

Arkansas Business Conditions Survey Results Summary



A Statewide Semiannual Survey of Licensed
Contractors and Manufacturers to Collect
Information Related to the Economy



Contractors Licensing Board



Arkansas Manufacturers Association

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Where excellence has many faces

Institute for Economic Advancement
College of Business Administration
University of Arkansas at Little Rock

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Purpose of the Survey

The goal of the *Arkansas Business Conditions Survey* is to provide timely statewide employer-based indicators of economic activity from the goods-producing sectors (*construction and manufacturing*) of the Arkansas economy. The questionnaire was directed to executive/administrative (*i.e., CEO/owner, CFO, facility/plant manager, etc.*) personnel within each surveyed establishment. The *Arkansas Business Conditions Survey* is a cooperative effort between the Contractors Licensing Board, the Arkansas Manufacturers Association, and the University of Arkansas at Little Rock's Institute for Economic Advancement.

Methodology

The survey population included a total of 6,381 construction and manufacturing establishments (*i.e., 3,374 licensed contractors and 3,007 manufacturers*) statewide¹. Surveyed businesses within both industry groups represent a cross-sectional mix of business sector activity and establishment sizes. The *Arkansas Business Conditions Survey* was administered utilizing two systematic mailings to the survey population during September and October 2001. An initial mailing was distributed to all 6,381 establishments on September 17, 2001. A total of 718 completed questionnaires were received from the first mailing. A second mailing was distributed to nonrespondents on October 8, 2001. An additional 473 completed questionnaires were received from the second mailing, boosting the overall completion total to 1,191. The mailings uncovered a total of 103 establishments as being closed or having undeliverable mailing addresses. Therefore, the overall return/completion rate was nineteen percent. The survey results are based on a total of 1,191 completed questionnaires, representing 494 completed questionnaires from manufacturers and 697 completed questionnaires from construction contractors. The overall results represent a sample reliability of a 95 percent confidence level at a plus or minus 3 percent confidence interval.

Survey Results

Business Conditions Scorecard

<i>Table 1</i>			
<i>On a scale of 1 to 5, (with 1 representing the lowest/poorest rating and 5 representing the highest/best rating) how would you rate the following business conditions?</i>			
	<u>Overall Results Avg.</u>	<u>Manufacturing Results Avg.</u>	<u>Construction Results Avg.</u>
Current business conditions in Arkansas compared to the rest of the nation.	3.06 (1105)	2.97(458)	3.12 (647)
The current Arkansas job market within your industry when compared to the rest of the nation.	2.82 (1159)	2.76 (482)	2.86 (677)

Note: The average (mean) scorecard ratings are based on the total number of respondents indicating a rating value between 1 and 5. One (1) represents the lowest/poorest rating and five (5) represents the highest/best rating. An average scorecard rating of three (3.00) represents the midpoint in the rating scale. An average rating above three denotes a positive score while an average rating of less than three denotes a negative score.

The number in parentheses indicates the number of cases that provided a rating value.

The goal of the Arkansas Business Conditions Survey is to provide timely statewide employer-based indicators of economic activity from the goods producing sectors (construction and manufacturing) of the Arkansas economy.

Looking at the overall results in Table 1, surveyed businesses on average rate current business conditions within the state as comparable to the rest of the nation, based on the near midlevel average score (3.06). The Arkansas job market is viewed more negatively when compared to the rest of the nation, with an average rating score that falls below the midpoint rating (2.82).

¹ Survey lists provided by the Contractors Licensing Board and Arkansas Manufacturers Association.

Economic Indicators

Table 2

Indicate whether your company is currently experiencing increases, decreases, or remaining stable for each of the following business condition indicators, compared to the previous six months.

	Overall Results				Manufacturing Results				Construction Results			
	Increase	No Change	Decrease	Diffusion Index	Increase	No Change	Decrease	Diffusion Index	Increase	No Change	Decrease	Diffusion Index
Sales/Orders	20.3%	42.5%	37.2%	-16.9% (1155)	20.6%	34.2%	45.2%	-24.6% (485)	20.0%	48.5%	31.5%	-11.5% (670)
Prices of Supplies/Materials	45.7%	48.7%	5.7%	40.0% (1161)	38.0%	52.5%	9.5%	28.5% (482)	51.1%	45.9%	2.9%	48.2% (679)
Inventories	9.2%	69.1%	21.7%	-12.5% (1101)	15.0%	56.7%	28.3%	-13.3% (480)	4.7%	78.7%	16.6%	-11.9% (621)
Full-Time (FT) Employment	13.6%	58.9%	27.5%	-13.9% (1152)	13.6%	54.2%	32.2%	-18.6% (485)	13.6%	62.2%	24.1%	-10.5% (667)
Part-Time (PT) Employment	9.0%	72.8%	18.2%	-9.2% (836)	9.4%	69.9%	20.7%	-11.3% (362)	8.6%	75.1%	16.2%	-7.6% (474)
Hrs. Worked FT Employees	12.1%	66.7%	21.2%	-9.1% (1153)	10.9%	64.5%	24.6%	-13.7% (479)	13.1%	68.2%	18.7%	-5.6% (674)
Hrs. Worked PT Employees	6.4%	77.0%	16.5%	-10.1% (793)	6.0%	76.4%	17.5%	-11.5% (331)	6.7%	77.5%	15.8%	-9.1% (462)
Profit Margins	10.8%	44.8%	44.4%	-33.6% (1168)	10.9%	37.0%	52.2%	-41.3% (487)	10.7%	50.4%	38.9%	-28.2% (681)

Note: The diffusion index is calculated as the difference between the percentage of total reporting increases and the percentage reporting decreases. The number in parentheses indicates the number of cases that provided a response of “increase,” “remain stable,” or “decrease” for each economic indicator specified.

