

Analysis ...

Economy here good in 2018, but needs 'gazelles'

Wage-gains rates above average, especially in high-paying job sectors

The data from Olympia just rolled in. It turns out 2018 was the best year in recent memory for the Spokane economy. Take jobs: positions offered by local firms picked up by 5,300, or 2.4%, over the prior year. While the rate was a little less than that of the state, the expansion represented a sizeable improvement to the prior five-year average of 1.9%.

All of the large sectors registered job gains, except administrative and support services and information (media, broadcasting, telecommunications and ISPs). The biggest moves took place in relatively high-paying sectors, such as construction, professional and scientific services, and manufacturing.

Consider what Spokanites earned. Given the mix of job gains, it is no surprise that 2018 was an even better year for wages. The average annual wage for those employed by local firms rose by a little less than \$1,800, or 3.8%, over the prior year. This showing, too, bested the prior five-year average of 2.6% by a wide margin.

All sectors clocked in wage increases, except mining. Big sectoral winners were, in order of increase: utilities, finance and insurance, and information. Lest we get too boosterish, it's worth-



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while noting that Washington state actually notched a wage gain of 6.7%. With that kind of growth, it is no surprise that our state ranked first for personal income gains between 2017 and 2018. Spokane County wasn't the only part of our state that enjoyed a good year.

What's not to like about this sketch? Nothing, if we look at just 2018. But if we peer into recent years, the Spokane economy shines dully. Since 2000, local wages haven't matched strides with those of the state. At the turn of the century, Spokane average annual wage was 80% of Washington's; by 2018, it sunk to 73%. Similarly, from 2006 to present, county job growth has lagged that of Washington.

What can be done for Spokane to approach state averages? On jobs, we might pay close attention and provide support

to the few gazelles that grace our economy. Gazelles is shorthand among entrepreneurship scholars for those companies that grow disproportionately fast from a start-up position. Researchers, notably teams led by University of Maryland economist John Haltiwanger, have shown

conclusively that it isn't small businesses that provide substantial job growth. It is a few select start-ups.

Haltiwanger and his colleagues distinguish between "subsistence" and "transformational" small businesses. They write: "Overall, the evidence shows that most startups fail, and most that do survive don't grow. But among the surviving startups are high-growth firms that contribute disproportionately to job growth. These high-growth young firms yield the long-lasting contribution of startups to net job creation."

So where are Spokane's transformational start-ups? Unfortunately, they don't jump off the pages of our business press. In the past, Avista Corp. has provided the local economy with some, the most significant being Itron Inc.

Currently, one gazelle that comes to mind is Stay Alfred. A recent piece in the Journal of Business reported that the headcount of the company has gone from one in 2011 to 230 this spring, with an outlook of 400 by the end of the year. Not surprisingly, revenue gain has been reflected in that job growth, climbing from about \$25 million in 2016 to nearly \$67 million in 2018.

No other local businesses can claim this hockey-stick trajectory over the past few years. In fact, Stay Alfred was the only Eastern Washington business listed among the top 25 of the state's fastest-growing private business from 2015-2017.

Are there more Stay Alfred start-ups forming here? Let us hope so, since we all would like to see job growth stay at or exceed the level of 2018.

Maintaining or even accelerating wage growth the local economy experienced in 2018 is a different matter. Gazelles, if only because they still remain a small part of the economy, can't add much to the average. But disproportional growth in certain sectors can, as can a push by local firms to invest in research and development. But that's stuff for another column.