

What's Next for Silicon Valley?

As we kick off the summer of 2023, I am bemused at headlines from publications near and far prognosticating about Silicon Valley's "golden era coming to an end" or that dusk is upon us.

The most famous tech hub in the world, Silicon Valley is world renowned for its role in fostering innovation and birthing global technology giants that disrupt companies and entire industries.

In recent years, the valley has struggled to return to the office, address economic disparities, house the homeless, care for the mentally ill, and compete for talent with new technology clusters sprouting up around the world. Recent years have witnessed more than a few of Silicon Valley's most venerated technology titans rolling their carpets into their bags and catapulting their corporate headquarters and new campuses out of Silicon Valley to other states with low-cost, lower taxing, more forward-thinking industrial and regulatory policies and pro-growth business climates. But even Professor Margaret O'Mara, author of "The Code: Silicon Valley and the Remaking of America," admitted in the Guardian that while "it may signify the end of an era, it is improbable that it will be the end of Silicon Valley itself."

For decades, Silicon Valley has thrived as a vital epicenter for technological advancements, attracting disruptive academics who build laboratories that attract government- and industry-funded research and development programs, who then produce scientists who become disruptive entrepreneurs, who in turn form startups that get funded by deep-pocketed venture capitalists, and with an abundance of tech industry talent appropriate for every stage of growth, from startup to Fortune 50 executives, directors, engineers, and the panoply of knowledge workers to support them, they rocket forward from garage to global. Silicon Valley's success can be attributed to this unique ecosystem that encompasses world-class universities, government research programs, a deep bench of talent, access to capital, a culture of innovation and risk-taking, and a concentration of tech companies from startup to large global tech behemoth.

Future of Silicon Valley Under Attack

The future role of Silicon Valley as a center of innovation is under attack. As one considers the future trajectory of Silicon Valley, the following are key factors that will determine the outcome.

Globalization of innovation: Silicon Valley faces increased global competition. Innovation is no longer limited to a single geographic location. Many cities, countries and regions worldwide are actively investing in developing their innovation ecosystems. Emerging tech hubs like Shanghai, Tel Aviv, Paris, London, Berlin, and Bangalore are gaining prominence and attracting talent and investment.

Remote work and distributed teams: The COVID-19 pandemic accelerated the adoption of remote work. Companies now recognize that teams can effectively collaborate from distributed locations. This shift may reduce the necessity for a concentrated physical presence in Silicon Valley. Remote work enables talent to be distributed more widely and may lead to the emergence of innovation centers beyond traditional tech hubs.

Cost of living and affordability: Silicon Valley has faced challenges related to rising living costs, housing affordability, and income inequality. These factors impact its ability to attract and retain talent, especially for early-stage startups, but also for companies that transcend the startup stage and move to global scaling. Other regions with lower costs of living and supportive environments may become attractive alternatives.

Evolving technologies and industries: The focus of innovation is continually shifting. While Silicon Valley has excelled in software, internet technologies, and consumer electronics, future breakthroughs may emerge from other sectors like

biotechnology, renewable energy, artificial intelligence, and quantum computing. Other regions with expertise in these areas may gain prominence.

Changing political, social, and regulatory environment: One minute, technology entrepreneurs and bio-hackers inventing CRISPR and mRNA recombinant technologies are captains of industry, and the next, they are villainized as robber barons. One minute, Silicon Valley is a protected regulatory sandbox, and the next it is invaded by SEC enforcement prosecutors. One minute, Silicon Valley is the motor of the U.S. economy, and the next, it is a Thanksgiving turkey ready to be carved up and served to the masses. One thing is for sure: the politicians in Washington, D.C. agree that "big tech" is a target, and both parties will take their pound of flesh, with more intrusive regulation, more taxes, and more burden.

Silicon Valley Will Be Back, Bigger and Better than Ever Before

Despite the challenges, Silicon Valley has a long history of reinventing itself and adapting to changing circumstances. It has a robust network of established companies, experienced entrepreneurs, venture capitalists, and a deep talent pool. The region continues to attract significant investment and remains a vibrant hub for innovation. Silicon Valley is still the best place for entrepreneurs to launch their ventures and here are some of the reasons why.

Proximity to talent: Silicon Valley attracts top talent from around the world. It is home to world-class universities like Stanford and Berkeley, which produce highly skilled computer science, engineering, and entrepreneurship graduates, but a dozen other national and regional universities that train the layers of knowledge workers to staff and scale companies that penetrate the market. The region also attracts many experienced professionals and experts in various domains from around the world. This concentration of talent fosters innovation, collaboration, and a culture of entrepreneurship.

Access to funding: Silicon Valley has a robust ecosystem of venture capitalists, angel investors, and funding sources for later stages of growth. Investors in this region deeply understand the technology disruption required to make it big, and are willing to take risks on promising startups. The proximity to risk capital firms (whether angel, seed, venture, or private equity) makes it easier for startups to secure funding and receive guidance from experienced investors with a track record of supporting successful businesses.

