

## IN the Spotlight:

### The Shifting Costs of Education

As data from Census 2000 continue to be released, it becomes ever more apparent Indiana is not the homogeneous state we often assume we are. Demographic disparities have widened over the past two decades. A majority of our communities are older—in median age—than the rest of the U.S. Households are getting smaller and our population continues to shift from rural to urban.

We have mandated our school systems become visionary in respect to future educational needs and direction. So, as well as looking ahead, it is important for school districts to also look behind.

The number of children yet to enter the educational system and their associated demographics are a critical factor in long-term facilities and staffing planning. This is not an easy task and decisions made (or not) bear the potential of considerable expense to the state as a whole and the school district's taxpayers in particular. (Not to mention unexpected headaches for school board members and administrators caught unawares of sudden change!)

Over the past year the Indiana Business Research Center has completed a number of enrollment projections for school districts. All have borne out the fact that no two systems are quite alike. Each has its own dynamics incorporating the expected amount of new residential construction attracting new

student households. Each has differences in the characteristics and ages of expected new community residents. Each community has a different attitude toward growth and means of communication (or lack thereof) between local planners and school administrators.

### The Basis for Decision Making

Forecasting school enrollment demands analysis of not only the total number of students expected over time but distribution by grade level as well. The cost of new construction, remodeling or school grade configuration is highly dependent upon the pupils' ages and the number of years a facility is expected to be in use.

James Thompson of Indianapolis-based Gibraltar Design, a firm engaged in school architecture and construction, notes the costs of elementary/intermediate school construction will run from \$90 to \$120 per square foot. Middle schools/junior highs are more likely to be in the area of \$100 to \$130. High schools are yet another step to the \$120 to \$160 per foot range. As a rule of thumb, a school needs 1,000 square feet of space (including shared common areas such as halls and restrooms) for each classroom. Even a simple addition, then, becomes an expensive proposition—particularly if only to meet current rather than long-term need.

According to Thompson, even simple

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Indiana Employment Snapshot

**Indiana  
Unemployment  
Rate for  
January 2002:  
5.5%**

**IN the Spotlight**

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school renovation costs a minimum of \$20-30 per foot and “gut rehab” costs \$75-100.

While remodeling and renovation do offer temporary savings compared to new construction, the facilities will often still have shortcomings. How well, for example, can an older building adapt as student demographics change? “There is a point of diminishing returns as renovation costs rise,” says Thompson. “If enrollment forecast supports long-term use then, considering all factors, it may be cheaper to build if location isn’t a chief priority.”

**The Three Patterns of Enrollment**

From an enrollment perspective, there are three types of school districts:

1. **Growing enrollment districts:** In these districts enrollment has grown over 10% during the past ten years—exceeding the rate of Indiana’s total population growth—and expectations are that like growth will continue over the coming decade.
2. **Mature enrollment districts:** These are characterized by minimal fluctuations in total enrollment—normally no more than 1% up or down per year—and anticipation of like numbers of students ten years out.
3. **Declining enrollment districts:** These are characterized by decreases in the number of students in excess of 1% and the expectations of continued like enrollment shrinkage.

It should be pointed out all school districts move through a growth-to-

maturity-to-decline scenario to some degree. For example, a mature district may be faced with declining enrollment if “empty-nesters” gain as a percentage of households while the district’s new housing construction slows. But, as those empty-nesters begin moving away (replaced by younger households with children), or if there is a sudden surge in new residential construction, the cycle of growth may start all over again. On the other hand, a system with declining enrollment in a rural area, or one faced with a weakening local economy inhibiting residential stability, is likely to go through a prolonged slip-page in student numbers.

**Three Patterns of Enrollment Expense**

Each of the three types of school systems faces unique financial challenges based upon enrollment. Growing districts typically have:

- A high expense per pupil fueled by the necessities of new facilities and continual purchase of buses, textbooks and equipment.
- Low teacher salaries coupled with high student/teacher ratios. For instance, Hamilton Southeastern Schools in Fishers (the state’s fastest growing district) has an average teacher salary some \$2,000 per year less than the state as a whole while having a student/teacher ratio of 21.6:1 versus the state’s 16.7:1.
- A high proportion of students entering the district at the K-1 grade levels. As these waves of students progress through the system, they continue to shift

demands to the middle school and high school level while altering later needs for elementary grades.

Gibraltar’s Thompson suggests growing districts look at future adaptability when considering construction options. “Look at the enrollment projections by grade level. They may well justify the initial expense of planning for an elementary school that can later be converted to a middle school, or a middle school that can easily become a junior high. Or, certainly, the reverse.”

Mature school districts are characterized by:

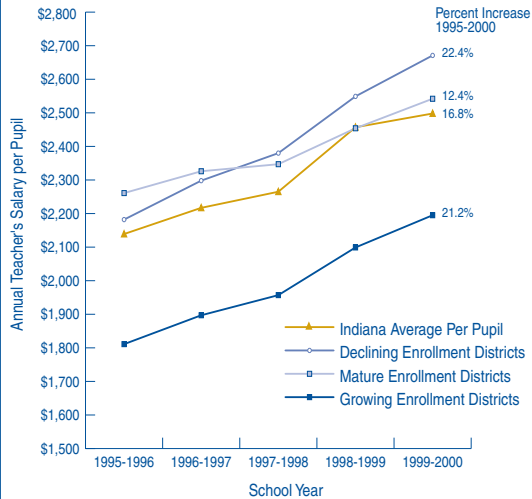
- Stable structure of expenditures compared to systems with fluctuating enrollments. While all schools are heavily weighted toward fixed versus variable costs, it is still easier for mature systems to match enrollment, capacity of facilities and expense of operations.
- High teacher salaries per pupil due to tenure and lack of staff turnover as well as moderate class sizes.
- New students entering the system fairly evenly through all grade levels.

Declining enrollment districts are notable for:

- Higher than average costs per pupil. The cost per pupil is often associated with excess capacity; it costs about the same to maintain a classroom of ten students as twenty-five or provide a bus to transport twenty students versus forty. Declining enrollment districts are also commonly associated with aging facilities requiring high degrees of maintenance.

