



Assessing the Competitiveness of California's Business Climate

Silicon Valley CEOs Speak Out

An Economic Competitiveness Survey Commissioned by
Silicon Valley Leadership Group
Carl Guardino, President and CEO

Analyzed by

Larry N. Gerston, Ph.D.*
Professor of Political Science
San Jose State University

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*The author wishes to acknowledge Adam D. Gerston for gathering and aggregating the raw survey data.

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Executive Summary

The members of the Silicon Valley Leadership Group (SVLG) collectively contribute more than US\$1 trillion to the global economy and thus represent a major force in the state and nation. The SVLG 2005 annual survey on business and living conditions in Silicon Valley elicited notable participation among member companies, indicating significant concern about the economic future of the Valley. This report contains a compilation of the results of the 2005 survey and a comparison with the results of the 2004 survey, where appropriate. Key findings include the following:

- The business climate of Silicon Valley is hindered by a variety of factors including high housing costs, cumbersome regulations, workers' compensation costs, health care costs, and costs related to worker recruitment and retention.
- Among the cost of living challenges to working families in the Valley, every CEO respondent cites expensive housing. Other categories attracting high levels of concern include health care, traffic congestion, high taxes, and education.
- For the second consecutive year, creating affordable housing is viewed as the most significant action that the state government can take to improve the business climate, followed closely by rate reductions for workers' compensation costs.
- The meaning of the term "economic recovery" in Silicon Valley varies and depends largely upon the business conditions of specific sectors.
- A plurality of respondents anticipate job growth in Silicon Valley during the coming year, yet a sizable minority believes that the economy will either stay the same or deteriorate.
- Although only 26% of the respondents believe that state *legislation* is moving in the right direction, that percentage is three times higher than in the 2004 survey.
- Only 15% of the respondents believe that statewide *regulations* are moving in the right direction. While low, this percentage is three times higher than in 2004.
- A highly skilled labor force and access to elite universities stand out as the most important benefits of doing business in Silicon Valley.

Preface

“We must hang together, or most assuredly we will all hang separately.”

Benjamin Franklin

“Our job, as CEOs, is not to sit on the sidelines and cheer or jeer. Our job is to get in the game and move the ball forward.”

David Packard
(upon founding SVLG)

The purpose of this report is to extend a hand — from Silicon Valley CEOs to local and statewide public policy leaders – to engage a dialogue on solutions to enhance California’s and Silicon Valley’s competitiveness. If our economy is to survive and thrive in a fast-changing competitive world economy, we must work together.

This report provides quantitative survey information derived to help inform this dialog so that we may identify solutions to improve our state’s fiscal health and competitiveness and to sustain our quality of life for all who call California home.

It is in this spirit that the Silicon Valley Leadership Group offers this second annual survey on California’s and Silicon Valley’s business climate and economic competitiveness. One hundred and fourteen of the top Silicon Valley’s top CEOs and Senior Officers responded to the survey.

On a final note, this effort has been possible with the commitment of many dedicated member companies and partners.

First, we thank the 114 CEOs and Senior Officers for contributing their first-hand knowledge of the competitive environment; second, to pollster and analyst Dr. Larry Gerston of San Jose State University for his expert analysis and insight; third, to the job providers who underwrote the survey and the analysis: Adobe, Applied Materials, Bank of America, Silicon Valley Bank, Solectron, and Synopsys; and, finally, to the dedicated staff at SVLG, especially Kirk Everett along with Justin Bradley, Bena Chang and Anthony Marek. We are indebted to their efforts and commitment.



Carl Guardino, President and CEO
Silicon Valley Leadership Group

Overview

In December 2004, the Silicon Valley Leadership Group (SVLG) distributed its 2005 annual survey on business and living conditions in Silicon Valley. As in the past, the organization polled its 195 member company CEOs and senior officers about issues of concern and recommendations for action to serve as guides for possible institutional remedies. During the following six weeks, SVLG received 114 replies, a response rate of 59%. As with the 57% response rate in 2004, this level of participation indicates the high level of interest by members in the welfare of the region and state.

Members of the SVLG compose a sizable portion of the area's economic engine. Combined, SVLG member companies:

- **Employ more than 250,000 people in the Valley**, one-fourth of the entire private sector workforce in the region.
- **Generate more than US\$1 trillion worth of business**, which is more than eight times California's entire state budget and represents a sizable contribution to the state and the national government treasuries, along with hefty property taxes for local governments.
- **Span numerous legislative districts, including those of 14 assembly districts**, 8 state senate districts, and 6 congressional districts.

Simply put, SVLG members and their employees represent a substantial segment of California's economy and population. Given the widespread participation of respondents in the survey, it is reasonable to conclude that the results reflect the general sentiments of the group's members. Further, given their numbers and their role in the economy, it is equally reasonable to assume that the concerns of SVLG members and employees are critical to the welfare of the state.

This report contains responses to the 19 questions asked in the 2005 Silicon Valley Leadership Group's Economic Competitiveness Survey. In some respects, the findings are cautiously optimistic in terms of hiring patterns and changing attitudes toward state government laws and regulations. In other respects, the findings show that the Valley has a long way to go before becoming truly competitive, particularly regarding housing costs, business regulations, overbearing workers' compensation costs, and runaway health care costs.

Fundamentally, however, the survey results reflect an assessment of SVLG members of the Valley as a place to live and work. The organization hopes that the areas of concern and satisfaction identified by the survey will give public officials in California a better idea of the issues that impact our important region.

