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Update A Monthly Overview of Economic Trends

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Employment Up?

The ancients who cut open chickens to discern trends and forecast the future may have had an advantage over modern analysts. They only had to look into the chicken. Normally, you can trust one chicken's anatomy to be consistent with all other chickens. The ancient seers did not have to use contemporary data series.

Regular readers of this *Update* know that we have two series of employment numbers: those which are reported to the government by business establishments and those which are reported by households.

We do not expect the two series to correspond perfectly because they are reporting different things. Establishments report how many jobs exist. Households report how many people are working. To confuse everyone, both series are usually called "employment."

If a person has two jobs, he or she is counted twice by the establishment survey and only once by the household survey. If many people held two jobs, we would expect the number of jobs to exceed the number of persons working. But not all establishments report employment. Self-employed workers, for example, are not covered by the establishment series. Thus, if you quit your job at the factory and are not replaced, and then start your own business at home, the number of persons working does not change, but the number of jobs falls. If you are replaced at the factory by someone who was previously not working or was unemployed, the number of jobs stays the same and the number of persons working rises.

Normally, the number of persons working (households data) exceeds the number of jobs (establishment data) (see figure 1). From January 1994 to June of this year, the number of *jobs* in Indiana rose by 183,600 and the number of *persons* employed (household data) by 226,800. This record of Indiana's job growth (7.0%)

trails the nation, which advanced by 9.6% in the same period. However, growth in the number of persons employed (8.2%) was well above the nation's achievement of 6.5%. Are we doing better or worse than the nation? Don't try to answer that question.

In the past few months, the Indiana data (and that of Kentucky as well) have been subject to question. When we take the average of the first six months of 1995 and the same period for 1996, we get some strange results (see figure 2).

In the United States, the number of persons employed has increased by 1% while the number of jobs advanced by 1.8%. The two numbers are moving in the same direction. This same pattern is found in Illinois, Michigan, and Ohio. But Indiana and Kentucky show a different pattern. According to the data provided by the U.S. Bureau of Labor Statistics, these two states show advances in the number of jobs and declines in the number of persons employed.

These results are counter-intuitive. They require some very slick fabrication to make up a convincing story, if we were so inclined. Behind these data, is an unexplained drop in the ratio of employment to population for Indiana in the monthly *Current Population Survey*. Why should Indiana experience a sudden decline in that ratio? Is this a trend? Does it have some easy economic, sociological, or methodological explanation? If so, we have not heard it.

For the moment, we can not believe that the number of people working in the state has fallen by approximately 18,500 in the past year while there seem to be 56,000 new jobs. We have yet to find the chicken innards that explain this inconsistency in the numbers.

-n/jm

Figure 1. Employment in Indiana

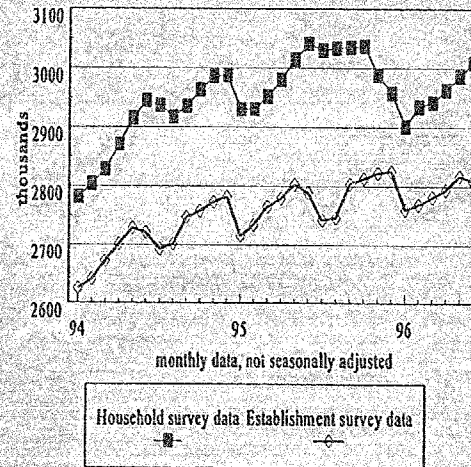
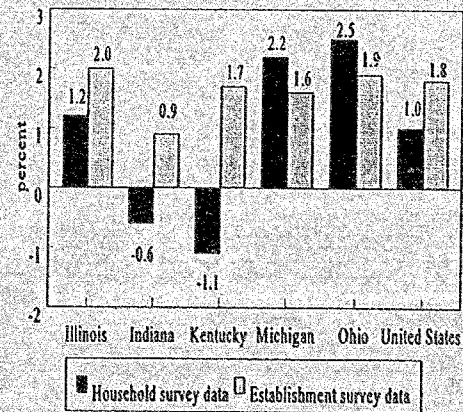
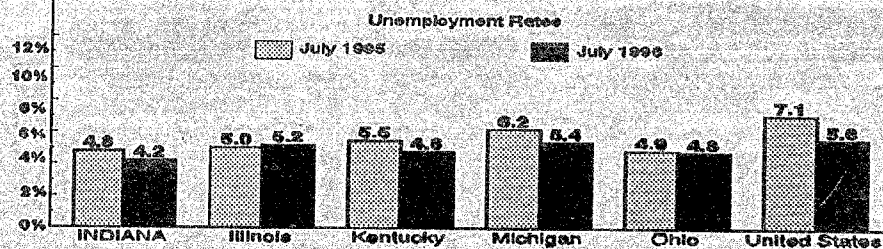


