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INDIANA UPDATE

INDIANA BUSINESS REVIEW

A MONTHLY OVERVIEW OF ECONOMIC TRENDS

INDIANA BUSINESS RESEARCH CENTER
INDIANA UNIVERSITY
KELLEY SCHOOL OF BUSINESS

How Hot are Indiana's Labor Markets?

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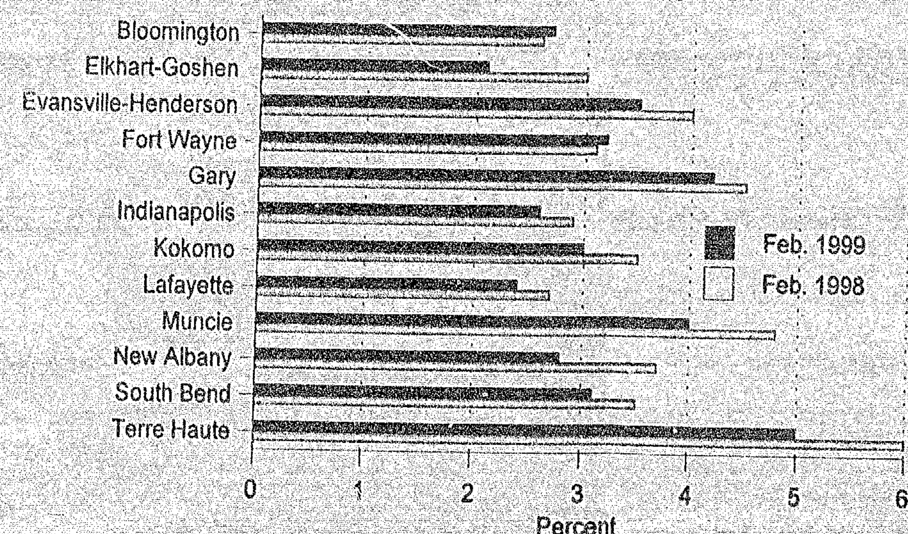
Everyone says that Indiana's labor markets are steaming. Employers complain they can not find employees, certainly not qualified employees. Employees complain about working more hours. Unemployment rates are down to levels not seen in more than a decade. Some observers are concerned that wages may be rising. All of these are sure signs of sizzling labor markets. Or are they?

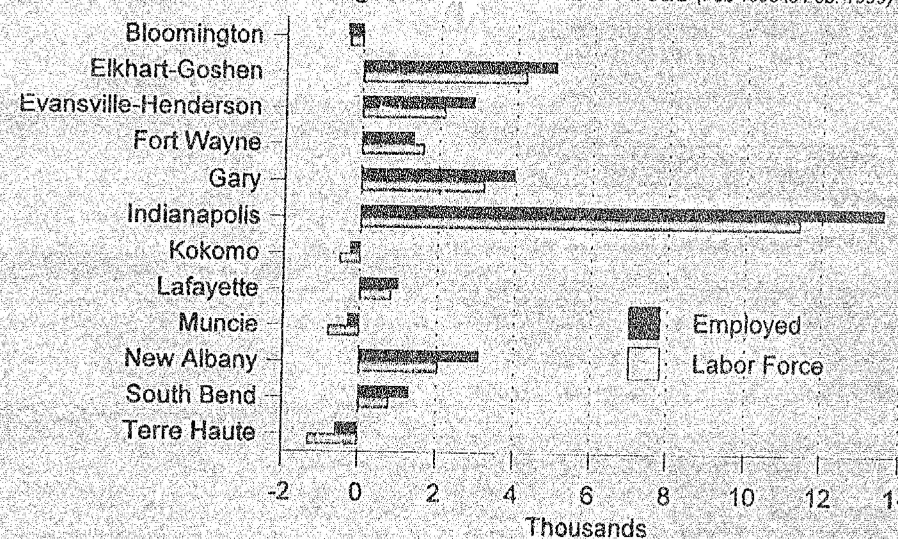
As seen in figure 1, unemployment rates are down in 10 of Indiana's 12 metropolitan areas. In the two remaining areas, Bloomington and Fort Wayne, the differences are only 0.1% which could be the result of rounding. Hence, we suggest that there are no areas with established increases in the unemployment rates between February of 1998 and the same month this year.