About the Survey

The Economic Competitiveness Survey was distributed via email to all 195 member company CEOs and senior officers of the SVLG on December 10, 2004 (see Appendix A). The organization collected responses through February 10, 2005. The questions on the survey addressed issues such as current economic strengths and concerns of the members, patterns of growth and/or decline, challenges to businesses and their employees, the general business climate, recent policy enactments by the legislature, regulatory efforts, and recommendations for action in specific areas of public policy.

With more than 2 million people scattered across hundreds of square miles, Silicon Valley is a diverse piece of real estate. During the past year, some areas of the local economy have shown signs of revitalization, others have remained constant, and others have declined. For purposes of analysis, the original 12 business categories have been merged into seven sectors (see Table 1).

TABLE 1
Q1. Industry sector¹

	2005	2004
High-Tech manufacturing	45	35
Financial/professional services	17	24
Internet/communications/utilities	20	20
Bio tech	12	5
General manufacturing	9	10
Education	6	6
Health care	5	5
Other/don't know	0	0
Total	114	105

It is worthwhile to note substantial increases in participation from the high-tech manufacturing and bio tech categories from 2004 to 2005; participation of financial/professional services declined. Otherwise, representation in the other four groups remained fairly constant. The companies within the sector groups vary in size, as do the sectors themselves. As will be seen, however, each sector has its own characteristics.

The survey instrument (see Appendix B) presents most of the questions as “closed ended,” meaning that respondents select answers from the lists associated with each question. In some cases, respondents selected more than one answer for the same question. A few questions are “open ended,” allowing respondents to write opinions and detailed answers.

¹ The 12 sectors were merged as follows: high-tech manufacturing (R&D, computer/component manufacturing, software, semiconductor/microprocessor); financial/professional services (accounting, venture capital, waste management and recycling); Internet/communications/utilities (utility/energy, media/news services, transportation); bio tech (medical instrumentation); general manufacturing (aerospace/defense, auto manufacturing, food and beverage manufacturing); education (universities); and health care.

Key Findings

Improving the Quality of Life

Silicon Valley has a history of erratic economic twists and turns. The Valley soared during the late '90s before falling into an economic abyss in 2000. A long recession hampered the area until 2003, when the Valley showed signs of limited recovery. The movement upward has been anything but consistent. One recent study finds that research and development continue to be cornerstones of the region; however, the number of jobs in the area has continued to dwindle.² Another recent study referred to transportation, the economy, and housing as the three most important problems plaguing the Bay Area today.

With these general observations as a backdrop, what are the sentiments of SVLG member company executives? Table 2 represents answers of respondents to the greatest cost of living challenges confronting families in Silicon Valley. In this question, executives were asked to list their top 5 concerns.

TABLE 2
Q10. What are the top 5 cost of living challenges for families in Silicon Valley?

	Percent
Housing costs	100%
Health care	78%
Traffic congestion	74%
High taxes	68%
K-12 education	55%
Energy costs	39%
Child care costs	35%
Higher education	10%
Other/don't know	4%

Note: Percentages exceed 100 because of multiple responses.

It is important to note that every one of the 114 respondents listed housing costs as a top concern. In addition, substantial majorities cite concerns about health care, traffic congestion, high taxes, and education in descending order of importance.

² "Silicon Valley does more with less," *San Francisco Chronicle*, January 20, 2005, pp. A1, A4.

As with the 2004 CEO survey, the top answers were consistent across every sector, thus reinforcing the gravity of the concerns. These data are arrayed in Table 3.

TABLE 3
Q10. What are the top 5 cost of living challenges for families in Silicon Valley? (by sector)

	High-Tech/ manufacturing	Financial/ prof services	Internet/ com/ utility	Gen. manufacturing	Education	Bio tech	Health care
Housing costs	1	1	1	1	1	1	1
Health care	2	3	2	2	3	3	2
Traffic congestion	4	2	3	3	2	2	4
High taxes	3	4	4	5	4	4	3
K-12 education	5	5	6	4	5	5	5
Energy costs	7	6	5	6	6	7	7
Child care costs	6	8	7	6	7	6	5
Higher education	8	7	9	8	8	8	8
Other/don't know	9	9	8	9	9	9	9

Improving the Business Climate

The business climate in Silicon Valley affects corporate viability and the ability to compete in the global marketplace. Without favorable conditions, businesses operate at a competitive disadvantage.

The survey asked respondents to identify problems as well as possible remedies. Sixty-eight percent of the respondents are concerned about more affordable housing. Almost as many express concern about the creation of business regulations, up sharply from 2004. Perhaps the most interesting result, however, focuses on the fact that 53% of the respondents insist that more rate reductions in workers' comp costs are necessary. This sentiment clearly suggests that the legislative repair to date is not sufficient to meet the Valley's needs. Other areas attracting the most attention include health care costs (47%), and worker recruitment/retention costs (42%). These data are summarized in Table 4.

TABLE 4

Q9. What are the top 5 cost of business challenges for your company in Silicon Valley?

	2005
High housing costs for employees	68%
Business regulations	65%
Workers' compensation costs	53%
Health care costs	47%
Worker recruitment/retention costs	42%
High taxes	40%
Frivolous lawsuits	37%
Energy costs	24%
Traffic congestion	24%
Overtime/8-hour workday requirement	23%
State budget structure	18%
Water	11%
Unemployment insurance costs	9%
Business personal property taxes	5%
Paid family leave	5%
Intellectual property protection costs	4%
Air transportation/cargo	4%
Other/don't know	4%

Note: Percentages exceed 100 because of multiple responses.

The survey does reflect some changes from 2004. Workers' compensation, ranked number 1 in 2004, drops to third among respondents to the 2005 survey. Similarly, health care, ranked second in 2004, drops to fourth in 2005. However, member companies continue to express concern for these two categories.

