

INCONTEXT

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IN the Spotlight:

Indiana's Population Gains: What's Our Rank?

In December, the U.S. Census Bureau released new population estimates for each of the 50 states and the District of Columbia. According to these figures, Indiana's population had grown to almost 6.2 million by the summer of 2003, and the state kept its rank as the 14th largest. Lest the reader think the question in this article's title has been thoroughly answered in the first paragraph, let us continue on and explore a variety of ways to answer it.

Among its Midwestern neighbors, Indiana is holding its own—but in fractions. Indiana's annual rate of growth during these early years of the new century continues to be less than 1 percent and is reminiscent of the 1980s. The latest data show Indiana's growth rate between 2002 and 2003 was 0.6 percent, only 0.1 percentage points higher than the growth of the Midwest

and 0.2 percentage points higher than that of the Northeast (see Table 1).

The estimates show the continued shift of the population to the southern and western portions of the United States (see Figure 1). The four states with the fastest growth from 2002 to 2003 share warm weather characteristics. They are Nevada, with a 3.4 percent growth rate; Arizona, at 2.6 percent (and this state will likely surpass Indiana's population by the end of the decade); Florida, at 2 percent; and Texas, at 1.8 percent. Notable exceptions to the frequently observed relationship between warmer weather and higher population growth rates are Idaho and Delaware, which rank fifth and seventh, respectively. California and Hawaii round out the top 10. By this particular measure, Indiana holds the distinction of being ranked 31st.

(continued on page 2)

Table 1: Growth of Indiana Compared to U.S. Regions, 2002 to 2003

Geographic Area	Population Estimates		Change	
	July 1, 2003	July 1, 2002	Number	%
West	66,465,849	65,504,336	961,513	1.5
South	104,538,348	103,197,968	1,340,380	1.3
INDIANA	6,195,643	6,156,913	38,730	0.6
Midwest	65,406,134	65,098,828	307,306	0.5
Northeast	54,399,446	54,172,792	226,654	0.4

Source: U.S. Census Bureau

Unemployment Rates for November 2003

Indiana
4.7%

U.S.
5.6%

*Not seasonally adjusted

IN the Spotlight

(continued from page 1)

Of course, if we focus on changes in absolute numbers, we paint a somewhat different picture (see Figure 2). By this criterion, a slightly larger group of cold-weather states gets a piece of the high-growth action. While California, Texas and Florida overwhelmingly dominate this contest of sheer numbers, the states of Illinois, Washington, New Jersey, Maryland and New York each make a very respectable showing (see Table 2). How does the Hoosier state compare via this measure? We fared a bit better than we did by percentage, clocking in at number 18 with an increase of 38,730 people.

An Opportunity to Offset Brain Drain?

Notably, North Dakota and the District of Columbia were the only areas to lose population during the 2002 to 2003 time period, decreasing by 74

and 5,773 people, respectively. Interestingly, the district added nearly 50,000 nonfarm jobs between 1998 and 2002, while experiencing a population gain of fewer than 4,000 over the same period; thus, people holding those jobs seem more likely to live in surrounding states. In light of this, perhaps Maryland’s growth is not quite as surprising.

In any case, the long travel times for those commuting workers, combined with the high cost of living in the district, may encourage some D.C. employees to eventually seek employment elsewhere. In fact, this was the case for Amber Dodez-Kostelac, IBRC data manager. Kostelac explains, “Although entry-level positions attract college graduates across the nation to the district, oftentimes the cost of living in D.C. is so expensive that these new graduates find themselves living in

surrounding states such as Virginia, Maryland and, in some cases, as far as West Virginia.”

Could it be that we have uncovered a specific opportunity to help offset Indiana’s so-called brain drain? Our relatively low cost of living is one thing that could be leveraged to try to offset, as well as slow down, brain drain. Of course, brain drain is a topic deserving of its own article; but for our current purposes, suffice it to say that such efforts would help preserve our relative standing in the population growth competition at hand.

Progress So Far This Decade

Comparing nearby states, the estimated population growth from July 1, 2000, to July 1, 2003, was about the same for Illinois, Indiana and Kentucky (each at 1.7 percent), and slightly more in Wisconsin (1.8 percent). Growth was relatively slow for Michigan (1.2 percent) and Ohio (0.6 percent). However, all of these were lower than the growth of the nation over the same period (3.1 percent).

Of the 10 states that have a population estimate between 5 million and 7.4 million for 2003, Indiana ranked ninth in growth over the three-year period (see Table 3). Only Massachusetts had slower growth, yielding an increase of just 1.1 percent. Arizona tops this list of peers, stampeding along at an 8 percent three-year growth rate.

Our immediately trailing peer is the state of Washington, with a 2003 estimate of about 6.1 million.

