January-February 2009
Vol. 10, No. 1

incontext

Churning Jobs Through 2010

Job churning—the voluntary movement of workers from one job to another similar job—is an important but seldom noted factor in the labor market. Churning creates badly needed job opportunities when growth slows and unemployment rises.

According to recent occupational projections, the Indiana Department of Workforce Development anticipates very slow growth from the first quarter of 2008 through the first quarter of 2010. Projected employment growth for the state is 0.9 percent, or 27,976 jobs. The forecast expects 216 of the 753 occupations for which projections are provided to decline. This forecast, it is important to note, was developed while the current recession was still taking shape; thus, it represents a best-case scenario of very modest growth in most occupations and declines in many others.

Fortunately, growth is not the only source of job opportunities. Job vacancies also occur when workers quit their jobs and leave the labor market. These may be retirees leaving the labor market for good or younger workers returning to school, starting a family, joining the military, etc. These create replacement job openings. Churning is another type of job vacancy, occurring when workers leave their current jobs to take similar jobs at other business establishments. Like decisions to quit, churning happens because of personal decisions rather than economic conditions.

Job turnover continues when the economy stagnates. Growth may fall to zero for a while, but job openings from replacement and churning never will. This is good news for job seekers because, from the workers' point of view, a job opportunity is just as real regardless of what caused it. The question is, how many job openings do replacement and churning create, and do those vacancies persist during a recession?

A partial answer is found in the Department of Workforce Development projections. DWD predicts only 27,976 jobs from growth, but 136,402 replacement job openings in Indiana from 2008 to 2010—that's nearly five job openings from replacement for each opening caused by growth. This estimate of openings due to replacement is still only part of the total job openings, since churning is yet unmeasured.

The U.S. Census Bureau measured monthly job turnover of 6.4 percent during a three-year research study.[1] The study found total turnover varies from as low as 3.9 percent each month for managers to as high as 11.6 percent per month for farm laborers and 9.5 percent per month for service workers. That turnover rate includes all job changes. Churning, shown in the third column of **Table 1**, is a small part of total turnover, varying from only 6.5 percent of turnover to 16.5 percent. Note that a high churning rate does not necessarily mean high turnover, but only that intra-occupational

churning represents a relatively large share of turnover for that occupation.

Table 1: Monthly Turnover and Churning in Indiana, 2008 to 2010

Occupation Group	Monthly Turnover Rate	Churning as a Share of Turnover	Monthly Churning Rate	Annual Churning Rate
Managerial	3.9	12.9	0.5	6.0
Professional Specialty	4.6	16.5	0.8	9.1
Technical	4.8	11.0	0.5	6.3
Sales	8.7	10.7	0.9	11.2
Administrative Support	6.1	13.0	0.8	9.5
Service	9.5	12.0	1.1	13.7
Farming, Forestry and Fishing	11.6	6.5	0.8	9.0
Precision Production, Craft and Repair	5.1	16.3	0.8	10.0
Operators, Fabricators and Laborers	7.0	12.6	0.9	10.6
All Occupations	6.4	12.7	0.8	9.8

Source: Andy Zehner, using Indiana Department of Workforce Development and Bureau of Labor Statistics data

When the monthly rates for intra-occupational churning are converted to annual rates, they present quite substantial rates, from 6 percent for managerial workers to 13.7 percent among service workers. Applying these rates to statewide employment over a 24-month period provides us with an estimate of 609,339 job openings created by churning. Thanks to growth and replacement of workers who quit, Indiana expects 182,276 total job openings during the period covered by the forecast. When churning is added, the number rises to 791,615 job openings.

Some readers will wonder if the source cited here is relevant since the research was conducted during a period of growth. Are workers less inclined to engage in churning during a recession? Evidence shows that the rate of job quits is not necessarily affected by recessions. For instance, the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey shows that even in the recessionary year of 2001, the annual rate of voluntary quits was 23.4 percent, or 30.8 million workers.[2] That is evidence of persistent turnover in a recession, even slightly higher than the 23.1 percent voluntary quits experienced in the growth year of 2005.