An analysis of the top 5 challenges to businesses by sector reveals tremendous consistency with respect to the main concerns. Housing costs for employees are cited either first or second by each of the seven sectors. Almost as much consistency is found with the concern for business regulations, which is mentioned as the first or second concern by six of the seven sectors. These data are displayed in Table 5.

TABLE 5
Q9. What are the top 5 cost of business challenges for your company in Silicon Valley? (by sector)

	High-Tech/ manufacturing	Financial/ prof services	Internet/ com/ utility	Gen. manufacturing	Education	Bio tech	Health care
High housing costs for employees	2	1	2	1	1	1	2
Business regulations	1	3	1	2	2	2	1
Workers' compensation costs	4	2	3	4	3	3	3
Health care costs	3	4	4	3	4	5	4
Worker recruitment/ retention costs	5	5	5	5	7	4	5
High taxes	6	5	7	6	6	6	6
Frivolous lawsuits	7	7	6	7	5	7	7
Energy costs	9	8	8	8	8	8	8
Traffic congestion	8	9	9	9	9	8	9

Silicon Valley Leadership Group members contribute more than US\$1 trillion dollars to the global economy, making the group a key tax provider and stakeholder. Given the importance of the members to the state and nation, the survey asked the respondents to comment on several proposed changes for improving the business climate in the region. Clearly, more affordable housing and more rate reductions for workers' compensation dominate the answers of the respondents. In fact, affordable housing receives even more attention in 2005 than 2004. These data appear in Table 6.

TABLE 6
Q11. What top 5 actions could the state government take to improve the business climate for your company?

	2005	2004
Help create more affordable housing	55%	51%
More rate reductions for worker's comp costs	54%	No data
Continue research and development tax credit	43%	30%
Invest in traffic relief/transportation improvements	43%	No data
Avoid split roll tax	41%	17%
Limit frivolous lawsuits	40%	52%
Improve K-12 education	37%	No data
Streamline regulatory and permit approvals	35%	36%
Reinstate overtime after a 40-hour work-week rather than an 8-hour workday	31%	31%
Offer full exemption credit for manufacturing	30%	No data
Improve higher education	24%	No data
Lower energy costs	20%	32%
Reduce unemployment insurance cost increase	19%	31%
Invest in broadband development	18%	No data
Repeal paid family leave benefits	5%	14%
Roll back WARN Act costs to national average	4%	3%
Other/don't know	6%	9%

Note: Percentages exceed 100 because of multiple responses.

The Lingering Issue of Workers' Compensation

The workers' compensation issue presents its own set of problems. In 2004, 66% of all respondents cited workers' compensation as a concern, even after the legislature enacted modest reforms in 2003. These responses, along with the concerns of others, led the Governor and the legislature to enact additional legislative reform in 2004.

Nevertheless, the latest reforms still do not go far enough or have not taken effect quickly enough, given the responses of the SVLG members to Question 11 (Table 6) to the 2005 survey.³ When asked whether workers' compensation costs have increased, decreased, or stayed the same during the past year, survey participants show no particular benefit, with almost as many suffering increases as benefiting from decreases. Significantly, one out of ten respondents state that their workers' compensation costs increased more than 25% after the reforms. These data are expressed in Table 7.

TABLE 7
Q12. What has happened to your Workers' Compensation costs during the past year?

	Percent
Increased more than 25%	10%
Increased between 0–25%	21%
Stayed the same	12%
Decreased between 0–25%	30%
Decreased more than 25%	4%
Other/don't know	23%

Job Generation During the Past Year

It's no secret that job growth in California has been sluggish in recent years, and even more so in Silicon Valley.⁴ Neither the state nor the region has kept up with gains at the national level. Competition from other states and other nations has made it difficult for local companies to thrive.⁵ However, change may be on the horizon.

There are again signs of growth here, especially compared with the past. Table 8 shows that a plurality of participating companies have added jobs in Silicon Valley during the past year. Further, less than one-fourth of the responding companies have reduced their workforce during the past year. Both of these statistics suggest improvement compared with earlier periods.

³ Considerable doubt remains about the true benefits of the workers' compensation reforms that have been enacted to date. For a sense of the debate, see "Worker Comp Fix in Doubt," *Los Angeles Times*, September 15, 2004, pp. B1, B7; "In California, Workers' Compensation Is a Growing Burden," *The New York Times*, September 9, 2004, p. c9; and "Workers' comp just needs time," *San Jose Mercury News*, January 25, 2005, p. 6B.

⁴ See "Silicon Valley exodus starting to slow down," *San Jose Mercury News*, February 8, 2005, pp. 1A, 15A.

⁵ Several recent accounts speak to this issue, including "Tech Workforce's Ranks Shrinking," *San Jose Mercury News*, October 8, 2004, pp. 1A, 7A; "Job security a worry in a changing economy," *The Boston Globe*, July 26, 2004, p. C16; and "Help Not Wanted," *Newsweek*, March 1, 2004, pp. 31-33.

TABLE 8

Q3. Since January 1, 2004, have you added, stayed the same, or subtracted jobs in Silicon Valley?