**Figure 1: Teacher Salary per Pupil**

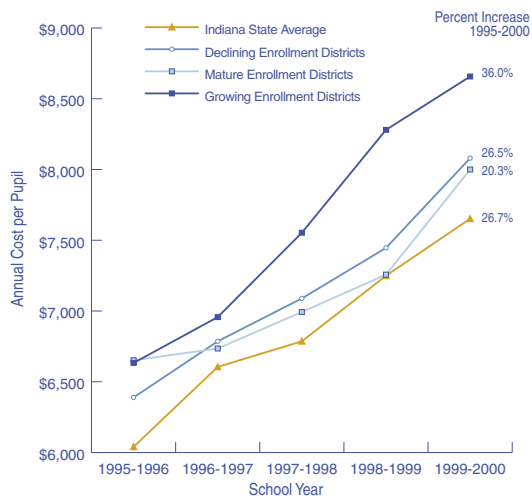
**Grades K-12 Public Schools**



Source: Indiana Department of Education

**Figure 2: Expense per Pupil**

**Grades K-12 Public Schools**



Source: Indiana Department of Education

- Higher teacher salaries per pupil. This is prompted not only by tenure and dwindling class sizes but, in some instances, by the need for competitive pay to attract and retain teachers in less desirable areas.
- Variable patterns of student grade entry level and departure.

Districts experiencing enrollment decline have not only the daunting task of efficient economic planning but also the test of dealing with highly charged community emotions attached to schools. At what point does a district close or “mothball” a school? Or even at what point does the district consider the (dreaded) thought of consolidation with another school system? These are of particular concern in areas where the schools might be the sole means of community identity.

When Marion County’s Washington Township (North Central High School) experienced a rapid decline in enrollment from 15,000 to 10,000 during the mid-1970s to ‘80s (mostly attributable to the “empty-nester syndrome”) administrators were able to trim their budget by closing four elementary schools. One site was sold for use as a private school, one was mothballed for alternative use, and two in prime residential areas sold for housing development. While such

downsizing met some degree of neighborhood resistance, the closures did provide both cash inflow and savings through consolidation of services. Unfortunately, not all districts have the luxury of valuable real estate to sell or the resources to support retention for non-classroom purposes. For those, it makes the debate of facilities improve-

ment, closure or alternate use all the more difficult. Accurate enrollment projections help support the decision-making process involving any of these scenarios.

**Enrollment Costs by the Numbers**

Figures 1 and 2 compare the expense per pupil from the school year 1995-96 through 1999-2000 and the teacher salary per pupil for the period 1995-96 through 1999-2000 for a random selection of growing, mature and declining enrollment schools.

Those comprising growing district peers are: Avon, Franklin, Hamilton Southeastern and Westfield-Washington Schools (Hamilton County).

Those comprising mature district peers are: Ft. Wayne, MSD of Washington Township (Marion County), South Harrison (Harrison County) and Northeast Schools (Sullivan County).

Those comprising declining enrollment peers are: Gary, Marion, Peru and White River Schools (Greene County).

As we put increasing emphasis upon education as a key to Indiana’s future, it is imperative for economic efficiency that our school districts keep abreast of shifts and trends in student numbers and demographics. The average Hoosier school district has nearly 3,400 students. A 1% shift in enrollment equates to two classrooms of students—a \$250,000 brick and mortar investment—and a like amount in annual support funding gained or lost. Accurate enrollment projections can facilitate accurate planning to the benefit of students, teachers, administrators and our taxpayers.

## Indiana Incomes Rise But Share Declines

Measured in dollars, total personal income in Indiana has been expanding steadily for many years, according to data released recently by the U.S. Bureau of Economic Analysis. It usually grows at a slower rate than the national average though, so Indiana's percent share has been declining gradually (see Figure 1).

Personal income is the sum of wages people earn from work, plus earnings from dividends, interest and rent, plus transfer payments such as unemployment insurance. BEA issues state estimates every quarter, expressed as a seasonally adjusted annual rate.

By this measure, Indiana's total personal income came in at \$170.2 billion for the third quarter of 2001. It rose at a 3% rate between third quarter 2000 and 2001, while the United States increased by 4.6%. Because of this slower growth rate, Indiana's share of total U.S. personal income slipped from 1.97% in the prior year to 1.94% in third quarter 2001.

Over the past decade, personal income in Indiana has grown at an average annual rate of 5.04% with the best years of growth occurring in the early 1990s. The average annual growth rate for the nation as a whole was 5.36% for the same time period.

**Table 1: Share of Total U.S. Personal Income**

State	Share in 3Q 2001	Change since 1990	Rank
California	13.18%	-0.19%	1
New York	7.83%	-0.78%	2
Texas	7.04%	0.92%	3
Florida	5.45%	0.16%	4
Illinois	4.71%	-0.14%	5
Pennsylvania	4.36%	-0.47%	6
Ohio	3.79%	-0.38%	7
New Jersey	3.73%	-0.20%	9
Michigan	3.42%	-0.22%	8
Massachusetts	2.88%	0.02%	10
Indiana	1.94%	-0.07%	16

The net decrease in Indiana's share of total U.S. personal income since 1990 is .07 percentage points. This loss of ground, however, was not enough to alter our rank as the 16th largest contributor to U.S. total income.

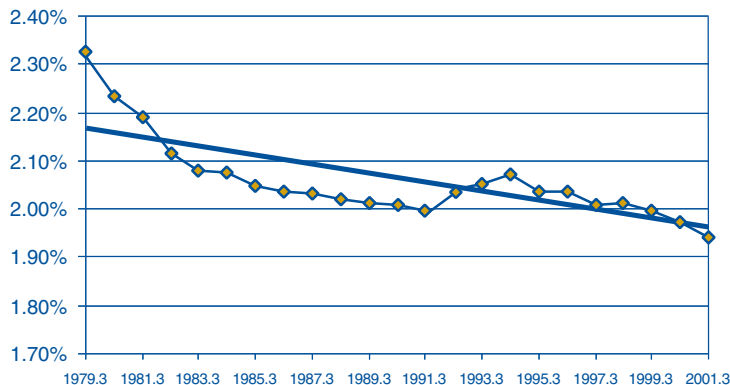
Interestingly, seven of the top ten largest contributing states saw greater declines in share than Indiana while also maintaining their rank (see Table 1).