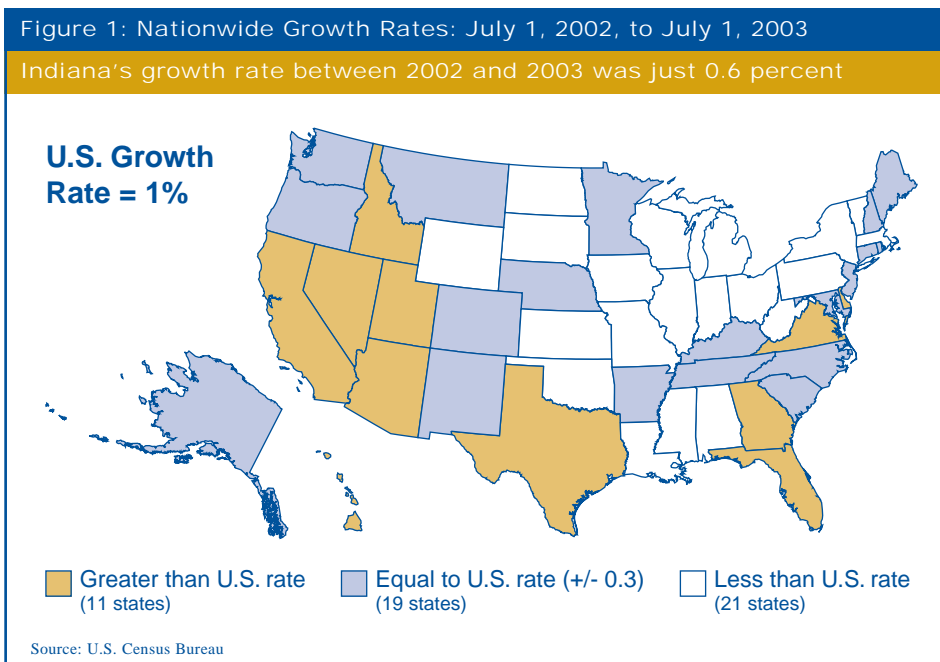


Figure 2: Numeric Change from July 1, 2002, to July 1, 2003

Indiana grew by 38,730 people, ranking it 18th in the nation

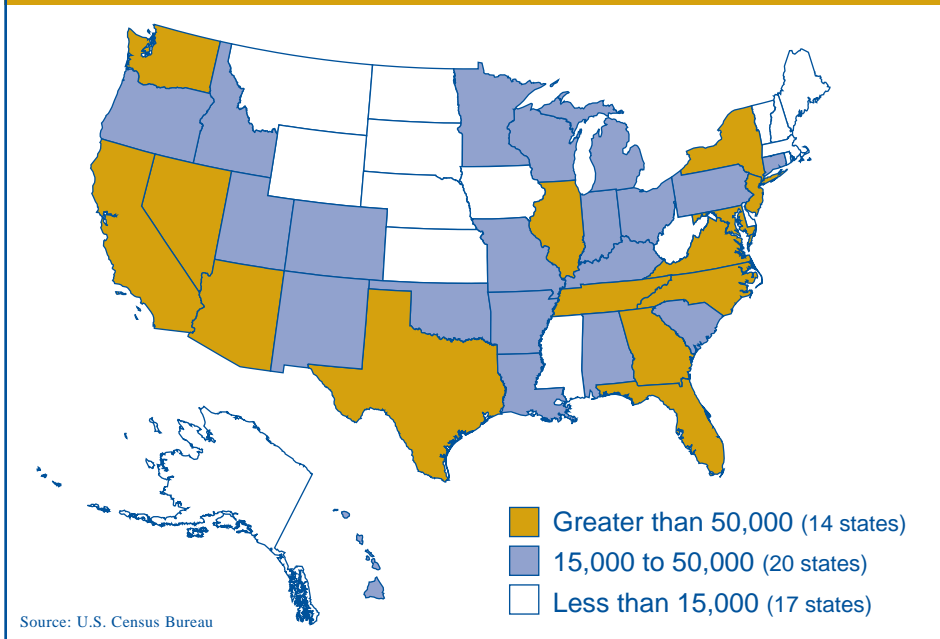


Table 2: Largest Numeric Changes

State	Change 2002-2003	Rank
California	482,467	1
Texas	381,584	2
Florida	327,367	3
Georgia	140,710	4
Arizona	139,686	5
North Carolina	101,428	6
Virginia	98,501	7
Nevada	73,699	8
Illinois	67,097	9
Washington	64,385	10
New Jersey	63,144	11
Maryland	58,384	12
New York	55,822	13
Tennessee	51,952	14

Source: U.S. Census Bureau

Although we've managed to edge out that state so far, it has a three-year growth rate of 3.7 percent, which is 2 percentage points higher than ours. If these trends continue, Washington's population will exceed Indiana's by almost 60,000 in the summer of 2006. Sticking out our necks a bit further with our three-year growth assumptions, Indiana's population would extend about 20,000 beyond that of Massachusetts by July of 2024. Is anyone taking any bets on that?

—Carol O. Rogers, Associate Director, Indiana Business Research Center, Kelley School of Business, Indiana University

—Vincent Thompson, Economic Analyst, Indiana Business Research Center, Kelley School of Business, Indiana University

Table 3: Indiana and Its Peers (within 1.2 million of Indiana's population)

Area	Population Estimates		Change: 2000 to 2003		
	July 1, 2003	July 1, 2000	Number	Percent	Rank
United States	290,809,777	282,177,754	8,632,023	3.1%	-
Arizona	5,580,811	5,165,765	415,046	8.0%	1
Virginia	7,386,330	7,104,852	281,478	4.0%	2
Washington	6,131,445	5,911,043	220,402	3.7%	3
Maryland	5,508,909	5,311,531	197,378	3.7%	4
Minnesota	5,059,375	4,933,648	125,727	2.5%	5
Tennessee	5,841,748	5,702,670	139,078	2.4%	6
Wisconsin	5,472,299	5,373,947	98,352	1.8%	7
Missouri	5,704,484	5,605,995	98,489	1.8%	8
Indiana	6,195,643	6,091,535	104,108	1.7%	9
Massachusetts	6,433,422	6,362,076	71,346	1.1%	10

Source: U.S. Census Bureau

For access to the detailed population change data for all 50 states and the District of Columbia, go to



www.incontext.indiana.edu/2004/jan-feb04/spotlight.html

Pass the Ketchup, Please: The Leisure and Hospitality Supersector

The leisure and hospitality NAICS supersector pulls together data from the former Standard Industry Classification (SIC) trade and services sectors. Two sectors comprise this new supersector: Arts, entertainment and recreation and accommodation and food services.

There are five major subsectors that fall under these two sectors:

- Performing arts, spectator sports and related industries
- Museums, historical sites and similar institutions
- Amusement, gambling and recreation industries
- Accommodation
- Food services and drinking places

Employment

The leisure and hospitality supersector comprised about 9 percent of total nonfarm employment in both Indiana and the nation in November 2003, according to the nonseasonally adjusted data released by the U.S. Bureau of Labor Statistics.

Indiana parallels the U.S. in the over-the-month employment change for the supersector. The U.S. lost 152,000 jobs (-1.3 percent) and Indiana lost 5,200 jobs (-1.9 percent).