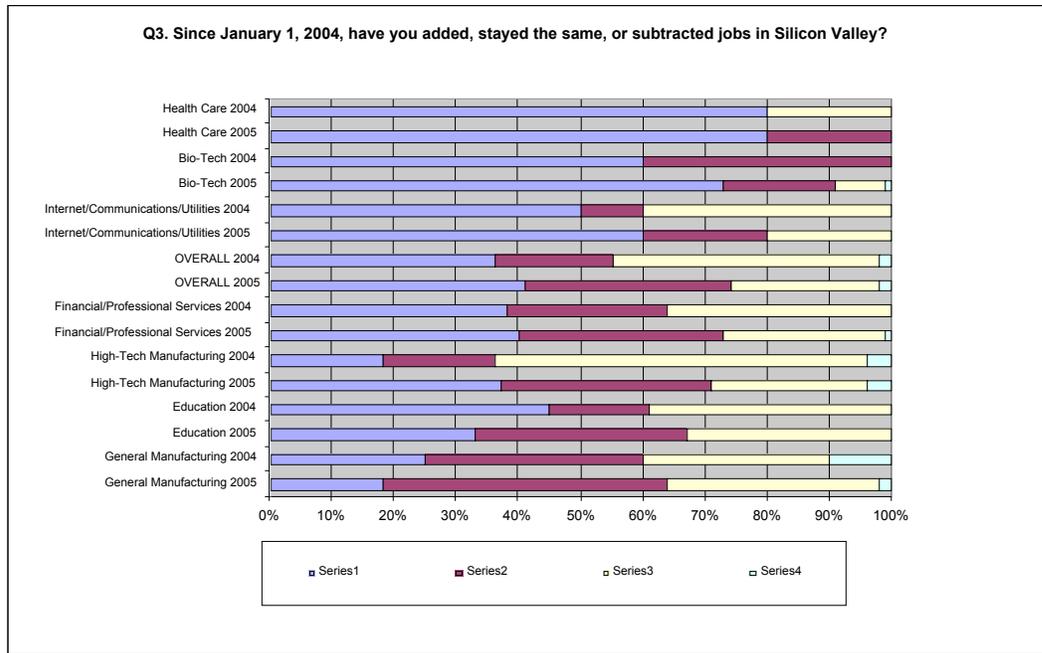
	2005	2004
Added jobs	41%	36%
Stayed the same	33%	19%
Subtracted jobs	24%	43%
Don't know/no answer	2%	2%

Note: The data for 2004 reflect gains and losses for the period of January 1, 2001, through December 31, 2003.

While job creation is on the upswing, the economy has moved in an uneven manner. As in 2004, health care, bio tech and Internet/communications/utilities sectors have thrived. Also similar to 2004, general manufacturing has continued to languish. High-tech manufacturing has shown the best improvement, with 37% of the respondents increasing their workforce; this contrasts with 17% that indicated increases in 2004. The differences in 2005 by sector are presented in Chart 1.

CHART 1

Q3. Since January 1, 2004, have you added, stayed the same, or subtracted jobs in Silicon Valley? (by sector)



The sector-by-sector comparisons verify the improvements suggested in the aggregated data presented in Table 8. Nevertheless, major portions of the local economy continue to lag.

Valley Job Losses and Reasons

Approximately one-third of the responding job providers indicate that they moved jobs out of Silicon Valley during 2004. The job providers had different sets of reasons for relocation, depending upon whether the moves were to other states or to other countries. Among those moving jobs out of state (Q7), 18% point to lower land and infrastructure costs as the most important reason, followed by 13% who cite reduced labor costs (see Table 9). Nearly half of the respondents did not offer a reason.

On the question regarding the most important reason for moving jobs out of the country (Q8), the answers are a bit more clear (see Table 10). One-third of the respondents point to reduced labor costs as the most compelling reason, followed by a more conveniently located supply chain. Combined, the data from these two questions show that expensive labor and location issues present problems for the survey participants.

TABLE 9

Q7. If your company moved jobs out of state, what was the MOST significant reason?⁶

	Percent
Lower land/infrastructure costs	18%
Reduced labor costs	13%
Proximity to customers	10%
More available workforce	8%
More convenient supply chain	3%
Other	3%
Don't know/no answer	46%

Note: Percentages exceed 100 because of the responses being rounded.

TABLE 10

Q8. If your company moved jobs out of the U.S., what was the most significant reason?⁷

	Percent
Reduced labor costs	34%
More convenient supply chain	14%
Proximity to customers	9%
Lower land/infrastructure costs	3%
More available workforce	3%
Other	6%
Don't know/know answer	31%

Projected Job Growth

What's ahead? Survey participants were asked to predict growth in their respective companies and sectors in 2005. The change from 2004 reflects a smaller number of negative responses rather than any upswing in positive responses. Collectively, these answers imply less pessimism, not more optimism. Table 11 compares company attitudes toward job growth in 2005 with those in 2004.

⁶ Thirty-nine companies reported that they moved jobs out of state during 2004.

⁷ Thirty-five companies reported that they moved jobs out of the U.S. during 2004.

TABLE 11

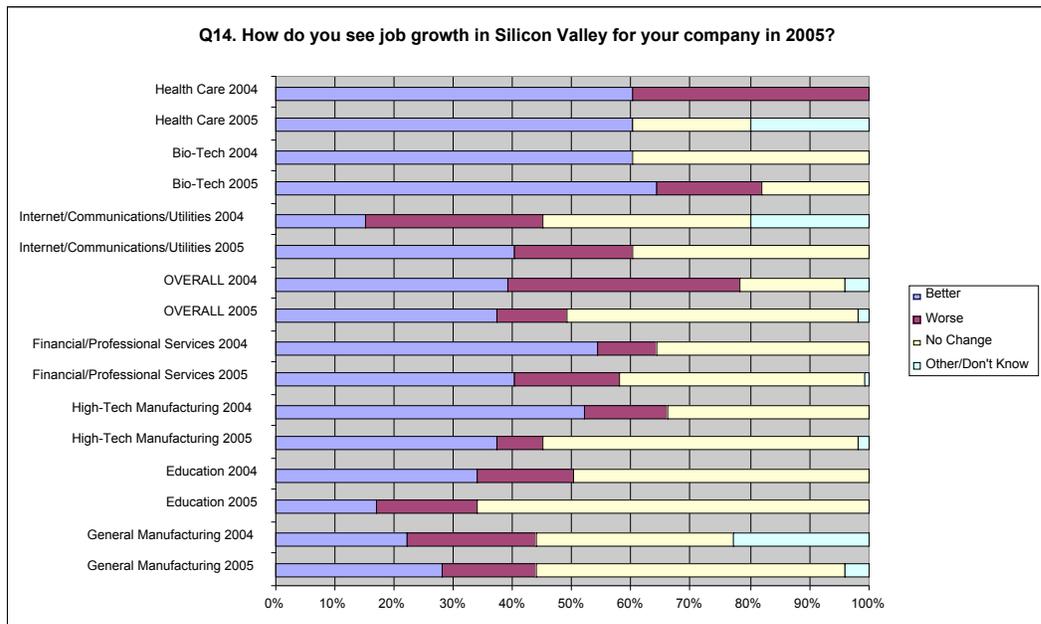
Q14. How do you see job growth in Silicon Valley for your company in 2005?