Figure 2. Percent Change in Employment 1995 to 1996 (data are averages for first six months of each year)



The Regional Employment Situation

Total Persons Employed	July 1995	July 1996	Number Change	% Change	Rank in US
INDIANA	3,029,900	3,031,300	1,400	0.05%	47
Illinois	5,867,000	5,923,100	56,100	0.96%	39
Kentucky	1,796,000	1,801,900	5,900	0.33%	45
Michigan	4,521,900	4,662,800	140,900	3.12%	10
Ohio	5,422,300	5,556,000	133,700	2.47%	19
United States	126,548,000	128,579,000	2,031,000	1.60%	N/A



Employment - Hours - Earnings by Industry

INDIANA	Establishment Related Employment		Average Weekly Hours		Average Weekly (Real) Earnings	
	July 1996	% Chg. 95/96	July 1996	% Chg. 95/96	July 1996	% Chg. 95/96
Total Non-Ag	2,762,700	0.7%	NA	NA	NA	NA
Mining	6,500	-3.0%	46.5	1.3%	\$780.74	-5.0%
Construction	145,000	2.3%	43.1	3.4%	\$747.35	1.7%
Manufacturing	673,800	-1.2%	42.0	3.4%	\$618.66	5.6%
Durable	483,100	-1.0%	42.5	4.7%	\$629.00	3.6%
Non-durable	190,700	-1.6%	40.7	0.7%	\$592.59	12.7%
Wholesale	141,700	1.9%	37.1	1.9%	\$441.12	0.8%
Retail	542,700	2.0%	30.0	2.4%	\$231.00	5.0%
Finance, Insurance & Real Estate	136,400	2.6%	36.1	-1.6%	\$376.52	-2.1%
Services*	637,200	1.3%	33.3	1.5%	\$335.00	-1.7%

Employment - Hours - Earnings

(Not seasonally adjusted)

Metropolitan Statistical Areas (MSAs) in Indiana

NON-AG WAGE & SALARIED EMPLOYMENT	July 1995	July 1996	Change	
			Number	Percent
Bloomington MSA	58,100	59,600	1,500	2.6%
Elkhart-Goshen MSA	114,900	117,900	3,000	2.6%
Evansville MSA	147,800	148,000	200	0.1%
Fort Wayne MSA	256,700	257,200	500	0.2%
Gary MSA	252,000	258,000	6,000	2.4%
Indianapolis MSA	792,800	793,200	400	0.1%
Kokomo MSA	51,900	53,700	1,800	3.5%
Lafayette MSA	80,800	84,300	3,500	4.3%
Muncie MSA	58,100	57,000	-1,100	-1.9%
New Albany Area*	72,700	80,400	7,700	10.6%
South Bend MSA	130,800	127,600	-3,200	-2.4%
Terre Haute MSA	69,000	68,900	-100	-0.1%

