



**The Evolution of Indiana's Labor Force  
1968-1997  
A Comparative Analysis**

**December 1998**

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The Indiana Fiscal Policy Institute (IFPI), formed in 1987, is a private non-profit governmental research organization. It is the only independent statewide source of continuing research into the impact of state taxing and spending policies in Indiana. The IFPI is privately supported by a variety of organizations, corporations, associations, and individuals in Indiana and surrounding states. Contributions to the IFPI are fully deductible under section 501 (c)(3) of the Internal Revenue Code.

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## Foreword

### The Indiana Human Capital Retention Project Series

Physical capital was dominant in the economic life of the nineteenth and early twentieth centuries. Machines “made things” and the economy of the United States became the largest and most successful precisely because of its ability to manufacture the products that could be sold around the world. In the last 40 years, economists have increasingly understood that human capital is important to the growth of a country’s economy. The education and experience of the labor force being utilized within a region’s economy makes a very significant difference in the rates of return on business investment and on the quality of life within the region. Human capital, therefore, represents a strategic advantage in the increasingly competitive international economy in which we all participate.

One measure of human capital is the educational attainment of a region, state, or nation, defined as the percentage of the population with a certain level of schooling. Indiana is a state with historically low educational attainment at the collegiate level. In 1970 Indiana ranked 44th among the 50 states in terms of population with a four-year college degree; by 1997 the state’s ranking had fallen to 48<sup>th</sup>. This statistic is even more troubling in a state like Indiana with higher education institutions that are generally regarded as excellent.

The stock of human capital within a state is difficult to affect. It is a function of the jobs within a state’s economy which is in turn affected by the human capital available to the investors who wish to locate new productive enterprises within that economy. The Indiana Human Capital Retention Project was formulated as a research response to Indiana’s perceived human capital problem. It consists of six research initiatives, each of which looks at a different part of the human capital issue.

The Indiana Human Capital Retention Project is funded by a grant from the Lilly Endowment, Inc., and receives additional funding from the Indiana Commission for Higher Education and the Indiana State Chamber of Commerce. The research for the project is being carried out by a number of experienced academic and independent researchers under the direction of the Indiana Fiscal Policy Institute.

*The Evolution of Indiana’s Labor Force 1968-1997, A Comparative Analysis* is the first of the six reports to be published. It is the work of Patrick M. Barkey, Ph.D., Director of the Bureau of Business Research at Ball State University. The study directs policymakers and all others interested in the future of Indiana to the trends that have shaped our current labor force.

## Executive Summary

This is a descriptive statistical analysis of the labor force of the State of Indiana and that of six peer states. Using data collected over the thirty year period 1968-1997 from the March supplement to the Current Population Survey (CPS), this study has analyzed the rates of participation, the occupational structure, and the earnings of the Indiana workforce, in an attempt to comprehensively document and understand the areas in which the state economy has exceeded, equaled, or fallen short of the performance of other states.

These comparisons take place over a period that saw much change in labor markets nationwide. The data for all states reflect many of these trends: the increasing participation of women in the labor market, the continued shrinkage of the farm economy, and the rising importance of the services producing side of the economy are evident in the data for every state.

But the study has also found numerous, striking differences between the makeup of the Indiana labor force and that of its neighbors, which will uniquely affect the performance of the state economy in the coming years. The main findings of this report are:

- *Indiana's labor force is significantly behind its Midwest neighbors in jobs in two high-paying occupational categories: Professional and Specialty occupations, and Executive, Administrative and Managerial occupations. These two categories have accounted for three out of every four net new jobs created nationwide since 1989, but a significant, widening gap exists between the concentration of these kinds of jobs in our state compared to our peer states.*
- *The Indiana labor force is more concentrated in the two middle-paying occupations that have ranked last in growth nationwide during the 1990's. The state's share of jobs in the Precision, Craft, and Repair occupations and Machine Operators occupations is higher than peer states.*
- *While similar overall to other states, the rates of participation in the labor force of certain subgroups of the Indiana population differs markedly from those of other states. Rates of participation of blacks have fallen in the 1990's, an experience not found elsewhere, while the involvement of young adults in the full time labor force in Indiana is higher than some of its peers.*
- *Indiana's occupational mix cannot be explained solely on the basis of compensation. While earnings here do generally fall short of some of our neighbor states, in some job categories, notably Professional and Specialty job occupations, workers in Indiana may even be paid a premium to remain in the state.*