Jobs from replacement and churning are no substitute for long-term economic development and expansion. Churning is most common among lower-pay, lower-skill jobs—and the competition from experienced incumbent workers is stiffest when jobs are scarce. But churning provides hope to job seekers during the current downturn, since it is apt to continue even when growth stalls. Even in the occupations projected to stay flat or decline, job vacancies created by replacement and churning will continue. These opportunities are just as real as vacancies created by growth, and they will continue in the months to come regardless of how the economy behaves.

Notes

1. Alfred O. Gottschalck, "Dynamics of Economic Well-Being: Labor Force Turnover, Current Population Reports," July 2004, www.census.gov/prod/2004pubs/p70-96.pdf.
2. Job Openings and Labor Turnover Survey, available online at http://www.bls.gov/jlt/.

Andy Zehner, Director of Research
Indianapolis Private Industry Council

January-February 2009
Vol. 10, No. 1

Housing Market Meltdown Will Affect School Enrollments

The severe slowdown in housing starts will not only be felt on Main Street, but on the playground as well. School systems that experienced steady growth over the last decade may want to consider adjusting their enrollment projections.

For many suburban school districts, recent planning for facilities and teachers has been predicated on expanding school enrollments. Given the current contraction in the housing market and the steep drop in new construction, these districts will likely re-evaluate their enrollment projections.

Most school districts recognize that the primary driver for rising enrollment has been residential housing growth. In order to provide an outline of the likely environment many schools will be operating in, this article presents some recent construction history for three suburban Indianapolis districts, shown in **Figure 1** as examples: Zionsville Community Schools (Boone County), Franklin Community Schools (Johnson County) and Hamilton Southeastern Schools (Hamilton County).

Figure 1: School Districts Analyzed

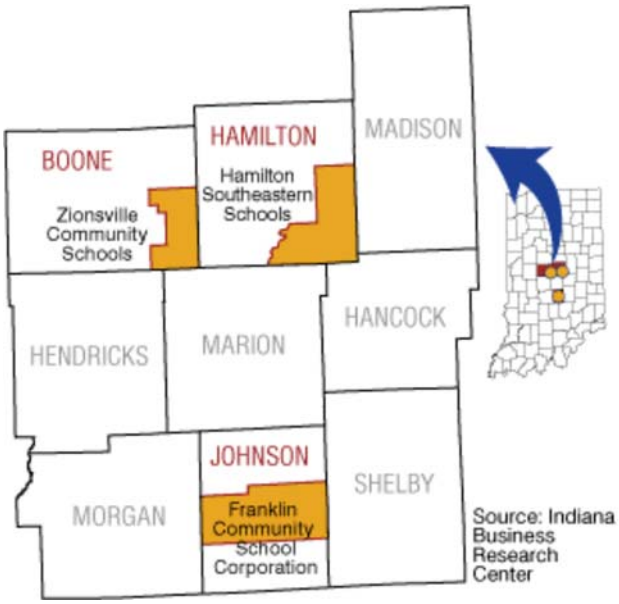
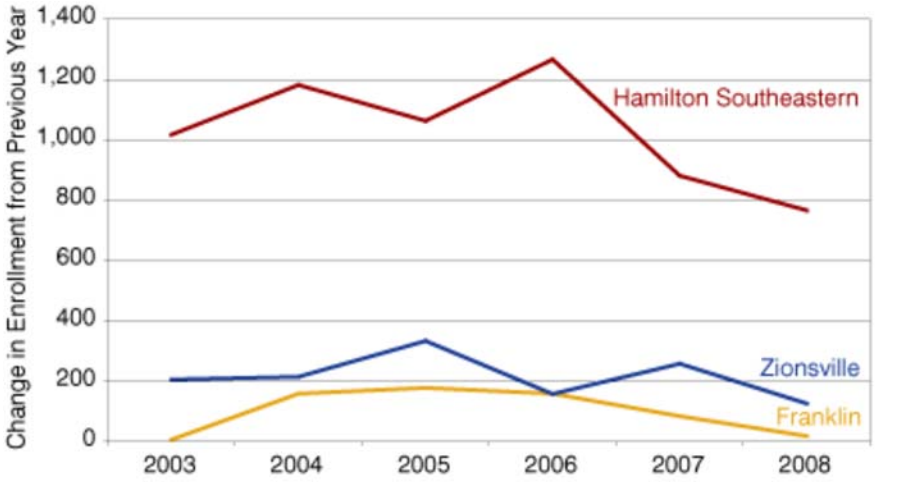