	2005	2004
Better	37%	39%
Worse	12%	18%
No change	49%	39%
Other/don't know	2%	5%

Sector-by-sector comparisons suggest an uneven growth pattern, replicating much of what was learned in 2004. Once again, bio tech and health care anticipate the greatest gains, followed by Internet/communications/utilities and financial/professional services. The biggest decline is in the education sector. Given the value of education to the high-tech community, the loss of growth in this sector may have negative repercussions in future years as companies seek to add to their workforces. These comparative data appear in Chart 2.

CHART 2

Q14. How do you see job growth in Silicon Valley for your company in 2005? (by sector)



The State's Direction

Since 1978, the Silicon Valley Leadership Group has worked hard to inform state leaders of Valley needs. This education effort is an ongoing activity. The extent to which state public policymakers understand Valley issues helps them craft policies that benefit the Valley, the state, and the nation's economy. It may well be that lawmakers and regulators recognize the value of Valley issues more than in the past, judging from the opinions of survey respondents.

Survey participants were asked about the caliber of recent statewide legislation as a basis for creating a healthy business environment. Although nearly half of the respondents maintain that the state is on the "wrong track," the percentage is down sharply from 2004. Still, only one-fourth of this year's participants see statewide legislation moving on the "right track." Table 12 shows the answers for 2005 as well as those provided in 2004 on a scale of 1 to 5, with 1 representing the right track and 5 representing the wrong track.

TABLE 12

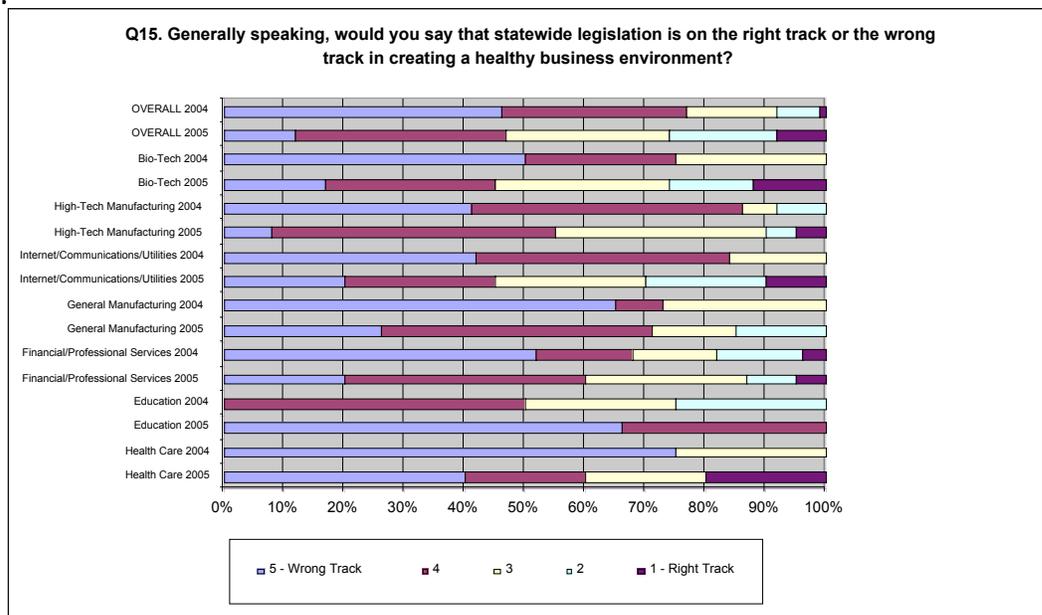
Q15. Generally speaking, would you say that statewide legislation is on the right track or the wrong track in creating a healthy business environment?

Right	1	2	3	4	5	Wrong
2005	8%	18%	27%	35%	12%	2005
2004	1%	7%	15%	31%	46%	2004

A sector-by-sector breakdown shows general manufacturing most disturbed with statewide legislation. It is important to remember that this sector has suffered the greatest job losses. Comparisons appear in Chart 3.

CHART 3

Q15. Generally speaking, would you say that statewide legislation is on the right track or the wrong track in creating a healthy business environment? (by sector)



Respondents remain unimpressed with statewide regulatory activity. In 2004 and 2005, more than 70% express the concern that statewide regulations are on the “wrong track.” These answers are arrayed in Table 13.

TABLE 13

Q16. Generally speaking, would you say that statewide regulations are on the right track or wrong track?

