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## Arkansas' job recruitment policy in need of dramatic shift

 Submitted by **The City Wire staff** on Thu, 07/30/2009 - 12:30pm.

 story by **Michael Tilley**

Much has been said and written lately about the decline of manufacturing and how jobs in the sector aren't likely to return to previous highs.

University of Arkansas economist Kathy Deck recently said as much, and now the closely watched Kiplinger Report is saying that many manufacturing jobs "are gone for good," and that it will be 2012 before any meaningful recovery is seen in the manufacturing sector.

Specifically, the Kiplinger Report predicts that of the 2 million manufacturing jobs lost nationwide since January 2008, only two-thirds will return by 2013.

"For the rest, largely in auto making or industries tied to either autos or housing ... textiles, plastics, fabricated metals, furniture, appliances and so on ... the recession was simply the last, fatal squeeze in a long wringing out process," noted the Kiplinger report.

Manufacturing jobs that will return or remain will be in the production of "sophisticated high-tech goods," Kiplinger asserts, with medical equipment, Internet routing equipment, biotechnology, solar panels, wind turbines and defense electronics included in the mix of high-tech goods. Aircraft, farm and construction equipment manufacturing could return when foreign economies improve, according to Kiplinger.

### SHIFT UNDERWAY

Information provided by Greg Kaza, executive director of the **Arkansas Policy Foundation**, shows that the postwar U.S. manufacturing employment peak was in June 1979 at 19,553,000. In June 2009 (the last reported month), only 11,854,000 Americans were employed in manufacturing. The postwar Arkansas manufacturing employment peak was in February 1995 at 247,400. That figure has slipped more than 33% with only 164,400 Arkansans employed in manufacturing as of June 2009.

A reasonable question, then, for economic development leaders in Arkansas is: "At what point does a community/region/state significantly shift economic development efforts so entrepreneurial support, industrial and small business retention, pursuing and supporting next-generation business models are a larger part of the effort than the more than 6-decade focus on industrial recruitment?"

Joe Holmes, spokesman for the **Arkansas Economic Development Commission**, said the shift is underway. He said the AEDC is working with the University of Arkansas, Innovate Arkansas and other groups "in support of entrepreneurial support and the transition to knowledge-based jobs."

Holmes said the 108-page five-year economic development strategy **unveiled in January** by Gov. Mike Beebe addresses the shift. On the matter of supporting higher-wage, higher tech jobs, the new strategy lists several action items. Those include: efforts to foster the development of regional innovation and entrepreneur centers in Arkansas; proposing incentive legislation to promote the formation of regionally based investment groups to provide small business early stage funding; and working with state and federal groups to "develop additional private laboratory space."

## Manufacturing Jobs

### Fort Smith metro area

June 2009:	22,600
June 2008:	25,200
June 2007:	26,800
June 2006:	29,300
June 2005:	29,000
June 2004:	28,500
June 2003:	28,100
June 2002:	29,100
June 2001:	30,600
June 2000:	31,400

### Arkansas

June 2009:	162,900
June 2008:	183,000
June 2007:	188,700
June 2006:	200,200
June 2005:	200,800
June 2004:	203,800
June 2003:	204,800
June 2002:	214,600
June 2001:	227,200
June 2000:	240,900



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### WILL SHIFT HAPPEN?

Kaza says a real shift is more than just engaging new policies or creating new processes or organizations. Before addressing the problem, Kaza insisted, the people responsible for economic development have to acknowledge that previous policies have not worked and the state should try profoundly different approaches.

"I know that sounds really simple, but that's really what it comes down to here," Kaza said, noting that Arkansas' tax, trade and regulatory policies "have all played a role in the loss of manufacturing jobs here in Arkansas."

Jeff Collins, the former director of the Center for Business and Economic Research at the University of Arkansas and now an economist with Springdale-based Streetsmart Data, said Arkansas economic development officials have historically failed to build on their industrial recruitment successes.

"Specifically, the economic benefits that resulted from industrial recruitment were not effectively invested to diversify the state's workforce and employment portfolio," Collins noted in an e-mail interview with *The City Wire*.

Collins said the state must "dramatically shift" its economic development focus as soon as possible.

"All we need to do is look at the economies of cities/states highly dependent on the automobile industry to fully appreciate the costs of failing to embrace the need to diversify," Collins warned.



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