Figure 1. Unemployment Rates in Indiana Metro Areas



Terre Haute showed the greatest decrease in its unemployment rate, dropping a full point from 6% to 5%. The Elkhart-Goshen, Muncie, and New Albany labor markets also showed good declines. But unemployment rates do not tell the complete story. Four areas actually had fewer persons employed in February of 1999 than a year earlier (see figure 2).

Figure 2. Labor Force Changes in Indiana Metro Areas *(Feb 1998 to Feb. 1999)*



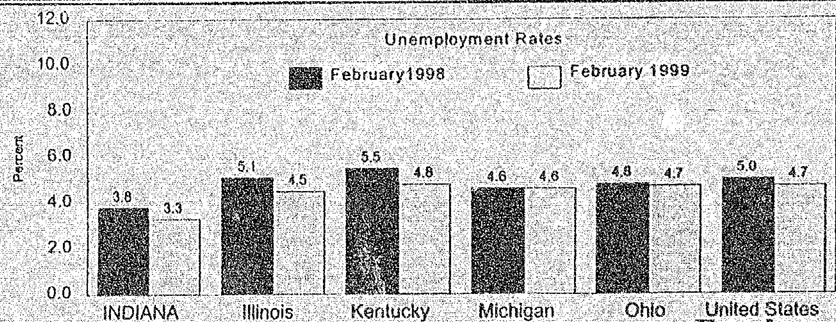
Where the number of persons employed has grown faster than the labor force, the difference is the decline in the number of persons unemployed. For example, the Indianapolis area added 13,580 employed persons with a growth in the labor force of 11,420. This means that the number of persons unemployed decreased by 2,160 as the unemployment rate fell from 2.9% to 2.6%. Most of the time we can agree that this is a desirable situation.

But in Kokomo, Muncie and Terre Haute, the number of jobs lost was out-weighed by the decline in the labor force. This decreased the unemployment rates of those metro areas. Are those areas better off with fewer persons working, even though the unemployment rate has fallen because there are fewer persons in the labor force? Why did the labor force decline? Retirement? Out-migration? The quality of the changes in the economy can not be determined by the unemployment rate.

(continued on page 4)

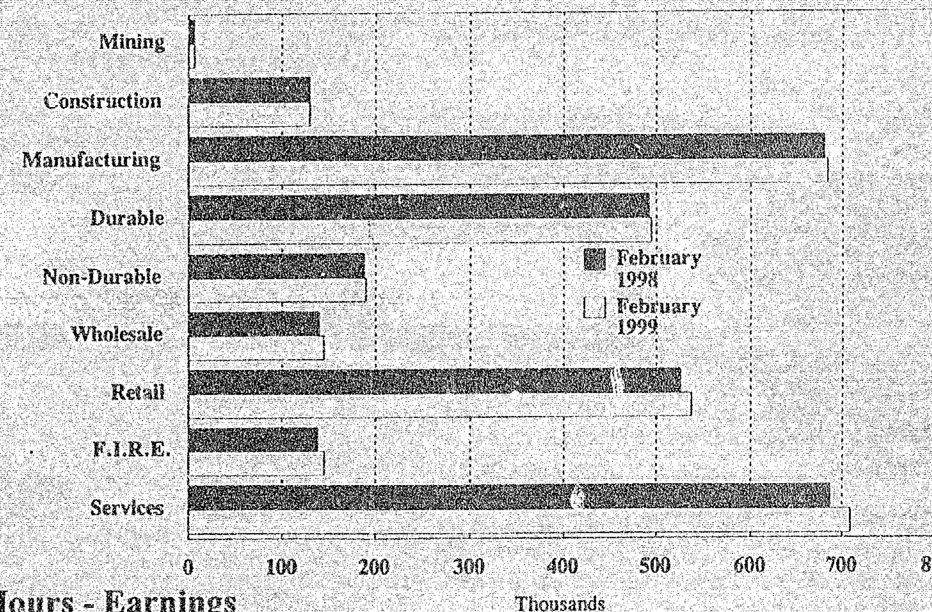
The Regional Employment Situation

TOTAL PERSONS EMPLOYED	FEBRUARY 1998	FEBRUARY 1999	NUMBER CHANGE	% CHANGE	RANK IN US
INDIANA	**2,918,794**	**2,991,682**	**72,888**	**2.5%**	**24**
Illinois	5,838,784	5,940,732	101,948	1.7%	34
Kentucky	1,780,503	1,816,508	36,005	2.0%	30
Michigan	4,738,536	4,784,542	46,006	1.0%	45
Ohio	5,277,903	5,451,984	174,081	3.3%	17
United States	128,882,000	131,639,000	2,757,000	2.1%	N/A



Indiana's Non-Ag Employment

Total Non-Ag Employment in February 1999 was 2,919,600, up 2.2% since the same month a year ago.



