

# Midwest Business, Employment and Pay Landscape

In November, the biggest U.S. automaker, General Motors, announced it was cutting 9 percent of its global workforce and closing nine North American assembly, stamping and powertrain plants by 2008.<sup>1</sup> This was sobering news for the entire Midwest and the rest of the nation. Before the GM plans had completely soaked in, Ford Motor Company announced a similar trimming of its workforce—a 20 to 25 percent reduction of its North American

workforce by 2012.<sup>2</sup> Change is in the air and only time will tell how this all plays out. But in the meantime, there are good data being produced that Indiana and the Midwest can use to better understand its economic foundations and assess its strengths and weaknesses.

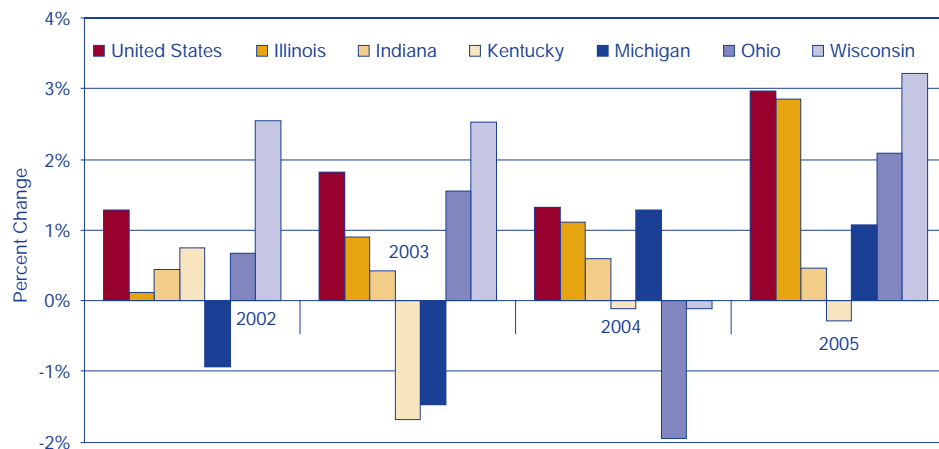
The Bureau of Labor Statistics Quarterly Census of Employment and Wages recently released data for the second quarter of 2005. While a little dated, the dataset is more

comprehensive than the monthly surveys (and the surveys use it to benchmark against).

## Business Trends across the Midwest

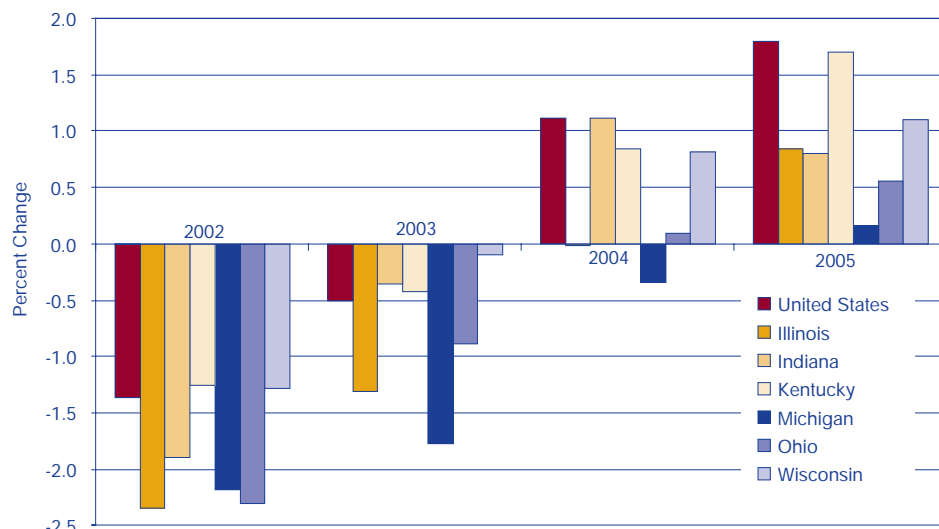
Since 2001, Indiana has added businesses each year, and in 2005, the addition of a little over 700 businesses brought the total close to 153,400. Over the four-year period, the state had a net increase of 2,250 businesses or 1.9 percent. Over this same time period, Michigan and Kentucky lost businesses, 169 and 1,438, respectively. Ohio had a 2.3 percent increase, while Illinois (5.1 percent increase) and Wisconsin (8.4 percent increase) were more in line with the nation's growth of 7.6 percent. **Figure 1** looks at the over-the-year percent change in the number of businesses, showing that Indiana had growth rates below the nation for the four-year time period. Although Indiana's growth rate in 2005 was slower than most of its Midwestern neighbors, the state shares a positive distinction with Illinois for no net declines in businesses. Wisconsin, which is certainly one of Indiana's peers in terms of population, added 9,500 more businesses than Indiana and had a growth rate that was 6.5 percentage points greater than the state. Maybe this is indicative that Indiana's business environment needs improvement. Cfed, a Washington, D.C., nonprofit organization, gave Indiana's business climate grades of Cs and Ds, while Wisconsin's lowest grade was a B.<sup>3</sup>