Figure 2 shows enrollment changes for these districts since 2003. Mis-anticipating these enrollment changes can have serious economic consequences in terms of teacher requirements, facility needs and income. Indiana's school districts receive a majority of their funding from the state on a per student basis based upon official enrollment counts taken in September of each year. Given

that school districts spend around $10,000 per student each year according to the Indiana Department of Education, if "budgeted" (or forecast) enrollment diverges from actual enrollment significantly, then the financial consequences can be dire. For example, if Zionsville Community Schools had budgeted for 250 new students in 2006, they would have had about a million-dollar financial shortfall.

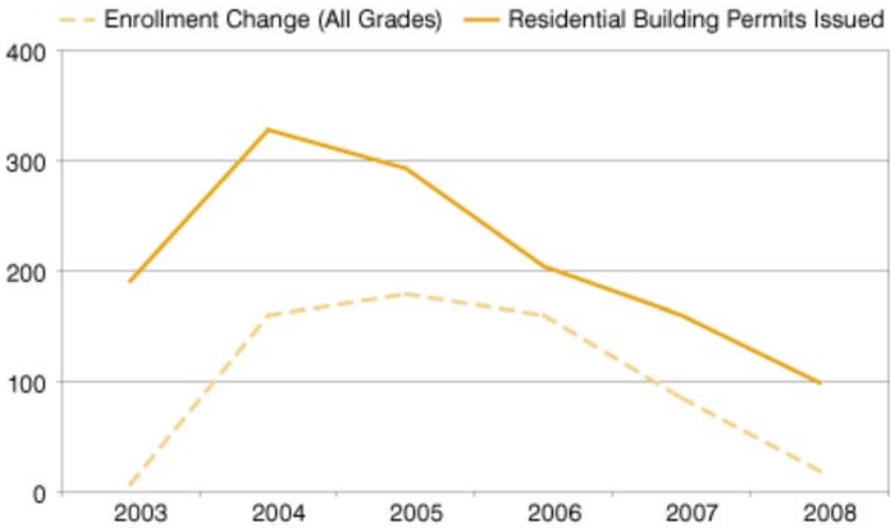
Figure 2: Enrollment Changes for Hamilton Southeastern, Franklin and Zionsville School Districts, All Grades, 2003 to 2008



Sources: Zionsville, Boone County, Franklin, Noblesville and Johnson County Planning Commissions