Employment - Hours - Earnings

(Not seasonally adjusted)

Metropolitan Statistical Areas (MSAs) in Indiana

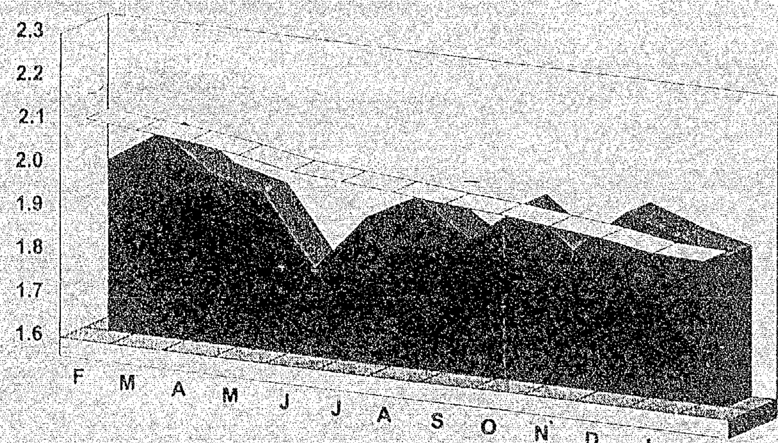
NON-AG WAGE & SALARIED EMPLOYMENT	FEBRUARY 1998	FEBRUARY 1999	CHANGE NUMBER	CHANGE PERCENT
Bloomington MSA	65,600	65,000	-600	-0.9%
Elkhart-Goshen MSA	117,000	122,700	5,700	4.9%
Evansville MSA	151,700	157,700	6,000	4.0%
Fort Wayne MSA	267,200	270,600	3,400	1.3%
Gary MSA	262,300	267,700	5,400	2.1%
Indianapolis MSA	829,600	853,900	24,300	2.9%
Kokomo MSA	51,400	51,800	400	0.8%
Lafayette MSA	94,100	95,900	1,800	1.9%
Muncie MSA	59,700	60,200	500	0.8%
New Albany Area*	86,600	90,900	4,300	5.0%
South Bend MSA	133,000	135,800	2,800	2.1%
Terre Haute MSA	66,500	67,400	900	1.4%

MANUFACTURING FEBRUARY 1999	EMPLOYMENT	AVERAGE WEEKLY HOURS	AVERAGE HOURLY EARNINGS	AVERAGE WEEKLY EARNINGS
Bloomington MSA	9,300	40.6	$12.11	$491.67
Elkhart-Goshen MSA	62,800	40.0	$13.00	$520.00
Evansville MSA	33,400	44.5	$14.43	$642.14
Fort Wayne MSA	74,600	41.3	$16.15	$667.00
Gary MSA	49,900	44.9	$19.08	$856.69
Indianapolis MSA	129,100	44.3	$15.59	$690.64
Kokomo MSA	20,300	48.2	$21.94	$1,057.51
Lafayette MSA	22,500	42.9	$15.62	$670.10
Muncie MSA	10,500	45.6	$15.02	$684.91
New Albany Area*	19,300	43.0	$13.07	$562.01
South Bend MSA	22,600	41.2	$12.25	$504.70
Terre Haute MSA	12,100	44.2	$14.55	$643.11

*The New Albany Area (Clark, Floyd, Harrison, Scott counties) is part of the larger Louisville MSA. Employment and earnings data based on preliminary and revised series provided by the Indiana Department of Workforce Development.

