in context

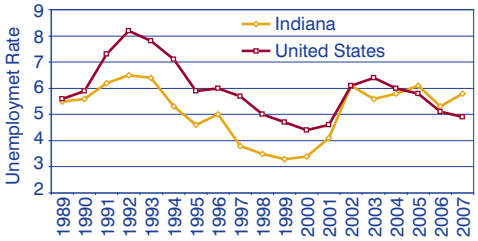
INDIANA'S WORKFORCE AND ECONOMY

APRIL 2007

inside

January Unemployment Rates

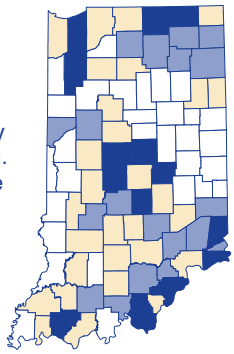
Indiana's January unemployment rate climbed to 5.8 percent in 2007, up 0.5 percentage points from a year earlier. Meanwhile, the U.S. rate fell to 4.9 percent.



*not seasonally adjusted

Percent Change in Population, April 2000 to July 2006

More than one-third of Indiana's 92 counties grew by at least 1,000 residents from 2000 to 2006, according to the newest data released by the U.S. Census Bureau. Hamilton County led the state both numerically and on a percentage basis, with an increase of more than 68,000 people, or 37.3 percent.



More than 6% (14 counties)
3.1% to 6% (19 counties)
0 to 3% (29 counties)
Decline (30 counties)

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

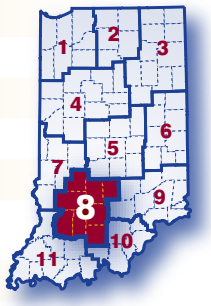
Applying Cluster Insights in a Rural Region

Clusters are a useful tool for strategic planning in rural regions. A recent study yielded a national database and a process to serve as a prototype for rural regional development planning and action throughout the country.[1] The study was funded by the U.S. Economic Development Administration and conducted by the Purdue Center for Regional Development, the Indiana Business Research Center at Indiana University's Kelley School of Business, and Strategic Development Group, Inc.

This article highlights a portion of this work, which used Economic Growth Region 8 (EGR 8) as a pilot region to mobilize local stakeholders in a planning process that was grounded in both secondary data analysis and local primary data collection.

TABLE 1: WELL-KNOWN EMPLOYERS IN EGR 8

Baxter (Pharmaceuticals)
Bloomington Hospital (Health Care)
Boston Scientific (Medical Devices)
Cook, Inc. (Medical Devices)
Cook Urological (Medical Devices)
Internal Medicine Associates (Health Care)
Cook Pharmica (Pharmaceuticals)
French Lick Springs Resort (Tourism)
General Electric (Consumer Appliances)
General Motors (Automotive Supplier)
GPC (Corn-Based Products)
Indiana University–Bloomington (Education)
Lehigh Cement (Cement Products)
National Gypsum (Building Products)
NSWC Crane (U.S. Naval Base)
Visteon (Automotive Supplier)



Source: PCRD

EGR 8 Overview

Indiana's EGR 8 is a primarily rural region,[2] although Indiana's seventh most populous city, Bloomington, is located in Monroe County. Aside from Monroe County, with a population of 121,407 in 2005, most of the region's counties have relatively small populations, ranging from 10,386 (Martin County) to 46,403 (Lawrence County). **Table 1** shows the best-known employers in EGR 8.

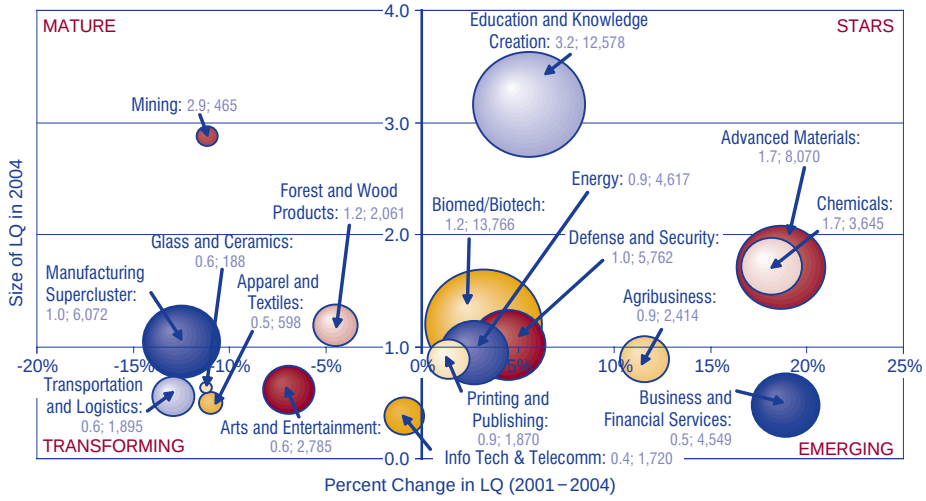
The Planning Process

A local 25-member Regional Advisory Committee (RAC) oversaw the planning process for EGR 8. Each county's lead economic development official served on the committee, as well as eight members of the Purdue Cooperative Extension Service from counties in the region. Representatives from business, government, regional planning organizations and the nonprofit sector fleshed out the group. Combining the results from cluster analysis with ground-level information helped the committee develop strategies for regional cluster activation.

Cluster Analysis

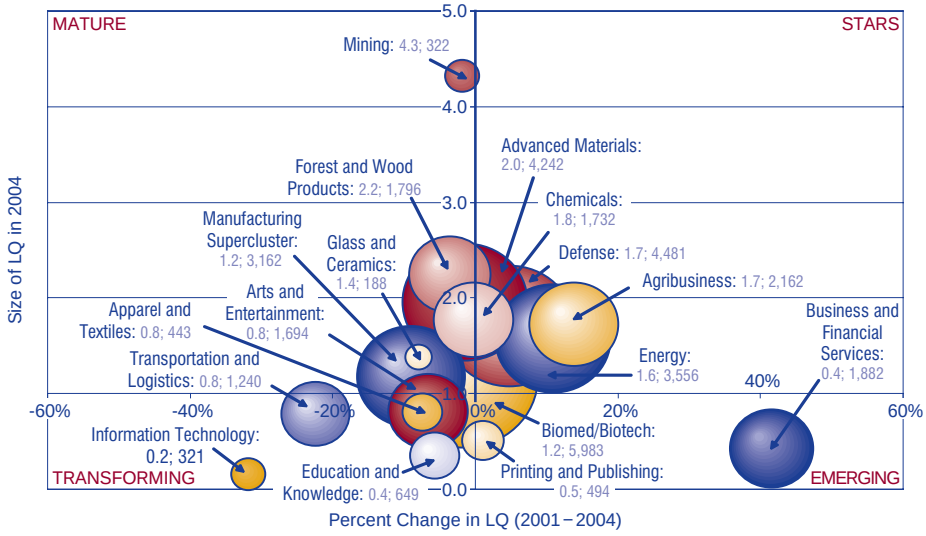
For each of the 17 industry clusters, **Figure 1** shows employment, the

FIGURE 1: **EGR 8 Cluster Size, Location Quotients and Percent Change in LQ, 2001–2004**



Note: The first value by the cluster name is the LQ for that particular cluster; the second value is the number of employees in the cluster in 2004.
Source: PCRD, using BLS-CEW data provided by the IBRC

FIGURE 2: **EGR 8 Minus Monroe County: Cluster Size, Location Quotients and Percent Change in LQ, 2001–2004**



Note: The first value by the cluster name is the LQ for that particular cluster; the second value is the number of employees in the cluster in 2004.
Source: PCRD, using BLS-CEW data provided by the IBRC

location quotient (LQ, a measure of relative cluster concentration) and change in LQ.[3]

The highest location quotients in EGR 8 were associated with six clusters: education and knowledge creation; mining; advanced materials; biomedical/biotechnical; chemicals and chemical-based products; and forest and wood products. Four of these clusters had increasing LQs (meaning they became even more concentrated) from 2001 through 2004, with the advanced materials and chemicals clusters increasing quite dramatically.