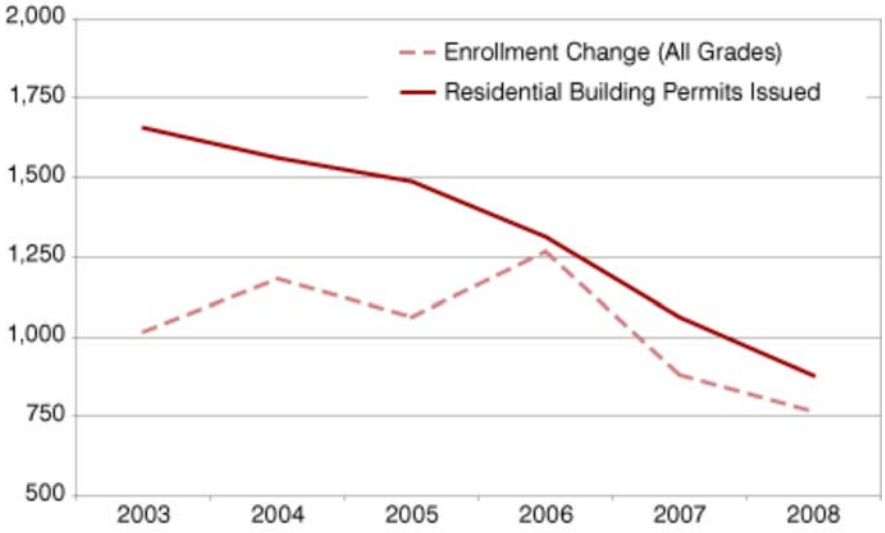
Each of the three sample districts had enrollment growth linked to the expansion of the housing stock in their respective areas. Enrollment for the Franklin Community Schools shows the same trendline as that of housing permits (see **Figure 3**). Enrollment growth in recent years in Hamilton Southeastern has slowed, as has the number of building permits (see **Figure 4**). Zionsville's change in enrollment followed the trend of building permits with the exception of 2006, when enrollment growth slowed but building permits climbed (see **Figure 5**).

Figure 3: Enrollment Change and Residential Building Permits for Franklin Community Schools, 2003 to 2008



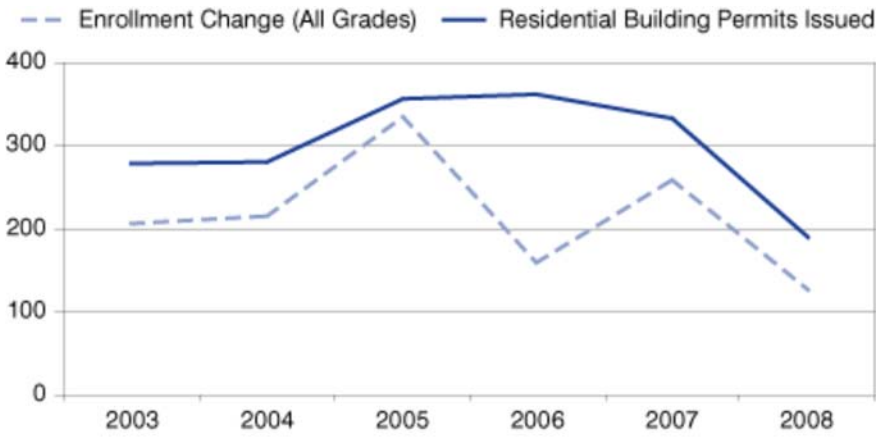
Note: Data for 2008 are projected based on numbers from January through November 2008.
Sources: Franklin and Johnson County Planning Commissions

Figure 4: Enrollment Change and Residential Building Permits for Hamilton Southeastern Schools, 2003 to 2008



Note: Data for 2008 are projected based on numbers from January through November 2008.
Sources: Town of Fishers and Noblesville Planning Commission

Figure 5: Enrollment Change and Residential Building Permits for Zionsville Community Schools, 2003 to 2008



Note: Data for 2008 are projected based on numbers from January through November 2008.
Sources: Zionsville and Boone County Planning Commissions

As a result of this relationship between housing permits and school enrollment, most school projection models use building permits and forecasted residential construction as key inputs.

