

Average Annual Pay Comparison

While the rate of average annual pay growth in the past has fluctuated among regions, more recently the rate of growth has aligned for the United States, Midwest and Indiana, according to the Bureau of Labor Statistics.

Indiana experienced a 1.2 percent increase in pay from 2003 to 2004, less than the United States but greater than the Midwest (see **Figure 1**). The 11.3 percent increase in average annual pay for the Midwest in 1997 was mainly due to Michigan's 47 percent increase in wages that dropped back down the following year.¹ Indiana's largest increase was in 1992, when average annual pay grew 4.6 percent. Even though Indiana's growth rates are not far from the rest of the nation and the Midwest, at \$34,694, Hoosiers are paid \$4,660 dollars less than others across the nation and \$3,769 dollars less than other workers across the Midwest (see **Figure 2**). This stubborn pay gap has widened over the last decade (see **Table 1**).

Five-Year Change in Average Annual Pay

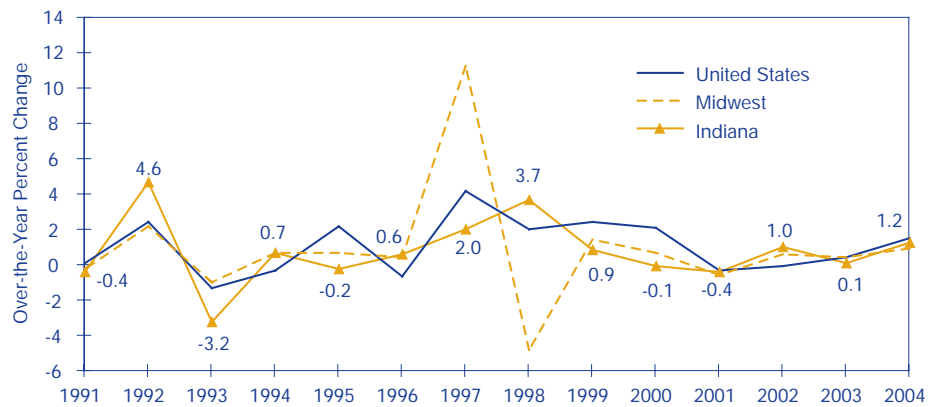
Examining our position from 1999 in relation to 2004, our pay level eroded relative to the Midwest and the rest of the nation. Which sectors contributed the most to this loss of ground?

Table 2 shows the change in average annual pay, while **Table 3** shows the differences between Indiana and other regions. Indiana saw pay decreases in three industries: accommodation and food services, educational services, and mining. Both the United States and the Midwest saw a decline in average annual pay for the information sector, while Indiana experienced a 7 percent increase (\$2,598). An increase of this magnitude is certainly welcomed but

should not overshadow the fact that the state's average annual pay in this sector is \$19,391 less than the United States and \$8,299 less than what other Midwestern workers earn in this sector. Indiana's five-year change in

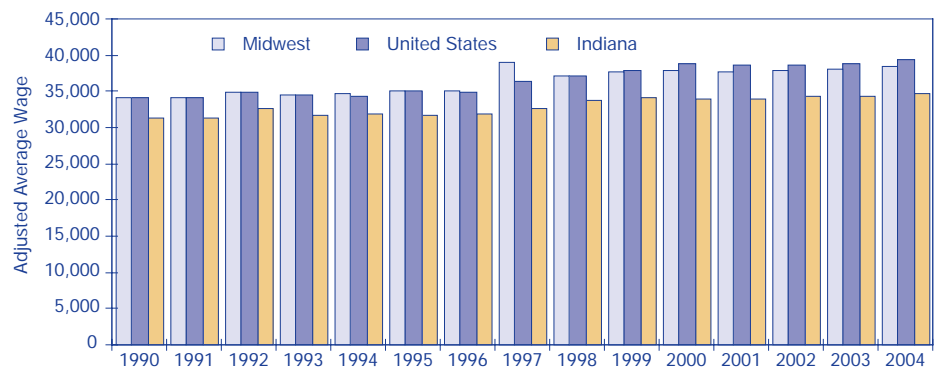
pay was only greater than the United States in the information sector and the professional, scientific and technical services sector. However, Indiana had larger average annual pay increases than the Midwest in 11 out of 20