CURRENT TRENDS IN INDIANA'S ECONOMY

February 1998 — February 1999



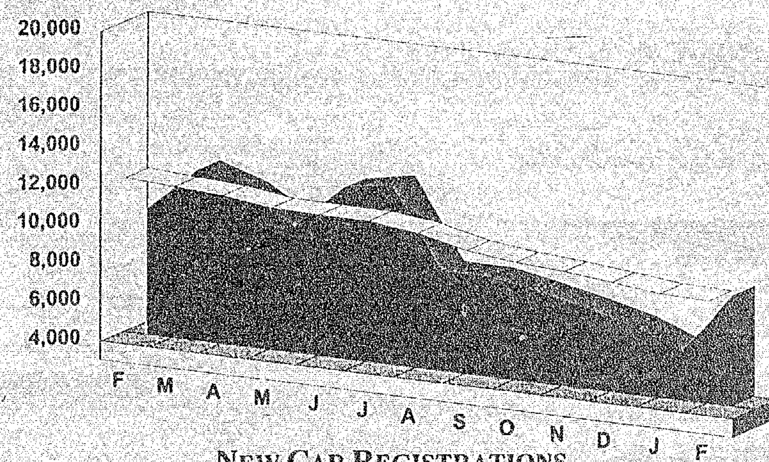
RAW STEEL PRODUCTION

American Iron and Steel Institute

Year to date: 3.9 million net tons

12-month total: 23.5 million net tons

Peak month: January 1998



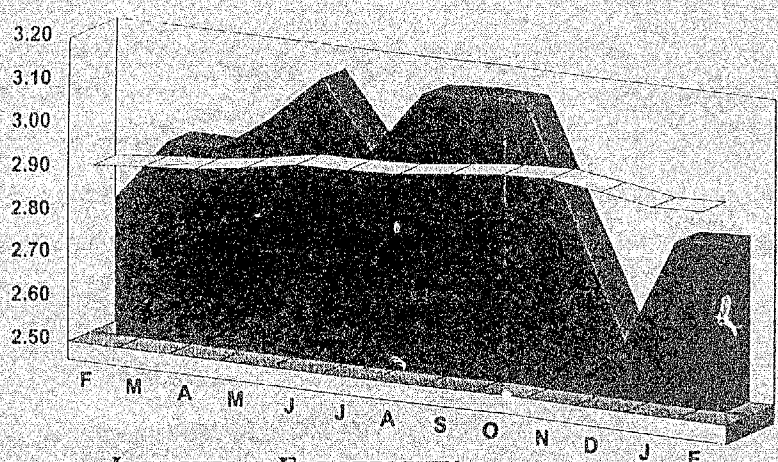
NEW CAR REGISTRATIONS

R.L. Polk and Company

Year to date: 16,235

12-month total: 119,802

Peak month: May 1996



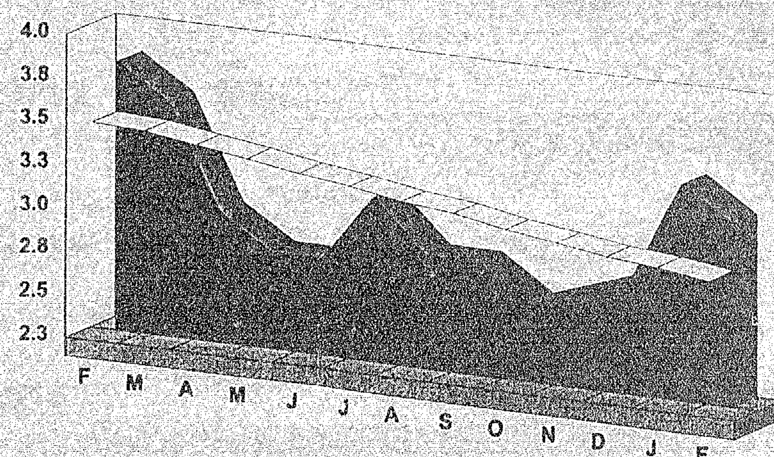
INDUSTRIAL ELECTRICITY SALES (BILLIONS)

The 5 investor owned utilities

Year to date: 5.8 billion kwh

12-month total: 35.8 billion kwh

Peak month: June 1998



UNEMPLOYMENT RATE

Indiana Department of Workforce Dev.

Peak month: February 1994

Moving Average

Peak = since 1994

Monthly

(contined from page 1)

Manufacturing, the bell-weather. Earnings in manufacturing are often seen as an indicator of the direction for labor costs in a community. Many businesses find that the local factories seem to set the labor scale. During February of this year, average weekly earnings of manufacturing workers in Indiana's 12 metro areas ranged from a low of $492 in Bloomington to a high of $1,058 in Kokomo (see figure 3).