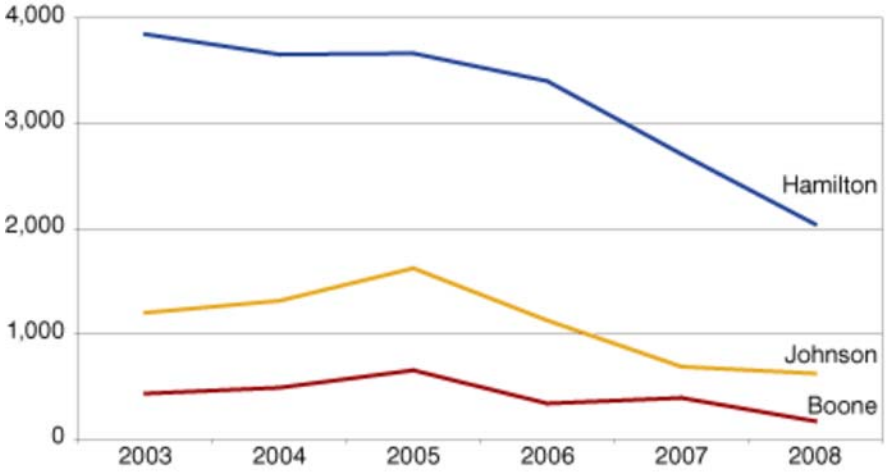
Naturally, other factors deserve consideration as well. Forecasted school-aged population growth resulting from families moving into an area can be estimated by the type and price-point of the new housing. Increased enrollment growth from new construction differs among school districts based on the type of new housing and the types of households targeted for that housing. Two new housing units in the average district in Indiana are estimated to produce one new student. This is the case for Franklin Community Schools, which averaged 0.48 students per new housing unit from 2003 to 2008.

Conversely, new construction in some school systems—for example, Zionsville and Hamilton Southeastern—have a significantly greater number of students per new housing unit. Both Hamilton Southeastern and Zionsville averaged in the range of 0.75 students per new housing unit from 2003 to 2008. Because of their higher student-to-new-housing-unit ratio, these two school districts are at greater risk of missing their enrollment projections, which were calculated prior to the slowdown in housing construction.

As the earlier graphs show, new enrollments have slowly but steadily declined since the peak of the housing boom in 2005. Based on the November 2008 housing construction data from the Census Bureau, permits issued in the Midwest were more than 30 percent lower in October 2008 than in October 2007. The number of housing starts was 38 percent lower.

Figure 6 shows the trends in housing construction for the entire counties containing our three example school systems. The pace has slowed significantly and recent monthly data show continued weakening. Even in one of the state's fastest growing counties (in terms of population and housing), permits issued in Hamilton County during the first nine months of 2008 show a slow but steady decline.

Figure 6: Trends in Residential Building Permits for Boone, Hamilton and Johnson Counties, 2003 to 2008



Source: IBRC, using year-to-date January through October permits issued from the U.S. Census Bureau

The 2008 financial meltdown and economic recession will likely put an already cooling residential building market into a deep freeze. The slowdown in new home construction will also have ripple effects in many of Indiana's school systems. Rosy student enrollment projections for many high-growth suburbs will likely be put aside. The current economic conditions will not only be felt on Main Street, but in the teacher's lounge and the school yard as well.

For more information about school enrollment projections, please contact the IBRC at ibrc@iupui.edu.

Chris Linn, Economic Research Consultant
Indiana Business Research Center, Kelley School of Business, Indiana University

January-February 2009
Vol. 10, No. 1

The Wait Is Over—ACS Data for Areas with Populations of 20,000 or More

In December 2008, the Census Bureau released the first-ever American Community Survey three-year estimates (this set covers the 2005-2007 time period) for areas with at least 20,000 people. Prior to this, the only ACS data available were for areas meeting a population threshold of 65,000. **Table 1** shows the geographic coverage differences between the single-year and three-year estimates for counties, townships, places and school corporations in Indiana.

Table 1: Number of Covered Areas in Indiana by Selected Geography Types for One-Year and Three-Year Estimates

	One-Year Estimates	Three-Year Estimates
Counties	25	72
Townships	16	70
Cities and Towns	9	42
School Corporations	24	86

Source: U.S. Census Bureau

Seventy-two Hoosier counties have three-year estimates at their disposal (see **Figure 1**). The 25 counties meeting the 65,000 population threshold have both single-year and three-year estimates. Twenty counties (those with fewer than 20,000 people) will have to wait until 2010 for the release of the five-year estimates.

Figure 1: Indiana Counties with Three-Year Estimates Available, 2005 to 2007

Source: Indiana Business Research Center

Table 2 provides a detailed list of the numerous other geographies in Indiana that meet the population threshold and have three-year estimates available (see **Table 2**).