FIGURE 1: OVER-THE-YEAR PERCENT CHANGE IN AVERAGE ANNUAL PAY, 1991 TO 2004



Notes: Data adjusted for inflation. Midwest includes Illinois, Kentucky, Michigan, Ohio and Wisconsin. Source: Bureau of Labor Statistics

FIGURE 2: ADJUSTED AVERAGE WAGE, 1990 TO 2004



Notes: Midwest includes Illinois, Kentucky, Michigan, Ohio and Wisconsin. Average wage adjusted for inflation. Source: Bureau of Labor Statistics

TABLE 1: DIFFERENCE IN AVERAGE ANNUAL PAY

Year	Indiana – United States	Indiana – Midwest	Percent of United States	Percent of Midwest
2004	-4,660	-3,769	88.2	90.2
2003	-4,503	-3,847	88.4	89.9
2002	-4,369	-3,718	88.7	90.2
2001	-4,735	-3,823	87.7	89.9
2000	-4,729	-3,913	87.8	89.7
1999	-3,902	-3,631	89.7	90.4
1998	-3,299	-3,411	91.1	90.8
1997	-3,764	-6,495	89.6	83.4
1996	-2,951	-3,161	91.5	91.0
1995	-3,365	-3,204	90.4	90.8
1994	-2,561	-2,908	92.6	91.6
1993	-2,883	-2,883	91.6	91.6
1992	-2,282	-2,156	93.5	93.8
1991	-2,894	-2,877	91.5	91.6
1990	-2,759	-2,840	91.9	91.7

Source: Bureau of Labor Statistics

TABLE 2: FIVE-YEAR CHANGE IN AVERAGE ANNUAL PAY, 1999 TO 2004

Industry Sector	Indiana		United States		Midwest	
	Five-Year Change	Percent Change	Five-Year Change	Percent Change	Five-Year Change	Percent Change
Total	\$630	1.9	\$1,388	3.7	\$769	2.0
Management of Companies and Enterprises	\$6,097	10.0	\$8,002	11.1	\$3,374	4.1
Finance and Insurance	\$3,858	8.7	\$7,893	12.7	\$5,549	10.4
Utilities	\$3,738	6.3	\$4,482	7.3	\$2,864	4.5
Information	\$2,598	7.0	-\$1,806	-3.0	-\$1,289	-2.6
Real Estate, Rental and Leasing	\$2,420	9.2	\$3,322	9.8	\$1,763	5.4
Health Care and Social Services	\$2,255	6.9	\$2,516	7.3	\$2,112	6.2
Administrative, Support and Waste Management	\$1,868	9.0	\$2,598	10.5	\$1,918	8.0
Wholesale Trade	\$1,649	3.7	\$1,788	3.5	\$1,376	2.7
Public Administration	\$1,630	5.0	\$3,553	8.5	\$2,708	6.8
Transportation and Warehousing	\$1,163	3.3	\$1,473	3.7	\$1,487	3.7
Arts, Entertainment and Recreation	\$1,146	4.6	\$1,217	4.7	\$411	1.8
Professional, Scientific and Technical Services	\$1,102	2.5	-\$693	-1.1	\$430	0.7
Manufacturing	\$951	2.0	\$2,080	4.5	\$1,047	2.2
Other Services (Except Public Administration)	\$714	3.3	\$1,094	4.5	\$574	2.4
Retail Trade	\$530	2.5	\$611	2.6	\$356	1.6
Construction	\$493	1.3	\$747	1.9	-\$638	-1.5
Agriculture, Forestry, Fishing and Hunting	\$362	1.4	\$1,297	6.1	\$588	2.5
Accommodation and Food Services	-\$18	-0.2	\$236	1.6	\$47	0.4
Educational Services	-\$527	-1.6	\$1,155	3.3	\$955	2.7
Mining	-\$996	-2.0	\$4,823	7.8	\$683	1.4

Note: Data adjusted for inflation
Source: Bureau of Labor Statistics

sectors. The five-year change in pay for all industries combined was \$758 less than the United States and \$138 less than the Midwest.