Five clusters showed increased specialization during this period but still had relatively modest LQs: defense and security; agribusiness, food processing and technology; energy; printing and publishing; and business and financial services. The increase in the LQ for the latter cluster was substantial, increasing by nearly 20 percent.

Six clusters had relatively low LQs and also saw their LQs decrease from 2001 through 2004: manufacturing; arts, entertainment, recreation and visitor industries; glass and ceramics; transportation and logistics; apparel and textiles; and information technology and telecommunications.

Many of the region's main economic assets are located in Monroe County.

Location quotients show where industry sectors are more strongly concentrated in particular localities than they are in the nation as a whole. To the extent that a particular location quotient is greater than 1, the area is considered to be more specialized in that industry or cluster than the nation is, and industries in the cluster are assumed to be producing for export outside the area as well as for local consumption.

- **Stars:** clusters that are relatively specialized (LQ > 1) and are becoming even more specialized over time within the study area
- **Emerging:** clusters that are relatively unspecialized (LQ < 1) but are becoming more specialized over time within the study area
- **Mature:** clusters that are relatively specialized (LQ > 1) but are becoming less specialized over time within the study area
- **Transforming:** clusters that are relatively unspecialized (LQ < 1) and are becoming even less specialized over time within the study area

Figure 2 shows the LQs of industry clusters in the region excluding Monroe County.

Table 2 shows each county in the region and its specialized clusters. The counties are all quite different with respect to the local concentration of their cluster industries. While EGR 8 as a whole has a diverse and reasonably robust cluster array, each county (with the exception of Monroe and to some extent Lawrence) has a relatively small number of cluster strengths when taken individually.

This distribution of cluster assets suggests a two-pronged strategic approach. First, the region should attempt to take advantage of existing cluster strengths in its more rural areas. Second, the strategy should create stronger connections between the lesser developed areas and the more developed metro area of Monroe County. This latter approach might pursue a variety of tactics: workforce development, vendor relationships and entrepreneurship.

Ground-Level Data

To supplement the cluster analysis, the planning team collected additional local information through interviews, focus groups and a survey of business executives.

Interviews and Focus Groups

The planning team met with five of the six mayors in the region for in-depth interviews. The mayors, as a whole, were extremely supportive of the planning effort and offered to participate in implementing the new strategy.

In addition, regional focus groups explored the following topics:

1. Arts, Entertainment, Recreation and Visitor Industries
2. Biomed/Biotech and Advanced Materials
3. Defense and Information Technology
4. Agribusiness, Forest and Wood Products, and Energy

EGR 8's Business Climate Survey

Respondents rated the importance of several local factors to the success of their businesses.[4] Four factors stood above the rest in importance (rated very or moderately important by more than 70 percent of those responding): workforce quality, responsive local government officials, labor availability and being close to customers.

As shown in **Table 3**, nearly half the respondents considered the availability of labor to be excellent or good for management and administrative salaried workers. Overall, the labor supply was

TABLE 2: **Clusters with Location Quotients of 1.2 or More in EGR 8 Counties, 2004**

	Metro Sphere	Rural-Metro Interface						Rural Sphere
Clusters	Monroe	Greene	Brown	Owen	Lawrence	Martin	Orange	Daviess
Advanced Materials	1.5			6.6	4.1	1.3		
Agribusiness, Food Processing and Technology		1.4						6.3
Apparel and Textiles			4.1				1.4	1.6
Arts, Entertainment, Recreation and Visitor Industries			4.5				1.8	
Biomedical/Biotechnical (Life Sciences)	1.3			2.7				1.2
Business and Financial Services								
Chemicals and Chemical-Based Products	1.7				3.8	2.6		
Defense and Security						10.8		
Education and Knowledge Creation	5.6							
Energy (Fossil and Renewable)		3.5				1.5	2.7	1.3
Forest and Wood Products				2.3			11.4	2.2
Glass and Ceramics			1.9		4.7			
Information Technology and Telecommunications								
Manufacturing Supercluster					3.6			
Computer and Electronic Product Manufacturing								
Electrical Equipment, Appliance and Component Manufacturing	7.1					5.4		
Fabricated Metal Product Manufacturing					2.6			
Machinery Manufacturing					2.4			
Primary Metal Manufacturing					18.1		3.3	
Transportation Equipment Manufacturing					4.9			
Mining	1.6			3.0	9.8	2.7	7.6	
Printing and Publishing	1.2			1.4				
Transportation and Logistics								1.5

Source: PCRD, using 2004 BLS-CEW data provided by the IBRC

TABLE 3: **RATINGS OF LABOR AVAILABILITY AND QUALITY IN EGR 8, 2006**

	Type of Labor	Labor Availability Percent of Respondents Indicating: Excellent	Good	Fair	Poor	n/a	Labor Quality Percent of Respondents Indicating: Excellent	Good	Fair	Poor	n/a
Hourly	Skilled	1	35	32	19	13	6	50	27	6	12
	Semi-Skilled	4	37	35	7	16	4	45	30	7	14
	Unskilled	15	28	22	12	22	4	28	32	16	19
Salaried	Management/Administrative	8	40	30	12	11	16	49	20	4	11
	Professional/Technical	9	29	31	19	12	13	46	20	9	12
	Sales/Marketing	4	27	25	15	29	4	38	26	3	29

Source: IBRC, using survey results

best for unskilled workers. Perhaps not surprisingly, these unskilled workers were also rated as lower in quality than the other categories of labor. Management and administrative workers, on the other hand, had the strongest quality ratings with 65 percent rating them either excellent or good.

When discussing regional assets, the most frequent observations concerned the good quality of life in the region, shaped by a variety of factors such as recreational and cultural opportunities, beautiful natural environment, high quality health care, low crime, affordability, and the relaxed pace of life compared to urban areas. Some of the region's more prominent economic assets were also mentioned frequently, including its higher education institutions, the strong life sciences cluster, and the Crane Naval Surface Warfare Center. The region's location was often viewed as a strength, reasonably close to many larger cities and markets and centrally located within the United States.

When discussing regional liabilities, the most common drawback concerned poor transportation infrastructure and the impact this has, together with long distances to larger cities, on access to markets and services. Contrasting with the advantage cited earlier of having access to strong higher education institutions is the relatively low educational attainment of the workforce and the general population.