Table 2: Indiana Geographies Meeting Population Threshold with Available Three-Year Estimates, 2005 to 2007

72 Counties
Adams County Allen County Bartholomew County Boone County Cass County Clark County Clay County Clinton County
70 Townships (grouped by the county that contains them)
42 Cities
16 Metropolitan Statistical Areas
25 Micropolitan Statistical Areas
8 Combined Statistical Areas
16 Urbanized Areas
7 Urban Clusters
86 School Districts
9 Congressional Districts (110th Congress)
48 Public Use Microdata Areas
11 Other Categories

Here are some things you should know when using this new dataset.

- Multiyear estimates do not represent one point in time. It is best to think of them as averages over the time period.
- If an area has both single-year and multi-year estimates, which one should you choose? It is ultimately a trade-off between currency and reliability, so it will depend on your purpose. The single-year estimate will be more current, but the three-year estimate will have a smaller margin of error (especially important if you are looking at a smaller subset of the population).
- Compare apples to apples: that is, you shouldn't compare the 2007 single-year estimate for one geography with the 2005-2007 estimate for another geography.

Rachel Justis, Managing Editor
Indiana Business Research Center, Kelley School of Business, Indiana University

January-February 2009
Vol. 10, No. 1

The Anderson Metro Story: Told by STATS Indiana

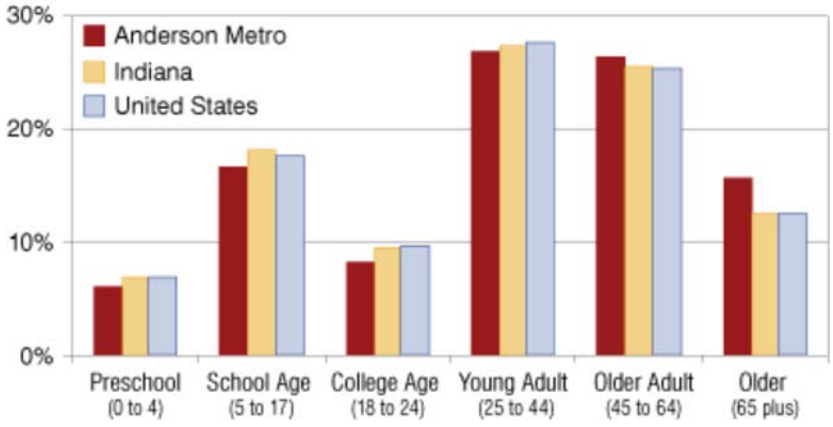
This is the 10th in a series of articles on Indiana's metropolitan statistical areas (metros). All the data used in this article can be found using the USA Counties and Metros Side-by-Side feature on STATS Indiana (www.stats.indiana.edu) unless otherwise noted.

The Area

The population in the Anderson metro has dropped by about 2,000 people since the year 2000, though the area has seen slight growth since 2005.[1] However, migration data for 2006 to 2007 indicate that domestic out-migration remains a concern for the area.

The median age (39.4 years) for the Anderson metro is about three years older than the state or nation. If we look at population by age data we find that the metro has a higher percentage of its population in the 45-and-older categories (see **Figure 1**).

Figure 1: Population by Age for the Anderson Metro, Indiana and the United States, 2007

