The Spokane metropolitan area has experienced strong business "cluster" formation since 1990, reflecting an economy that now is "less dependent upon local industry and one that is participating in the larger U.S. economy," a newly released study says.

The study, published by Eastern Washington University's Institute for Public Policy and Economic Analysis, compared cluster formation here with that in seven "comparable" metropolitan statistical areas between 1990 and 2004, and found that the Spokane area compared "very favorably." The other urban areas included in the study were Boise, Idaho; Salt Lake City and Provo, Utah; Colorado Springs, Colo.; Reno, Nev.; Tucson, Ariz.; and Albuquerque, N.M.

Clusters, in this context, refer to geographically concentrated groups of interconnected businesses, suppliers, and institutions in a particular field, such as health sciences or telecommunications.

Vincent J. Pascal, an associate professor in the EWU Department of Management, and Nancy Birch, a professor in the university's Department of Accounting and Information Systems, authored the study, which used data obtained from an ongoing cluster mapping project at Harvard University's Institute of Strategy and Competitiveness. They said in summary remarks that the intent of the analysis wasn't to recommend any particular economic-development strategy, nor to give economic planners here "a scorecard of sorts" that they could use, but rather to provide a "descriptive snapshot" of cluster development here in relation to other markets.

The study divided clusters into local clusters, meaning industries that provide goods and services almost exclusively for the area in which they are located, and "traded" clusters, or those that serve a broader geographic region. Traded industries are touted to have the greatest regional economic impact because of their influence on wages in local industries.

The study found that, in 1990, Spokane had just one traded cluster—heavy construction services—among its top 10 clusters, but that number had grown to three by 2004, with the addition of financial services and education and knowledge creation, which the researchers found significant. Traded clusters accounted for just 3.3 percent of employment in Spokane's top clusters in 1990, but that had grown to 15.2 percent by 2004.

The data showed that Spokane, Albuquerque, and Tucson had the lowest concentration of traded clusters, each with three among their top 10 clusters, but that Spokane had the most evenly distributed traded-cluster employment of any of the markets studied, with no single dominant industry.

"This characteristic is consequential in that it may serve to protect Spokane's economy from the negative effects of industry shock that occurs in economic cycles," the report's executive summary said.

The researchers said, "Overall, we see a consistent pattern of traded cluster development, with a commensurate balancing of local- to traded-clusters development, fueling economic growth in Spokane."

Spokane's top 10 clusters in 2004, ranked in order by total employment, were local health services, local real estate and construction, local retail clothing and accessories, local food and beverage processing, local motor vehicle products and services, financial services, education and knowledge creation, local logistical services, and heavy construction services.

Despite the perceived greater benefits of traded clusters, the study's executive summary said, "It appears that some local cluster types may have greater economic impact on local economies than some traded-cluster types. Spokane's large local health services cluster is a good example: It employs a large number of people at above-average wages."

Among other findings:

• Spokane's average annual wage of $31,725 in 2004 was more than $5,000 below the national average, but higher than that of Albuquerque, Tucson, and Provo and ranked fifth among the metropolitan areas studied. Provo's lower wage ranking intrigued the researchers because that market had the highest concentration of traded clusters—seven
of its top 10—among the markets studied.

Based on total private, nonagricultural employment of just over 170,000 in 2004, the Spokane metropolitan statistical area ranked second smallest of the areas studied, ahead of Provo's 146,000 and behind Boise's 206,000. Salt Lake City and Tucson were the largest markets, at 492,000 and 307,000 employees, respectively.

• Patents per 10,000 employees in 2004 ranged from an average of 4.35 for Spokane to 76.95 for Boise. The U.S. national average was 7.92.

• Besides Spokane, only Reno lacked an information-technology cluster, as defined under the employment-level standards used in the study.

The researchers said in the report's conclusion that future research could examine questions such as why the Spokane area's traded clusters have developed and what types of cluster development Spokane should support.

Greater Spokane Incorporated, the biggest economic-development organization here, has been promoting clustering here for some time because such industry concentrations have been shown to produce higher levels of innovation.

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