MANUFACTURING

July 1996	Employment	Average Weekly Hours	Average Hourly Earnings	Average Weekly Earnings
Bloomington MSA	10,700	37.4	\$10.54	\$394.20
Elkhart-Goshen MSA	57,900	39.4	\$11.81	\$465.31
Evansville MSA	31,300	41.1	\$12.68	\$521.15
Fort Wayne MSA	72,800	40.9	\$14.53	\$594.28
Gary MSA	51,200	41.7	\$18.75	\$781.88
Indianapolis MSA	124,300	43.8	\$15.54	\$680.65
Kokomo MSA	21,200	50.4	\$18.74	\$944.50
Lafayette MSA	21,700	44.7	\$14.80	\$661.56
Muncie MSA	11,000	43.7	\$14.41	\$629.72
New Albany Area*	19,200	41.8	\$17.61	\$736.10
South Bend MSA	22,900	41.8	\$12.27	\$512.89
Terre Haute MSA	12,100	42.2	\$14.10	\$595.02

* Employment includes schools; Hours and Earnings excludes schools. *The New Albany Area (Clark, Floyd, Harrison, Scott counties) is part of the larger Louisville MSA. (Real) indicates dollars adjusted for changes in consumer prices to 1996 level. Employment and earnings data based on preliminary and revised series provided by the Indiana Department of Workforce Development.

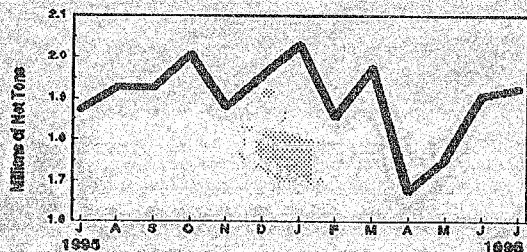
Indiana Economic Activity

Monthly Data
 12 Month Moving Average

Raw Steel Production

American Iron and Steel Institute
(Millions)

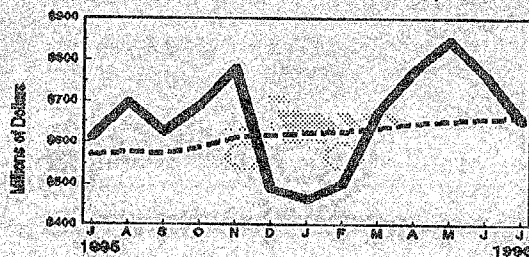
July 1994 — 1.785 July 1995 — 1.872 July 1996 — 1.924



Total Construction Activity

F. W. Dodge Construction Potentials Bulletin
(Millions)

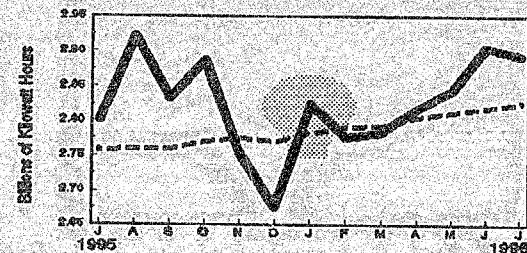
July 1994 - \$670.8 July 1995 - \$612.7 July 1996 - \$653.7



Industrial Electricity Sales

(The 5 investor owned utilities)
(Billions)

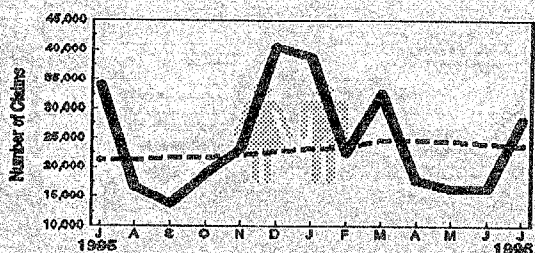
July 1994 — 2.712 July 1995 — 2.801 July 1996 — 2.893



Initial Unemployment Insurance Claims

Indiana Department of Workforce Development

July 1994 — 25,235 July 1995 — 34,006 July 1996 — 28,068



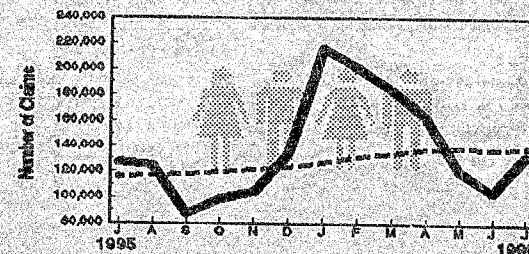
Ups or Downs... Indiana Indicators Year-to-Date
(based on August 1995 through July 1996 and compared to same period the year before, unless otherwise noted)

