in context

INDIANA'S WORKFORCE AND ECONOMY — NOVEMBER 2007

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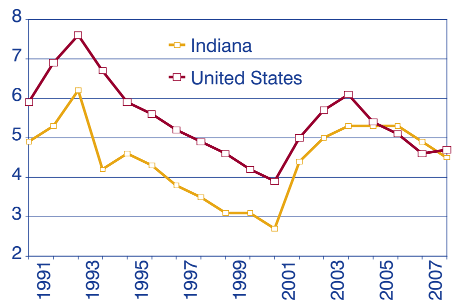
September Unemployment

Indiana's unemployment rate was 4.5 percent for September 2007, slightly lower than the U.S. rate of 4.7 percent.



*seasonally adjusted

Top Five Reasons to Move

The Census Bureau recently released data about the 39.8 million Americans who moved between 2005 and 2006. More than 7 million moved because they wanted a new or better place to live, accounting for 18 percent of the total (see below).

Reason for Move	Percent of Total
Wanted a new or better home/ apartment	18%
New job or job transfer	9%
Wanted to own home, not rent	9%
To establish own household	9%
Wanted cheaper housing	6%

Source: 2006 Current Population Survey

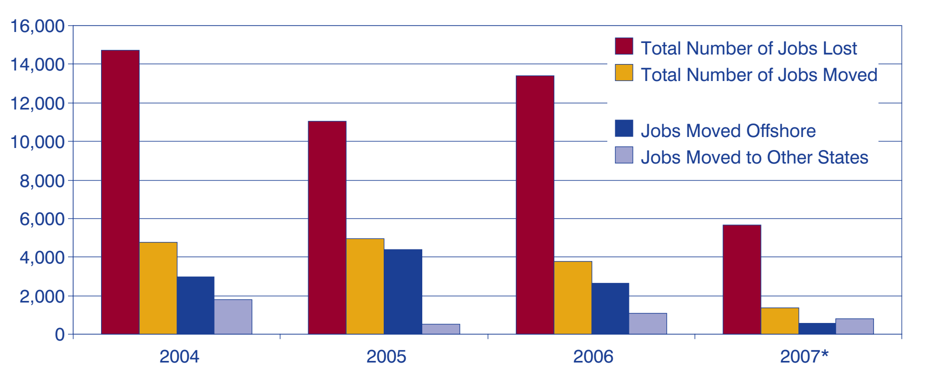
The Future of Work in Indiana: Job Migration and Industry Realignments

Many industries and occupations see offshoring as a threat to their continued viability in today's marketplace—and not only in the manufacturing sector. Service sector jobs in information technology, business and legal services, engineering and finance are also on the move. Some analysts are developing vulnerability scales to quantify an occupation's vulnerability to offshoring.[1] This second article on Mass Layoff Statistics (MLS) and the movement of work out of Indiana examines the impact of offshoring and near-shoring. Near-shoring is the movement of work to a close geographic locale, such as other states or a border country. In addition, this article examines the implications of this phenomenon on occupations and skills in demand.

There were 44,808 job losses due to mass layoff events from the first quarter of 2004 through the second quarter of 2007.[2] A third of those jobs (33 percent) were moved to another location. For 2004 through 2006, 74 percent of those jobs that moved went offshore. However, in 2007 nearly 60 percent of jobs moved went to other states. Although it may be too soon to tell if the trend is changing directions, recently Hoosier employees and employers have been competing with other Americans and not always against foreign economies (see **Figure 1**).

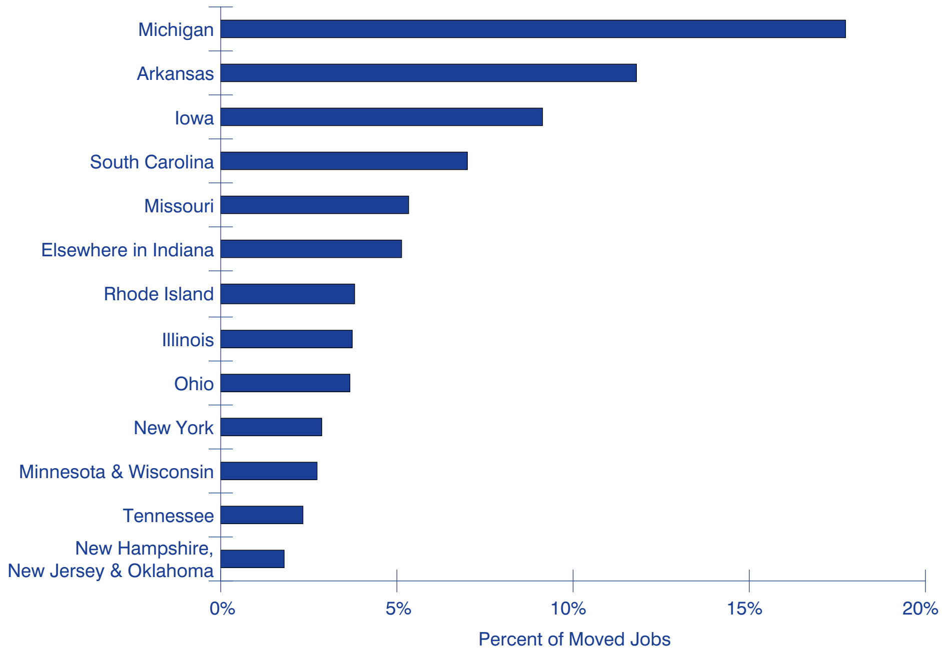
The information being collected by the MLS analyst is often incomplete, as some employers do not yet know where the jobs will go. What we find when examining movement of work to another state is that more than half the jobs move to other Midwestern states. Some of these jobs may move to