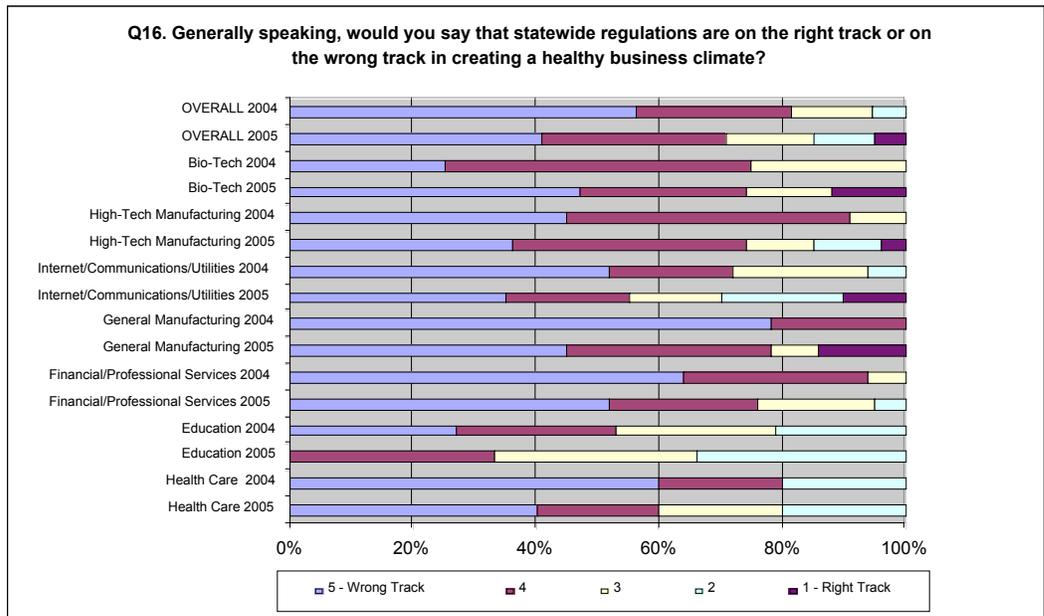
Right	1	2	3	4	5	Wrong
2005	5%	10%	14%	30%	41%	2005
2004	0%	5%	12%	23%	51%	2004

Note: Percentages for 2004 do not add up to 100 because 9% offered no opinion.

With respect to sector assessments, several remain very displeased with statewide regulations. Bio tech, high-tech manufacturing, general manufacturing, and financial/professional services indicate the greatest levels of concern. These data are displayed in Chart 4.

CHART 4

Q16. Generally speaking, would you say that statewide regulations are on the right track or wrong track? (by sector)



Clearly, business leaders in the Valley believe that the state has a long way to go in enacting policies favorable to area needs. Although survey participants see modest improvements in the statewide legislative environment, they remain very concerned about statewide regulatory activity.

Conclusion

The election of Governor Arnold Schwarzenegger marked a new era for California’s policy direction. Less obvious to many observers is the direction that the state will take in the years ahead. In a time of tight budgets and numerous pressures, Governor Schwarzenegger, the legislature, and state regulators face great challenges on how to strengthen the state’s economic competitiveness. Input from the 114 Silicon Valley CEOs and Senior Officers will hopefully provide key public leaders with the information necessary to engage job providers and the general public in a thoughtful solutions-based dialogue. Together, we can find solutions to rebuild our infrastructure, build more affordable homes, improve the quality of our education, maintain a sustainable environment, and keep the costs of doing business in check while delivering more incentives to stay here and help California be competitive.

Appendix A

Participating Companies: 114 Total (Goal: 105)

Participating SVLG Members:

Adaptec	Golden Gate University
Adobe	Goodwill Industries
Agilent	Gordon Biersch
Akeena Solar	HCA Healthcare
Alza/Johnson & Johnson	Heritage Bank
AMD	Hitachi
American Airlines	HP
Apple Computer	Hyperion Solutions
Applied Materials	IBM
Apptera	iControl
APS Energy Services	Infotility
Asyst	Intel
AT&T	Interwoven
Bank of America	IOS
Bank of Santa Clara	Juniper Networks
BEA Systems	Kaiser Permanente
Borel Bank	Kinetics/Celerity
Bridge Bank	KLA-Tencor
Byron Group	Knight Ridder
Cadence Design Systems	Lockheed Martin Space Systems
California Micro Devices	LSI Logic
California Water Service	Lucile Packard Children's Hospital
Calpine	Lumileds
Camino Medical	M3iWorks
Cargill Salt	Mach Energy
Cassatt Corporation	Mattson
Cisco Systems	Mid-Peninsula Bank
Citigroup	MIPS
City National Bank	Misc. Company #1
Clear Logic	Misc. Company #2
CNF	Misc. Company #3
Coherent	National Semiconductor
Comcast	Noranda Recycling
Construction Navigator	Northrup Grumman
Declaration Services	Northrup Grumman Marine
Deloitte and Touche	Outreach
DeVry University	Philips Electronics
EarthTech	Plantronics
eBay	Protiviti
eMeter	Rambus
ETM	Rockwell Collins
Everdream	SafeView
Foothill-DeAnza Community College	San Jose Mercury News
Fyre Storm	San Jose State University
Garland Actuarial	Santa Clara University
Genencor	SAP
General Dynamics	SBC

Seagate Technology
SGI
Silicon Valley Bank
SJ Jet Center
Solectron
SRI International
Stanford University Hospital
Stratex Networks
Symantec
Synopsis

Tecan Systems
Tessera
The Watt Stopper
Ultratech Stepper
United Defense
University of California
Vioptix
Waste Management
Wells Fargo
Xoft Microtube

Appendix B

Survey Instrument

Economic Competitiveness Survey

SVLG needs to hear from you! California is engaged in a battle like never before in our history. We are fighting a battle to regain our economic competitiveness, grow our economy, and save the jobs of working families. We believe the success of our state and our state's economy depends on forging a stronger partnership between job providers and policy makers. In less than three years, we have lost nearly 300,000 high-wage manufacturing jobs.