Overall, only 25 counties saw dollar declines in their average annual pay over the five-year period. As shown in **Figure 3**, Vermillion County had the largest average annual pay decline (\$4,863, -11.6 percent). Gibson County

workers saw the largest increase in their inflation-adjusted average annual pay (\$11,579, 37.9 percent).

In 2004, the average annual pay levels in Indiana were lower than the nation and the Midwest in all sectors except agriculture, forestry, fishing and hunting and in the arts, entertainment and recreation (Midwest only). Of course, average annual pay is not what

you actually get to bring home, and cost of living cannot be ignored when comparing pay levels between areas.

The Bureau of Economic Analysis provides per capita disposable personal income for states for this time period. Although this calculation is based off of personal income, which includes all sources of income and not just work-related income, this can give us an idea of the cost of living for Indiana residents. Note that per capita disposable personal income is personal income from all sources minus taxes which includes income, property tax and motor vehicle licensing. In 2004, Indiana's disposable per capita personal income was \$27,070, an increase of 7.5 percent since 1999. Indiana's disposable per capita personal income growth rate was 0.9 percentage points less than the nation, 1.6 percentage points greater than Illinois and 1.9 percentage points greater than Ohio and Michigan. Per capita disposable personal income in Wisconsin and Kentucky grew faster than in Indiana over this five-year period (0.7 and 0.9 percentage points,

TABLE 3: DIFFERENCE IN FIVE-YEAR AVERAGE ANNUAL PAY, 1999 TO 2004

Industry Description	Indiana–United States		Indiana–Midwest	
	Actual Difference	Percentage Point Difference	Actual Difference	Percentage Point Difference
Total	-\$758	-1.8	-\$138	-0.2
Information	\$4,403	9.9	\$3,887	9.6
Professional, Scientific and Technical Services	\$1,795	3.6	\$672	1.8
Arts, Entertainment and Recreation	-\$71	0.0	\$736	2.9
Retail Trade	-\$81	0.0	\$174	1.0
Wholesale Trade	-\$139	0.2	\$273	1.0
Accommodation and Food Services	-\$254	-1.8	-\$65	-0.5
Construction	-\$254	-0.6	\$1,131	2.7
Health Care and Social Services	-\$260	-0.4	\$143	0.7
Transportation and Warehousing	-\$311	-0.4	-\$325	-0.4
Other Services (Except Public Administration)	-\$380	-1.3	\$140	0.9
Administrative, Support and Waste Management	-\$730	-1.6	-\$51	0.9
Utilities	-\$744	-1.0	\$874	1.9
Real Estate, Rental and Leasing	-\$901	-0.6	\$658	3.8
Agriculture, Forestry, Fishing and Hunting	-\$935	-4.7	-\$226	-1.1
Manufacturing	-\$1,129	-2.5	-\$96	-0.2
Educational Services	-\$1,682	-4.9	-\$1,482	-4.3
Management of Companies and Enterprises	-\$1,905	-1.1	\$2,723	5.9
Public Administration	-\$1,923	-3.4	-\$1,078	-1.8
Finance and Insurance	-\$4,035	-4.0	-\$1,691	-1.7
Mining	-\$5,819	-9.8	-\$1,679	-3.3

Note: Data adjusted for inflation
Source: Bureau of Labor Statistics

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Indiana Department of Workforce Development

Commissioner..... Ronald L. Stiver
Deputy Commissioner, Strategic Research and Development Andrew Penca
Research Director Dr. Hope Clark

10 N. Senate
Indianapolis, IN 46204

Web: www.in.gov/dwd

Indiana Economic Development Corporation

Secretary of Commerce Patricia Miller
President..... Mickey Maurer
Research Director..... Ryan Asberry