In contrast to over-the-month job losses, the U.S. and Indiana are at odds when it comes to annual job changes for this supersector (see Figure 1). The U.S. had a year-over-year job growth rate of 0.4 percent and Indiana had a -0.2 percent growth rate. Indiana enjoyed some higher job growth rates in the early and mid-1990s, but more recently the state's growth in this supersector has trailed the nation.

Comparing States

The over-the-year (OTY) employment growth rates for the states showed the majority of states above the national rate (see Figure 2). Hawaii led the nation with a 3.3 percentage growth rate. In the Midwest, Kentucky (0.6 percent) and Wisconsin (0.5 percent) were within half a percent of the national rate, while Ohio, Indiana,

Illinois and Michigan each had employment declines in this supersector.

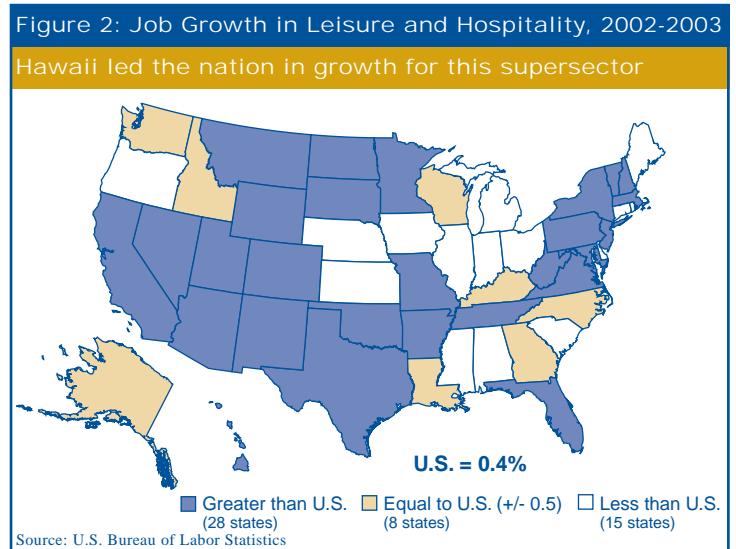
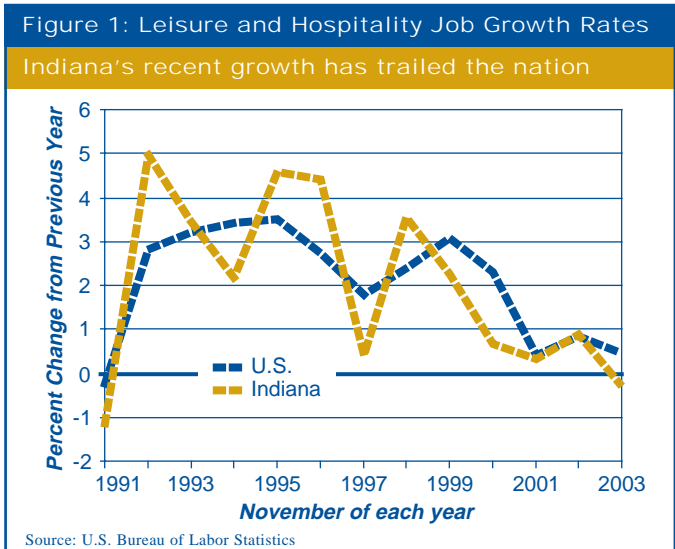
Industry Detail

The 51,000 OTY net job increases for the U.S. were a result of the 0.9 percent increase (86,700 jobs) in the accommodation and food services sector.

For Indiana, the over-the-year job growth driver was the arts, entertainment, and recreation sector, which was offset by losses in the accommodation and food services sector, resulting in a net job loss of 400 for the leisure and hospitality supersector.

Delving deeper, we see that the amusement, gambling and recreation industries subsector is driving the growth. However, the gambling industry group actually sustained OTY job losses. But the nuances of the data show that this industry group does not provide for full coverage of gambling activities. For example, casino hotels are classified in the accommodation subsector.

—Amber Dodez-Kostelac, Data Manager, Indiana Business Research Center, Kelley School of Business, Indiana University



The Job Truth is Out There—But Where?

No two events cause people to look at economic indicators with greater zeal than a tough economy and an election. Both are happening in Indiana right now and the spotlight is on job losses. Or is it on employment gains?

Indulge us, because the questions are flying fast and furious out there about record job losses and record numbers of Hoosiers employed. How can that be? Well, because the figures that go along with those two “facts” come from different sources using different ways of collecting the data, we wind up comparing apples and oranges—which might make a good fruit salad but it doesn’t provide good information on which to base decisions.

The Apples

The job losses we hear about every month are based on a survey of approximately 7,000 Indiana employers, producing an estimate of the number of jobs in Indiana and its metropolitan areas. This survey is conducted each month by the careful statisticians at the Indiana Department of Workforce Development, as part of the national program run by the U.S. Bureau of Labor Statistics. The key words used to describe this survey are payroll and employer—essentially establishments with a payroll who pay quarterly unemployment insurance taxes. Keep in mind that what the employer does is offer jobs. Those jobs are based on where the employer is located, not on where the workers live.

But not everyone works for someone else—and those who don’t take orders

from others are not counted in the payroll survey. Who might these people be? Consultants, lawyers, solo practice doctors, the guy down the street with his own lawn care service who hires kids after school to help, the flower shop owner whose children come in after school or the software developer who has a bit of a nest egg right now and can afford to develop some new code for advanced manufacturing. According to the Bureau of Economic Analysis (BEA), Indiana’s sole proprietors tally is growing yearly and was well over a half-million just two years ago.

Bottom line: The jobs number is important, but it is only a partial picture of Hoosiers at work. Indiana has lost jobs. Hoosiers, however, are still working, maybe not in Indiana or at a place with lots of employees (and a payroll), but either for themselves or for a relative. Sadly, some of them may be under-employed, having lost a good-paying manufacturing job and finding a lower paying one in the faster growing services sectors.