As we continue this important dialogue on the health of our Valley, we ask you to take the time to respond to this survey. If you elect to give it to someone else, we ask that it be someone at the executive or senior officer level. We hope you might take a few brief moments to respond to the series of questions listed below.

URGENT CALL TO ACTION! With your help, we will tally the results and develop with our public sector leaders a plan to help job providers survive and thrive. With your help, we can proactively and positively grow our economy and ensure California families can get back to work. We respectfully ask that executives and senior officers answer the questions so that we can accurately reflect your views.

1. Industry sector

- a) Bio-Tech
- b) High-tech manufacturing
- c) Internet/communications
- d) General manufacturing
- e) Education
- f) Health care
- g) Utilities/energy
- h) Software
- i) Media/news services
- j) Transportation
- k) Aerospace/defense
- l) Accounting/financial/professional/venture capital
- m) Other/don't know/no answer

2. Number of employees in Silicon Valley

- a) 1–20
- b) 21–100
- c) 101–1,000
- d) 1,001–10,000
- e) 10,001 or higher
- f) Don't know/no answer

3. Since January 1, 2004, have you added, stayed the same, or subtracted jobs in Silicon Valley?

- a) Added jobs
- b) Stayed the same
- c) Subtracted jobs
- d) Don't know/no answer

4. If added, how many?

- a) 1–20
- b) 21–100
- c) 101–1,000
- d) More than 1,000
- e) Subtracted or stayed the same
- f) Don't know/no answer

5. If subtracted, how many?

- a) 1–20
- b) 21–100
- c) 101–1,000
- d) More than 1,000
- e) Added or stayed the same
- f) Don't know/no answer

6. If subtracted, were most of the jobs:

- a) Permanently eliminated
- b) Temporarily eliminated
- c) Added or stayed the same
- d) Don't know/no answer

7. If your company moved jobs out of state, what was the MOST important reason?

- a) Lower land/lower infrastructure costs
- b) Reduced labor costs
- c) More available workforce
- d) Less regulation
- e) Proximity to customers
- f) Government incentives in new location
- g) More convenient supply chain
- h) Jobs were not moved out of state
- i) Other _____
- j) Don't know/no answer

8. If your company moved jobs out of the U.S. , what was the MOST important reason?

- a) Lower land/lower infrastructure costs
- b) Reduced labor costs
- c) More available workforce
- d) Less regulation
- e) Proximity to customers
- f) Government incentives in new location
- g) More convenient supply chain
- h) Jobs were not moved out of the country
- i) Other _____
- j) Don't know/no answer

9. What are the top 5 business challenges in Silicon Valley?

- a) Business personal property taxes
- b) Business regulations
- c) State budget structure
- d) Energy costs
- e) Paid family leave
- f) Frivolous lawsuits
- g) Health care costs
- h) Overtime/8-hour workday requirement
- i) Unemployment insurance costs
- j) Workers' compensation costs
- k) Worker recruitment/retention costs
- l) Intellectual property protection costs
- m) Air transportation/cargo
- n) High housing costs for employees
- o) High taxes

- p) Traffic congestion
- q) Water
- r) Other/ don't know/no answer: _____

10. What are the top 5 cost-of-living challenges in Silicon Valley for working families?

- a) Housing costs
- b) Traffic congestion
- c) K-12 education
- d) Higher education
- e) Health care
- f) Energy costs
- g) Child care
- h) High taxes
- i) Other/don't know/no answer: _____

11. Specifically, what top 5 actions could the state government take to improve the business climate for your company?

- a) Reduce unemployment insurance cost increase
- b) Avoid split roll tax
- c) Offer full exemption credit for manufacturing
- d) Lower energy costs
- e) Reinstate overtime after a 40-hour work week rather than an 8-hour workday
- f) Repeal paid family leave benefits
- g) Help create more affordable housing
- h) Roll back WARN Act costs to national average
- i) Streamline regulatory and permit approvals
- j) More rate reductions for workers' compensation
- k) Limit frivolous lawsuits
- l) Continue research and development tax credit
- m) Lower California's minimum wage to the national minimum wage
- n) Improve K-12 education
- o) Improve higher education
- p) Invest in broadband deployment
- q) Invest in traffic relief/traffic transportation improvements
- r) Other/ don't know/no answer: _____

12. What has happened to your workers' compensation costs during the past year?

- a) Stayed the same
- b) Increased between 0–25%
- c) Increased more than 25%
- d) Decreased between 0–25%
- e) Decreased more than 25%
- f) Other/don't know/no answer

13. How do you see job growth in Silicon Valley in your industry sector in 2005?

- a) Better
- b) Worse
- c) No change
- d) Other/don't know/no answer

Appendix C

2005 Survey Questions and Answers

Q1. Industry sector

	2005
High-Tech manufacturing	45
Financial/professional services	17
Internet/communications/utilities	20
Bio tech	12
General manufacturing	9
Education	6
Health care	5
Other/don't know	0
Total	114

Q2. Number of employees in Silicon Valley

	Percent
1–20 employees	16%
21–100 employees	20%
101–1,000 employees	42%
1,001–10,000 employees	18%
10,001 or higher	4%

Q3. Since January 1, 2004, have you added, stayed the same, or subtracted jobs in Silicon Valley?

	2005
Added jobs	41%
Stayed the same	33%
Subtracted jobs	24%
Don't know/no answer	2%

Q4. If added, how many?