FIGURE 1: OVER-THE-YEAR PERCENT CHANGE IN BUSINESSES, 2005:2



Source: IBRC, using Bureau of Labor Statistics data

FIGURE 2: OVER-THE-YEAR PERCENT CHANGE IN EMPLOYMENT, 2005:2



Source: IBRC, using Bureau of Labor Statistics data

## Employment Trends across the Midwest

For a recession that didn't officially kick off until March 2001, according to the National Bureau of Economic

TABLE 1: OVER-THE-YEAR JOB CHANGE

Super Sector	United States		Indiana		Illinois		Kentucky		Michigan		Ohio		Wisconsin	
	Change in Jobs	Percent Change	Change in Jobs	Percent Change	Change in Jobs	Percent Change	Change in Jobs	Percent Change	Change in Jobs	Percent Change	Change in Jobs	Percent Change	Change in Jobs	Percent Change
Total	2,323,870	1.8	22,946	0.8	48,474	0.8	29,547	1.7	7,006	0.2	29,564	0.6	29,926	1.1
Mining	36,982	7.1	-356	-5.1	339	3.6	1,615	8.5	393	5.8	-237	-2.1	65	2.1
Construction	331,069	4.6	-1,020	-0.7	574	0.2	608	0.7	-1,140	-0.6	-1,602	-0.7	2	0.0
Professional, Scientific and Technical Services	273,079	4.0	1,654	1.9	12,921	3.9	3,211	5.5	4,031	1.6	7,543	3.3	1,963	2.2
Administrative, Support and Waste Management	232,679	2.9	6,361	4.2	4,856	1.3	6,454	7.3	7,667	2.8	6,545	2.1	5,845	4.7
Accommodation and Food Services	314,976	2.9	4,109	1.7	7,749	1.8	4,160	2.9	3,702	1.1	8,142	1.9	4,244	1.9
Management of Companies and Enterprises	44,196	2.6	-232	-0.9	5,399	6.3	523	3.4	-3,062	-4.5	4,938	5.3	1,283	3.2
Health Care and Social Services	365,139	2.3	6,783	2.0	13,367	2.1	4,616	2.1	11,475	2.2	17,403	2.4	5,237	1.5
Real Estate, Rental and Leasing	47,418	2.2	555	1.5	442	0.5	433	2.2	-97	-0.2	-185	-0.3	256	0.9
Wholesale Trade	110,082	2.0	2,252	1.9	2,097	0.7	670	0.9	-388	-0.2	4,792	2.1	3,612	3.2
Transportation and Warehousing	81,780	1.6	4,081	3.3	2,436	0.9	2,346	2.7	2,071	1.6	6,575	3.3	1,234	1.1
Educational Services	172,169	1.5	3,686	1.6	5,524	1.1	4,425	2.7	709	0.2	-2,586	-0.6	1,449	0.7
Finance and Insurance	79,825	1.4	-2,346	-2.3	1,305	0.4	736	1.1	921	0.6	-2,309	-1.0	715	0.6
Arts, Entertainment and Recreation	29,167	1.3	-933	-1.9	-34	0.0	40	0.2	227	0.3	-395	-0.5	45	0.1
Retail Trade	183,688	1.2	-613	-0.2	967	0.2	1,218	0.6	-7,644	-1.5	-4,506	-0.7	-2,807	-0.9
Other Services (Except Public Administration)	41,256	0.9	87	0.1	-157	-0.1	-484	-1.1	1,612	1.2	-2,934	-1.7	435	0.5
Public Administration	28,021	0.4	-1,115	-0.9	201	0.1	563	0.6	43,477	28.3	-541	-0.2	-995	-0.7
Manufacturing	-58,162	-0.4	-310	-0.1	-6,148	-0.9	-765	-0.3	-18,656	-2.7	-9,970	-1.2	3,571	0.7
Agriculture, Forestry, Fishing and Hunting	-15,750	-1.3	-47	-0.4	-262	-1.6	113	1.5	117	0.5	-290	-1.9	484	2.7
Information	-47,328	-1.5	-707	-1.5	-2,528	-1.9	317	1.0	-342	-0.5	-2,137	-2.0	-95	-0.2
Utilities	-14,186	-1.7	200	1.4	-653	-2.7	44	0.4	1,545	7.5	-217	-0.7	-84	-0.6