This disparity statewide was matched by the wide range of change in those figures. While workers in Elkhart-Goshen, Fort Wayne and the New Albany areas gained over 7%, workers in six other metro areas saw no gain or declines in average weekly earnings (see the ▲ in figure 3). From these data, it would be hard to argue that there is serious upward wage pressures throughout the state.

What are the dynamics behind these changes in weekly earnings? Workers can earn more in a week because they are paid more per hour or because they work more hours per week. In Fort Wayne, strong gains were realized because average hourly earnings rose by 8.9% while average weekly hours declined by 1.2% (see figure 4). In sum, average hourly earnings fell in the majority of Indiana metro areas and average weekly hours declined or were unchanged in four of the dozen areas.

From these data, we would be hard pressed to declare that our labor markets are in an over-heated state. There may be more torrid rhetoric than reality.

-mjm

Figure 3. Average Weekly Earnings in Manufacturing *(Feb. 1999 and percent change (▲) from a year earlier)*

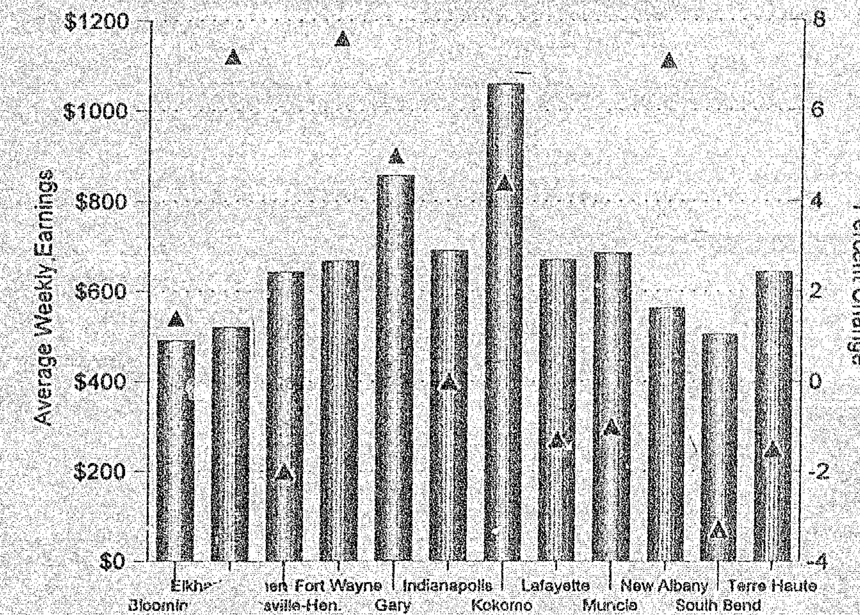
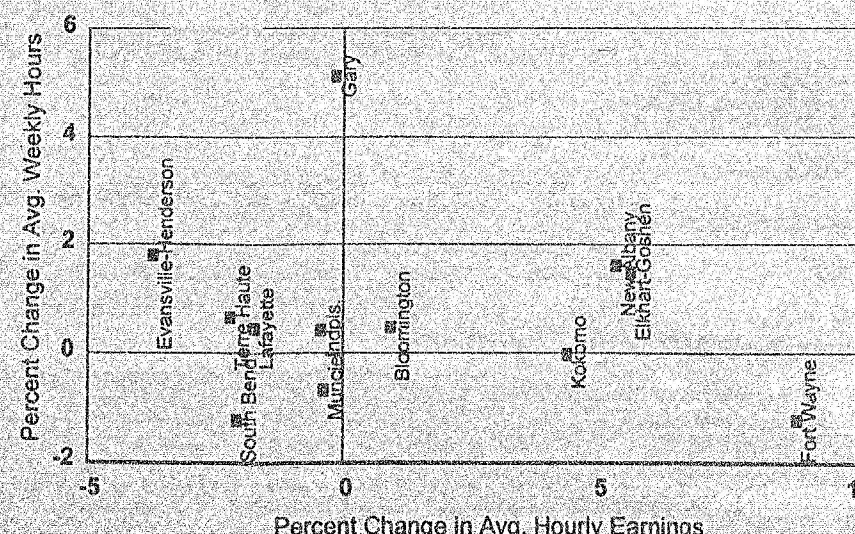


Figure 4. Indi nufacturing *(Feb. 1998 to Feb. 1999)*



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Indiana Business Research Center
Indiana University, Kelley School of Business
Research Park, Suite 110
501 N. Morton St.
Bloomington, IN 47404