Networking opportunities: Silicon Valley provides unparalleled networking opportunities. The region hosts numerous industry events, conferences, meetups, and networking sessions where entrepreneurs, investors, and professionals come together. These events enable startups to connect with potential investors, partners, mentors, and advisors. The culture of networking in Silicon Valley is vibrant, fostering collaborations.

Supportive ecosystem: Silicon Valley's infrastructure and support systems are well-developed for startups. There are startup incubators, accelerators, co-working spaces, and shared resources that provide entrepreneurs a conducive environment to build and grow their businesses. Additionally, there is a wealth of professional services, including legal, accounting, and marketing firms with expertise in supporting startups.

Culture of innovation: Silicon Valley has a strong culture of innovation and risk-taking. The region has a history of successful startups and transformative technologies, which inspires and motivates entrepreneurs. The ecosystem encourages disruptive thinking and experimentation and embraces failure as a learning opportunity. This culture of innovation helps startups push boundaries and pursue groundbreaking ideas.

Article continues at link below

Region	June 2022	May 2022	June 2023	Percentage Point Change	
				1 month	12 months
San José–Sunnyvale MSA	2.7%	3.3%	3.7%	+ 0.4	+ 1.0
San Francisco MD	2.5%	2.9%	3.2%	+ 0.3	+ 0.7
California	4.1%	4.5%	4.9%	+ 0.4	+ 0.8
United States	3.8%	3.4%	3.8%	+ 0.4	0.0

Sector — June 2023	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
Total Nonfarm	1,192,100	1,222,400	2,414,500	+ 0.8%	+ 2.7%
Construction	56,400	40,300	96,700	+ 1.4%	+ 0.8%
Manufacturing	180,500	39,300	219,800	+ 0.5%	+ 0.5%
Retail Trade	72,600	66,400	139,000	+ 0.5%	- 0.4%
Information	105,900	126,600	232,500	+ 1.8%	- 0.6%
Professional & Business Services	256,600	319,900	576,500	+ 0.8%	+ 1.7%
Educational Services	95,500	84,500	180,000	- 1.7%	+ 3.9%
Health Care & Social Assistance	147,600	130,500	278,100	+ 1.2%	+ 6.8%
Leisure & Hospitality	109,000	130,500	239,500	+ 2.5%	+ 11.4%
Government	98,700	139,000	237,700	- 0.6%	+ 0.5%

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

Jurisdiction	Labor Force			Unemployment			Unemployment Rate		
	June 2022	June 2023	Change	June 2022	June 2023	Change	June 2022	June 2023	Change
• San Mateo County	453,700	455,700	+ 0.4%	10,900	13,900	+ 27.5%	2.4%	3.1%	+ 0.7
• Santa Clara County	1,034,400	1,045,600	+ 1.1%	27,800	38,000	+ 36.7%	2.7%	3.6%	+ 0.9
Cupertino	28,900	29,300	+ 1.4%	700	1,100	+ 57.1%	2.5%	3.6%	+ 1.1
Los Altos	14,600	14,900	+ 2.1%	300	500	+ 66.7%	2.3%	3.6%	+ 1.3
Milpitas	40,600	41,200	+ 1.5%	1,100	1,700	+ 54.5%	2.7%	4.2%	+ 1.5
Mountain View	50,700	51,300	+ 1.2%	1,000	1,500	+ 50.0%	2.0%	3.0%	+ 1.0
Palo Alto	35,900	36,300	+ 1.1%	800	1,100	+ 37.5%	2.2%	3.1%	+ 0.9
Santa Clara	72,500	73,300	+ 1.1%	1,700	2,500	+ 47.1%	2.4%	3.5%	+ 1.1
Sunnyvale	87,000	87,900	+ 1.0%	2,000	2,800	+ 40.0%	2.3%	3.1%	+ 0.8
NOVAworks Region	783,900	789,900	+ 0.8%	18,500	25,100	+ 35.7%	2.4%	3.2%	+ 0.8

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

Company	Location	# Affected
Cala Health	San Mateo	107
Cepheid	Multiple cities	345
Cushman & Wakefield U.S.	Multiple cities	733
Graphite Bio	Brisbane, South San Francisco	10
LinkedIn	Mountain View, Sunnyvale	115
Meta Platforms	Multiple cities	1,160
Myovant Sciences	Brisbane	94
NGM Biopharmaceuticals	South San Francisco	75
Sangamo Therapeutics	Brisbane	30
Summit Public Schools	Redwood City, Sunnyvale	54
Sumo Logic	Redwood City	79
USRA at ARC	Mountain View	13
Total		2,815

WARN SUMMARY

Events YTD[†]: 209
 Individuals Affected YTD[†]: 11,657
 Individuals Previous YTD[‡]: 845

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

† **YTD: Year to Date**
 (Calendar year: January 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