Employment in Spokane County has been growing much more rapidly this year than the forecasters had predicted, leading them to believe the region is nearing full employment and small businesses to wonder how they’re going to fill openings.

Job growth here has been running at rates that have approached 3 percent this year, which experts say hasn’t happened since before the national economic recession in 2001.

“Employment growth has been much more rapid than most people expected,” says Grant Forsyth, associate professor of economics at Eastern Washington University. “It’s better than most people predicted two years ago.”

Forsyth says the booming construction market statewide has played a significant role in employment growth here. Construction-related jobs provided work for 13,100 people in the county last month, up from 12,500 a year earlier, says the Washington state Department of Employment Security.

“It’s construction that’s contributing a tremendous amount to employment here,” Forsyth says. “In 2004 and 2005 it’s been a primary driver in our state and region’s economic recovery.”

Residential construction in particular has been thriving, says Randy Barcus, chief economist for Spokane-based Avista Corp. Barcus says he had predicted at the end of last year that housing activity here would drop by 10 percent in 2005. Yet, he says, through the end of last month, 2,706 building permits for single-family residences had been issued in Spokane County thus far in 2005, already more than the 2,056 issued in all of 2004.

“We’re in uncharted waters. I haven’t seen these numbers since I started tracking them in 1995,” Barcus says. “This year we’re at pretty lofty levels, so next year I’m not expecting record-breaking levels, although it should be strong.”

Some small businesses here also are in uncharted waters—and those are nasty seas, indeed.

Bob Lowe, owner of P.S. Janitorial Inc., of Spokane Valley, says he’s having such a hard time finding employees that he might have to close his 13-year-old business. He says the eight-employee company could bid on two big contracts here that could mean a total of $30,000 a month in added revenue, but he can’t find enough additional employees.
Lowe blames his employment woes on the federal and state governments. He contends that the way programs such as welfare are structured makes it too easy for people to stay unemployed. Also, he believes tighter time restrictions should be placed on how long people can receive unemployment checks from Employment Security.

P.S. Janitorial has spent nearly $800 since March on help wanted advertisements, and only four people have responded to those ads, he says.

The starting wage for employees at P.S. Janitorial is $7.50 an hour, and Lowe says he can’t increase wages much because the company’s profit margin already has been squeezed by the rising cost of petroleum-based janitorial products. For example, the petroleum-based wax the company uses to polish floors now costs $60 a gallon, up from $20 last January.

“We’re almost to the point of shutting down,” Lowe says. “I don’t know what the answer is, but we cannot keep doing what we’re doing without going bankrupt.”

Full employment

Jeff Zahir, a Spokane-based regional labor economist with the Employment Security, says his first indication that the labor supply was tightening occurred earlier this year when employers began telling him they were having a hard time finding qualified applicants.

Rising median wages provided another indication, Zahir says. In the first quarter of 2005, the median wage in the county rose to $28,000 on an annual basis from $27,000 in the year-earlier period. That was the first time the median wage had increased at a more rapid pace than inflation since 1999, he says.

Julie Prafke, founder and CEO of Spokane-based Humanix Corp., says that temporary-help company has seen the effects of a tighter job market through the growing number of workers who are being hired for permanent jobs from the temporary positions Humanix has helped them find. Currently, some 70 percent of Humanix’s temporary workers are being hired for full-time positions, up 10 percentage points from its yearly average.

Humanix also has had 300 more requests for direct hires, or people that businesses are recruiting to hire on a full-time basis, this year than in 2004. It has placed more than 3,000 workers in both temporary and permanent full-time positions this year, compared with about 2,500 last year, Prafke says.

Those numbers indicate a competitive job market here, in which employers are finding it increasingly difficult to fill minimum-wage positions, Prafke says.

“It’s becoming more and more true here that there’s a real obligation for companies to come up with creative ways to retain workers who can walk across the street and get a higher-paying job,” she says.

David Bunting, professor of economics at Eastern Washington University, expects more upward pressure on wages and greater shortages in the labor market if the unemployment rate stays as low as it has been. In September, the unemployment rate in Spokane County was 5.1 percent, down from 5.3 percent in the year-earlier month, Bunting says. The last time the unemployment rate fell as low as 5.1 percent was in 2000, he says.
“We’re going into the worst employment months (of the year) so if the rates stay near 5.1 percent, then the economy is going to be pretty good,” he says. “I think (the unemployment rate) will go up about half a point” from its September level.

Barcus says the biggest surprise to him this year in terms of employment growth occurred in the manufacturing sector. He expected manufacturing jobs to drop, but instead the industry grew by 300 workers to 17,600 workers in October.

He says the upswing is due to higher demand for equipment that manufacturers here supply to other companies. For instance, Foothill Ranch, Calif.-based Kaiser Aluminum Corp. recently landed a long-term contract with Airbus, the European aerospace company, to produce heavy-gauge aluminum plate for the company’s aircraft. That contract will boost volume at Kaiser’s Trentwood rolling mill in Spokane Valley, where the company plans a $75 million plant upgrade.

Barcus expects manufacturing will continue to experience strong growth in 2006. He says he’s optimistic about overall job growth here, and thinks employment in Spokane County will grow by 4,000 jobs next year.

Forsyth says he expects that as interest rates rise, lending and housing activity will wane, causing a cooling of construction activity. He wonders what industries will have positions available to replace construction-related jobs.

“Historically, if you look at the worst recessions in the state, they’ve been construction-led,” he says. “I fear that since our employment growth has been based on that, if the market slows down rapidly we’re really going to feel it.”

Despite a potential deceleration of the housing market, Forsyth says he expects the county’s unemployment rate will remain low for most of 2006. Unemployment here currently is hovering around 5.5 percent, below what is generally considered to be the region’s full employment rate of 6 percent, he says.

Zahir says he expects the financial-services, education, and health-care sectors of the economy will experience healthy growth next year. Financial services grew by nearly 5 percent in Spokane County between October 2004 and October 2005, and education and health services grew by 2.8 percent.

Employment growth here, however, is highly dependent on national and international economic factors, such as oil prices, Zahir says.

“There’s no question that we will share in national economic growth,” Zahir says. “The question is to what extent we will share in that growth and whether we will be a leader in it or just along for the ride.”

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