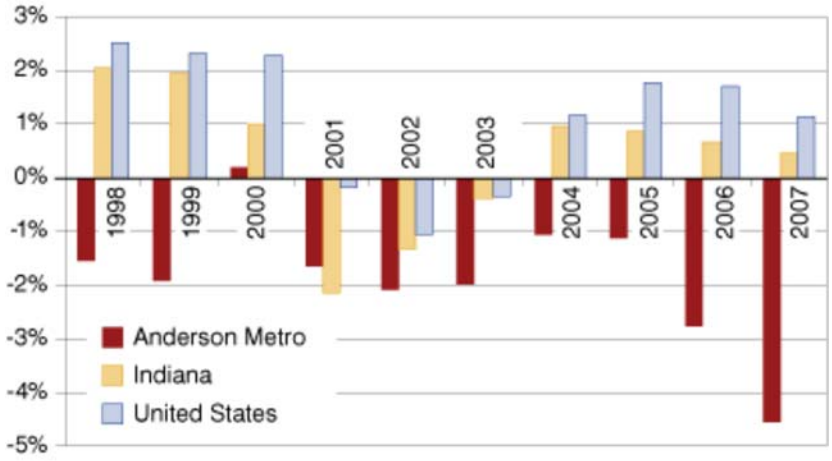


Source: IBRC, using U.S. Census Bureau data

Jobs and Wages

Annual employment in the Anderson metro has declined every year since 1997 except for the year 2000, where it experienced a 78-person increase. Meanwhile, the state and nation both experienced negative growth from 2001 to 2003 but managed to see gains during all other years (see **Figure 2**).

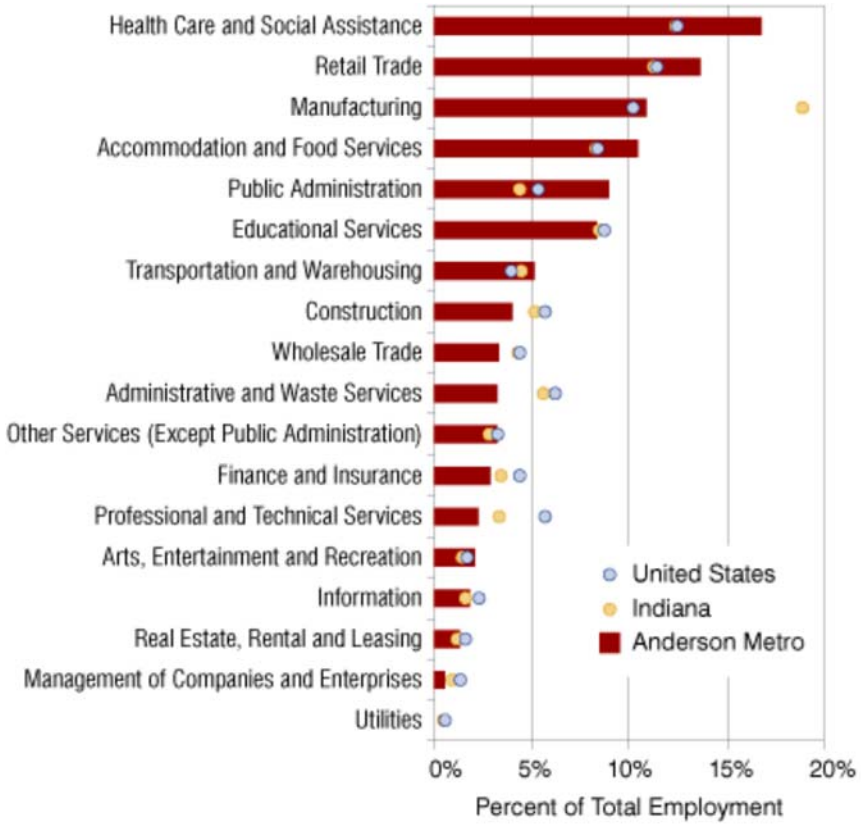
Figure 2: Percent Change in Employment from Previous Year, 1998 to 2007



Source: IBRC, using Bureau of Labor Statistics data

The area's largest employer was the health care and social services industry, accounting for 16.8 percent of total employment in 2007—the most recent available annual data. Retail trade followed with 13.6 percent of employment and manufacturing came in third with 10.9 percent of employment (see **Figure 3**). For the state, the order of the top three industries was rearranged: manufacturing was first with 18.9 percent of employment, health care and social assistance provided 12.4 percent of jobs, and retail trade made up 11.3 percent.