Nevada, Colorado, Arizona, Utah and Georgia were the five states with the highest annual growth rates for personal income since 1990. Nevada showed the most dramatic personal income growth with an annual rate 3.2% higher than the national average (8.59% versus 5.36%). At this pace, Nevada's share of total U.S. income grew by .21 percentage points and its rank increased five spots, from 37 to 32.

Unfortunately, since the end of the 1991 recession, the Great Lakes region has had the slowest rate of personal income growth, according to BEA's regional numbers (see Figure 2). Included in the Great Lakes region are Illinois, Indiana, Michigan, Ohio and Wisconsin. In this eight-year period, personal income increased in the Great Lakes region by an average of 4.95% per year, without any adjustment for inflation. Nationwide the average

**Figure 1: Indiana Personal Income as Percent of U.S. Total**

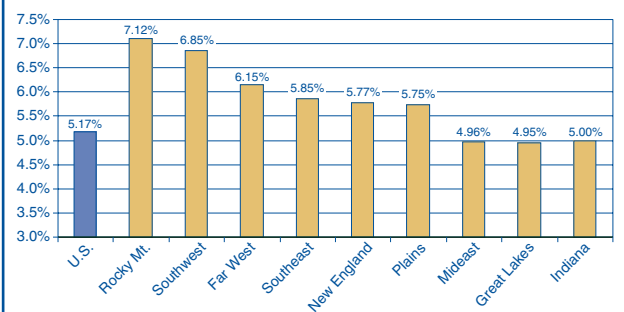
Incomes rising slower than average, causing share to fall



Source: Bureau of Economic Analysis, IBRC. (Third quarter seasonally adjusted at annual rate)

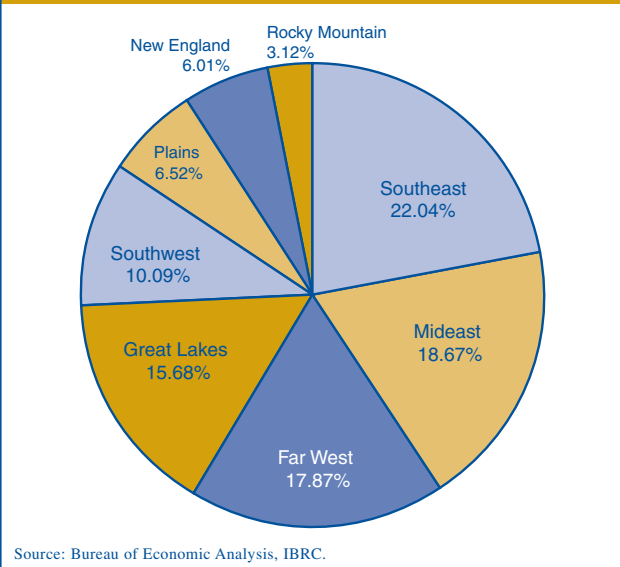
**Figure 2: Income Growth**

Great Lakes region grew slowest in U.S.



Source: Bureau of Economic Analysis, IBRC. (Annual compound growth rate 3Q 2001, current dollars)

**Figure 3: Regional Shares of Total U.S. Personal Income**  
**The Great Lakes region remains fourth largest**

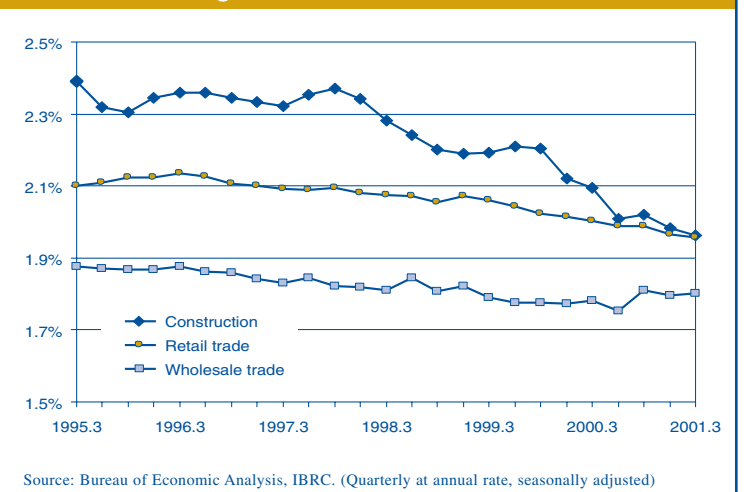


annual rate was 5.71%. Indiana was in the middle of the Great Lakes pack, posting a 5.0% annual increase. That was higher than Michigan or Ohio, but slightly below Illinois and Wisconsin. While the Rocky Mountain Region has grown the fastest, it still contributes the smallest share to U.S. total personal income. The Great Lakes region remains the 4th largest in terms of U.S. shares (see Figure 3).

For further insight into total personal income, let's look at the major sectors of Indiana's economy during the last six years. During these boom years, earnings in Indiana from construction, retail trade and wholesale trade all shrank as a percent of the nation, though wholesale trade didn't lose very much (see Figure 4). Indiana's share of earnings from durable goods manufacturing contracted from nearly 4.5% of the U.S. total to less than 4% (see Figure 5). Even the services sector, the fastest growing part of Indiana's economy, was off slightly as a percent of the nation. The bright spot came in non-durable goods manufacturing. Here Indiana's share gained slightly. Indiana's pharmaceutical, chemical and rubber products industries helped the state capture 2.5% of the nation's income from these industries.

