

Editorial: Where are the Best Cities for Job Growth?

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Over the past five years, Michael Shires, associate professor in public policy at Pepperdine University, and I have been compiling a list of the best places to do business. The list, based on job growth in regions across the U.S. over the long, middle and short term, has changed over the years--but the employment landscape has never looked like this.

In past iterations, we saw many fast-growing economies--some adding jobs at annual rates of 3% to 5%. Meanwhile, some grew more slowly, and others actually lost jobs. This year, however, you can barely find a fast-growing economy anywhere in this vast, diverse country. In 2008, 2% growth made a city a veritable boom town, and anything approaching 1% growth is, oddly, better than merely respectable.

So this year perhaps we should call the rankings not the "best" places for jobs, but the "least worst." But the least worst economies in America today largely mirror those that topped the list last year, even if these regions have recently experienced less growth than in prior years. Our No.1-ranked big city, Austin, for example, enjoyed growth of 1% in 2008--less than a third of its average since 2003.

The study is based on job growth in 333 regions--called Metropolitan Statistical Areas by the Bureau of Labor Statistics, which provided the data--across the U.S. Our analysis looked not only at job growth in the last year but also at how employment figures have changed since 1996. This is because we are wary of overemphasizing recent data and strive to give a more complete picture of the potential a region has for job-seekers.

The top of the complete ranking--which, for ease, we have broken down into the two smaller lists, of the best big and small cities for jobs--is dominated by one state: Texas. The Lone Star State may have lost a powerful advocate in Washington, but it's home to a remarkable eight of the top 20 cities on our list--including No. 1-ranked Odessa, a small city in the state's northwestern region. Further, the top five large metropolitan areas for job growth--Austin, Houston, San Antonio, Ft. Worth and Dallas--are all in Texas' "urban triangle."

The reasons for the state's relative success are varied. A healthy energy industry is certainly one cause. Many Texas high-fliers, including Odessa, Longview, Dallas and Houston, are home to energy companies that employ hordes of people--and usually at fairly high salaries for both blue- and white-collar workers. In some places, these spurts represent a huge reversal from the late 1990s. Take Odessa's remarkable 5.5% job growth in 2008, which followed a period of growth well under 1% from 1998 to 2002.

Of course, not all the nation's energy jobs are located in Texas, even if the state does play host to most of our major oil companies. The surge in energy prices in 2007 also boosted the performance of several other top-ranked locales such as Grand Junction, Colo., Houma-Bayou Cane-Thibodoux, La., Tulsa, Okla., Lafayette, La., and Bismarck, N.D.

Looking at the energy sector's hotbeds, however, doesn't tell the whole story. Another major factor behind a city's job offerings is how severely it experienced the housing crisis. There's a "zone of sanity" across the middle of the country, including Kansas City, Mo., that largely avoided the real estate bubble and the subsequent foreclosure crisis.

Still other factors correlating with job growth--as evidenced by Shires' and my current and past studies--are lower costs and taxes. For example, the area around Kennewick, Wash., is far less expensive than coastal communities in that same state, and residents and businesses there also enjoy cheap hydroelectric power. Compared with high-tech centers in California and the Northeast, such as San José and Boston, places like Austin offer both tax and housing-cost bargains, as do Fargo, N.D. and Durham-Chapel Hill, N.C.

College towns also did well on our list, particularly those in states that are both less expensive and outside the Great Lakes. Although universities--and their endowments--are feeling the recession's pinch, they continue to attract students. In fact, colleges saw a bumper crop of applicants this year, as members of the huge millennial generation, encompassing those born after 1983, reach that stage of life. More recently, college towns have emerged as incubators for new companies and as attractive places for retirees.

Specifically, the college town winners include not only well-known places like Austin and Chapel Hill, but also less-hyped places like Athens, Ga., home of the University of Georgia; College Station, Texas, where 48,000-student Texas A&M University is located; Morgantown, W.Va., site of the University of West Virginia; and Fargo, the hub of North Dakota State University.

Democratic states are glaringly absent from the top of the list. You don't get to a traditionally blue state--in a departure from past years, Obama won North Carolina--until you get to Olympia, Wash., and Seattle, which ranked No. 6 among the large cities.

But political changes afoot could affect the trajectory of many of our fast-growing communities--and not always in positive ways. It's possible that the Obama administration's new energy policies, which may discourage domestic fossil fuel production, could put a considerable damper on the still-robust parts of Texas and elsewhere where coal, oil and natural gas industries are still cornerstones of economic success.

By contrast, the wind- and solar-power industries seem to be, as of now, relatively small job generators, and with energy prices low, endeavors in these areas are sustainable only with massive subsidies from Washington. But still, if these sectors grow in size and

profitability, other locales that have not typically been seen as energy hubs over the past few decades may benefit--notably parts of California, although Texas and the Great Plains also seem positioned to profit from these developments.

Another critical concern for some communities is the potential for major cutbacks on big-ticket defense spending. This would be of particular interest to communities in places like Texas, Oklahoma and Georgia where new aircraft are currently assembled. Over the years, blue states like California have seen their defense industry shrivel as the once-potent Texas Congressional delegation and the two Bushes tilted toward Lone Star State contractors.

These days it's big-city mayors and big blue-state governors who are looking for financial support from Obama. Northeast boosters are convinced more money on mass transit, inter-city rail lines and scientific research will rev up their economies. Boston--No. 16 on the list of large cities and a leading medical and scientific research center--could be a beneficiary of the new federal spending.

The most obvious winner from the recent power shift should be Washington, D.C. The Obama-led stimulus, including the massive Treasury bailout, has transformed the town from merely the political capital into the de facto center of regular capital as well. Watch for D.C. and its environs to move up our list over the next year or two. Already the area boasts one of the few strong apartment markets among the big metropolitan areas in the country, which will only improve as job-seekers flock to the new Rome.

Yet Washington is an anomaly, because most of the places that stand to benefit from this unforgiving economy are ones that are affordable and therefore friendly to business, reinforcing a key trend of the last decade. It also helps regions to have ties to core industries like energy and agriculture, a sector that has remained relatively strong and will strengthen again when global demand for food increases.

Some areas have attracted new residents readily and continue to do so, albeit at a somewhat slower pace. Over time this migration could be good news for a handful of metropolitan areas like Salt Lake City, which ranks seventh among the big cities for job growth, and Raleigh-Cary, N.C., which was No. 1 among large cities last year and No. 8 this year. Over the last few years, these places have consistently appeared at the top of our rankings and are emerging as preferred sites for cutting-edge technology and manufacturing firms.

Below these winners are a cluster of other promising places that have already managed to withstand the current downturn in decent shape and seem certain to rebound along with the overall economy. These include the largely suburban area around Kansas City, Kan., perennial high-flyer Coeur d'Alene, Idaho, and Greeley, Colo.--in part due to their ability to attract workers and businesses from bigger metropolitan centers nearby--as well as Huntsville, Ala., which has a strong concentration of workers in the government and high-tech sectors.

In the end, most of the cities at the top of the lists--whether they are small, medium or large--have shown they have what it takes to survive in tough times. Less-stressed local governments will be able to construct needed infrastructure and attract new investors so that job growth can rise to the levels of past years. If better days are in the offing, these areas seem best positioned to be the next drivers of the economic expansion this nation sorely needs.

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