

All Seek Healthy Growth

0 tweet

Posted: Sunday, September 12, 2010 9:00 am | Updated: 8:43 am, Sun Sep 12, 2010.

By Ben Boulden

Times Record • bboulden@swtimes.com |

Editor's Note: Today we conclude our "Fort Smith at the Crossroads" series, which began Sept. 5. Visit www.swtimes.com/special_reports for past reports.

Both the Fort Smith and northwest Arkansas regions may have one important thing in common in regard to future economic development: They're going to have to work for it.

During much of the late 1990s and the past decade, job growth in northwest Arkansas greatly outpaced that rate in the Fort Smith region.

The overall economies also seemed to grow at different paces, too - fast and furious in northwest Arkansas versus slow and steady in the Fort Smith region.

"When you look over the last decade, it's not that folks weren't working hard at economic development (in northwest Arkansas), but it was a different game," Kathy Deck said. "The kind of growth we had just came. It wasn't like we recruited a lot of new companies. When we look at future growth, our core companies (Wal-Mart, Tyson and J.B Hunt) have reached a mature stage. They are not going to drive employment growth in a big way. They'll hold the base but not the new drivers. ... Our growth in the next decade is riskier than the growth we've had in the preceding decade."

Deck is an economist and the director of the Center for Business and Economic Research at the University of Arkansas.

"Northwest Arkansas was a young, brash economy," she said. It was adding jobs at a rate of 4.1 percent, "smashing through" the national rate of less than 1 percent.

Fast And Furious

Mike Malone, executive director of the Northwest Arkansas Council, said he wouldn't use words like "overheated" to describe what happened in northwest Arkansas. It's simply next to impossible to guess or predict when an up cycle in the economy will end.

Nevertheless, the number of real estate developers who have filed for bankruptcy and subdivisions that were overbuilt may lead others to use those terms.

Unemployment, which was 3.5 percent in 2006, was 6.4 percent in July for the northwest Arkansas area. In the Fort Smith area in 2005, the jobless rate was 4.8 percent. In July, it was 7.8.

According to Arkansas Department of Workforce Services projections done in 2006, employment in northwest Arkansas was projected to grow 34.95 percent through 2016 and in the Fort Smith region, 11.97 percent.

Deck said given the effects of the Great Recession, those projections likely need to be lowered.

Even the proportional difference between the rates in each area might need some adjustment, too, but she wouldn't expect them to get much closer because of downturn.

"There are structural differences between the two work forces," she said. "Northwest Arkansas is a bit younger. ... Obviously, your employment growth doesn't come from nowhere. It comes from the type of investments that have been made in human capital in your area, the relative age and the existing industrial or employment sector."

Kermit Kuehn, an economist and the director of the Center for Business Research and Economic Development at the University of Arkansas at Fort Smith, said northwest Arkansas' top three employment sectors are trade and transportation, business and professional services, and government.

In the Fort Smith region, they are trade and transportation, manufacturing and government.

"I think these numbers reveal the fundamental difference between the two MSAs," he said. "NWA's largest employment sectors are in the services area where the bulk of the jobs will be created in the future. Fort Smith is relatively more dependent on the manufacturing sector, which is not projected to grow as fast, if at all. NWA has a significant presence of large corporate headquarters, which is fundamental to the dynamics there. Fort Smith has some as well, but not at that level."

Slow And Steady

Kuehn said the about 12 percent growth rate in jobs that Workforce Services originally projected through 2016 would have been pretty good given the decline in the U.S. manufacturing sector.

Fort Smith's housing and construction sector didn't boom in the last 10 years, but it hasn't suffered like other markets either.

But both regions have been affected by housing and construction nationwide.

"There are some national level headwinds to overcome - very high unemployment rates," Deck said. "Projecting moderate growth means consumer spending will continue to be muted. Considering that both the Fort Smith and northwest Arkansas regions are dependent on consumer spending, through our expertise in logistics and in our manufacturing capacity, through our retail, it's easy to say we won't see the growth in those sectors in the near term that we did before. A decade is a long time. We have a chance to get our stuff in order."

A job growth rate of between 1.5 percent to 2 percent in the next decade would be very good for either region, she said.

"Fort Smith is fighting a different battle with the decline in manufacturing," Kuehn said. "We're not that large in employment, about 120,000 people working in 2008 at our peak. In that period, we lost about 10,000 manufacturing jobs. We have to absorb that plus grow to have 120,000 working here. If we did 1 percent, then we would be smoking, in a way. We already have a decline of more than 1 percent in the main sector of our economy."

Northwest Arkansas may have grown too fast in certain sectors like housing in the last few years, and Fort Smith may have grown too slowly to cope with losses in manufacturing that started before the recession and are continuing.

The Big Picture

With national consumer spending and housing sectors stagnant or expanding slowly, neither region is likely to have economic development occur again without hard work.

That may be more achievable with more cooperation on business recruitment and retention between northwest Arkansas and the Fort Smith regions.

"You're relatively small MSAs to begin with," Kuehn said. "You're trying to upsell to organizations that say, 'You're way too small for the mix and diversity I'm looking for.' If you can show a bigger front, then you can compete in different-sized ponds, so to speak. Bigger shows more strength and probably is more strength. That's the reality of it. That's the challenge in economic development to get people to think big picture as opposed to my picture."

The fact that Fort Smith has a strong manufacturing base and northwest Arkansas a strong business and professional base makes the two complementary, he said.

"I don't know that manufacturing is going to be big growth sector for us," Malone said. "We have some and there are some things we can do to complement manufacturing in the river valley. We'll have to pick categories or niches that we can focus on."

Whatever the pace of growth is in the future in each region, such differences may mean less of chance of conflict and more opportunity to cooperate.

© Copyright 2010, **The Times Record, Fort Smith, AR**. Powered by [Blox Content Management System](#) from [TownNews.com](#). [[Terms of Use](#) | [Privacy Policy](#)]