One North Capitol, Suite 700
Indianapolis, IN 46204

Web: www.iedc.in.gov

Indiana Business Research Center

Kelley School of Business, Indiana University

Director Jerry Conover
Executive Editor Carol O. Rogers
Managing Editor Rachel Justis
Graphic Design Molly Marlatt
Circulation Nikki Livingston
Quality Control Amber Kostelac, Joan Ketcham, Eric Harris, and Brett Skilbred

Bloomington
1275 E. Tenth Street, Suite 3110
Bloomington, IN 47405

Indianapolis
777 Indiana Avenue, Suite 210
Indianapolis, IN 46202

Web: www.ibrc.indiana.edu
E-mail: context@indiana.edu

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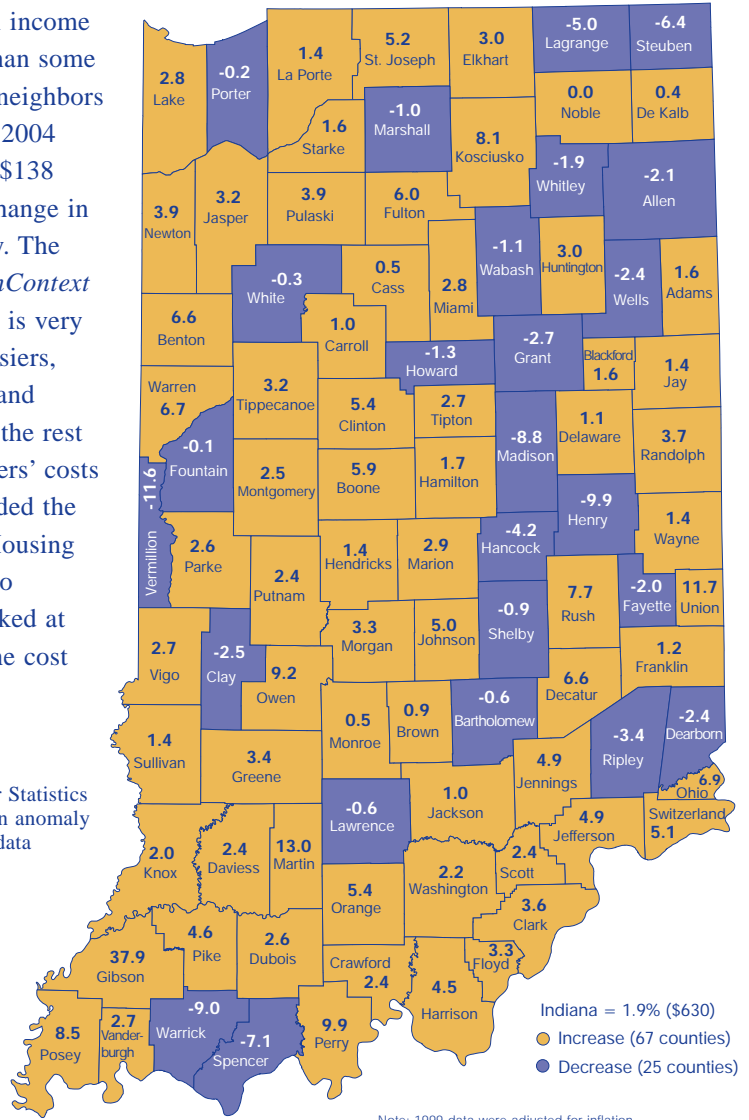
respectively). So the fact that Indiana's disposable per capita personal income has grown faster than some of its Midwestern neighbors between 1999 and 2004 helps to offset the \$138 difference in the change in average annual pay. The October issue of *InContext* found that housing is very affordable for Hoosiers, both homeowners and renters, relative to the rest of the nation (owners' costs in the article included the cost of utilities). Housing and utilities are two variables often looked at when examining the cost of living.

Notes

1. The Bureau of Labor Statistics admits this may be an anomaly in the reconstructed data series.

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

FIGURE 3: FIVE-YEAR CHANGE IN AVERAGE ANNUAL PAY



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