- Raw steel production** increased by 1.1 million net tons over the same period last year, with a total of 22.8 million tons for the year.
- Total construction activity** totaled \$1.1 billion higher than last year, with a total of \$8.0 billion in residential and non-residential building.
- Industrial electricity sales** totaled 33.9 billion kilowatt hours for the period, an increase of 800 million hours.
- New car registrations** totaled 168,566, an increase of 7,905 cars.
- Housing starts** increased by 3,270 units, with a total of 35,810 for the period.
- Retail sales** totaled \$54 billion between May '95 and June '96, an increase of \$2.6 billion over the same period last year.

Continued Unemployment Insur. Claims

Indiana Department of Workforce Development

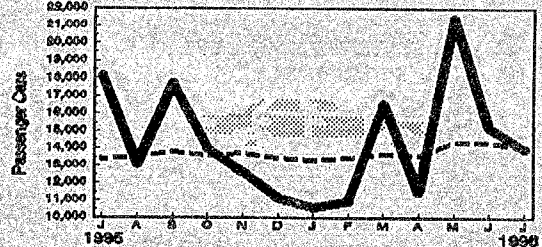
July 1994 — 102,163 July 1995 — 127,132 July 1996 — 132,771



New Car Registrations

R. L. Polk and Company

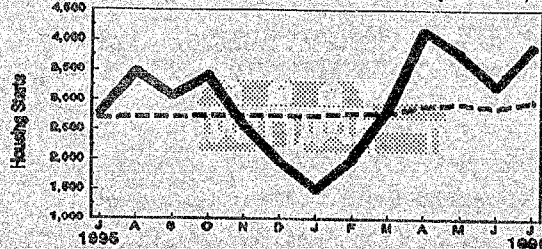
July 1994 — 15,773 July 1995 — 18,145 July 1996 — 13,958



Housing Starts

F.W. Dodge Construction Potentials Bulletin

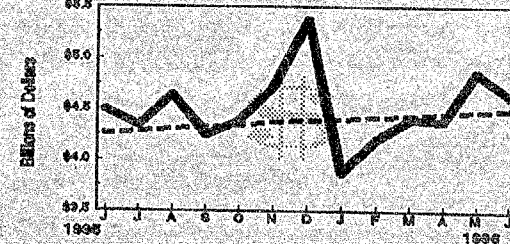
July 1994 — 2,796 July 1995 — 2,798 July 1996 — 3,871



Retail Sales

Bureau of the Census
(Billions)

June 1994 — \$4.18 June 1995 — \$4.49 June 1996 — \$4.63



Median Household Income on the Rise in the U.S.



For the first time since 1990, households in the U.S. experienced an annual increase in real (adjusted for inflation) median income. Between 1994 and 1995, median household income increased from \$33,178 to \$34,076, a 2.7 percent increase.

According to Census Bureau report released September 26th, the Midwest region was the only region to experience a significant change in real median household income between 1994 and 1995, from \$33,426 to \$35,839. It was also the first annual increase in median income for the Midwest since 1988.

When comparing the relative rankings of the states, the Census Bureau advocates the use of the 3-year average, which is shown in the adjacent map.

The Bureau calculated changes for the states based on 2-year moving averages that show Indiana's median income increased by 3.8 percent (1993/94 compared to 1994/9).

Median Income of Households in Indiana:

Year	Median	Standard error
1995	\$33,385	\$1,444
1994	\$28,647	\$1,061
1993	\$31,086	\$1,435
3-Yr. Avg.	\$31,040	\$907
2-Yr. Avg. 1994/95	\$31,016	\$1,035
2-Yr. Avg. 1993/94	\$29,867	\$1,031

Caution: State estimates of income are considered less reliable than the national estimates, as the standard errors in the table above indicate. For more information on this report (*Current Population Report P60-193*), check out our web site: www.iupui.edu/it/librc or call us at 317-274-0897.

Figure 3. Three Year Average of Median Income in the U.S. 1993 - 1995

