
Tech groups rate innovation economy

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Spring is report card time, and with many individuals, groups and organizations aiming to build a technology-based economy, it's a good time to take a look at how they're doing – and why we should care.

New assessments by two statewide tech organizations examine the state's technology sector and its prospects for the future. They are the Washington Technology Center's "Washington State 2003 Index of Innovation and Technology" and "Drivers for a Successful Technology-Based Economy: Benchmarking Washington's Performance," released this month by the Technology Alliance.

What is a technology industry or sector? The two reports consider as tech any industry in which at least 7 percent of the workforce is engaged in science and engineering occupations. That amounts to more than 12 percent of the state's workers, and reliance on that sector will increase as traditional industries decline. For a complete list of tech industries, see the Index at www.watechcenter.org/techindex/.

"The point is that the tech sector is varied, important and absolutely dependent on innovation for survival and growth," said Mike Schwenk, a member of the Alliance's local affiliate, the Three Rivers Technology Alliance. Schwenk noted that the Three Rivers group is adopting several measures from the reports to guide technology-based development efforts in the Tri-Cities.

Innovation indicators

WTC's third annual "Index of Innovation and Technology" examines 40 indicators that measure the underlying health of the state's innovation economy. Key indicators include growth, financial capacity, human potential, competitiveness, quality of life and innovation capacity. Among the findings:

- Washington ranks first in new company creation but also has the highest percentage of business closings in the country.
- Washington is ninth in the top regions of the U.S. for venture investment.
- The state's tech job wages average \$118,252 annually, the highest in the country. Without software employees, the average tech wage would be \$68,734, still significantly higher than the average private sector wage of \$37,212.
- The Tri-Cities leads the state in per capita Small Business Innovation Research awards, which provide federal funding for small tech businesses.
- The Tri-Cities has the second highest rate of patents per capita in the state, after the Seattle area. The number of patents granted to Washington inventors has increased 46 percent since 1997.
- Tri-Cities high-tech employment has increased 9 percent from 2000 to 2001, with 49.2 tech jobs per 1,000 population. This is the second-highest tech job rate per capita in the state, after the Seattle area, which claims 80 percent of the state's tech jobs, but grew its tech jobs by only 0.8 percent in 2001.

Cause for concern

Tech industries “have a bright future in Washington” the Technology Alliance report says, if vigorous attention is paid to three key drivers – education, research capacity and entrepreneurial environment.

According to the report, Washington State “is at a significant crossroads in its economic history.” The report compares Washington’s performance in supporting technology-based development to that of eight other states with technology-intensive economies and outlines a course of action for improving the state’s performance.

Technology Alliance president Ken Myer called the results “alarming.” For example:

- Even though Washington ranks near the top in student performance on math, reading and writing tests, less than one-third of our 8th graders score at or above “proficient.”
- Standardized college placement tests reveal that, not only are test scores relatively low, but Washington’s ranking has fallen.
- The number of bachelor’s degrees granted overall, particularly in science and engineering, is in the lowest third of the nation on a per capita basis.
- These issues are important, said Alliance executive director Susannah Malarkey, because “local residents benefit most from the growth of high-tech companies if they have the skills required to acquire jobs in these companies.” Moreover, many smaller companies, such as tech start-ups in the Mid-Columbia, depend heavily on the local workforce for staffing. The full report and action plan are available at www.technology-alliance.com.

Both reports recognize the Tri-Cities as a center for innovation and cite the Pacific Northwest National Laboratory as a key source for new technologies. Washington Technology Center executive director Lee Cheatham called the laboratory “one of our most valuable partners in Eastern Washington to help develop commercially viable technologies that create high-quality jobs.”

“The technology economy is all about putting knowledge to work,” Malarkey said. “For example, look at the wine industry. From water monitoring and pest control, to introduction of new products, technology and a technologically competent workforce are enabling Mid-Columbia vintners to compete on an international scale.”

“Yet the only place where effective economic development can take place is at the local level,” Cheatham said. “These reports are a first step toward understanding ourselves so that we can work, community by community, to realize the potential of the innovation economy.”