700	– 61.3%	5.3%	1.9%	– 3.4
• Santa Clara County	996,900	1,040,100	+ 4.3%	54,300	218,800	– 59.9%	5.4%	2.1%	– 3.3
Cupertino	27,600	29,000	+ 5.1%	1,200	500	– 58.3%	4.2%	1.8%	– 2.4
Los Altos	13,900	14,700	+ 5.8%	500	200	– 60.0%	3.7%	1.5%	– 2.2
Milpitas	39,400	40,800	+ 3.6%	2,500	900	– 64.0%	6.2%	2.1%	– 4.1
Mountain View	48,200	51,000	+ 5.8%	1,700	800	– 52.9%	3.6%	1.5%	– 2.1
Palo Alto	34,100	36,100	+ 5.9%	1,100	500	– 54.5%	3.3%	1.5%	– 1.8
Santa Clara	69,400	72,800	+ 4.9%	3,100	1,300	– 58.1%	4.5%	1.8%	– 2.7
Sunnyvale	83,000	87,500	+ 5.4%	3,400	1,500	– 55.9%	4.1%	1.7%	– 2.4
NOVAworks Region	*736,500*	*780,500*	*+ 6.0%*	*36,000*	*14,400*	*– 60.0%*	*4.9%*	*1.8%*	*– 3.0*

Note: NOVAworks Region consists of seven cities in Northern Santa Clara County and the entirety of San Mateo County

Source: California Employment Development Department, LMID

REGIONAL LAYOFF ACTIVITY

April 2022 Layoff Events

Company	Location	# Affected
Alexion Pharmaceuticals	South San Francisco	36
Bandai Namco Entertainment	Santa Clara	90
Dugan Aviation	SFO	35
Takeda Development Center	Brisbane	29
	Total	**190**

WARN SUMMARY

Events YTD†: **39**

Individuals Affected YTD: **2,505**

Individuals Previous YTD‡: **24,393**

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

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

‡ **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