

Law Firms to Laundromats: The Services Industry

It's no secret that the fastest-growing segment of the Indiana economy is the services industry. At the end of 1999, about 730,000 jobs were reported in our state's services industry, up nearly 40% from 1990 (data are seasonally adjusted). Just what counts as a service industry, though, is not always obvious.

In fact, it is a tremendously diverse category. Listed as services are part-time building maintenance jobs and jobs for highly paid medical professionals, jobs in laundries and jobs in law firms.

For all states in this five-state region, the growth rate for employment in services is far above the rate for any other industry. Along with the growth in

while manufacturing accounts for a much smaller share, about 20% or less. In Indiana, service sector jobs account for approximately 25% of employment, and manufacturing is a very close second at 23%.

Service industry jobs come in many varieties. In Indiana, health care leads by a wide margin. Table 1 lists the main

categories of service sector jobs. More than half of all Hoosier service jobs are in either the medical field or the business services sector. Business services can include anything from advertising agencies to chauffeur services, software development companies to temporary service agencies. Personnel supply services

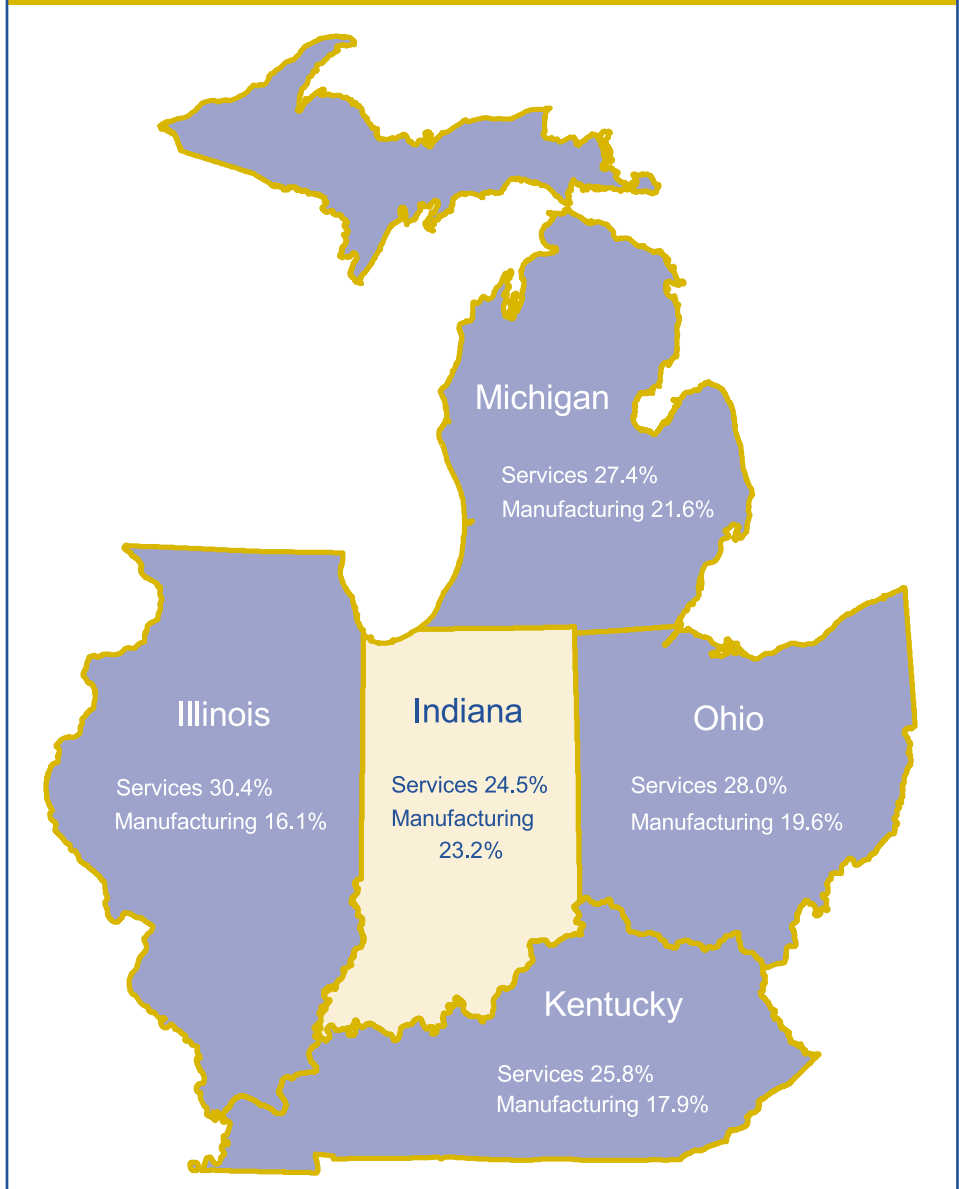
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services, though, manufacturing still means a great deal to Indiana. From 1990 to 1999, the number of jobs in manufacturing grew faster in Indiana (8%) than in its neighboring states, with the exception of Kentucky (12%).

The map in Figure 1 highlights the difference in the structure of the Indiana economy compared to our neighbors. In the other states, the services sector supplies, on average, 28% of all nonfarm jobs in the state,

Figure 1: Manufacturing and Services' Share of Nonfarm Employment by State

Source: U.S. Bureau of Labor Statistics (1999 annual average, not seasonally adjusted)



make up the largest portion of employment in this grouping, followed by computer programming and building services. The number of jobs, however, is not the only measure of an industry's economic contribution. The U.S. Bureau of Economic Analysis has published wage and employment totals by state for all industries, through 1997. These numbers do not include proprietors' wages, so compensation of the partners in law firms, for example, generally is not counted. Figure 2 compares Indiana's wages per job in some of the largest sectors in manufacturing and in services. All together, manufacturing firms in Indiana paid nearly \$26 billion in wages in 1997, or 32% of Indiana's total nonfarm earnings. Service sector earnings (\$21 billion) constituted 22% of total earnings. In terms of earnings, therefore, manufacturing ranks higher than services despite the fact that the services sector employs the most workers in Indiana.

Services industry sector	Number of jobs	Percent of Services Industry
Health Services <i>Hospitals, doctors' offices</i>	226,300	31%
Business Services <i>Temporary staffing, building maintenance, Internet service providers, computer programming, equipment rental</i>	153,200	21%
Social Services <i>Job training, day care</i>	52,200	7%
Educational Services <i>Libraries, private schools</i>	47,900	6%
Engineering & Management Services <i>Architects, engineers</i>	40,700	6%
Personal Services <i>Laundries, beauty salons</i>	28,800	4%
Legal Services <i>Law firms</i>	13,500	2%
Other Services	170,200	23%
Total Services	732,800	100%

Figure 2: Manufacturing and Services: Number of Jobs and Earnings in Selected Sectors

Source: U.S. Bureau of Economic Analysis (1997 Regional Economic Information System)

