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Here's what Apple's snub says about Boston's status as a tech hub



DAVID L. RYAN/GLOBE STAFF/FILE

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Apple announced Thursday that it would mostly bypass Boston as part of a multicity expansion, but home-grown digital retailer Wayfair continued its march through the Back Bay, where it plans to grow a workforce that could soon hit 10,000.

The dual developments were a telling indicator of Greater Boston's status as a technology hub: The region seems capable of nurturing homegrown tech wunderkinds, and tech giants elsewhere see it as an ideal location for specialized, strategic outposts.

But as Apple's and, recently, Amazon's decisions to look elsewhere show, Boston has struggled in the trophy class of tech expansions, the new campuses with thousands of jobs, including lower-level positions that can provide an anchor in the middle class for workers.

In some ways, the city is a victim of its own success. Its booming tech sector is partially responsible for the competitive labor market, pricey real estate, and high cost of living that can make Boston a tough sell for big corporate relocations.

Tom Hopcroft, chief executive of the Massachusetts Technology Leadership Council, said talent is the top reason companies expand in the state – and it's the number one obstacle to their growth here. Tech wages are the third highest here, after California and Washington state.

"The labor market is so tight, you have to pay a premium to get talent here," Hopcroft said.

On Thursday, Wayfair, the online retailer of home goods headquartered in the Back Bay, announced a third location in Boston, on St. James Avenue. The company plans to hire a broad range of white collar professionals, from software engineers to marketers and administration.

Apple's largesse will go mostly to Austin, Texas, where the technology giant plans to construct a billion-dollar campus with room for 15,000. But many of those positions, which the company said would include sales and customer support as well as engineering and research, may not require advanced programming skills, never mind PhDs.

The technology giant's move underscores the fact that the nature of tech work has changed – and more regions now have the ability to compete.

Stefania Mallett, chief executive of the fast-growing Boston startup ezCater, said only about 20 percent of her 530 employees are coders. Others, who do jobs such as sales and customer support, don't need those advanced skills.

"You need to be very adept in using computers, using the Web. But you don't need to be able to program computers," she said. "Those kinds of tech-enabled jobs can be in many locations." She said she would have been happy to see Apple come here, because it would add to the center of gravity in Boston's tech market. But others aren't so sure.

Michael J. Skok, cofounder of the Boston venture firm Underscore VC, said he detected a lot of ambivalence around projects like the Apple expansion and Boston's recent bid for Amazon's second headquarters. Amazon recently announced that it plans to split tens of thousands of jobs between New York and Washington.

Of course we want the influx of great new opportunities for the city and new jobs, and obviously the potential economic investment," Skok said. "On the other hand, we're . . . seeing the reality. We don't have the infrastructure to support it. We're seeing the startups in the ecosystem already struggling to hire the talent that we want."

He said Austin makes sense for Apple. The company already has a significant enough presence there that the economy is attuned to its needs. With 6,200 people in Austin, Apple already counts the Texas capital as its largest location outside of Cupertino, Calif.

Skok argues that it makes more sense to sink resources into Boston-bred companies.

Wayfair is getting \$31 million in tax incentives from the state to help with its expansion in Boston, along with another project to hire hundreds in Pittsfield.

The offices in the new Boston location could eventually accommodate up to 3,000 workers, a Wayfair spokeswoman said.

Jay Ash, Governor Charlie Baker's economic development secretary, said state officials did not engage Apple in serious discussions about its project: "To my knowledge, we weren't under consideration."

But Ash isn't complaining.

"When you're in the circle that Boston is in, nationally and internationally, there's going to be lots of competitions that tend to be high profile," Ash said. "You're going to win your fair share of them. . . . Sometimes you get the big bang – you win the Amazon, you win the Apple. Sometimes you grow organically, like Wayfair."

Greater Boston wasn't completely shut out by Apple. The company said as part of the Austin announcement that it would add "hundreds of new jobs" here in coming years.

The company established a beachhead in Kendall Square in 2014 with an office with space for about 65 employees, focused on improving Apple's Siri speech-recognition technology.

Apple said it has 1,265 total workers in Massachusetts, many of them at its 11 retail stores.

The company declined to comment Thursday about what the additional workers would be doing here, or where they would be located.

The news comes as other big tech players have been building out significant presences in Boston.

Just in the last year, Amazon has opened a new office in Fort Point and signed a deal to lease an entire 430,000-square-foot office building in the Seaport, Facebook has filled three floors of a new office building in Kendall Square, and Spotify has agreed to lease a 75,000-square-foot office at Center Plaza.

Coming soon is Verizon, which last month unveiled plans for a new tech-centric office atop North Station, and Google, which real estate sources say is close to a deal to fill a just-approved 18-story tower in Kendall Square.

But in this era of massive tech expansion, Boston has missed out on some of the largest opportunities. While Google is growing in Cambridge, it is reportedly searching for a far bigger office in New York City. Facebook is also reportedly mulling a huge new office in Manhattan that would give it more than 2 million square feet there.

Then there's Amazon. Boston was widely seen as a front-runner for the retail giant's much-sought-after second headquarters. And Amazon, while conducting its nationwide search, announced a sizable expansion here.

But in the end, Amazon chose Long Island City, in Queens, N.Y., and Crystal City, Va., just outside Washington, D.C., for a dual-headquarters operation.

C.A. Webb, president of the Kendall Square Association, cautioned against reading too much into a few big misses. She noted that smaller announcements, including expansions by Boeing Co. and French drugmaker Ipsen, also make a difference.

"Apple did a nice job making a splash with that announcement," she said, "It's shiny and new, and it's the story of the day, so we're all going to obsess over it for awhile. But let's not forget the other stories of this year."

Hopcroft noted that the Massachusetts tech sector has added between 5,000 and 7,000 jobs annually for the past seven or eight years. But more work can be done to diversify the pipeline of workers and increase the size of the talent pool.

"We need to bring more people off the sidelines," Hopcroft said. "It's a largely white male sector."

John Boyd, a relocation consultant based in New Jersey, said Apple's selection of Austin won't be seen as a knock on Boston, which he considers to be in the top five markets for tech companies. Whenever he weighs location decisions with an IT client, Boston is always in the mix thanks to its critical mass of universities.

"Every diligent site selection process in the IT sector looks at Boston very closely," Boyd said.