

Bay Area economy, pay, cost of living are at the top of the heap

Sam Zuckerman, Chronicle Staff Writer

Wednesday, September 26, 2007

If you think there are lots of fancy cars on the road, you're not mistaken. A raft of newly released data shows the Bay Area by many measures is the richest region in the United States.

The San Francisco, San Jose and Oakland metropolitan areas collectively had the nation's biggest paychecks in 2006. Typical pay was 19 percent above the national average, the U.S. Labor Department reported Wednesday.

The combined San Francisco-Oakland area ranked No. 2 in income per person in the United States in 2005, coming in at \$52,543 per capita, according to the U.S. Commerce Department. That trailed only southwestern Connecticut, the hedge fund capital of the universe. Nationwide, per capita income was \$34,471 in 2005.

The San Jose area was third in the Commerce report, with per capita income of \$50,468.

"This is a very wealthy area," said Jon Haveman, a principal with the firm Beacon Economics in San Rafael. "We have a high cost of living and a highly educated labor force. People have to be compensated more for doing the same work."

In fact, higher prices in the Bay Area eat up those bigger paychecks and then some. The region's cost of living is about 40 percent higher than the nation's as a whole, according to the Bay Area Council.



```
<script language="JavaScript" type="text/javascript">
document.write('<a href="http://clk.atdmt.com/NAM/go/
sfgtxsna0160000052nam/direct/01/"
target="_blank"></a>'); </
script><noscript><a href="http://clk.atdmt.com/NAM/go/
sfgtxsna0160000052nam/direct/01/"
target="_blank"></a></noscript>
```

The area's economy isn't only rich, it's big, too. In 2005, total output of goods and services in San Francisco-Oakland equaled \$245.6 billion and in the San Jose area \$124.6 billion. Taken together, that's roughly 3 percent of total U.S. gross domestic product of \$12.4 trillion, according to Commerce Department estimates issued Wednesday. The fundamental explanation for the Bay Area's wealth is its role as a global technology center, drawing skilled workers and executives plus a legion of tech sector consultants, vendors and investors.

After a punishing downturn at the beginning of the decade, information technology and Internet-related businesses have rebounded strongly in the last few years. The area's biotechnology sector also has accelerated.

"There's been a recovery in technology nationwide, and the Bay Area has been one of the leaders," said Ross DeVol, an economist at the Milken Institute, a Santa Monica think tank. "The Bay Area is a leader in not just total jobs, but in the quality of jobs. The tech sector tends to have above-average wages."

With the technology sector climbing out of its hole, the pace of job growth in the Bay Area has picked up dramatically in recent years relative to other regions, according to a Milken Institute report released Wednesday.

From 2000 to 2005, the San Francisco-Oakland and San Jose metropolitan areas were at the bottom of the heap in terms of the pace of job creation, ranking 197th and 199th respectively among 200 areas examined by the institute. But in the year ending March 2007, the San Francisco area had vaulted to 25th and the San Jose area to 36th, the institute found.

Recent data, including a study issued earlier this week by the American Electronics Institute, show a slowdown in growth of tech jobs nationwide. Still, technology could be poised to outperform other sectors in the next few years thanks to global growth of the Internet, forecasters say.

Beacon Economics expects the nationwide housing slump will lead to a recession. But, buffered by technology, "it may well not hit Bay Area as hard as rest of the country," Haveman said.

The Bay Area's high wages and salaries stretch across the board.

Average pay in the second-place New York City metropolitan area was 14 percent above the national average in 2006, five percentage points behind paychecks in the combined San Francisco-Oakland-San Jose region. And the Bay Area equaled or outpaced New York in all occupational categories except construction.

For example, management and financial salaries in both regions were 14 percent above the national average. But New York service jobs also paid on average 14 percent more than similar jobs nationwide. In the Bay Area, such jobs paid 23 percent higher than the national average, according to the Labor Department.

E-mail Sam Zuckerman at szuckerman@sfchronicle.com.

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/09/26/MNJISENG7.DTL>