Figure 3: Employment by Industry as a Percent of Total Employment in the Anderson Metro, Indiana and the United States, 2007

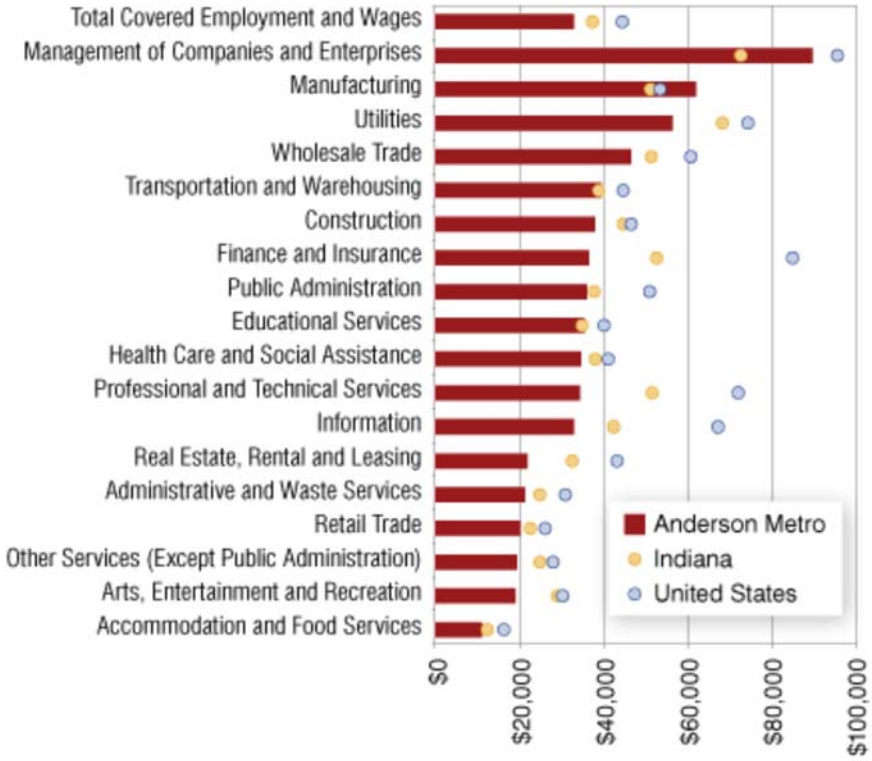


Note: Anderson metro data are not available for the mining and agriculture, forestry and hunting industries.
Source: IBRC, using Bureau of Labor Statistics data

Similar to Anderson's population, the metro's average wages per job (when adjusted to their equivalent 2007 dollars) have decreased over the 10-year span, coming in lower than both the state and national average wages. In fact, Anderson metro wages paid less than 75 percent of U.S. wages, even lower than Indiana's 84.4 percent of U.S. wages.

Only one industry paid higher wages in the metro than in the state or nation: manufacturing. The average wage for manufacturing workers in 2007 was $61,698 in the Anderson metro. The United States overall paid an average $53,544 to manufacturing workers, and Indiana paid even less at $51,144 (see **Figure 4**).

Figure 4: Average Annual Wages by Industry in the Anderson Metro, Indiana and the United States, 2007



Note: Anderson metro data are not available for the mining and agriculture, forestry and hunting industries.
Source: IBRC, using Bureau of Labor Statistics data

Not including agriculture and mining, for which no metro data were available, finance and insurance had the biggest gap between Anderson's wages and the nation's average. Finance and insurance workers in the Anderson metro averaged $36,407 per year compared to $84,858 nationwide. That said, the finance and insurance industry only makes up 2.8 percent of employment in the metro and 4.4 percent in the United States.

Conclusion

The Anderson metro is experiencing significant change in its population, employment and wages. However, the community's economic development, arts and culture, and environmental efforts' impact should soon reveal themselves in the data. The Anderson metro has, according to varied news reports, instituted many new initiatives to seize the opportunity to envision a different and likely a stronger economy.

Note

1. Rachel Justis, "Population Change Among Indiana's Metros," *InContext*, May 2008, www.incontext.indiana.edu/2008/may/5.html.

Molly Manns, Associate Editor
Indiana Business Research Center, Kelley School of Business, Indiana University