Cluster Strategy

The RAC ultimately selected the following cluster groups to be the focus of regional development efforts:

Energy; Agribusiness, Food Processing and Technology; Forest and Wood Products: Potential exists for significant growth given the current strength of this cluster and the opportunities for alternative energy—especially in biomass.

Biomedical/Biotech; Advanced Materials: The committee is looking to activate a hospital/health care roundtable to help small, local health care groups thrive in a difficult rural environment and to help small advanced materials and manufacturing firms retool to supply the growing biotech sector.

Arts, Entertainment, Recreation and Visitor Industries: This cluster has a number of possibilities, ranging from a series of regional festivals to year-around exhibits of the work of regional artists.

Transportation and Logistics: The committee not only saw this cluster as a major future area for activation (with the expansion of I-69) but also as a major enabling and supporting cluster for expanding business and cultural tourism.

Defense and Security: Because NSWC Crane is the second largest employer in southwest Indiana, this cluster is critical to the region's economic future. Three counties in the region have already pioneered a new tech park on the west side of Crane. At least one county is planning a similar park on the east side. Enabling all eight counties to gain from Crane's economic engine is important.

Business and Financial Services: The RAC felt the region was underserved in this cluster and wants to continue developing it.

Next Steps

The planning team continues to talk with potential funders about providing resources to enable implementation. If funding can be found, implementation could begin in 2007.

Notes

1. A grant from the U.S. Economic Development Administration supported this study to examine industry clusters in rural communities as a basis for economic development and strategic planning. To read the full report, *Unlocking Rural Competitiveness: The Role of Regional Clusters*, or to access maps and the online database, visit www.ibrc.indiana.edu/innovation/.
2. EGR 8 consists of Brown, Daviess, Greene, Lawrence, Martin, Monroe, Orange and Owen counties.
3. For more detail on location quotients and definitions of the 17 clusters, see the full report at www.ibrc.indiana.edu/innovation/reports.html.
4. The 112 responding organizations were generally long-term residents of the region and only 17 percent were headquartered outside of EGR 8. Forty-six percent of the organizations in this sample were located in Monroe County.

—Christine Nolan, Senior Associate, Purdue Center for Regional Development, Purdue University; Thayr Richey, President, Strategic Development Group; Jerry Conover, Director, Indiana Business Research Center, Kelley School of Business, Indiana University

More than Rocket Scientists Put a Man on the Moon

High-Wage, High-Demand Jobs with Two Years of Training or Less

How many workers did it take to put a man on the moon? Okay, I admit I don't know. But I do know that the stupendous achievement involved many more folks than the scientists who envisioned and engineered the lunar module and the rockets that delivered that payload to the moon's surface. From the construction workers who built the launch pads and blockhouse, to the accounting and procurement staff who ordered the materials and handled the payrolls, to the crew who maintained the elaborate electronics used to track the mission, this task involved a web of people and occupations that stretched far and wide—both geographically and in terms of the industries and occupations involved.

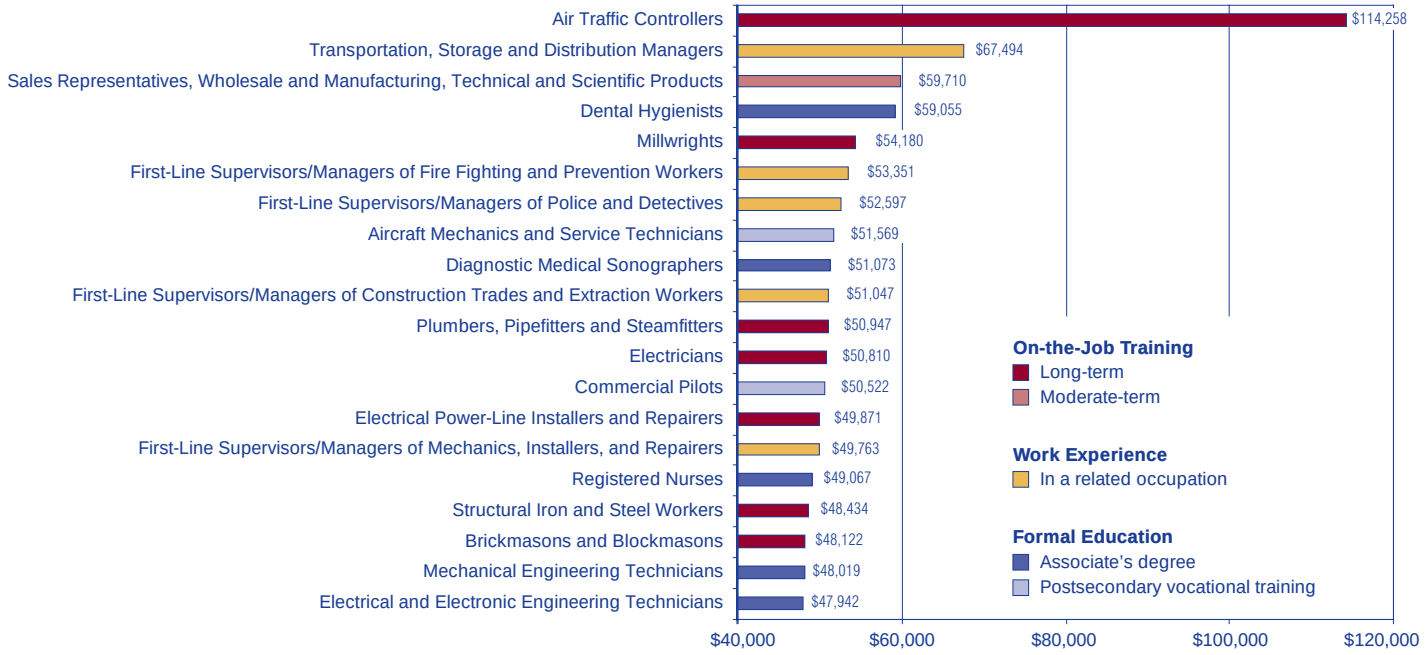
High-tech occupations, and those requiring bachelor's or advanced degrees, are increasingly common in today's workplace. But many occupations with less extensive training requirements, perhaps better suited to the new entrant or dislocated worker, also offer competitive salaries (see **Figure 1**). These occupations play key roles in keeping our economy ticking along and supporting the long-term visions of business and industry.

The Department of Workforce Development's Research and Analysis group has identified occupations with a "high wage" (i.e. above the state median wage) and those that are "high demand" (i.e. non-replacement growth of at least 100 projected jobs over 10 years). Fifty of these occupations have been identified as the "Hoosier Hot 50," based on indexing using a combination of wages and growth; however, that leaves about 180 other occupations for consideration. The list includes many common "shortage" occupations frequently in the news—e.g. welders and nurses—but many others of which we hear less.

Table 1 is a partial list of the 112 high-wage, high-demand jobs that generally require two years or less of full-time academic training or experience (although some may require an apprenticeship lasting up to four years). The complete list is available online at www.incontext.indiana.edu. Growth and replacement needs over a 10-year period for each occupation are summarized, along with annual wages (from the 2005 Occupational Employment Statistics survey) and typical experience/training required for the job.