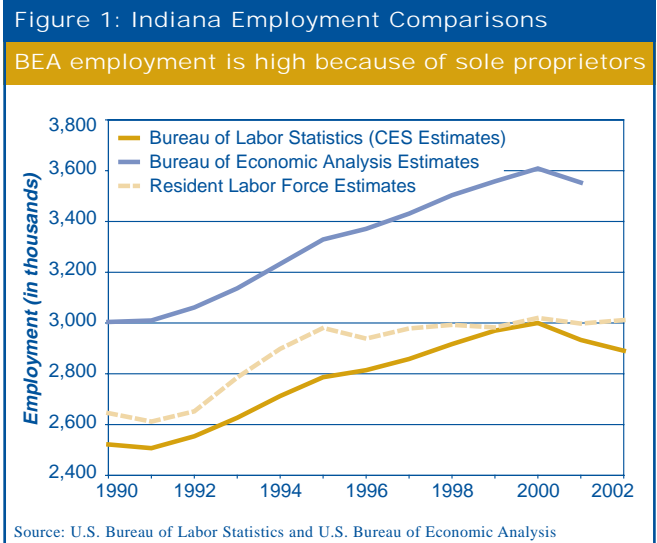
The Oranges

The record number of people living in Indianapolis who are working is based on the Resident Labor Force Estimates. To tally up your county or state resident labor force, you must add together the people who live in your county or state who are working and those

people who aren’t working but want to and are seeking work—that is, the employed and the unemployed. Key words: resident and people. A person can have more than one job, so employed people may not equal jobs. They are people with a job or multiple jobs, but the key is that it is a person number and it is based on where they live, not on where they work. Remember, people can commute (oh lucky us!) to distant counties and even out-of-state in order to work.

Bottom line: More Hoosiers are working, but the bigger question today is working where and for whom? Survey-based estimates don’t tell us that as of yet, so we can only guess that, with the focus on entrepreneurial activities in Indiana over the past couple of years, we will see many more people starting their own companies—and those small start-ups might include the next big thing.

—Carol O. Rogers, Associate Director, Indiana Business Research Center, Kelley School of Business, Indiana University



The Link Between Advanced Manufacturing and Productivity

Advanced manufacturing: According to James J. Solberg, Purdue University's Ransburg Professor of Manufacturing, "this phrase connotes progress in virtually every aspect of manufacturing: design methods, process technology, worker skills, organizational structures and management practices. Further, this must take place in all of Indiana's manufacturing sectors: automotive, food processing, electronics, steel and all the others" (Purdue News, February 26, 2002).

So which manufacturing sectors in Indiana can be classified as advanced manufacturing? While some candidates for advanced manufacturing are self-evident, it is difficult to select the less obvious. Based on productivity factors,

the Research Office at the Indiana Department of Commerce has produced a preliminary analysis specifying which business sectors are most likely engaged in advanced manufacturing. The assumption is that sectors engaged in advanced manufacturing are more productive. The productivity ratios are shown as value added per production worker and value added per dollar of production worker payroll (see sidebar). Note that because of their inclusion in the life science industry, pharmaceuticals and other manufactured medical products were not included in this analysis.

Results

For manufacturing sectors to be considered advanced manufacturing, they must exceed the average

manufacturing productivity ratios at or near the national level, and Indiana sectors must exceed the U.S. ratios. This gives three sets of results:

- Sectors where both the U.S. and Indiana sectors exceed the U.S. average
- Sectors where only the U.S. sectors exceed the U.S. average
- Indiana sectors exceeding the U.S. average

The average U.S. productivity ratios are \$165 of value added per production worker and \$5.40 per dollar of production worker payroll.

Using these benchmarks, 22 sectors were identified as advanced manufacturing (see Table 1). As expected, all of the chemical sectors had high productivity, as did computer related sectors, communication

Determining Productivity Scores

The key component in our analysis is the value added by manufacture, considered to be the best value measure available for comparing the relative economic importance of manufacturing among industries and geographic areas.

This value is derived by subtracting the cost of inputs (materials, supplies, fuel and electricity) from the value of shipments (products manufactured plus receipts for services rendered). Value added is then divided by two variables—production workers and their wages—to create productivity ratios. Using this value added measure overcomes the dilemma of selecting advanced manufacturing on the basis of either process or product because it incorporates both elements.

Some thought was given to using total employment and payroll since it captures all sector aspects. Production worker data, however, was selected because production labor costs receive primary consideration in facility expansion, retention and relocation analyses, and not the salaries linked to management or related areas.

An additional byproduct of using production worker data is to see how competitive Indiana wages are compared to the national average. It has often been said that since Indiana manufacturing wages are higher than the U.S. average, Indiana is at a disadvantage in attracting new business. While not true for all sectors, this analysis shows that when Indiana sectors wages are higher than the national average, Indiana's productivity rates are also higher.

A detailed list of productivity ratios for selected U.S. and Indiana manufacturing sectors is available at www.incontext.indiana.edu/2004/jan-feb04/business.html.



equipment, aerospace and high-tech electronics (audio/video, navigation equipment, controls, etc.). However, not all electrical and electronics sectors are included. Similarly, many but not all machinery manufacturing sectors are included on the advanced manufacturing list.

Motor vehicle assembly made the list, but not auto parts or any other motor vehicle sector.

Two sectors that may be a slight surprise are paint, coating and adhesive manufacturing and soap, cleaning compound and toilet preparation manufacturing. It bears remembering, however, that both sectors belong to the chemical industry.

Three metal sectors show lower productivity at the national level but have high productivity in Indiana. This helps illustrate that high productivity varies within industry categories. Not every business or subsector on this advanced manufacturing list will have high levels of productivity. The petroleum and coal products sector is on the list, but subsectors in this industry range from asphalt shingle production to petroleum refineries.

