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From the Phoenix Business Journal:

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Lack of planning, growth dependency limit jobs

🔑 **SUBSCRIBER CONTENT:** Sep 11, 2015, 3:00am MST

Phoenix's short-sightedness in developing jobs comes from its habit of relying on the natural growth that historically has propelled economic development.

Prior to the recession, Arizona's annual population increase was consistently above 2 percent, peaking at 3.5 percent in 2006.

"I've been in Phoenix for 37 years. This is not an area we have spent implementing plans. It's not been high on our priority list," said Dennis Hoffman, economics professor and director of the L. William Seidman Research Institute at Arizona State University.

There are numerous reasons the Valley has gotten into this hole, and it will take awhile to dig its way out.

One challenge to overcome has been the region's shift from an export-driven economy to one that is more service-oriented.

"We've seen our electronic manufacturing go flat due to globalization and outsourcing," Hoffman said. "We're more in maintenance mode."

Steve Zylstra, president and CEO of the Arizona Technology Council, said Phoenix used to export more software, an easily measured product.

"Now we're seeing Phoenix offer software as a service," he said, noting it isn't easy to gauge



Dennis Hoffman, economics professor and director of the L. William Seidman Research Institute at Arizona State University

economic output for an industry with no physical product.

Additionally, Phoenix's formerly strong electrical manufacturing, aerospace and defense industries have gone dormant, creating a drop in high-paying export jobs. Aerospace and defense have been hit hardest by the drawdown of military activities.

"The softening of the industries goes in trends," said Chris Camacho, president and CEO of the Greater Phoenix Economic Council.

Zylstra points to the semiconductor industry as a prime example of how the global economy is affecting what happens locally, and how the Valley needs to adjust.

"Look at semiconductors. If you compare to 2000, it was 50 percent of our exports," he said. "It's changed profoundly. A lot of it moved offshore."

Zylstra also points to financing issues and the withdrawal of incentives for the solar industry, calling it a false start.

"Solar was emerging, but was stifled," he said. "But that'll be back."

Despite all the bad news, Zylstra said Phoenix is on the cusp of a technology boom. Intel Corp. spent \$5.2 billion recently on a new fabrication plant for state-of-the-art semiconductors, and it has an empty building waiting for another technology.

"We have big names here. Apple just built a \$2 billion command center, its biggest," Zylstra added.

Collaboration is needed among Valley cities to benefit the Valley overall, said Jim Rounds, senior vice president and senior economist with Elliott D. Pollack & Co.

"We have cities competing for car dealerships across the street," he said, adding that needs to stop.

Having a service-oriented economy can be good, providing the industries produce high-wage jobs. One example in Arizona could be insurance, with players such as USAA. There's also the banking and finance industry, with major employers including Wells Fargo & Co., JPMorgan Chase & Co. and American Express.

"New York doesn't produce much, either, but they have more high-end financial jobs," Rounds said.

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