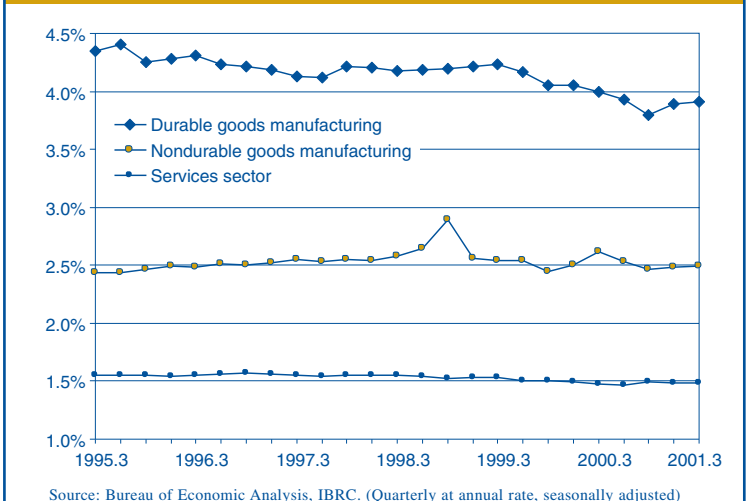
Hoosier incomes continue to rise, and that's good news. Around half of the other fifty states, though, are

**Figure 4: Indiana Industry Earnings as a Percent of U.S. Total**  
**Share decreasing in construction and retail**



rising faster. Indiana's weak year-to-year growth towards the end of the 1990s has not helped. But the success of our non-durable goods sector may be pointing the way to opportunities for more prosperity in the future. To truly understand Indiana's progress and relative position in terms of income, however, one must look at annual data on per capita income and per capita disposable income, adjusted for inflation. These data are issued annually in September.

**Figure 5: Indiana Industry Earnings as Percent of U.S. Total**  
**Durables share down, but nondurables share up**



## Indiana Tax Revenues for Expenditures Compared To Other States

Too often the purpose of taxes is overlooked. Simply stated, taxes, along with fees, licenses and other charges, generate revenue by which governments provide services to their citizens. Government services include everything from highways, police and fire protection, public education, sewers and parks to libraries, public hospitals, public health, public airports, veterans' services, corrections, protective inspection and regulation, solid waste management, unemployment insurance, debt payment on special tax districts and public welfare. This article will compare Indiana to other states and the national average in terms of total revenue collected and revenue expended by service category.

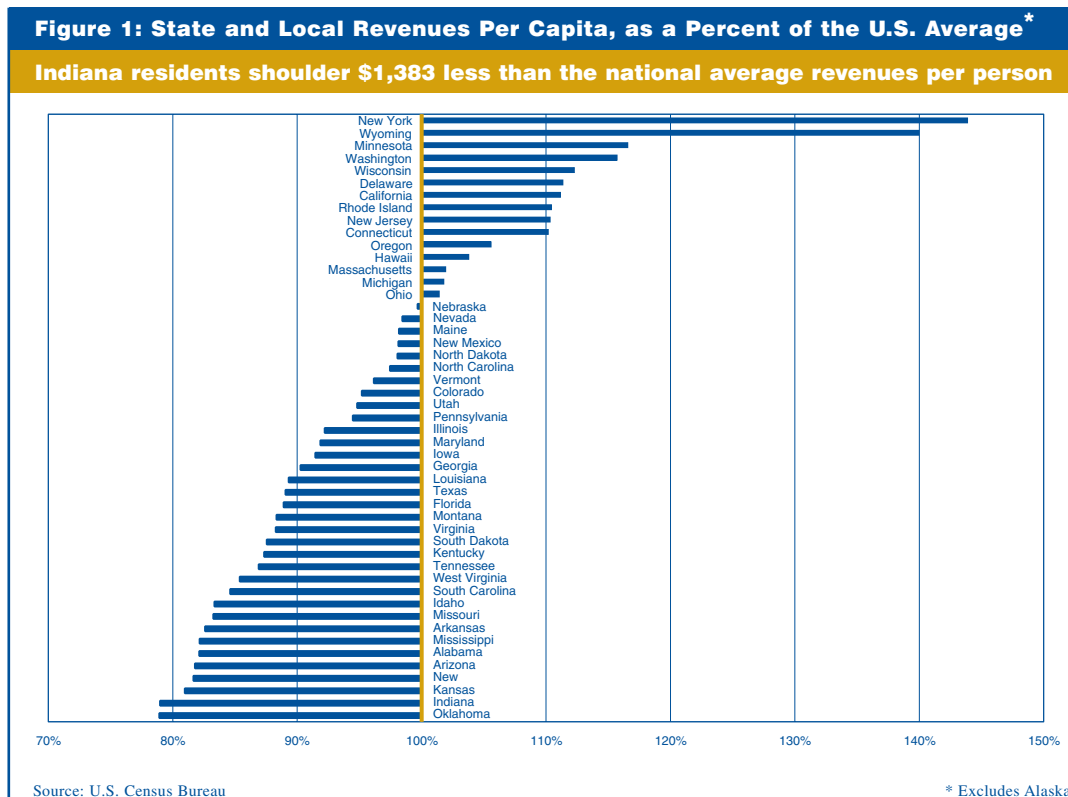
Finding accurate comparative data is difficult. Tax rates vary significantly between states and are often levied by different levels of state and local government. Furthermore, most taxes and charges are subject to numerous exemptions, credits, abatements and other aspects that alter the actual amount of funds collected. The U.S. Census Bureau, however, provides a comparable aggregate database in its annual report, *State and Local Government Finances by Level of Government*. This report provides data on the total revenues collected and revenue expenditures by functional area, such as education, roads or public safety. Since total revenues will vary greatly between states of different population sizes, a final step is needed

to make the data comparable. For the purposes of this article, revenues collected and allocated are divided by the population for a standard measure of average revenues and expenditures per person.