Later this spring, the Research and Analysis group will make more information available on Hoosiers by the Numbers (www.hoosierdata.in.gov), allowing users to create customized lists of occupations based on wages, training/experience, occupational "family" or the industries using the largest proportion of workers in each occupation. Additional information

FIGURE 1: **Top 20 Highest Paying Jobs With Two Years Required Training or Less, Based on 2005 Median Wages**



Source: Department of Workforce Development

TABLE 1: **HIGH-WAGE, HIGH-DEMAND JOBS THAT REQUIRE TWO YEARS EXPERIENCE OR LESS WITH PROJECTED EMPLOYMENT GROWTH OF AT LEAST 800 JOBS, 2004 TO 2014**

	Occupational Title	2004 Employment	2014 Projection	Total Growth	Percent Change	Replacements[1]	Total Openings	2005 Annual Median Wage[2]
	Total, All Occupations	**3,056,560**	**3,359,170**	**302,600**	**10**	**742,160**	**1,082,830**	**$27,742**
Long-Term On-the-Job Training	Maintenance and Repair Workers, General	36,640	40,380	3,740	10	7,040	10,780	$31,894
	Carpenters	28,440	31,110	2,670	9	4,630	7,300	$34,550
	Plumbers, Pipefitters, and Steamfitters	12,930	14,650	1,720	13	2,970	4,700	$50,947
	Heating, Air Conditioning, and Refrigeration Mechanics and Installers	6,290	7,770	1,480	24	840	2,320	$35,547
	Electricians	17,560	18,950	1,390	8	3,470	4,860	$50,810
	Fire Fighters	6,780	8,140	1,360	20	1,970	3,330	$37,175
	Police and Sheriff's Patrol Officers	11,040	12,210	1,170	11	2,860	4,030	$40,917
	Cement Masons and Concrete Finishers	4,860	5,690	830	17	980	1,810	$33,088
Moderate-Term On-the-Job Training	Truck Drivers, Heavy and Tractor-Trailer	58,660	65,540	6,870	12	9,580	16,450	$36,406
	Customer Service Representatives	34,450	40,610	6,160	18	5,120	11,280	$27,939
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	30,450	33,430	2,980	10	7,990	10,980	$46,884
	Executive Secretaries and Administrative Assistants	25,360	27,720	2,370	9	4,860	7,220	$31,629
	Dental Assistants	4,880	6,860	1,980	41	1,370	3,350	$29,354
	Operating Engineers and Other Construction Equipment Operators	9,610	11,020	1,410	15	2,470	3,880	$40,363
	Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	8,620	9,750	1,130	13	2,260	3,400	$59,710
	Painters, Construction and Maintenance	9,560	10,610	1,050	11	1,460	2,510	$30,245
	Roofers	4,770	5,690	920	19	1,110	2,030	$29,766
	Construction Laborers	20,340	21,210	870	4	2,710	3,580	$32,400
	Sheet Metal Workers	6,360	7,180	820	13	1,530	2,350	$40,354
*	Industrial Truck and Tractor Operators	22,220	23,530	1,310	6	4,210	5,510	$28,254
Work Experience in a Related Occupation	First-Line Supervisors/Managers of Construction Trades and Extraction Workers	15,520	18,180	2,660	17	2,640	5,300	$51,047
	First-Line Supervisors/Managers of Mechanics, Installers, and Repairers	13,800	15,200	1,400	10	3,460	4,860	$49,763
	First-Line Supervisors/Managers of Office and Administrative Support Workers	25,090	26,180	1,100	4	5,380	6,480	$40,098
	First-Line Supervisors/Managers of Production and Operating Workers	26,820	27,910	1,090	4	5,620	6,720	$44,417
	First-Line Supervisors/Managers of Housekeeping and Janitorial Workers	4,900	5,880	980	20	1,160	2,140	$29,321
	First-Line Supervisors/Managers of Transportation and Material-Moving Machine and Vehicle Operators	6,690	7,580	880	13	1,570	2,460	$46,014
Associate's Degree	Registered Nurses	51,900	67,300	15,400	30	10,860	26,260	$49,067
	Dental Hygienists	4,030	5,690	1,660	41	340	2,000	$59,055
	Computer Support Specialists	7,800	9,180	1,380	18	960	2,340	$34,267
	Radiologic Technologists and Technicians	4,280	5,370	1,090	26	800	1,890	$43,197
	Paralegals and Legal Assistants	2,940	3,870	930	32	240	1,170	$35,160
	Medical and Clinical Laboratory Technicians	3,740	4,670	930	25	1,010	1,940	$31,311
Postsecondary Vocational Training	Licensed Practical and Licensed Vocational Nurses	18,820	21,760	2,940	16	4,100	7,050	$33,913
	Automotive Service Technicians and Mechanics	17,150	19,410	2,260	13	4,560	6,820	$32,526
	Bus and Truck Mechanics and Diesel Engine Specialists	7,070	8,240	1,160	16	1,820	2,980	$35,523
	Welders, Cutters, Solderers, and Brazers	14,190	15,240	1,050	7	4,010	5,060	$31,656
	Real Estate Sales Agents	7,100	7,950	840	12	1,410	2,250	$29,338
	Legal Secretaries	4,330	5,140	820	19	830	1,640	$29,941

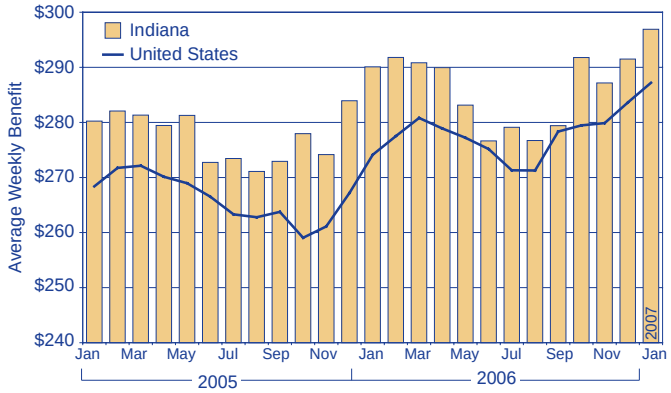
*Short-term on-the-job training
1. Replacements are "net replacement" openings. Net replacement openings estimate the difference between the movement of experienced workers who change jobs to enter other occupations, retire or leave the workforce for other reasons and the movement of experienced workers filling the openings. The openings that remain unfilled by experienced workers are net replacement openings available to new workforce entrants.
2. 2005 Annual Wage is the state median wage for the occupation from the Occupational Employment Statistics program.
Source: Department of Workforce Development

on occupational projections and employment and wages by occupation is currently available on Hoosiers by the Numbers; meanwhile, more data on specific occupations (tasks, knowledge, skills and abilities required, training and education requirements, etc.) is available online at www.onetcenter.org.

