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Silicon Valley-San Francisco Bay Area Layoffs to Accelerate in Next Six Months, According to Bay Area Council

42 Percent of Employers Plan Reductions – Confidence Hits New Record Low

BAY AREA, February 12, 2009 — Today the Bay Area Council announced that business confidence among Bay Area business leaders has reached a new record low, according to results of its quarterly *Business Confidence Survey*. Falling confidence will be paired with significant new layoffs in the region. The business confidence index – the number that distills the survey findings – registered at 31 out of 100, falling one more point from the last reading in November. A reading over 50 signals positive economic times and below 50 is negative.

The *Survey* responses of the 505 CEO's and top executives in the nine Bay Area counties surveyed between January 15-27, 2009 were pessimistic across the board. Indeed, 90 percent of respondents felt that economic conditions in the Bay Area are worse now than six months ago, seven percent felt conditions were the same and two percent felt conditions had gotten better. Looking ahead, 50 percent of Bay Area executives expect economic conditions in the Bay Area to worsen in six months, 29 percent think things will stay the same and 21 percent are optimistic that conditions will improve.

“We clearly have not hit bottom,” said Jim Wunderman, President and CEO of the Bay Area Council. “Unfortunately, significantly more layoffs and business failures seem inevitable in every industry and every corner of our region. Indeed, some of our regular *Survey* participants were unable to respond because their company was now gone. Hopefully, the Stimulus package can help turn this crisis of confidence around.”

Unlike in previous *Surveys*, no part of the economy was immune to layoffs this quarter. Overall, 42 percent of respondents plan to decrease their workforce over the next six months while only 10 percent plan increases, and 45 percent plan to hold steady. Three months ago, 40 percent planned layoffs and 13 percent planned increases. The worst layoffs were planned for San Francisco companies. Indeed, 51 percent of San Francisco respondents are planning to decrease their workforce, only seven percent plan increases. Silicon Valley, represented by Santa Clara County, appears to be in the middle of overall Bay Area sentiments, with 39 percent planning layoffs and 11 percent predicting hires.

While across the board, most industries in the Bay Area are planning more layoffs than hires, the hardest hit industries continue to be construction and retail. Seventy percent of retail executives plan layoffs in the next six months, and only eleven percent plan to increase their workforce. Sixty-one percent of construction executives say they are planning to decrease their workforce, five percent plan increases and 32 percent plan to hold steady.

The industry appearing to weather the storm the most successfully is professional and business services. A relatively small 29 percent of professional and business service executives are planning to reduce their Bay Area workforce over the next six months while 11 percent plan hiring.

Larger Bay Area companies seem to be suffering the most in this downturn. Fully, 83 percent of companies with more than 10,000 Bay Area employees are cutting local workers. Five percent are hiring. Yet, the smaller the Bay Area workforce, the less likely a company is to see layoffs. Indeed, only 34 percent of businesses with 50 or less employees plan reductions and 14 percent are actually planning increases.

“What is clear from the survey data is that businesses and their employees across the Bay Area are suffering,” said Lenny Mendonca, Chairman of the Bay Area Council and a director at McKinsey & Company. “We need urgent action that focuses on the basics of our economy. That means helping our innovative and emerging industries survive and grow. We must encourage the international trading relationships that our big and small companies depend upon. And we need to provide the retraining and support that unemployed yet highly productive workers need to succeed in what will be a dramatically different economy.”

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Bay Area Business Confidence Survey

The Bay Area Council developed the *Bay Area Business Confidence Survey* to measure employer expectations of the Bay Area economy. The confidential survey of Bay Area business executives is conducted quarterly by EMC Research. All members in the database were invited to participate through e-mail and the Internet. The *Survey* results are weighted to reflect the approximate percentage of employees in each Bay Area county.

Bay Area Council

Founded in 1945, the Bay Area Council (www.bayareacouncil.org) develops and drives regional public policy initiatives and researches critical infrastructure issues. Led by CEOs, the Bay Area Council presents a strong, united voice for hundreds of major employers throughout the Bay Area region whom employ more than 500,000 workers, or 1 of every six private sector employees in the Bay Area.

McKinsey & Company

McKinsey & Company (www.mckinsey.com) is an international management consulting firm that helps leading corporations and organizations make substantial and lasting improvements in their performance. With approximately 6,000 consultants deployed from eighty-two offices in forty-three countries, McKinsey has expertise on strategic, operational and technological issues.

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