Summation

This list is not intended to be a final definitive list of advanced manufacturing in Indiana. The analysis was used to quantify a core group of industry sectors with the highest levels of productivity. Each of these sectors will have subsectors that have varying degrees of productivity. Although most probably have high levels of productivity, some will not. In turn,

there may be subsectors of unlisted industries possessing high levels of productivity. For example, wet corn milling, included with the grain oilseed milling industry, may not sound like advanced manufacturing. However, this industry converts corn to products such as glucose, dextrose, fructose and many other products; in a way, it is more like a chemical industry than one in agricultural manufacturing.

As productivity levels change over time and more (and better) data become available to analyze different industries, this list will change. Additional industries may be added to the list provided some type of quantifiable evidence demonstrates their claim to being classified as advanced manufacturing.

—*Ted Jockel, Senior Economist, Research Office of the Indiana Department of Commerce*

Table 1: Advanced Manufacturing Sectors

Productivity Ratio: Value Added Per Production Worker
 U.S. Average = 165 Indiana Average = 161

High productivity sectors in both Indiana and the U.S.

NAICS	Industry Sector
3241	Petroleum and coal products
3251	Basic chemical manufacturing
3252	Resin, synthetic rubber and artificial synthetic fibers and filaments manufacturing
3255	Paint, coating and adhesive manufacturing
3256	Soap, cleaning compound and toilet preparation manufacturing
3259	Other chemical product manufacturing
3336	Engine, turbine and power transmission equipment
3342	Communications equipment manufacturing
3345	Navigational, measuring, electromedical and control instruments manufacturing
3361	Motor vehicle manufacturing
3364	Aerospace product and parts

High productivity sectors in Indiana (but not in the U.S.)

NAICS	Industry Sector
3313	Alumina and aluminum production and processing
3314	Nonferrous metal (except aluminum) production and processing
3328	Coating, engraving, heat treating and allied activities
3334	Ventilation, Heating, Air-Conditioning and Commercial Refrigeration Equipment

High productivity sectors in the U.S. (but not in Indiana)

NAICS	Industry Sector
3253	Pesticide, fertilizer and other agricultural chemicals*
3331	Agriculture, Construction and Mining Machinery Manufacturing
3332	Industrial machinery manufacturing
3333	Commercial and service industry machinery manufacturing
3341	Computer and peripheral equipment*
3343	Audio and video equipment manufacturing
3344	Semiconductor and other electronic component manufacturing

*Indiana data for these sectors were nondisclosable.
 Source: Research Office of the Indiana Department of Commerce

The Number of Hoosier Businesses Is Shrinking

Most discussions of the economy are built around employment, but there are other ways of looking at progress and decline. The number of firms in business may be another of these measures because it might indicate something about the business climate and the entrepreneurial spirit of the area.

Between 1998 and 2001, the last full year for which we have data for all states from the U.S. Census Bureau, Indiana lost 617 business establishments. That is a net figure. Some businesses were born while others died. On balance, we had a decline of 0.4 percent. That does not sound like much of a loss until it is compared with the nation's growth of 2.2 percent during the same period.

Only five states had greater percentage losses than Indiana. Only 10 states suffered any loss at all (see Figure 1).

Business formation is believed to be one indicator of a state's economic vitality. New businesses are generally small in terms of the number of employees they have. In 2001, Indiana had more than 71,700 establishments with fewer than five employees (see Figure 2). They accounted for 49.3 percent of the state's 145,600 establishments, compared with 53.8 percent in that size class nationally. That puts us in 49th place among the states. If small firms are the key to business development, then this is a troublesome figure.

But are small businesses the kindling wood of economic progress? Montana, New York, Florida and Wyoming are the leaders in the percent of establishments with fewer than five employees. Their economic fortunes are very diverse and it would seem a flimsy argument to hang the idea of growth on the number or change in

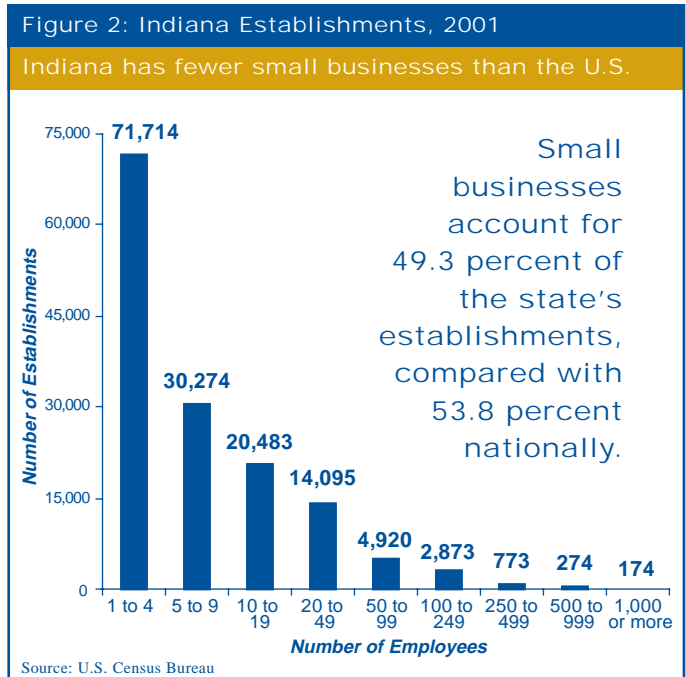
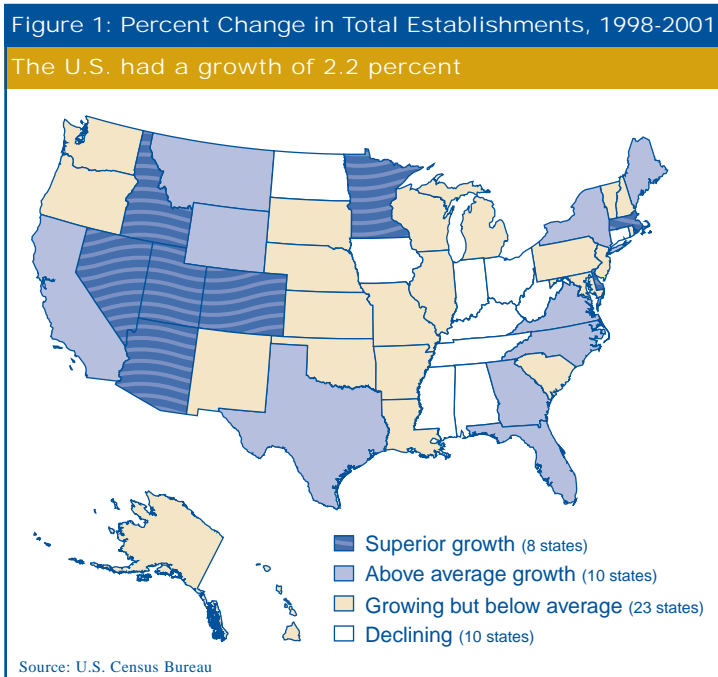
small businesses. We may have fewer small businesses reporting their existence to the state. Could it be lax administration of the tax code by Indiana that leads to this statistical artifact?