FIGURE 1: JOBS LOST AND JOBS MOVED FROM INDIANA, 2004 TO 2007



* Data through the second quarter of 2007.
Source: Indiana Department of Workforce Development, Research and Analysis Unit

FIGURE 2: HOOSIER JOBS MOVING TO OTHER U.S. LOCATIONS, 2004 TO 2007*



* Data through the second quarter of 2007. Location was unknown for 23 percent of the moved jobs.
Source: Indiana Department of Workforce Development, Research and Analysis Unit

more than one location, and sometimes one of the locations is elsewhere in Indiana. Most often, these jobs move to Michigan, Arkansas or Iowa (see **Figure 2**). Nearshoring—when a company outsources or moves close to home—would typically refer to a move to a border country such as Mexico, but it seems to occur within the continental United States as well in the form of domestic relocation. Companies may be worried about cultural barriers or other risks associated with offshoring, yet may benefit in other ways from a company re-organization or move. Establishments in Indiana are more likely to move elsewhere in the Midwest than to the East or West Coast. The Department of Workforce Development (DWD) does not yet have information about whether Indiana is seeing movement of work from surrounding states, but plans to examine the inflow of jobs in a future analysis.

Movement by Industry

Approximately 24 layoff events involved moving work to other states, although in many cases, the jobs moved to more than one location. Twenty of these events were in the manufacturing industry and the remaining events were in wholesale and retail trade or finance. In most cases, these are the same industries impacted by offshoring and all other layoff events. This is not surprising, yet it does provide some additional information about Indiana's economy. Contrary to the national trend in recent years, Indiana's service sector employees and other professional and technical workers are not greatly impacted by layoffs caused by a company moving jobs offshore.

Indiana had four layoff events in the food and beverage manufacturing industry, four events in paper product manufacturing, and five events in rubber and plastics manufacturing. These are traditional Midwestern manufacturing jobs. These industries employ predominantly production workers, but often pay lower wages than other manufacturing jobs; for example, the average weekly wage in 2006 for all jobs in manufacturing was $969, compared to $688 in food manufacturing and $780 in rubber and plastics.[3] Indiana's strong manufacturing industry will continue to be a driving force in our economy, as evidenced by expanding biofuels manufacturing plants, as well as the Honda and Toyota expansions. However, there are signs that point to change regarding the types of jobs that will be available in manufacturing's future. Just as personal financial advisors promote portfolio diversification, both the economy and workforce will benefit if the industry and business makeup in Indiana also diversifies.

Development through Innovation

Recent studies show economic development though innovation as being closely linked to higher education institutions, a strong arts and entertainment sector, a highly educated workforce, and communities that are open to diversity and change. Some of these ideas come out of Richard Florida's research on the creative class.[4]

This research examines the potential for regions that inspire creativity and economic growth, as well as highlighting certain types of occupations that are linked to innovation and creative technological development. According to Florida, the 23 major occupational groups can be categorized into three different types of jobs:

1. Creative Occupations (i.e., professional and technical, management, finance, computer, engineering, and arts occupations)
2. Service and Sales Occupations
3. Skilled Labor and Production Occupations

Those categorized as creative occupations are growing in Indiana.

The occupational breakout of the other two categories is also shifting. The percentage of skilled labor and production occupations is declining gradually, from 34 percent of all jobs in 2000 to 32 percent in 2006. Professional, technical, scientific, artistic, and management occupations are on the rise and are projected to grow through 2014. However, even with the increases in creative occupations, the majority of Hoosier occupations will still fall into the other two categorical breakouts (see **Figure 3**).[5]

This occupational data is based on the Occupational Employment Survey, yet the same trend is reinforced by this examination of Mass Layoff Statistics. In addition to information collected by MLS analysts, DWD can examine the staffing patterns of the impacted industries and estimate the types of occupations most at risk. These staffing patterns are also based on the Occupational Employment Statistics program, which collects data on occupations and wages for the state and nation. The manufacturing industries discussed earlier that have faced the largest percentage of layoffs include many occupations that value the "Things" skill pathway, highlighted in Indiana's new career guide.[6] These skills include: equipment maintenance, equipment selection, operation and control, troubleshooting, repairing, and quality control analysis. These skills will continue to be in demand for many of the occupations of the future. In fact, these skilled labor and production occupations will continue to comprise 31 percent of the occupational employment projected in 2014. In addition, many of these skills are transferable to various advanced manufacturing jobs—as well as emerging occupations in the health care industry. However, soft skills, people skills, information and systems skills will be the skills in shortest supply in coming years.[7] The shift in occupational types highlighted in **Figure 3** also points to increasing needs for creative skills, critical thinking, complex problem-solving, decision-making, and other analytical skills.