—Vicki D. Seegert, Advanced Economic and Market Analysis, Indiana Department of Workforce Development

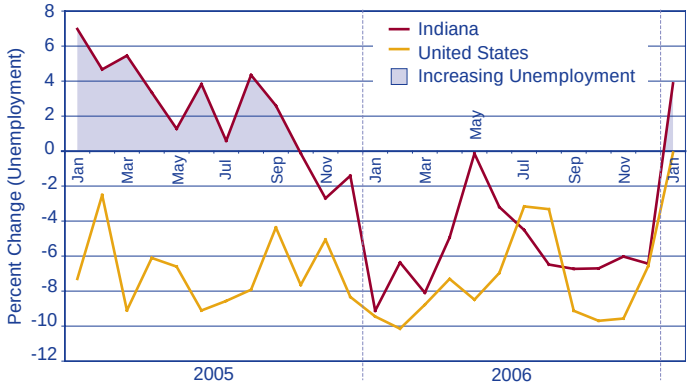
Monthly Metrics: Indiana's Economic Indicators

Average Benefits Paid for Unemployment Insurance Claims



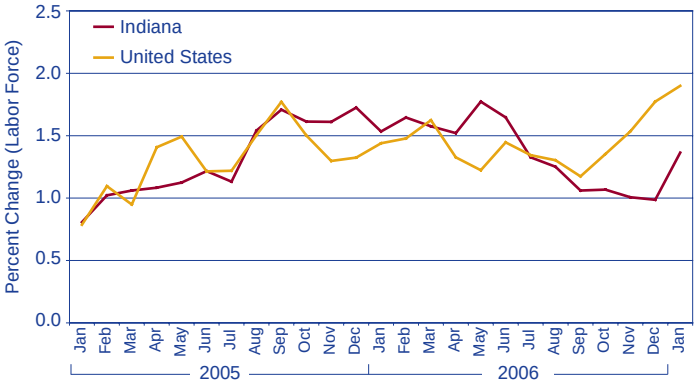
Source: IBRC, using U.S. Department of Labor data

Percent Change in Persons Unemployed from the Previous Year*



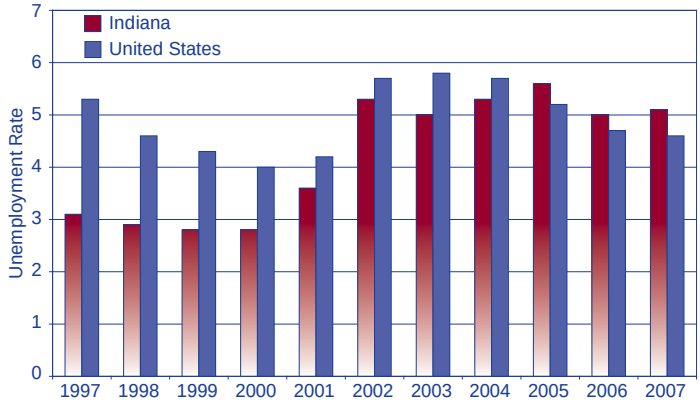
*seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics data

Percent Change in Labor Force from Previous Year*



*seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics data

January Unemployment Rates



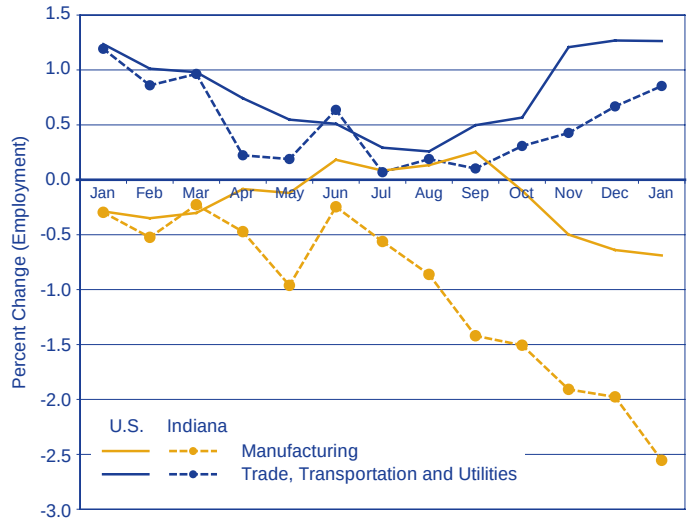
*seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics data

Change in Employment by Industry Super-Sector, 2006 to 2007*

Industry	Indiana		United States
	Change in Jobs	Percent Change	Percent Change
Total Nonfarm	8,000	0.3	2.0
Natural Resources and Mining	200	3.0	8.8
Professional and Business Services	6,200	2.3	4.1
Educational and Health Services	6,200	1.6	3.2
Trade, Transportation and Utilities	9,300	1.6	1.2
Financial Activities	1,100	0.8	2.4
Other Services	500	0.5	0.7
Government	1,900	0.4	1.3
Leisure and Hospitality	900	0.3	3.5
Information	-500	-1.2	0.3
Manufacturing	-16,400	-2.9	-0.8

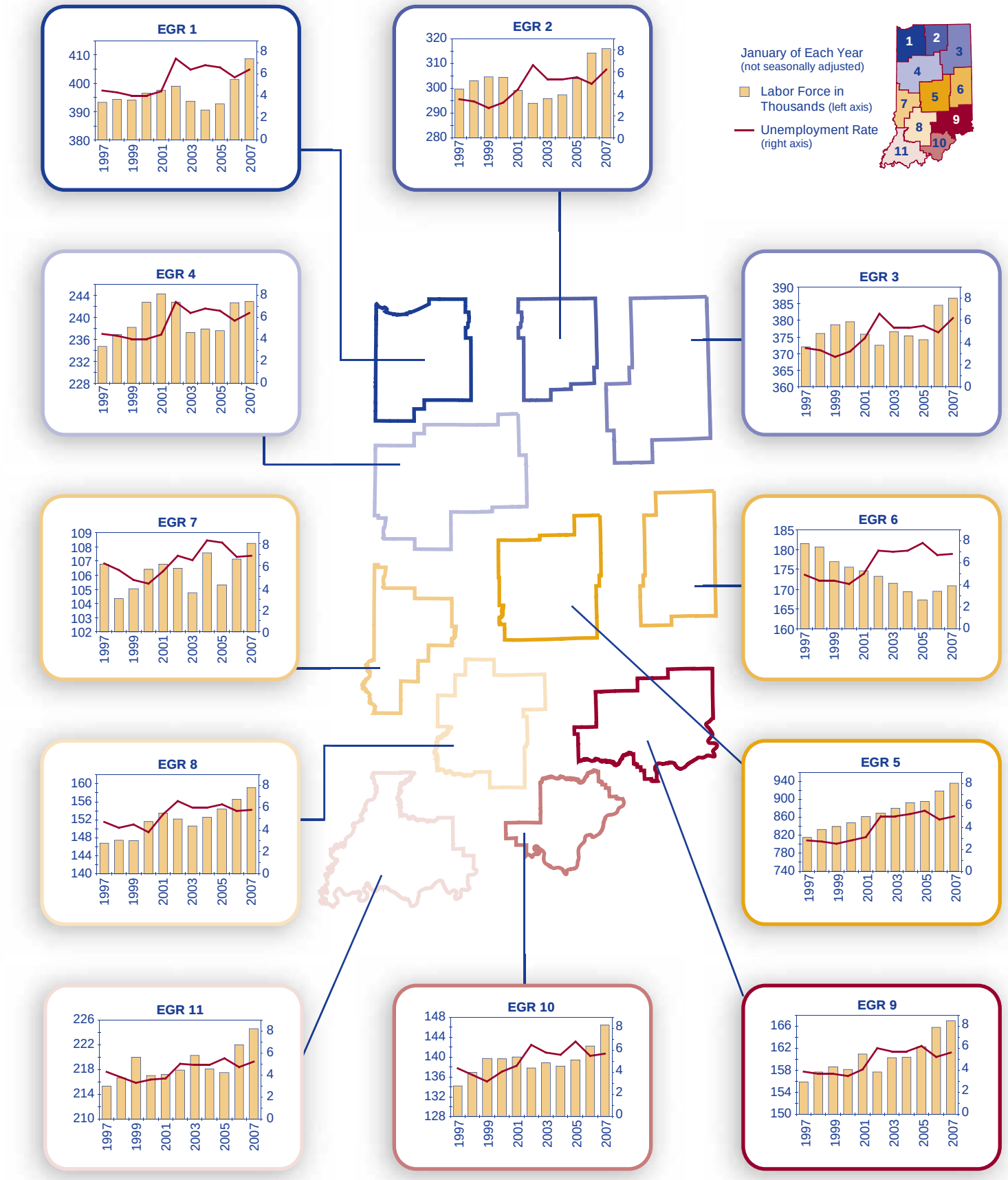
*January of each year, seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics data