Figure 3 shows that Indiana's losses between 1998 and 2001 were mainly in the number of small establishments. In 2001, Indiana had 1,500 fewer firms with less than ten employees than it had in 1998. Some of the small firms may have grown, but again, on balance we had fewer firms in 2001 than three years earlier.

Nationally, as seen in Figure 4, firms of all sizes were growing during these years. So we cannot say that our difficulties were just reflective of the nation's problems.

Where Was the Growth?

The government provides data on 21 industry groups. The nation grew in 17



of these 21 industries; Indiana grew in just 13 (see Table 1). Indiana outperformed the nation in four industries, including manufacturing. (Actually, our -2.7 percent decline in manufacturing was less than the nation's -3.7 percent, hence we can say Indiana "outperformed" the nation.)

Three of the four industries in which Indiana did outperform the nation were declining nationally. Only education services was a high growth activity and there we beat the nation by a scant 0.1 percent, hardly an achievement to crow about.

Our greatest deficit in growth (-6.8 percent behind the nation) was the information sector. This includes telephone, cable and other communication services, plus newspapers and publishing. Where the nation advanced by 13.9 percent, Indiana managed a 7.1 percent increase.

Does the number of businesses count? If innovation and flexibility are related to the number of enterprises, then it is important. Presumably, a story can be told to make that link. The more firms in an industry, the more different views exist on how to make a profit. But is there any evidence to support the idea that there are greater profits, higher wages or more enduring employment in places with large numbers of small- or medium-sized firms? It is part of our economic mythology, but is it part of our economic reality?

—Morton J. Marcus, Director Emeritus, Indiana Business Research Center, Kelley School of Business, Indiana University

Figure 3: Change in the Number of Hoosier Establishments, 1998-2001

By 2001, Indiana had 1,500 fewer firms with less than 10 employees

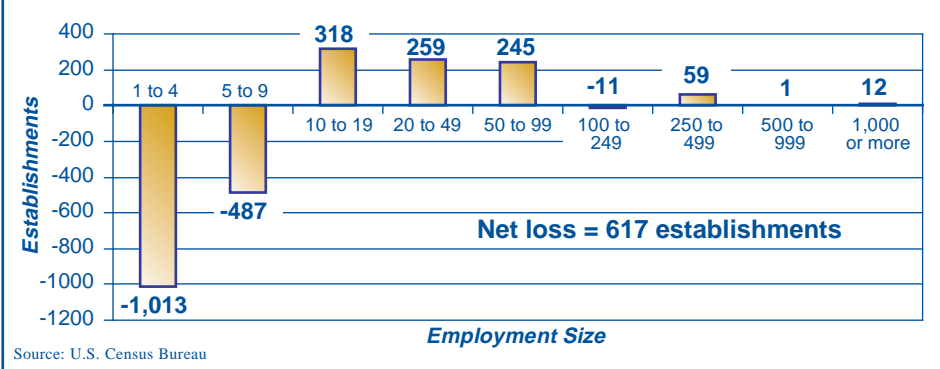


Figure 4: Percent Change in the Number of Establishments, 1998-2001

The U.S. had growth in the number of establishments in all size categories

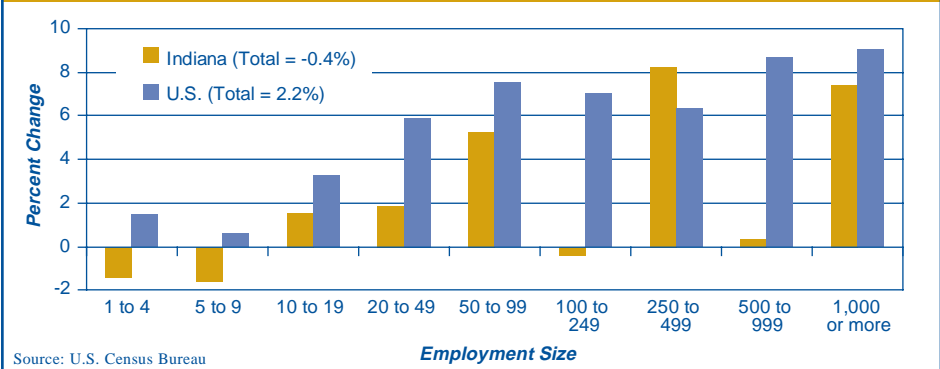


Table 1: Percent Change in Number of Establishments, 1998 to 2001

Industry	U.S.	Indiana	Difference
Total Covered Employment	2.2%	-0.4%	-2.6
Agriculture, Forestry, Fishing & Hunting	-3.0%	1.1%	4.1
Mining	-1.4%	0.0%	1.4
Manufacturing	-3.7%	-2.7%	1.0
Educational Services	9.3%	9.4%	0.1
Administrative & Support & Waste Mgt. & Remediation Services	3.4%	3.0%	-0.4
Wholesale Trade	-3.3%	-4.1%	-0.9
Finance & Insurance	3.1%	1.8%	-1.3
Utilities	11.4%	10.1%	-1.3
Auxiliaries (except Corporate, Subsidiary & Regional Mgt.)	8.1%	6.6%	-1.5
Other Services (except Public Administration)	0.1%	-1.5%	-1.6
Health Care & Social Assistance	3.4%	1.5%	-1.9
Transportation & Warehousing	2.4%	0.0%	-2.4
Management of Companies & Enterprises	8.9%	6.4%	-2.5
Unclassified Establishments	27.4%	24.8%	-2.6
Arts, Entertainment & Recreation	3.1%	0.5%	-2.6
Retail Trade	0.6%	-2.0%	-2.6
Accommodation & Food Services	0.8%	-2.0%	-2.8
Professional, Scientific & Technical Services	7.2%	4.3%	-2.9
Real Estate & Rental & Leasing	5.0%	2.2%	-2.9
Construction	1.0%	-4.2%	-5.1
Information	13.9%	7.1%	-6.8