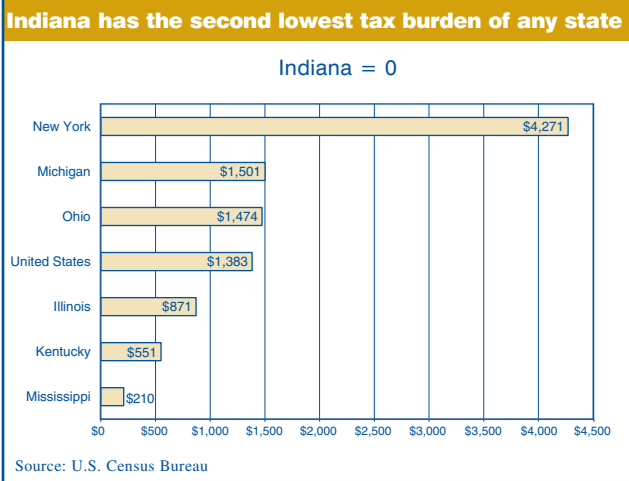
Indiana's state and local revenues were approximately \$5,198 per person for the fiscal year 1998-1999. To understand the significance of this number, it must be compared to the per capita revenues of other states and to the U.S. average (note: Alaska figures are unique as they include special payments by oil companies). Indiana revenue collection per capita is lower than every other state with the single exception of Oklahoma (see Figure 1). Indiana residents shoulder 21%, or \$1,383, less than the national average

revenue per person. New York residents provide about \$4,271 more than the average Hoosier in revenues per person. Indiana's surrounding states also collect more revenue per person (see Figure 2). In a sense, total revenue collected can represent the unified tax burden per person for the state. By this definition, Indiana has the second lowest tax burden of any state.

The distribution of revenues across categories of service will also vary between states. Different areas of government will, by their nature, require higher expenditure of revenue than others.



**Figure 2: Revenue Per Capita—Indiana Compared to Others**



Maintaining transportation infrastructure and providing public education to all will require more money than running the public libraries or parks. Expenditures will also reflect the unique needs and priorities of different states. In most states, education receives the greatest revenue distribution with average expenditures in the U.S. equal to \$1,772 per capita. In Indiana, education expenditures equal \$1,799 per capita, approximately 35% of Indiana's total revenues collected. The balance pays for all other government services and obligations.

State per capita expenditures by category can be compared using an index based on average U.S. per capita expenditures. All values greater than 100.0 indicate that state expenditures are greater than the U.S. average while values less than 100.0 indicate expenditures lower than the national average. Table 1 compares Indiana to

our neighboring states, and to the states with the highest and lowest index values. Also included is the state rank among all fifty states. Indiana expenditures exceed the U.S. average in only two categories—education and public hospitals. Indiana expenditures on highways, police and public health are among the lowest in the nation. It should not be assumed however that a low rank automatically means insufficient funding of an item. Expenditure levels may be a function of demand for certain services as well as budget

choices. For example, Indiana's low highway expenditures may be a function of lower traffic density, stronger surface types or fewer urban roads relative to other states.

Total direct expenditures in Indiana are 84% of the national average and the 44th lowest in the country. In dollar terms, it costs each Hoosier—from the newborn to the octogenarian—an average of \$4,967 a year to support all the government services in Indiana. This is quite a deal when you consider that this includes an education for our children and future wage earners, roads to drive on, safe neighborhoods, clean drinking water, fire protection, libraries, open space and financial security should you lose your job.

**Table 1: Per Capita Distribution of State and Local Expenditures, FY 1998-1999**

Education	% of U.S.	Rank	Public Welfare	% of U.S.	Rank	Public Hospitals	% of U.S.	Rank
Wyoming	126	1	New York	195	1	Wyoming	290	1
Michigan	121	3	Kentucky	115	10	<b>Indiana</b>	<b>125</b>	<b>12</b>
<b>Indiana</b>	<b>101</b>	<b>19</b>	Ohio	100	21	Michigan	72	29
Illinois	99	26	Illinois	90	27	Ohio	65	31
Ohio	96	29	<b>Indiana</b>	<b>83</b>	<b>34</b>	Illinois	58	33
Kentucky	85	46	Michigan	83	35	Kentucky	57	34
Florida	80	49	Arizona	50	49	North Dakota	0	49
Highways	% of U.S.	Rank	Police	% of U.S.	Rank	Fire	% of U.S.	Rank
Wyoming	243	1	New York	156	1	Rhode Island	183	1
Kentucky	117	21	Illinois	117	6	Illinois	111	11
Ohio	93	37	Ohio	92	20	Ohio	108	13
Illinois	92	39	Michigan	89	22	<b>Indiana</b>	<b>84</b>	<b>25</b>
Michigan	90	40	<b>Indiana</b>	<b>65</b>	<b>42</b>	Michigan	76	31
<b>Indiana</b>	<b>90</b>	<b>42</b>	Kentucky	57	46	Kentucky	63	40
California	65	49	West Virginia	45	49	Delaware	29	49
Parks	% of U.S.	Rank	Housing Com. Dev.	% of U.S.	Rank	Sewerage	% of U.S.	Rank
Nevada	227	1	North Dakota	218	1	Massachusetts	169	1
Illinois	185	3	Illinois	133	8	Michigan	151	2
<b>Indiana</b>	<b>99</b>	<b>22</b>	Ohio	94	18	Ohio	127	5
Ohio	96	23	<b>Indiana</b>	<b>66</b>	<b>31</b>	<b>Indiana</b>	<b>91</b>	<b>22</b>
Michigan	78	32	Kentucky	44	42	Illinois	86	26
Kentucky	62	40	Michigan	33	47	Kentucky	70	34
Vermont	41	49	Wyoming	23	49	North Dakota	28	49
Public Health	% of U.S.	Rank	Corrections	% of U.S.	Rank	Total Direct Expenditures	% of U.S.	Rank
Hawaii	175	1	Delaware	160	1	New York	148	1
Michigan	137	6	Michigan	111	10	Michigan	97	22
Ohio	130	9	Ohio	90	24	Ohio	95	24
Illinois	109	14	Kentucky	76	31	Illinois	96	23
Kentucky	73	30	Illinois	75	32	Kentucky	87	40
<b>Indiana</b>	<b>50</b>	<b>47</b>	<b>Indiana</b>	<b>67</b>	<b>37</b>	<b>Indiana</b>	<b>84</b>	<b>44</b>
Nebraska	45	49	Vermont	40	49	Arkansas	77	49

Source: U.S. Census Bureau

## A Look at Service Industry Job Gains in the Recession Years

Indiana's services industries posted a significant net gain of 215,000 jobs between 1991 and 2001.