In comparing the percentage differences between employers who reported increases for a given economic indicator versus those who reported decreases (*i.e.*, *diffusion index*) unfavorable trends emerge. For the manufacturing industry, higher unfavorable percentages are reflected in negatively impacted profit margins, sales/orders and increases in the prices of supplies/materials. Slightly over fifty-two percent (52.2%) of responding manufacturers indicate their company is experiencing decreases in profit margins compared to the previous six months. Similar trends arise in the construction sector. The majority (51.1%) of responding contractors report that current prices of supplies/materials have increased compared to the previous six months. Fuel is specified most frequently as the item that has increased in price the most compared to the previous six months.

Exporting

Most surveyed employers who export products/services outside the state (73.3% of manufacturers export, and 18.1% of construction contractors export) report their export levels are remaining stable compared to the previous six months.

Employment Activity and Future Business Conditions

Over sixty-two percent (62.8%) of surveyed employers indicated they will not be looking to fill any job vacancies in Arkansas within the next six months as compared to thirty-seven percent (36.6%) that will be in a hiring mode. Employers looking to hire within the next six months report that the average wage paid for these anticipated job vacancies will be approximately \$11.55 per hour. Further evidence of stale economic activity over the next six months (*in addition to the majority of employers reporting no plans for filling job openings*) is reflected in the survey finding that over three-fourths (77.5%) of employers have no plans for expansion within the next six months.

Overall, the survey results from Table 2 indicate employers frequently report no change in their current levels of economic activity as compared to the previous six months. However, unfavorable trends emerge when looking at the net effect of the percentage differences between employers reporting increases versus decreases for given economic indicators (diffusion index). These unfavorable trends are supported by the majority of employers reporting they have no plans for hiring or expansion activities over the next six months.

Business Respondent Demographics

Table 3

Employment Level	Overall Results	Manufacturing Results	Construction Results	Industry Sector	Overall Results
Less than 10 employees	42.8%	28.5%	52.9%	Building Construction (SIC 15)	20.2%
10 to 25 employees	26.7%	25.7%	27.4%	Heavy Construction (SIC 16)	6.6%
26 to 50 employees	12.9%	14.6%	11.8%	Construction - Special Trade (SIC 17)	31.7%
51 to 100 employees	6.6%	9.5%	4.6%	Food & Kindred Products (SIC 20)	2.5%
101 to 200	4.4%	8.9%	1.1%	Textile Mill Products (SIC 22)	0.2%
201 to 300	1.6%	3.8%	0%	Apparel & Other Finished Products (SIC 23)	0.8%
301 to 400	1.4%	3.2%	0.1%	Lumber & Wood Products (SIC24)	3.8%
401 to 500	0.9%	1.6%	0.4%	Furniture & Fixtures (SIC 25)	1.9%
Greater than 500	1.6%	3.8%	0%	Paper & Allied Products (SIC 26)	0.9%
No Answer	1.0%	0.2%	1.6%	Printing, Publishing, etc. (SIC 27)	3.8%
<i>Number of respondents</i>	<i>1191</i>	<i>494</i>	<i>697</i>	Chemical & Allied Products (SIC 28)	1.3%
				Petroleum Refining & Related Industries (SIC 29)	0.3%
				Rubber & Misc. Plastics Products (SIC 30)	2.5%
				Leather & Leather Products (SIC 31)	0.3%
				Stone, Clay, Glass, & Concrete Products (SIC 32)	3.1%
				Primary Metal Industries (SIC 33)	1.6%
				Fabricated Metal Products (SIC 34)	8.7%
				Industrial/Commercial Machinery (SIC 35)	1.6%
				Electronic & Other Components (SIC 36)	1.6%
				Transportation Equipment (SIC 37)	1.0%
				Measuring/Analyzing/Controlling Instruments (SIC 38)	0.3%
				Miscellaneous Manufacturing Industries (SIC 39)	5.4%
<i>Number of respondents</i>	<i>1191</i>	<i>494</i>	<i>697</i>	<i>Number of respondents</i>	<i>1191</i>

Comments

All respondents were given the opportunity to offer comments to assist policymakers in working toward improving the business conditions in Arkansas compared to the rest of the nation. A total of 456 comments were received. Many of the comments were centered around the issues noted below.

Tax Burden Relief/Tax Reductions or Incentives

- “Increase tax saving incentives for existing businesses in Arkansas. A government thank you for providing jobs to Arkansans.”
- “Trying to balance tax and insurance costs is a burden on small business.”

Education/Qualified Workforce

- “Improvement in education, particularly vocational/technical trade. We don’t need more emphasis on four-year degree programs.”
- “Education - I struggle to find people capable of even reading a ruler!”

Insurance Costs

- “Health insurance, liability insurance, and workers’ compensation insurance are my largest uncontrollable expenses.”
- “Medical insurance, workers’ compensation, and other required benefits are costing more than our business growth can handle.”

Specific Industry-Based Comments

- “Keep manufacturing jobs from leaving the country by giving incentives to manufacture here. If a company is taxed and regulated into leaving the country then we get nothing.”
- “Establish universal licensing for all trades so they can compete fairly. A company who carries a license, insurance, and pays taxes cannot compete with the prices of those who do not, whether its in the commercial or housing sector.”

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Charles E. Hathaway, Chancellor
William C. Goolsby, Donaghey Dean for Business Administration

IEA Director and Senior Staff

Ashvin P. Vibhakar, Director	501-569-8476
John P. Shelnut, Research Group	501-569-8542
Sarah G. Breshears, Census State Data Center	501-569-8530
Davis A. Bullwinkle, Research Library	501-569-8540
Edouard L. Lassieur, Management Education Program	501-569-8518
Diane Thomas-Holladay, Labor Education Program	501-569-8483