Source: U.S. Census Bureau

The Anderson Metro Area

The Area

The Anderson Metropolitan Statistical Area (metro) is nestled snugly in central Indiana between Indianapolis, Kokomo and Muncie. Consisting of Madison County—formerly the northeast quadrant of the Indianapolis metro area—the Anderson metro is now one of four single-county metro areas in the state.

As the 10th largest county in Indiana, Madison County had 132,068 residents as of July 2002. This represented a 1 percent decline over the Census 2000 number—a loss of nearly 1,300 people in two years due to domestic out-migration. However, residential construction in the area remains strong, with the number of building permits issued by November 2003 growing to 542, or 48 percent over 2002’s year-to-date totals. Several new housing subdivisions, including a

600-home development in Pendleton that will begin construction in the spring, indicate that construction will stay at these higher levels in 2004.

Nevertheless, population projections from the Indiana Business Research Center indicate continued migration out of the area, exacerbating the population decline. By 2020, the Anderson metro population is projected to drop an additional 4.1 percent, declining by over 5,300 residents. Between 2002 and 2040, Madison County is expected to have declined by nearly 11,000 residents.

Figure 1 shows that the only age group experiencing growth in the next 36 years will be the cohort age 65 and older, which will increase 23.8 percent by 2020 and 48.5 percent by 2040. While this “aging of the baby boom” should not surprise anyone, its combination with the ever-decreasing young adult population who are in

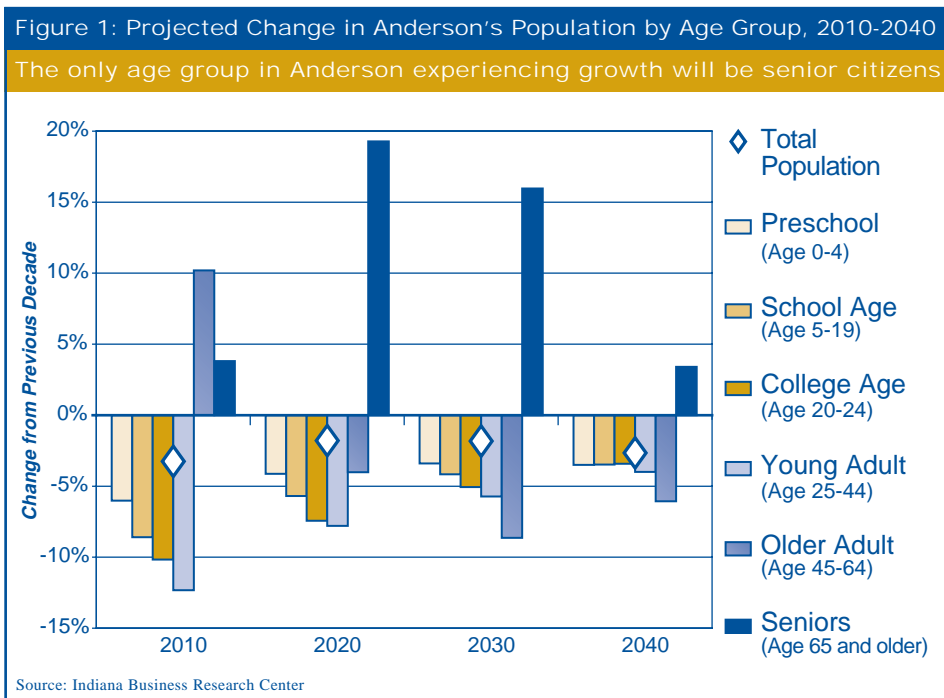
their prime working years (projected to decline by over 7,000 people come 2020) could have serious implications on Anderson’s labor market.

Industrial Mix and Jobs

Total covered employment for the first quarter of 2003 showed 42,922 jobs in the Anderson metro area. Nearly half of all Madison County jobs were in manufacturing (19.3 percent), health care and social assistance (14.1 percent) and retail trade (13 percent). This closely resembles the state’s industrial mix, although with a somewhat smaller percentage employed in manufacturing and slightly higher percentages in the other two sectors.

While automotive manufacturing was formerly the mainstay of the Anderson economy, plant closures—coupled with phasing out the jobs of retirees—have begun to shift that paradigm a bit, leaving Anderson to explore opportunities in other sectors. Between the first quarter of 2001 and the same quarter of 2003, manufacturing employment declined by 1,491 jobs (15.2 percent).

More recent closures indicate Anderson’s decline in manufacturing employment is ongoing. Delco Remy America closed down their manufacturing facilities in March 2003 (while keeping their headquarters in the city), resulting in 350 lost jobs. Delphi Automotive Systems is likewise facing cutbacks. Nationwide, the company plans to reduce its workforce by about 5,000 positions (roughly 16 percent of its union employees), which Delphi expects to impact all of its



plants. The extent that this will affect the Anderson operation remains to be seen. In addition, Smurfit-Stone Container, which produces corrugated cardboard containers, unexpectedly announced its plans to close in March of this year, leaving 143 people unemployed.