Over-the-Year Percent Change in Employment by Super-Sector*



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

Regional Labor Force and Unemployment Rates

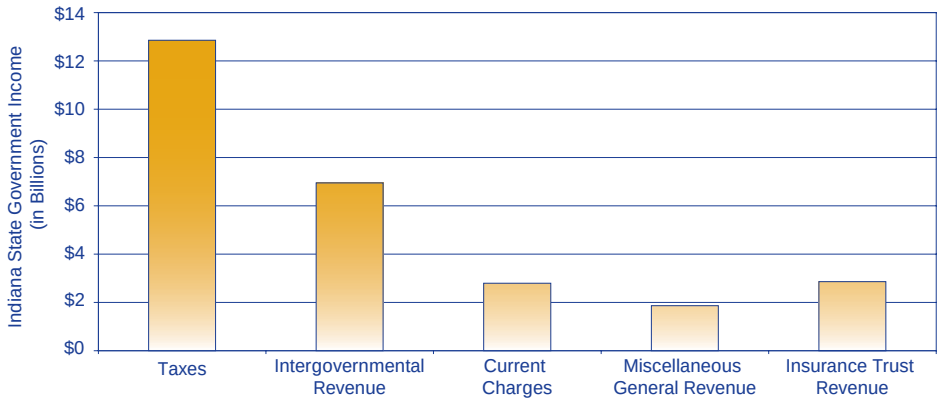


Financing State Governments in the United States

Editor's Note: Taxes provide the primary means of support for government, but some states rely on those taxes more than others. Recent data from the U.S. Census Bureau reveal the differences and similarities among our 50 states.

As shown in **Figure 1**, taxes are only one source of Indiana's government income and, nationwide, state governments vary in their reliance on taxes. Taxes account for at least half of all state revenue in Connecticut (56 percent) and Minnesota (50 percent), while they are less than 30 percent of revenue in four states (Wyoming, Oregon, South Dakota and Alaska). In Indiana, taxes account for 47 percent of total revenue.

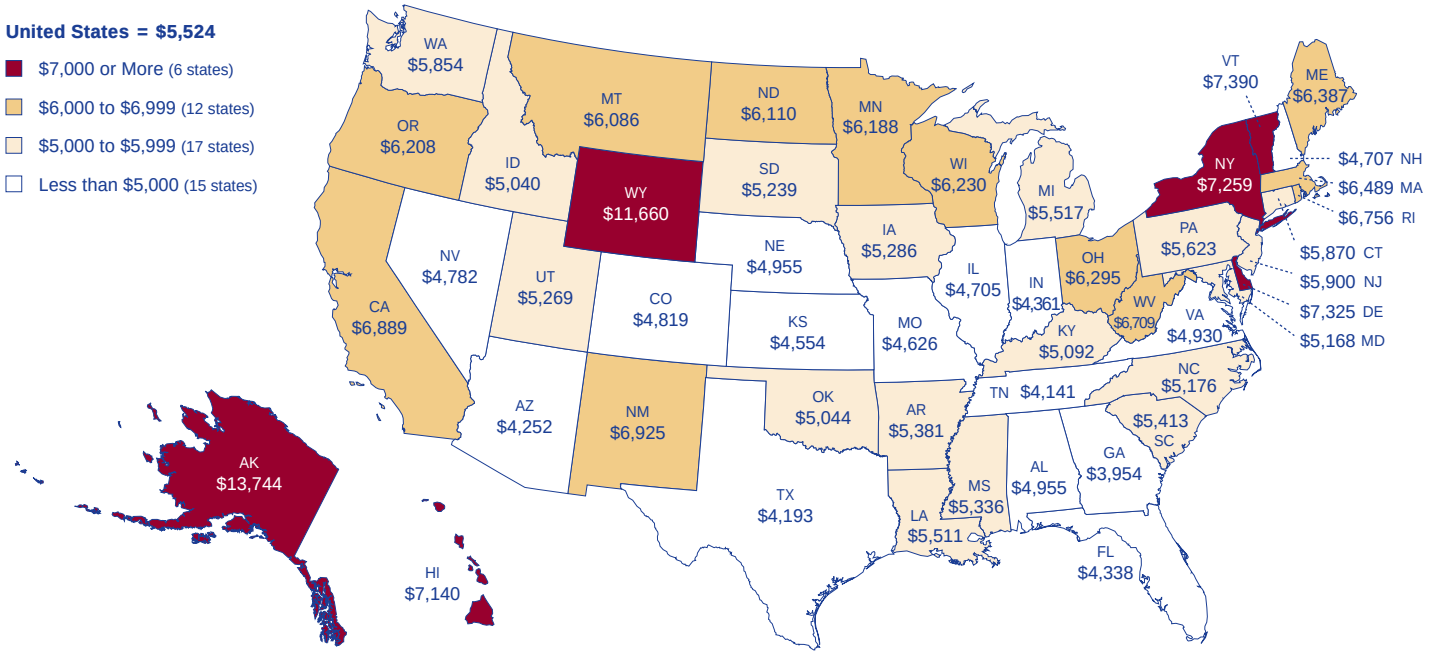
FIGURE 1: **INDIANA STATE GOVERNMENT INCOME, 2005**



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

Why do taxes make up a larger share of Indiana's state government revenue than the national average of 40 percent? Isn't Indiana typically considered a low-tax state? Collecting $27.3 billion in total revenue for 2005, Indiana ranked 18th in the nation. However, if one looks at total revenue per capita, Indiana ranks 45th (see **Figure 2**). So, while taxes make up a larger portion of Indiana's total revenue pie, our pie is smaller on a per capita basis than all but five other states (Florida, Arizona, Texas, Tennessee and Georgia).

FIGURE 2: **STATE GOVERNMENT REVENUE PER CAPITA, 2005**



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

Table 1 shows the different income streams of state governments in the Midwest. Taxes are the largest source of government income followed by intergovernmental revenue in four of the five states (insurance trust revenue ranks second in Ohio). Insurance trust revenue is the money a state takes in to administer programs such as public employee retirement systems, unemployment compensation and other social insurance systems. It includes payroll taxes that finance such systems as well as any earnings on assets held or invested by these funds.