\*Highlighted categories indicate where Indiana had larger percent declines than the nation or the Midwest.  
 Note: Unallocated industries are not shown.  
 Source: Bureau of Labor Statistics

Research,<sup>4</sup> **Figure 2** shows that Indiana and its Midwestern neighbors were still in the midst of job losses in the second quarter of 2002. Indiana suffered greater percentage declines during this timeframe but then pulled out of the recession a little quicker than the rest of the nation. In 2004, Indiana saw a 1.1 percent expansion in jobs—tying with the nation. However, the state lost ground in 2005 with an employment growth rate that was 1 percentage point below the nation.

According to **Table 1**, Indiana gained almost 23,000 jobs over the year. Ohio, Wisconsin and Kentucky all gained about 29,000 jobs each, while Illinois gained more than twice as many jobs as Indiana. Michigan stood alone with only 7,000 jobs added, suffering heavy losses in its manufacturing industries. In fact, Indiana fared the best in manufacturing with only 300 lost jobs or -0.1 percent. Nine of Indiana’s sectors experienced job losses. Comparatively, Ohio lost jobs in 13

sectors and Kentucky only saw losses in two. Indiana saw larger percentage declines than the rest of the Midwest and the nation in mining, finance and insurance, arts, entertainment and recreation, and public administration.

Although overall job gains are good, it may not be a healthy scenario when the majority of the gain is reliant on 10 of the 20 sectors making up the state’s economy and five sectors in particular. Transportation and warehousing, administrative support, education, health care and social services, and accommodation and food services contributed 85 percent of the total number of jobs gained. Within the Midwest, only Ohio had a more uneven pattern of employment growth. The Federal Deposit Insurance Corp. (FDIC) found similar results for the third quarter of 2005.<sup>5</sup> The report found that, for many Hoosiers, “A combination of relatively slow population growth, steady housing starts, uneven employment conditions

and slow income growth ... produced conditions for added financial stress.”

### Industrial Mix of Jobs

Over the course of a year, the state’s job composition has changed. There has been a shift away from manufacturing (20 percent to 19.8 percent of jobs), construction, retail, finance and insurance, and public administration jobs. Meanwhile, other sectors of the economy, such as transportation and warehousing, administrative support, education, health care and social services, and accommodation and food services (the same five sectors mentioned above), have picked up and boosted their shares of total employment.

### Pay Levels for Indiana and the Nation

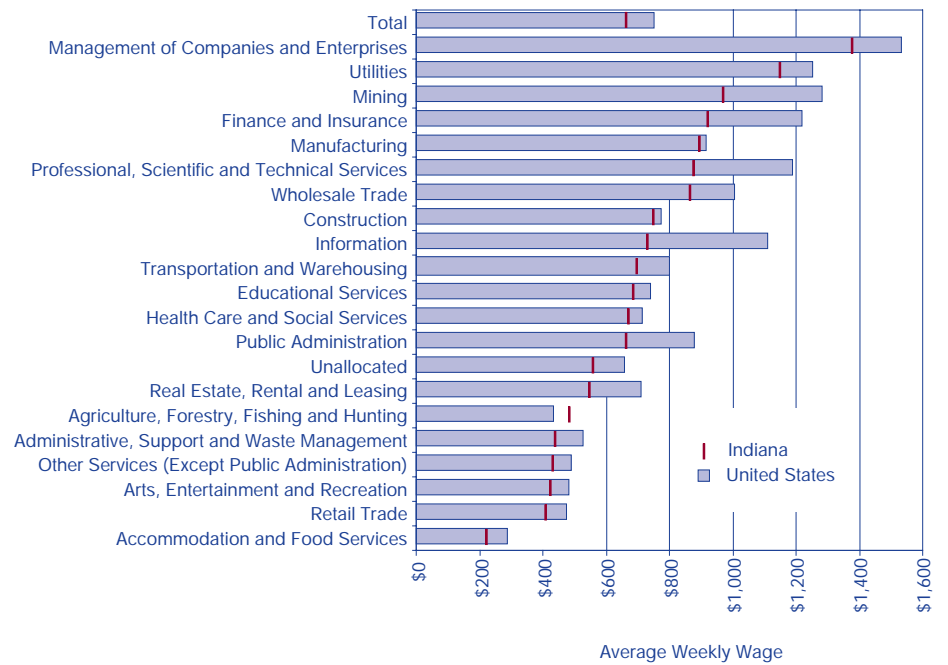
**Figure 3** illustrates a pay gap between Indiana and the nation for all industries. The average Hoosier brings home \$664 dollars a week—\$87 dollars less

than others across the nation. The only industry paying Hoosiers more is agriculture, fishing and hunting where Hoosiers earn \$484 a week—\$52 dollars more than the U.S. average. The gap continues to widen as the country’s average weekly wage advanced 3.8 percent—a full percentage point above the state. Only five industries in Indiana outpaced the nation’s growth rate: management of companies and enterprises, mining, education services, professional and technical services, and public administration.