However, not all the news is bad. Guide Corp. remains one of the county's largest employers with its production of automotive lighting systems. Home Design Products, a company with a plant in Alexandria producing plastic shelving, has purchased the former Magnequench facility in Anderson and plans to create 100 additional jobs for this new production line by 2005, in addition to moving its headquarters to Anderson from Indianapolis. Red Gold, a maker of tomato products, has also been expanding in both its Orestes and Elwood locations.

Anderson has high hopes for the Flagship Enterprise Center, a new endeavor between the city of Anderson and Anderson University. The center, which is to be completed in the fall, will nurture small business creation and facilitate the sharing of technical and educational expertise. Positioned as an innovative leader in education, business incubation, technology transfer and training, the state has declared it as one of five technology hubs in Indiana.

Commuting Patterns

Over 16,000 workers, 19 percent of Madison County's labor force, commuted to another county to work in 2002 (see Figure 2). Although no

longer part of the Indianapolis metro area, more than 70 percent of Madison County commuters drive to one of those 10 counties to work. An additional 10 percent commute into the Muncie metro, while nearly 7 percent are employed in the Kokomo metro area. The counties sending the most workers into the Anderson metro are Delaware (2,082) and Henry counties (1,565).

Income and Wages

Per capita personal income (PCPI) in the Anderson metro was \$25,059 for 2001. This was nearly \$2,500 less than the state and lower than that of Madison's neighboring counties, with the exception of Grant County whose PCPI was just \$22,872.

Madison County's average annual wage per job was \$31,287 for 2002, ranking it 25th among the state's 92 counties and lower than half of its contiguous counties (see Figure 2). However, when looking at the average annual wage for a manufacturing job (\$53,901), Madison County ranked eighth in the state and among the top 5 percent of counties nationwide.

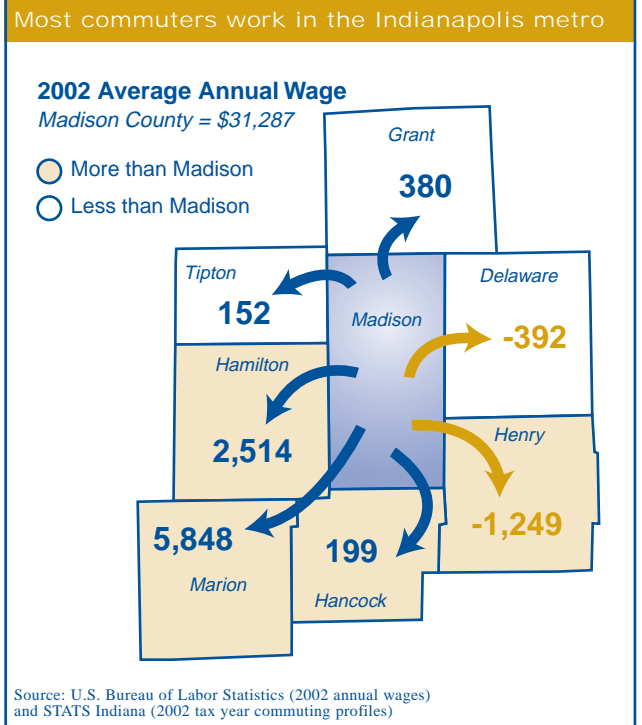
Weekly wages for the first quarter of 2003 ranged from \$1,158 in utilities to \$191 in accommodation and food services. Management of companies and enterprises wages (\$1,149) in the Anderson metro grew 24.5 percent since the first quarter of 2001, which

is significant because the statewide wage for that industry declined by nearly that much. However, weekly management wages in Anderson still trail the state by over \$150. The gap between Indiana and Anderson metro area earnings is most dramatic in the finance and insurance industry, as Madison County employees bring home a full \$300 less each week.

Weekly manufacturing earnings (\$1,046), on the other hand, grew just 2.8 percent during that same time period, but remain \$169 above the state average. Education services is the only other industry where Madison County workers earn more than their counterparts in the rest of the state, a difference of \$60 a week.

—Rachel Justis, *IN Context Managing Editor, Indiana Business Research Center, Kelley School of Business, Indiana University*

Figure 2: Net Commuting and Average Wages, 2002



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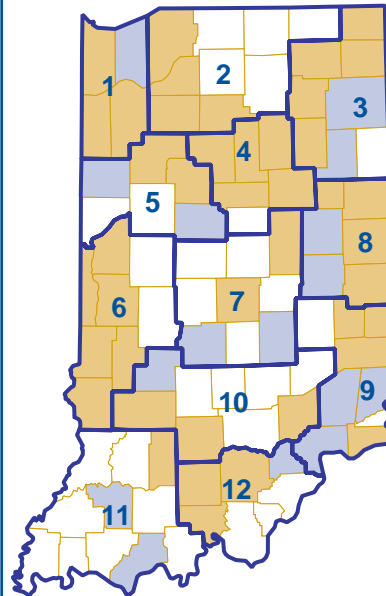
November's Unemployment Snapshot

Figure 1: November Unemployment

Indiana's rate was 4.7 percent

State Unemployment Rate = 4.7%

- Above State Rate (42 counties)
- Equal to State Rate (+/- 0.3) (16 counties)
- Below State Rate (34 counties)



Region outlines are Commerce regions.

Source: Monthly Labor Force Estimates, Indiana Department of Workforce Development; map by IBRC

Indiana's non-seasonally adjusted unemployment rate of 4.7 percent is almost a full percentage point below the U.S. rate (5.6). Most of Indiana's Midwestern neighbors were not so fortunate and posted higher unemployment rates than the state.

When comparing the year-over-year changes in the unemployment rates for Indiana counties from 2000 to 2003, north central Indiana showed improvement in its employment situation relative to the state, while central and southwestern Indiana lost ground.

The Indianapolis metropolitan area had the largest absolute decline in unemployment, with 725 of its residents dropping out of the unemployment rolls. Fort Wayne saw a decline of 280. Nearly a third of the state's unemployed resided in Marion, Lake and Allen counties.

—Amber Dodez-Kostelac, Data Manager, Indiana Business Research Center, Kelley School of Business, Indiana University

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