

1.8%, showing a wide range across the counties, and the county-specific cohort change was positively correlated with the county-specific total change. The 5–17 years (kindergarten–12th grade) cohort grew 6.5% and was positively correlated with the total change. It is not surprising to hear that financing was an issue in local school board elections (such as in Johnson County, which had a 13.9% population increase).

For the 18–24 years cohort, we see why there have been a lot of “help wanted” signs. People in this age group typically enter the labor market for the first time, and their percent change was a *decrease*. What can be done to increase the quantity of labor supplied? We need to promote industry-based networks as a means of addressing the collective problem of individual employers. For example, firms are hesitant to invest heavily in employee training because of the risk of losing the employee to a competitor shortly after completion of the training. By coming together *at the industry level*, firms in the same industry may reap a higher return on their training investment dollar because training is industry-networked.

Some American firms have adopted the “just-in-time” approach to inventory management, requiring a close coordination between Tier 1, Tier 2, and Tier 3 suppliers. Similarly, we need a just-in-time approach to employee development, which requires coordination between employers, educational institutions, trade schools, trainers, and community groups. There are school-to-work and welfare-to-work initiatives—though as Wisconsin has shown in its welfare reform, welfare-to-work does not come cheaply.

For the 25–44 years cohort, we have to think about how child care, housing, and transportation all fit into the problem of employee recruitment and development. Being recognized as “family-friendly” helps a firm bond workers to it and increase their productivity. The 25–44 age cohort is the one that includes the first-time home buyer, typically 25 to 34 years old. Its percent increase was a little less than the overall percent increase. Although low mortgage rates drive the housing market, other factors, such as the demographic one, play a role too.

The 45–64 years cohort is where the leading edge of the Baby Boomers is found. Both in percent change (15.7%) and absolute change (42,829, or 53% of the total population change), this is where the bulk of the consumption expenditures is. How this cohort spends affects, and will continue to affect, the economy. In a life-cycle-of-saving framework, this is the age group that has historically shifted from a high consumption mode to a saving mode. This group, therefore, patronizes the personal business services mentioned above.

Finally, the 65–84 and 85+ years cohorts are large consumers of health services. Although the

percent increase is large, the absolute number is smaller (the 85+ cohort is roughly 10% of the 45–64 years absolute change). How much of our resources, nationally and locally, will we be willing to allocate to health care? This question raises intergenerational issues (How much should the young be asked to pay for the health care of seniors?) and intersectoral issues (What proportion of our resource endowment should be allocated to health care?).

Suburbanization

Economic growth has a spatial and environmental dimension that is receiving increased attention. Trade-offs exist between the benefits of agglomeration and the costs of congestion. A major transportation study of the northeast corridor (downtown Indianapolis northeast to just north of Noblesville) is examining mobility options based on projected twenty-first century transportation patterns. Meeting this challenge creatively will be a major factor in determining the quality of life of citizens and the productivity of the Indianapolis metropolitan area's economy.

Fort Wayne

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The first task in forecasting is always to determine the current status of the economy. However, that task is even more difficult than usual this time because of the impact of the GM strike on the data. By late June, 93% of all GM domestic operations had ceased, and employment data are collected the second week of the month. Comparing non-seasonally adjusted data for June (before the strike) and September (after the strike), it is hoped, eliminates most summer seasonal jobs from the calculation. That comparison reveals a loss of 5,500 jobs in the Fort Wayne metropolitan area (Adams, Allen, DeKalb, Huntington, Wells, and Whitley counties), of which 2,500 are manufacturing jobs. Those losses are likely the result of some undetermined combination of “Asian flu” and lingering GM strike effects. The area economy will need to recoup at least half of those jobs by the end of the year to match year-end 1997 employment—that is, to register no loss in employment for 1998.

Although that assessment of employment change is not particularly inspiring, one should not overlook the extraordinarily high level of area economic activity currently taking place:

1. The 273,000 jobs (seasonally adjusted) in June were a record (see **Figure 1**).
2. The area unemployment rate in September was still only 3.2 percent (not seasonally adjusted).
3. Industrial use of electricity set a new record in September (again, see **Figure 1**).
4. New single-family housing permits in Allen County have a good chance of beating the current record of 1,951 permits set 20 years ago, in 1978.

For the 16 years since the end of the rustbelt debacle (1982), the area economy has continued to perform well vis-à-vis the national economy. However, the growth strategy has been unconventional. Fort Wayne has continued to attract manufacturing jobs, while manufacturing jobs nationally continued to shrink. Between 1982 and 1997, manufacturing employment in the Fort Wayne area grew from 55,400 to 74,900; nationally, it declined from 18.8 million to 18.5 million during the comparable period.

Consequently, northeast Indiana (which includes Noble, Steuben, and Lagrange counties) and the Fort Wayne metro area currently have 33 percent and 27 percent, respectively, of their employment in manufacturing, versus approximately 15 percent nationally. So whatever does happen to manufacturing activity nationally in 1999 gets a twofold magnification in northeast Indiana.

To date, the one obvious problem with the strategy has been a significant decline in job quality. Between 1979 and 1996, the average annual pay level fell from 103 percent to 87 percent of the average for all metropolitan areas. However, a “most of our eggs in one basket” strategy, like a one-stock strategy in investment, is inherently riskier. Unfortunately, 1999 is likely to be the year we get reminded about the greater risk of an economy top-heavy in manufacturing employment.

It is difficult to identify a likely source of significant growth for the area economy in 1999, given the national outlook put forth earlier in this issue. The twin problems from the Asian flu—lackluster demand for our exports and increased competition from imports—will be quite troublesome to the manufacturing sector, especially industrial equipment manufacturing. Domestically, the latter is likely to be adversely affected by the twin problems of sufficient capacity (maybe overcapacity) and shrinking profit margins. In other words, companies will have neither the desire nor the wherewithal (internal financing) to buy industrial equipment.

For the national forecast to be realized, the consumer must continue to buy aggressively—and that obviously includes autos and trucks. Why won't that translate into increased area employment in 1999? The answer is that the competitive pressures on price resulting from the Asian flu problem, general overcapacity, and GM fighting to regain lost market share are simply ferocious. The net result is more likely to be job losses than job gains as manufacturers struggle to cut costs and increase productivity.

The empirical evidence of this pricing pressure is prevalent. The sticker prices on new cars and trucks have been declining. The average manufacturing wage in the Fort Wayne area fell 20 cents in the year ending in September, which is one reason job quality in the Fort Wayne area continues to deteriorate. Wages in the manufacturing sector continue to decline, while wages in the service sector (in which the Fort Wayne area is underrepresented) are rising 3-4 percent annually.

We will be fortunate if, at the end of 1999, we can again note 273,000 jobs and 3.2 percent unemployment in the Fort Wayne metro area. That outcome would still allow job opportunities for households, a smattering of relief for employers trying to hire, and time to reconsider economic development strategies.

Finally, it is worth noting that next September the UAW contract with the Big Three auto manufacturers expires, and there may be stockpiling of inventories prior to the year's end in anticipation of Y2K problems. Consequently, there could be substantial intra-year volatility in auto and truck production and employment.

Figure 1
Total Employment and Industrial Use of Electricity in the Fort Wayne Metropolitan Area