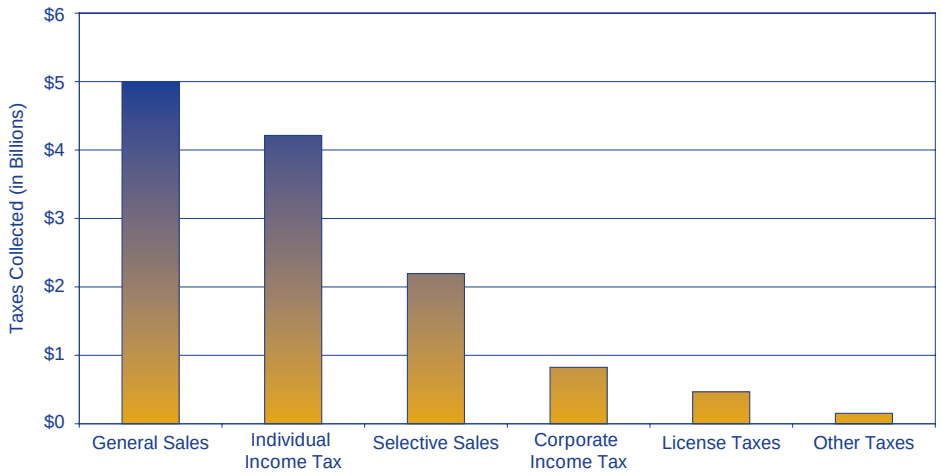
TABLE 1: **TYPES OF INCOME AS A PERCENT OF TOTAL REVENUE IN THE MIDWEST, 2005**

State Government Income	United States	Indiana	Illinois	Kentucky	Michigan	Ohio
Taxes	39.6%	47.0%	44.0%	42.8%	42.2%	33.2%
Intergovernmental Revenue	24.9%	25.4%	23.1%	27.5%	23.3%	21.8%
Insurance Trust Revenue	20.5%	10.5%	20.6%	14.5%	16.3%	31.2%
Current Charges	7.5%	10.2%	5.8%	9.4%	9.8%	8.0%
Miscellaneous General Revenue	6.3%	6.8%	6.5%	5.8%	7.2%	4.9%
Liquor Store Revenue	0.3%	n/a	n/a	n/a	1.2%	0.9%
Utility Revenue	0.9%	n/a	n/a	0.0%	n/a	n/a

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

With the April 15 tax filing deadline looming, people are perhaps predisposed to think of taxes in terms of the income tax, but the taxes that finance state government take several forms. The individual income tax is the largest source of tax revenue in 27 states; however, the largest source of tax revenue in Indiana, along with 17 other states, is the general sales tax (see **Figure 3**).

FIGURE 3: **TAXES COLLECTED BY INDIANA STATE GOVERNMENT, 2005**



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

The money state governments collect pays for the services we expect them to provide. **Table 2** shows just how government expenditures break down for Indiana and its Midwestern neighbors. The $9.47 billion spent on education in Indiana accounts for 36 percent of all state government expenditures.

TABLE 2: **EXPENDITURES BY FUNCTION AS A PERCENT OF TOTAL EXPENDITURES IN THE MIDWEST, 2005**

State Government Expenditures	United States	Indiana	Illinois	Kentucky	Michigan	Ohio
Education	30.9%	35.8%	27.2%	32.7%	40.0%	29.6%
Public Welfare	25.1%	23.3%	26.1%	27.0%	23.6%	23.7%
Other	8.0%	14.2%	10.4%	4.3%	5.8%	7.1%
Highways	6.1%	7.2%	6.4%	6.9%	5.4%	5.4%
Insurance Trust Expenditure	11.4%	7.0%	13.2%	12.0%	10.1%	17.6%
Correction	2.8%	2.6%	2.0%	2.2%	3.3%	2.5%
Government Administration	3.2%	2.4%	2.3%	3.5%	2.0%	3.0%
Health	3.3%	2.4%	4.6%	2.6%	1.9%	3.9%
Interest on General Debt	2.3%	1.9%	4.3%	1.9%	1.9%	2.0%
Hospitals	2.9%	1.1%	1.6%	3.7%	3.7%	3.1%
Natural Resources	1.2%	1.0%	0.6%	1.9%	0.5%	0.7%
Police Protection	0.8%	0.9%	0.7%	0.9%	0.6%	0.4%
Parks and Recreation	0.4%	0.3%	0.5%	0.6%	0.2%	0.2%
Utility and Liquor Store Expenditures	1.8%	0.1%	0.0%	n/a	1.1%	0.6%

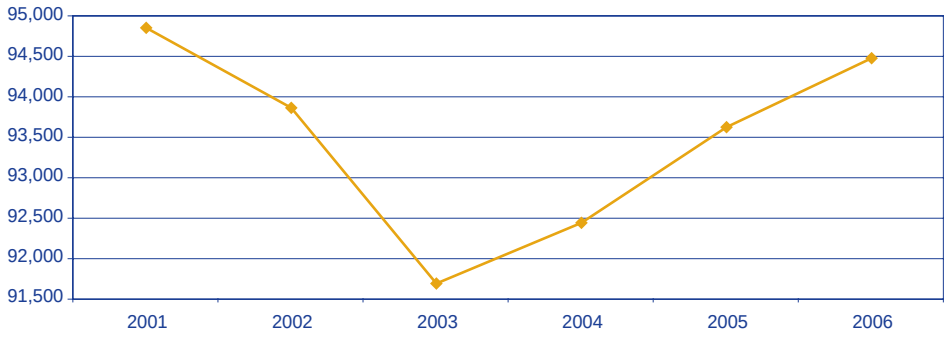
Source: IBRC, using U.S. Census Bureau data

The Lafayette-Frankfort CSA

This article is the fourth of seven highlighting each of Indiana's combined statistical areas (CSAs). CSAs are groupings of predefined metropolitan (metro) and/or micropolitan (micro) areas that, as the title suggests, combine these areas to "represent larger regions and reflect broader social and economic interactions."[1]

Benton, Carroll, Clinton and Tippecanoe counties make up the Lafayette-Frankfort CSA, which comprised 3.5 percent of Indiana's population in 2005 with about 217,400 residents. The area's population has been growing over the past five years, with an average annual growth of 951 people from 2000 to 2005.