### The Languid Manufacturing Sector

The manufacturing environment in Indiana and the rest of the nation is changing due to global competition, process improvements and increased productivity. **Table 2** looks at which manufacturing industries had the largest numeric increases and decreases in jobs in the United States and Indiana. Both Indiana and the nation experienced a decline in motor vehicle parts manufacturing but Indiana sustained a slightly greater percentage decline. The manufacturing industry with the largest job increase in the state was machine shops; turned product; and screw, nut and bolt manufacturing with 1,100 jobs

FIGURE 3: AVERAGE WEEKLY WAGES IN INDIANA AND THE UNITED STATES



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

added or 8.2 percent. This was also the fastest growing at the national level, although Indiana added jobs at a faster rate.

Indiana has 585 businesses and 127,300 employees working in the manufacturing of automobiles and vehicle parts. That constitutes over one-fifth of all manufacturing jobs in the state or 14.4 percentage points greater than the number of jobs the United States has devoted to the

automobile industry (as a share of all manufacturing jobs). Only Michigan, where the automobile industry constitutes a little more than one-third of all manufacturing jobs, has more vested than Indiana in this industry.

### Notes

1. Associated Press, “GM Slashing 30,000 Jobs, Closing Plants,” *MSNBC Online*, November 21, 2005. Available at [www.msnbc.msn.com/id/10138507/](http://www.msnbc.msn.com/id/10138507/).
2. Associated Press, “Ford to Cut up to 30,000 Jobs, Idle 14 Plants,” *MSNBC Online*, January 23, 2006. Available at [www.msnbc.msn.com/id/10946664/](http://www.msnbc.msn.com/id/10946664/).
3. [www.cfed.org/focus.m?parentid=34&siteid=1581&id=1592](http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1592); and Norm Heikens, “Indiana’s Economic Grades Falling,” *Indystar.com*, January 28, 2006. Available at [www.indystar.com/apps/pbcs.dll/article?AID=/20060128/BUSINESS/601280418/1003](http://www.indystar.com/apps/pbcs.dll/article?AID=/20060128/BUSINESS/601280418/1003)
4. [www.nber.org/cycles.html](http://www.nber.org/cycles.html)
5. Bill Medley, “Hoosiers Feeling Economic Pinch, Says FDIC Report,” *Evansville Courier and Press*, January 11, 2006. Available at [www.indianaeconomicdigest.net/main.asp?SectionID=31&SubSectionID=116&ArticleID=24081](http://www.indianaeconomicdigest.net/main.asp?SectionID=31&SubSectionID=116&ArticleID=24081); and [www.fdic.gov/bank/analytical/stateprofile/Chicago/In/IN.xml.html](http://www.fdic.gov/bank/analytical/stateprofile/Chicago/In/IN.xml.html)

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

TABLE 2: LARGEST OVER-THE-YEAR NUMERIC CHANGE IN MANUFACTURING

	NAICS	Industry	Change	Percent Change
United States	3152	Cut and Sew Apparel Manufacturing	-22,577	-10.0
	3231	Printing and Related Support Activities	-13,931	-2.1
	3132	Fabric Mills	-11,133	-9.6
	3363	Motor Vehicle Parts Manufacturing	-10,381	-1.5
	3331	Agriculture, Construction and Mining Machinery Manufacturing	14,483	7.5
	3364	Aerospace Product and Parts Manufacturing	16,078	3.7
	3327	Machine Shops; Turned Product; and Screw, Nut and Bolt Manufacturing	16,497	5.1
Indiana	3363	Motor Vehicle Parts Manufacturing	-1,471	-1.9
	3344	Semiconductor and Other Electronic Component Manufacturing	-973	-15.6
	3352	Household Appliance Manufacturing	-849	-19.1
	3362	Motor Vehicle Body and Trailer Manufacturing	459	1.2
	3336	Engine, Turbine and Power Transmission Equipment Manufacturing	675	6.4
	3391	Medical Equipment and Supplies Manufacturing	940	5.8
	3327	Machine Shops; Turned Product; and Screw, Nut and Bolt Manufacturing	1,110	8.2

Source: Bureau of Labor Statistics