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The Wider Impacts of High-Technology Employment: evidence from U.S. cities

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http://eprints.lse.ac.uk/101854/1/Kemeny_Osman_wider_impacts_of_high_technology_wp16.pdf

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Innovative, high-technology industries are considered to be important drivers of regional development. This is directly true because 'tech' workers earn high wages. But growth in tech can also generate new jobs for workers in local service industries, like restaurants and dry cleaners. The dark side of this sunny-seeming picture comes from the consideration of costs. In Silicon Valley and other tech hubs, tensions have risen as living costs soar beyond the reach of many non-tech workers. How widespread is this tension? Do all US cities pay a price for growth in their tech sectors? When firms like Amazon come to town, what can workers in local service sectors expect?

This paper explores these issues, using recent data on wages, jobs, and prices across the full range of US cities. We answer one major question. How do changes in local tech employment affect the real wages of workers in service sectors? By 'real' wages, we mean the income that remains after they pay for housing. We find that growth in tech employment spurs growth in the real wages of service workers. But, these gains are extremely modest. When a typical city adds 1,000 new jobs in tech, the average service work should expect only a $20 bump in annual wages. However, in cities where the construction of new housing is less responsive to demand, new tech jobs are actually harmful. The additional workers put pressure on the housing market, and higher housing prices more than outweigh any benefits. In this way, tech jobs can be linked to reductions in service workers' real wages.

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