FIGURE 1: **JOBS IN THE LAFAYETTE-FRANKFORT CSA, 2001:2 TO 2006:2**



Source: IBRC, using Bureau of Labor Statistics data

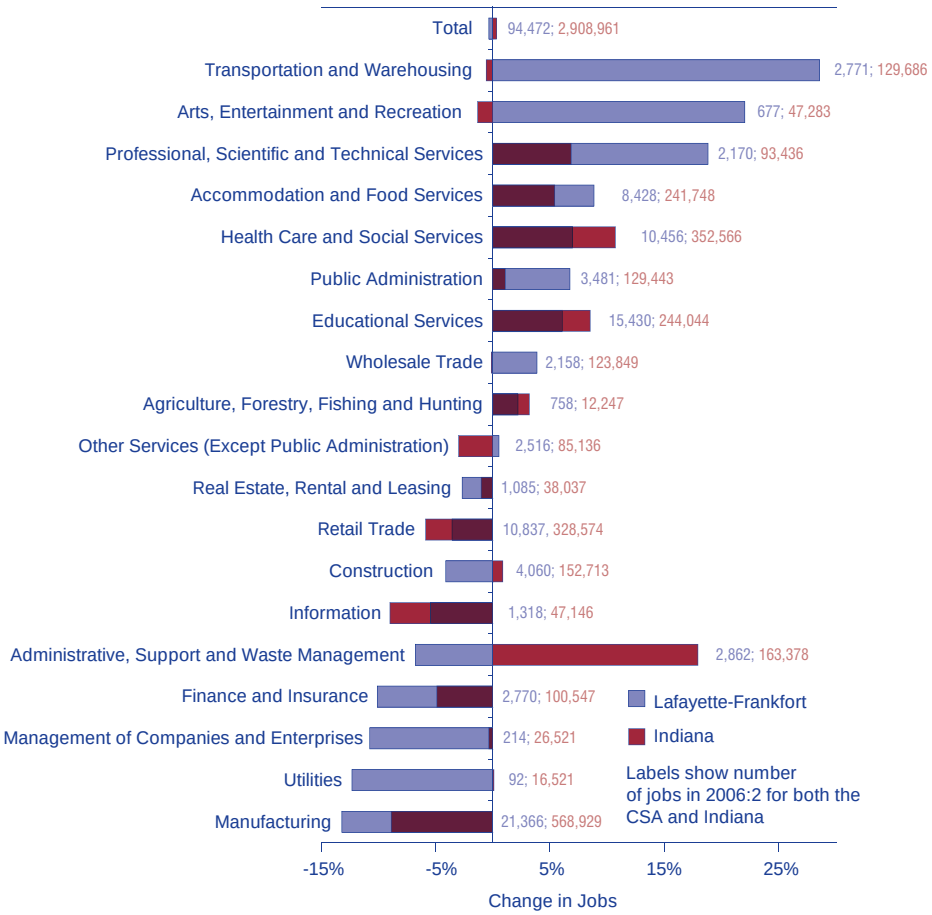
Jobs

Jobs in the Lafayette-Frankfort CSA steadily increased since 2003 and are coming closer to reaching the employment levels seen in 2001. In fact, if the area adds jobs at the same rate it has over the past three years, it will surpass the 2001 peak of 94,854 jobs (see **Figure 1**). Regardless of these uplifting statistics, the fact remains that the Lafayette-Frankfort CSA had 382 fewer jobs in the second quarter of 2006 than it did for the same quarter in 2001, a -0.4 percent change. Meanwhile, Indiana added 0.3 percent jobs over that time frame.

Almost half of the 20 major industries[2] in the Lafayette-Frankfort CSA saw a decrease in jobs from 2001 to 2006, with the largest decline (both numerically and by percent change) attributed to the manufacturing industry (see **Figure 2**). At the state level, manufacturing lost the most jobs numerically and only the information sector saw a larger percent decline.

Three industries (manufacturing, educational services and retail trade) make up over half of total industry employment for the CSA but less than 40 percent of state jobs, simply meaning that workers in the area rely more heavily on these industries than does the rest of the state. Of these industries, educational services is where the biggest difference is seen, making up 16.3 percent of jobs in the CSA and only 8.4 percent of jobs statewide. This is not too surprising, however, given that Tippecanoe County is home to Purdue University and Ivy Tech Community College.

FIGURE 2: **PERCENT CHANGE IN JOBS, 2001:2 TO 2006:2**



Source: IBRC, using Bureau of Labor Statistics data

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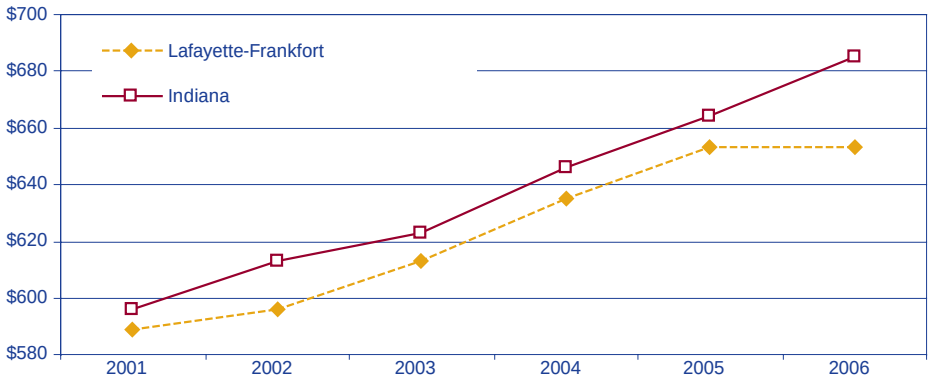
FIGURE 3: **AVERAGE WEEKLY WAGES, 2001:2 TO 2006:2**



Source: IBRC, using Bureau of Labor Statistics data

Wages

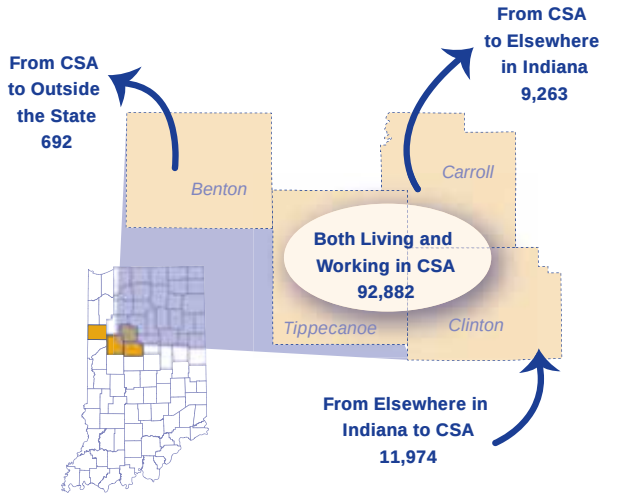
Average weekly wages in the Lafayette-Frankfort CSA did not see the same jump from the second quarter of 2005 to 2006 as did Indiana overall. In fact, average weekly wages in the combined statistical area leveled off completely over the last year (see **Figure 3**). The good news is that, over a five-year span, wages have been growing in the area, up to $653 across all industry sectors in 2006:2, an increase of $64 since 2001. Indiana increased wages over that period by $89, up to $685 per week.

Utilities and management of companies and enterprises paid the most at the individual industry level, each paying out an average higher than $1,200 per week to workers. The state's story is similar, with the same two industries paying the most—management of companies and enterprises surpassed an average weekly wage of $1,450 in 2006. It is important to note that while these industries paid the most, they also employed the lowest percentage of total jobs in the CSA and ranked among the bottom three industries for percent of total jobs at the state level.

Commuting

There were more than 102,800 workers living in the Lafayette-Frankfort CSA according to Census 2000 data. Of those, 81.7 percent live and work in the same county and another 8.6 percent travel to one of the three other counties within the combined statistical area. Nearly 12,000 people lived outside the CSA and commuted in for work. Meanwhile, about 10,000 workers left the CSA to either work elsewhere in Indiana or outside the state (see **Figure 4**).

FIGURE 4: **COMMUTING PATTERNS IN THE LAFAYETTE-FRANKFORT CSA, 2000**



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

Notes

1. U.S. Office of Management and Budget, available at www.whitehouse.gov/omb/.
2. Data for mining in the Lafayette-Frankfort CSA were not available.

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