These jobs, in a variety of sectors ranging from lawyers and architects to accountants and beauticians, accounted for just about half of the overall job gains in total non-farm employment during the same ten-year period.

The peak in services job growth occurred between 1992 and 1993, with 30,800 new jobs. As Table 1 and Figure 1 show, these job gains began to decelerate by 2000, ending with a slight loss of 300 services jobs between 2000 and 2001, the year of our latest recession (see inset).

### Largest Gains in Three Sectors

Eleven sectors comprise services under the SIC system (see article in this issue for information on the change to the NAICS system of categorizing industries). Service sectors with the largest job gains in Indiana between 1991 and 2001 included: business, health and amusement and recreation services. The following sec-

tors created 170,700 jobs over the period of ten years.

- Business Services (SIC 73): 61,500 jobs—a 74% increase

- Health Services (SIC 80): 48,900 jobs—a 26% increase
- Amusement, Recreation (SIC 79): 23,700 jobs—a 121% increase
  - Social Services (SIC 83): 18,400 jobs—a 48% increase
- Educational Services (SIC 82): 18,200 jobs—a 59% increase

### A Chronology of Recent U.S. Recessions

According to the NBER  
(National Bureau of Economic Research)

#### Recessions begin with the peak and end with the trough

- March 2001 peak to — (trough yet to occur)
- July 1990 peak to March 1991 trough
- July 1981 peak to November 1982 trough
- January 1980 peak to July 1980 trough

The NBER does not define a recession in terms of two consecutive quarters of decline in real GNP. Rather, a recession is a period of significant decline in total output, income, employment and trade, usually lasting from six months to a year, and marked by widespread contractions in many sectors of the economy.

A growth recession is a recurring period of slow growth in total output, income, employment and trade, usually lasting a year or more. A growth recession may encompass a recession, in which case the slowdown usually begins before the recession starts, but ends at about the same time. Slowdowns also may occur without recession, in which case the economy continues to grow, but at a pace significantly below its long-run growth.

**Table 1: Job Increases in Services and Total Nonfarm Employment**

Year	Services Jobs	Year-to-Year Change	Percent Change	Total Nonfarm Jobs	Year-to-Year Change	Percent Change
1991	534,500			2,507,300		
1992	556,000	21,500	4.02	2,554,200	46,900	1.87
1993	586,800	30,800	5.54	2,626,900	72,700	2.85
1994	612,400	25,600	4.36	2,712,700	85,800	3.27
1995	633,800	21,400	3.49	2,786,500	73,800	2.72
1996	655,000	21,200	3.34	2,814,400	27,900	1.00
1997	682,441	27,441	4.19	2,858,583	44,183	1.57
1998	707,500	25,059	3.67	2,917,300	58,717	2.05
1999	731,000	23,500	3.32	2,969,900	52,600	1.80
2000	749,800	18,800	2.57	3,000,100	30,200	1.02
2001	749,500	-300	-0.04	2,938,300	-61,800	-2.06

Source: Indiana Business Research Center, using data from the Indiana Department of Workforce Development

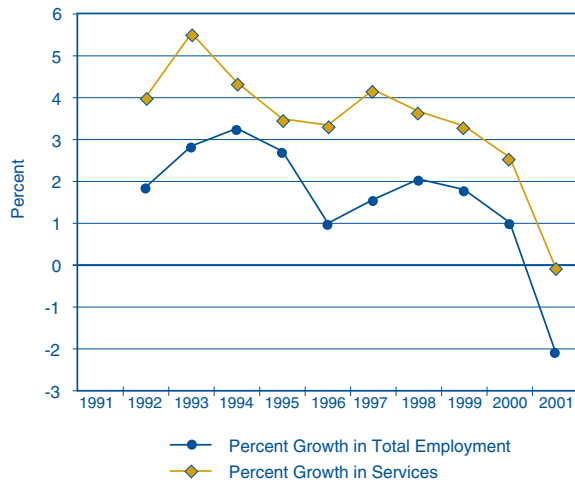
### Metro Area Job Gains and Losses in Services 1992 to 2001

The twelve metro areas\* in Indiana combined to add 155,000 services jobs between 1992 and 2001\*\*. While the Indianapolis area added the most jobs, with



**Figure 1: Services Industries Experience Largest Gains in 1993**

Services accounted for almost half of total job gains



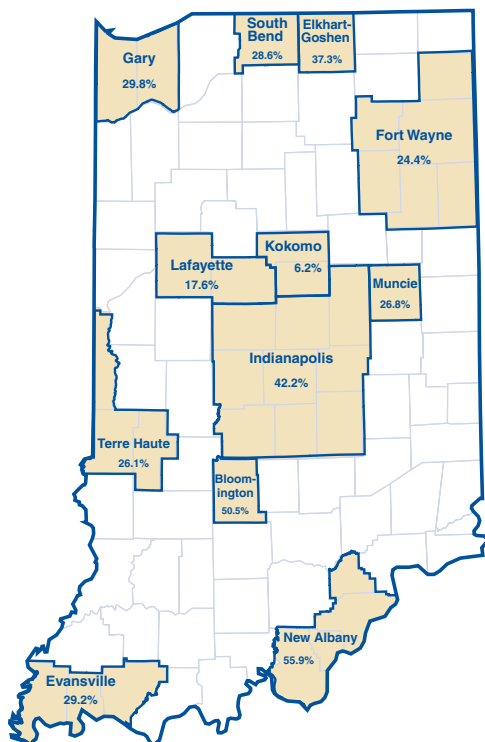
Source: U.S. Census Bureau

### Services Industry Sectors

- Personal Services (SIC 72)
- Business Services (SIC 73)
- Auto Repair and Parking (SIC 75)
- Misc. Repair Services (SIC 76)
- Amusement and Recreation Services (SIC 79)
- Health Services (SIC 80)
- Legal Services (SIC 81)
- Educational Services (SIC 82)
- Social Services (SIC 83)
- Membership Organizations (SIC 86)
- Engineering, Accounting, Research, Management and Related Services (SIC 87)