As the economy continues to transform and face global competition, it will become necessary to develop a workforce with a variety of skills. Regional economic and workforce development efforts can entice employers to choose Indiana if they find the skilled workforce they need.

Indiana has two Workforce Innovation in Regional Economic Development (WIRED) grants that go

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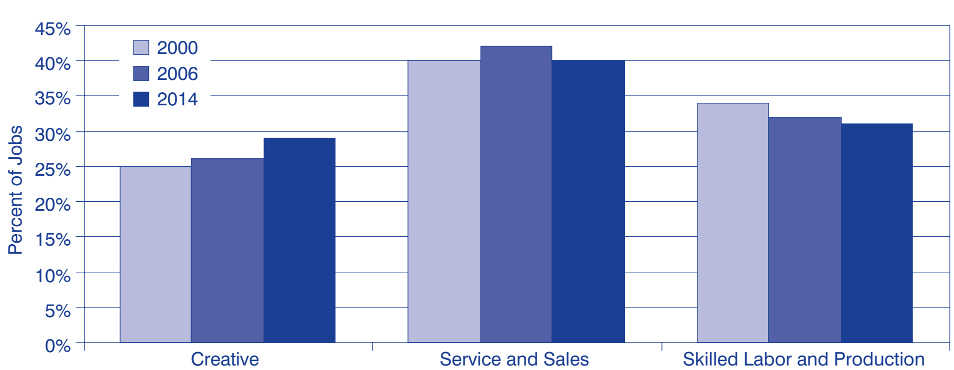
FIGURE 3: INDIANA'S THREE OCCUPATION TYPES OVER TIME



Source: Indiana Department of Workforce Development, Research and Analysis Unit

Occupation Types

Creative Occupations include:

- Computer and mathematical
- Architecture and engineering
- Life, physical and social science
- Education, training and library
- Art, design, entertainment, sports and media
- Management
- Business and financial
- Legal
- Health care practitioners and technicians
- High-end sales and sales management
- Real Estate

Service and Sales Occupations include:

- Health care support
- Food preparation and serving
- Building, grounds, cleaning and maintenance
- Personal care
- Retail sales
- Office and administrative support
- Community and social service
- Protective service

Skilled Labor and Production Occupations include:

- Construction and extraction
- Installation, maintenance and repair
- Production
- Transportation and material moving

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Current workforce and economic news with searchable archives.
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Hoosiers by the Numbers
Workforce and economic data from the Department of Workforce Development's research and analysis division.
www.hoosierdata.in.gov

STATS Indiana
Award-winning economic and demographic site provides thousands of current indicators for Indiana and its communities in a national context.
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beyond traditional strategies for worker preparation by bringing together state, local and federal entities, academic institutions, and industry to address the challenges associated with building a globally competitive and prepared workforce.[8] These grants provide funding to address specific regional challenges through collaborative efforts that revitalize local economies.

Also working to enhance Indiana's competitive advantage is the Major Moves initiative. Major Moves will improve our current infrastructure, create jobs and roads, and ensure that Indiana will remain the "Crossroads of America."

In addition to efforts to raise the skill levels of our workforce, there is a need to raise employers' awareness about the transferability of skills to new industries and occupations. Recent funding and programs are being directed toward placing workers in Indiana's high wage and high demand jobs based on findings from the Strategic Skills Initiative and the 2007 Skill Pathway Career Guides.[9]

Competition from abroad—and from closer to home—is already impacting Hoosier workers, and that is unlikely to change. The demands for new mixes of job skills to accommodate technological shifts in how work is performed require a highly adaptable workforce. The pace of that technological change reinforces the mandate that workers and employers alike subscribe to the need for lifelong learning in various forms. Understanding how skills can build upon each other and transfer across seemingly unrelated occupations is one key piece of enhancing that flexibility for Hoosier workers.

Notes

1. Robert D. Hof, "The End of Work as You Know It," *Business Week,* 20 August 2007; available from www.businessweek.com/magazine/content/07_34/b4047426.htm?chan=search; and Peter Coy, "The Future of Work," *Business Week,* 22 March 2004; available from www.businessweek.com/magazine/content/04_12/b3875615.htm?chan=search.
2. Monthly mass layoff events occur when establishments have at least 50 (20 for state events) initial claims for unemployment insurance (UI) filed against them during a five-week period.
3. Indiana Department of Workforce Development: Hoosiers by the Numbers, 2006 QCEW annual averages
4. Richard Florida. *The Rise of the Creative Class*. New York: Basic Books, 2004.
5. Indiana Department of Workforce Development, Occupational Employment Statistics
6. Indiana's Skill Pathway Career Guides, available from www.in.gov/dwd/2433.htm.
7. Michael F. Thompson, "The Demand for Soft Skills: Key Skills for Indiana's Growing Occupations through 2014," *InContext*, September 2007; available from www.incontext.indiana.edu/2007/september/1.html
8. www.doleta.gov/wired/regions/
9. www.in.gov/dwd/3175.htm

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