Employment, Economy, and Workforce
IPA Indiana Data Day
July 20, 2022
Indiana’s economy is at an inflection point

- Global economic trends are converging in Indiana
- Trade and technological developments keenly felt here
- Results in both threats and opportunities
- All Indiana regions have assets on which to build
- Need to first better understand current position

Automation potential by county, 2018
Source: Brookings analysis of BLS, Census Bureau, Emsi, Moody’s Analytics, and McKinsey & Company data.
Expert research to help us assess where we are and chart a path forward
STEM worker and R&D intensive advanced industries drive Indiana’s economy

- Advanced industries have
  - High R&D spending per worker
  - Jobs require a high degree of STEM knowledge

- They employ 10.5% of Hoosiers
  - Nation’s 3rd highest share

- Indiana’s advanced industries
  - Generate 25% of Indiana’s GDP
  - Produce 63% of the state’s exports
  - Create 700k+ jobs via multipliers
  - Pay all workers wage premiums

Advanced industry employment share by region, 2019
Source: Brookings analysis of Emsi data
Manufacturing dominates our advanced industry economy
Unfortunately, Indiana’s advanced industries have lost a competitive advantage

- Nearly all Hoosier industries operate at lower productivity levels than national counterparts
- Advanced industries have trailed the nation in employment, output, and productivity growth
- In 2007, the state’s advanced sector had a 5% advantage over national counterparts
- Sector-wide this advantage has been erased, though there is some variation
  - Pharmaceuticals, motor vehicles and parts, and engine manufacturing maintained a productivity edge

Advanced industry productivity growth in Indiana and the United States, 2007 - 2019
Source: Brookings analysis of Emsi and BEA data
Indiana industries are under-investing in technology when compared to other states

- Indiana is 37th in IT investment per employee
  - Low ranking consistent across industries and firm size
- Digital content of Hoosier jobs also relatively low
  - Digitization scores increasing slowly
  - Clear correlation between digitization and pay
- Digitization in advanced manufacturing is *decreasing*

States’ mean annual wages are correlated with their mean digital scores
Source: Brookings analysis of BLS and O*NET data.
Indiana’s advanced industries under-rely on advanced services, a rapidly growing sector

• 41st in advanced services employment
  • Despite 3rd highest rate of advanced industry employment
  • Only 1.8% of Hoosiers work in advanced services

• Advanced services have seen increased productivity
  • Advanced services productivity is ~3x the rest of Indiana’s economy

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Productivity per worker by subsector in Indiana, 2019
Source: Brookings analysis of BEA and EMSI data.
Indiana’s recent employment growth has been strong, but lagged the nation as a whole

- The state has grown jobs at a faster pace than neighbors
- Nation growing jobs faster than Midwest
- Indiana has taken much longer than nation to recover from recent recessions
  - In Indiana, peak employment prior to 2000-2001 recession not seen again until May 2015
  - Nation recovered peak employment in four years

Source: Brookings analysis of BLS data
Multiple datapoints suggest weak entrepreneurial activity in Indiana

- Indiana has more firms that are 16 years old or older than it has firms younger than 5 years old
  - This dynamic runs opposite to the country as a whole
- Share of employment at old firms higher than nation too
- New employer business applications relatively flat
  - Rate better than neighbors, but less than nation
- All contributes to lack of economic resilience
  - New firms also common source of productivity gains

Indiana Probable Employer Business Applications, 2008-2019
Source: EIG Analysis of Census Bureau Business Formation Statistics
Like all states, Indiana has too few good, family-sustaining jobs

• Only 42% of Hoosier workers have a good job
  • Pays a regionally adjusted, family-supporting wage
    • Ranges from $35,400 to $41,100 annually
  • Employer-sponsored health insurance

• Hoosier median wage growth flat
  • 46th nationally from 2000-2019
  • Doesn’t suggest share of Hoosiers in a good job will grow anytime soon

Share of Indiana workers in a good job, 2014-2018
Source: Brookings analysis of IPUMS USA 2014-18 5-year ACS microdata.
The ability to secure a good job increasingly tied to educational attainment

• Good jobs are frequently held by those with BA degrees
• State’s industry mix enables sub-BA workers to have good job
  • 50% of sub-BA workers in a good job work in utilities, logistics, manufacturing, or construction
• Companies demand more BA workers than market providers
• Hoosiers tend to undervalue 4-year degree compared to nation

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Percentage who say ________ is needed to get ahead in life.
Source: AEI, “Hopes and Challenges for Community and Civic Life: Perspectives from the Nation and Indiana”
Research-driven recommendations focus on three critical areas

**Drive digital adoption**
- Bolster the state economy through a digital adoption initiative
- Equip workers with up-to-date skills
- Ensure broadband connectivity

**Promote favorable job-creation and worker transitions**
- Grow advanced industries through regional development efforts
- Enhanced support for entrepreneurs
- Better use unemployment insurance, including launch of workshare program

**Do more to support workers who aren’t in good jobs**
- Enact a comprehensive childcare agenda
- Explore Medicaid buy-in, a state-sponsored IRA, and EITC enhancement
- Choice Employer program to incent creation of good jobs
More information is available online

IndianaGPSProject.com
- AEI and Brookings reports
- Regional snapshots
- More info and links

Brookings.edu
- Brookings report
- Interactive regional data
- Data appendix