**Figure 2: Metro Area Service Job Gains, 1992-2001**

Most of the metro areas had gains of 17% or more



Source: U.S. Census Bureau

75,500, the New Albany area ranked first among the 12 in percentage growth, at 55.9%. Kokomo had the smallest growth (6.2%), adding a mere 500 jobs during this period. Most of the metro areas had gains of 17% or more (see Figure 2).

### Mining for More

Much more can and should be done to mine these data for specifics on the services sectors that are driving growth or are on the decline. Two specific data series provide great quantities of detail. Current Employment Statistics is a monthly survey of a sampling of establishments. It is limited to state and metro area detail, but has the advantage of currency.

Indiana Industry Employment and Wages (aka Covered Employment and Wages) is essentially a count of business establishments and employment and is available at the state and county level on a quarterly basis, lagging by 3 or 4 quarters. Both of these series are available for viewing and downloading on STATS Indiana, a web service that provides these data as time series. For further information, go to [www.stats.indiana.edu](http://www.stats.indiana.edu).

\* Metro areas are metropolitan statistical areas, which are groupings of counties named for a central city.  
 \*\* 1992 was the earliest year available to us in electronic form at the time of this writing.

## NAICS: It's Not a Disease, But It Will Be Contagious

**N**AICS, the North American Industry Classification System, is a new method of categorizing industries, devised by the U.S., Mexican and Canadian governments. It replaces the SIC (Standard Industrial Classifications) codes. Such classifications are important to businesses seeking competitive intelligence or business leads; to government and academics tracking trends in jobs and wages for policy and research purposes; and to economic developers in understanding the structure of their economies and their regional, state and national context.

NAICS (pronounced 'nakes') identifies hundreds of new, emerging and advanced technology industries through 20 broad divisions (compared to nine divisions under SIC). It also provides direct comparison between our NAFTA trading partners, Mexico and Canada.

The new code scheme has, for the most part, affected only the 1997 Economic Censuses and County Business Patterns so far. But soon, we will begin to see a new set of industries with the monthly, quarterly and annual data released by the Bureau of Labor Statistics (BLS) and Economic Analysis (BEA).

There is a downside to the release of data using the new classification system—lack of comparable trends data. There were significant changes in all of the industry divisions, meaning that manufacturing under NAICS is different, as are the other nine divisions that became 20. Many agencies don't plan to publish dual sets of data, for the obvious reason

of expense as well as the need to move forward with this more refined view of our economy (see Table 1).

Table 2 is a schedule of data series and the dates of their release under the

new code scheme. For those of our readers who are frequent users of data online (via STATS Indiana, for example), we recommend that you keep this calendar handy.

**Table 1: The 20 Sectors of NAICS**

Note Important Additions Such as Information and Warehousing

Code	NAICS Sectors
11	Agriculture, Forestry, Fishing and Hunting
21	Mining
22	Utilities
23	Construction
31-33	Manufacturing
42	Wholesale Trade
44-45	Retail Trade
48-49	Transportation and Warehousing
51	Information
52	Finance and Insurance
53	Real Estate and Rental and Leasing
54	Professional, Scientific and Technical Services
55	Management of Companies and Enterprises
56	Administrative and Support and Waste Management and Remediation Services
61	Education Services
62	Health Care and Social Assistance
71	Arts, Entertainment and Recreation
72	Accommodation and Food Services
81	Other Services (except Public Administration)
92	Public Administration

Note: Detailed information about the changes between old (SIC) and new (NAICS) is maintained on the Census Bureau's web site at: [www.census.gov/epcd/www/naics.html](http://www.census.gov/epcd/www/naics.html).

**Table 2: Major Income and Employment Series Soon to be Published by NAICS**

Income and Employment Data Series	Agency	Publication Year
2001 State Personal Income	BEA	2002
2001 County Personal Income	BEA	2003
2002 Gross State Product	BEA	2004
May 2003 Current Employment Statistics	BLS	June 2003
2001 Covered Employment and Wages	BLS	Fall 2002
2002—4th Quarter—Occupational Employment Statistics	BLS	January 2004

Source: [www.census.gov/epcd/www/naicsbhs.htm](http://www.census.gov/epcd/www/naicsbhs.htm) and [www.census.gov/epcd/www/naicsbea.htm](http://www.census.gov/epcd/www/naicsbea.htm)