	Percent
Added 1–20 jobs	47%
Added 21–100 jobs	34%
Added 101–1,000 jobs	15%
Added more than 1,000 jobs	4%

Q5. If subtracted, how many?

	Percent
Subtracted 1–20 jobs	31%
Subtracted 21–100 jobs	38%
Subtracted 101–1,000 jobs	19%
Subtracted more than 1,000 jobs	12%

Q6. If subtracted, most of the jobs were:

	Percent
Permanently eliminated	70%
Temporarily eliminated	26%
Don't know/no answer	4%

Q7. If your company moved jobs out of state, what was the MOST significant reason?

	Percent
Lower land/infrastructure costs	18%
Reduced labor costs	13%
Proximity to customers	10%
More available workforce	8%
More convenient supply chain	3%
Other	3%
Don't know/no answer	46%

Q8. If your company moved jobs out of the U.S., what was the MOST significant reason?

	Percent
Reduced labor costs	34%
More convenient supply chain	14%
Proximity to customers	9%
Lower land/infrastructure costs	3%
More available workforce	3%
Other	6%
Don't know/no answer	31%

Q9. What are the top 5 business challenges in Silicon Valley?

	2005
High housing costs for employees	68%
Business regulations	65%
Worker's compensation costs	53%
Health care costs	47%
Worker recruitment/retention costs	42%
High taxes	40%
Frivolous lawsuits	37%
Energy costs	24%
Traffic congestion	24%
Overtime/8-hour workday requirement	23%
State budget structure	18%
Water	11%
Unemployment insurance costs	9%
Business personal property taxes	5%
Paid family leave	5%
Intellectual property protection costs	4%
Air transportation/cargo	4%
Other/don't know	4%

...by sector...

	High-Tech/ manufacturing	Financial/ prof services	Internet/ com/ utility	Gen. manufacturing	Education	Bio tech	Health care
High housing costs for employees	2	1	2	1	1	1	2
Business regulations	1	3	1	2	2	2	1
Workers' compensation costs	4	2	3	4	3	3	3
Health care costs	3	4	4	3	4	5	4
Worker recruitment/retention costs	5	5	5	5	7	4	5
High taxes	6	5	7	6	6	6	6
Frivolous lawsuits	7	7	6	7	5	7	7
Energy costs	9	8	8	8	8	8	8
Traffic congestion	8	9	9	9	9	8	9

Q10. What are the top 5 cost-of-living challenges for working families?

	Percent
Housing costs	100%
Health care	78%
Traffic congestion	74%
High taxes	68%
Education	55%
Energy costs	39%
Child care costs	35%
Higher education	10%
Other/don't know	4%

...by sector...

	High-Tech/ manufacturing	Financial/ prof services	Internet/ com/ utility	Gen. manufacturing	Education	Bio tech	Health care
Housing costs	1	1	1	1	1	1	1
Health care	2	3	2	2	3	3	2
Traffic congestion	4	2	3	3	2	2	4
High taxes	3	4	4	5	4	4	3
K-12 education	5	5	6	4	5	5	5
Energy costs	7	6	5	6	6	7	7
Child care costs	6	8	7	6	7	6	5
Higher education	8	7	9	8	8	8	8
Other/don't know	9	9	8	9	9	9	9

Q11. What top 5 actions could the state government take to improve the business climate for your company?

	2005
Help create more affordable housing	55%
More rate reductions for workers' comp costs	54%
Continue research and development tax credit	43%
Invest in traffic relief/transportation improvements	43%
Avoid split roll tax	41%
Limit frivolous lawsuits	40%
Improve K-12 education	37%
Streamline regulatory and permit approvals	35%
Reinstate overtime after a 40-hour work week rather than an 8-hour workday	31%
Offer full exemption credit for manufacturing	30%
Improve higher education	24%
Lower energy costs	20%
Reduce unemployment insurance cost increase	19%
Invest in broadband development	18%
Repeal paid family leave benefits	5%
Roll back WARN Act costs to national average	4%
Other/don't know	6%

Q12. What has happened to your workers' compensation costs during the past year?

	Percent
Increased more than 25%	10%
Increased between 0-25%	21%
Stayed the same	12%
Decreased between 0-25%	30%
Decreased more than 25%	4%
Other/don't know	23%

Q13. How do you view growth in your industry/sector in 2005?

	Percent
Better	42%
Worse	12%
No change	42%
Other/don't know	4%

Q14. How do you see job growth in Silicon Valley for your company in 2005?

	2005
Better	37%
Worse	12%
No change	49%
Other/don't know	2%

Q15. Generally speaking, would you say that statewide legislation is on the right track or the wrong track in creating a healthy business environment?

Right	1	2	3	4	5	Wrong
2005	8%	18%	27%	35%	12%	2005

Q16. Generally speaking, would you say that statewide regulations are on the right track or wrong track in creating a healthy business climate?

Right	1	2	3	4	5	Wrong
2005	5%	10%	14%	30%	41%	2005

Q17. Please share any anecdotes about Silicon Valley's business climate.

	<i>Number of respondents</i>
Housing is too costly	21
Arnold has really helped	15
Traffic is bad for business	14
Taxes are too high	8
K-12 education is weak	6
Energy costs are too high	6

Q18. What are the benefits of doing business in Silicon Valley?

	<i>Number of respondents</i>
Highly skilled labor force	43
Access to elite universities	41
Ideal weather/climate	29
Excellent networking environment	28
Entrepreneurial spirit	18
Access to venture capital	11
Technology focus	9
Improved/improving economy	8
Transportation infrastructure	4

Q19. Would you, or a designated representative on your team, be interested in serving on SVLG's new Economic Recovery and Vitality Committee?

	<i>Number of respondents</i>
Yes	28
No	45
No response	41