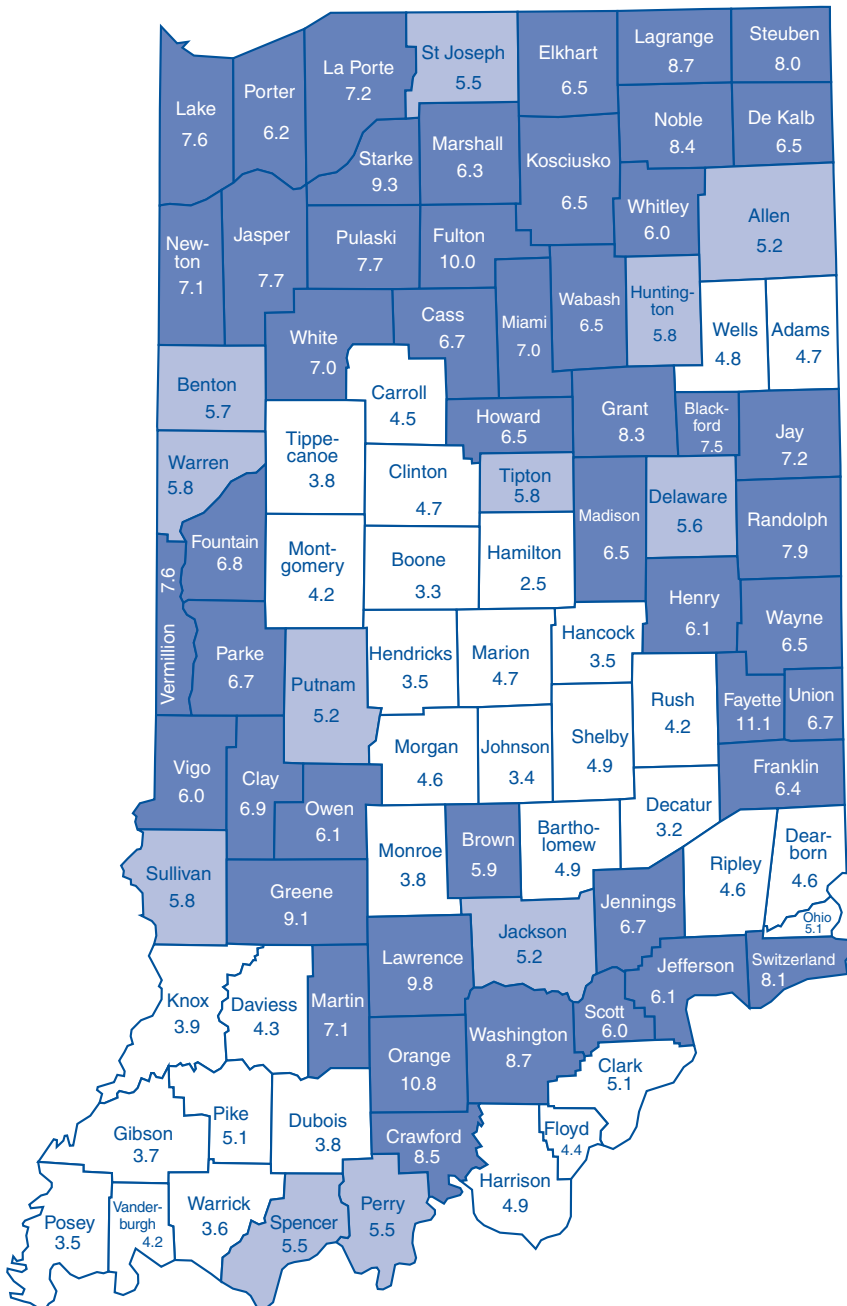
# Indiana Employment Snapshot

**Figure 1: January 2002 Unemployment Rates by County**

**Hamilton county continues to have the lowest unemployment rate in the state**

**State Unemployment Rate = 5.5%**

- Above State Rate (48 counties)
- Approx. Equal to State Rate (+/- 0.3) (12 counties)
- Below State Rate (32 counties)



Source: Indiana Department of Workforce Development

## Indiana County Rates

- Three counties found themselves with double-digit unemployment rates in January. Fayette (11.1%), Orange (10.8%) and Fulton (10.0%) were the counties with the state's highest unemployment rates.
- Hamilton County continues to have the lowest unemployment rate in the state, just 2.5% in January. Next lowest were Decatur (3.2%), Boone (3.3%) and Johnson (3.4%).
- Among metro counties, Lake County at 7.6% suffered the largest annual point rise in unemployment rate, up 3.3 percentage points over January 2001. The Marion County rate rose 2.1 points to 4.7% from January 2001 to January 2002.
- Howard County had the best year-to-year result, actually dropping its January rate by 1.9 points to 6.5%
- Greene, Perry, Tipton and Sullivan counties also had lower unemployment in January 2002 than in January 2001.
- In nearly 40% of Indiana's 92 counties, the total number of people employed in January 2002 was within 1% of the number employed in 2001. A drop of more than 4% occurred in only 13 counties.

# IN CONTEXT

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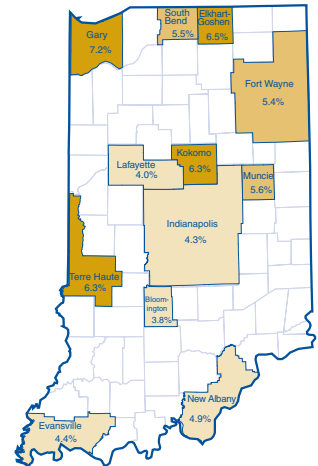
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## Metro Area Employment at a Glance

A single month of unemployment data is not a reliable indicator of a trend, but data from the Indiana Department of Workforce Development for January 2002 show the following:

- The unemployment rate rose in January 2002 compared to January 2001 in nine of the 12 Indiana metro areas.
- The largest increases over January 2001 occurred in Gary, where the rate jumped 2.4 percentage points to 7.2%, and in South Bend, up 1.4 points to 5.5%.
- The unemployment rate fell dramatically to 6.3% in Kokomo. One year ago Kokomo's rate stood at 9.5%. Bloomington and Terre Haute each posted a decline of 0.4 percentage points in January over its year-earlier rate.
- Despite increases in the unemployment rate, the number of people employed in January actually climbed in all but two metro areas. Every metro area except Gary and South Bend found more people employed in January 2002 than in the same month in 2001. Even though the number of people with jobs increased, an expanding labor force in many areas caused the rate of unemployment to rise.
- Unemployment remains a bigger problem in Indiana's rural areas.
  - In January, eight of the 12 metro employment areas registered unemployment rates approximately equal to or lower the state average.
  - The average unemployment rate in all Indiana's metro areas in January was 5.35%, compared to a state average of 5.5%.
  - The average January unemployment rate in non-metro counties was 6.6%.



For all the latest state and county figures and complete time series data sets related to the Indiana economy, visit the following Internet sites:

[www.ibrc.indiana.edu/incontext](http://www.ibrc.indiana.edu/incontext)  
[www.stats.indiana.edu](http://www.stats.indiana.edu)  
[www.indianacommerce.com](http://www.indianacommerce.com)

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