

In 2006, there were 18 proposed ethanol, biodiesel and coal gasification projects (new and expansion sites) in Indiana (see **Figure 1**). According to the Indiana Corn Marketing Council, at least 20 ethanol plants alone have been proposed since 2005. Controversy still surrounds many of these projects. The debate continues over which new technology will yield the greatest economic benefit with the highest energy efficiency and least damaging environmental impact. Yet if these projects are approved, all of them will

be using new technology to access resources in the Hoosier Heartland, such as coal, animal waste, corn and soybeans.

As a result of these expansions, thousands of new jobs have been announced, including occupations in advanced manufacturing, construction and extraction. These new plants will also require people to fill managerial and leadership positions. Some jobs will require advanced technology skills and could pay higher wages than Indiana manufacturing jobs of

old. The projects are estimated to add more than 1,500 construction jobs (up to 500 may be permanent) throughout the state. The average wage for construction/extraction occupations is \$36,855.¹ Many of the permanent jobs will be in chemical manufacturing and mining. The average wage for employment in these related industries is slightly higher at \$41,934. Many of these occupations do not require postsecondary education; however, a moderate to long-term level of on-the-job training or previous work

TABLE 1: JOBS AND EXPERIENCE REQUIRED IN THE CHEMICAL MANUFACTURING (BIOFUELS) AND MINING INDUSTRIES

Job Title	Education Needed	Total Indiana Employment, 2004	Average Wage, 2004	Applicants (Southwest Indiana)	Skill Cluster*
Chemical engineers	Bachelor's degree	560	\$81,626	18	Information
General and operations managers	Bachelor's degree or higher, plus work experience	31,660	\$77,402	2,417	Systems
Chemists	Bachelor's degree	2,080	\$73,048	34	People
Industrial production managers	Bachelor's degree	5,180	\$67,588	335	People
First-line supervisors/managers of mechanics, installers and repairers	Work experience in a related occupation	13,800	\$49,763	212	Things
Industrial machinery mechanics	Long-term on-the-job training	7,770	\$45,637	n/a	Things
First-line supervisors/managers of production and operating workers	Work experience in a related occupation	26,820	\$44,417	2,776	Things
Separating, filtering, clarifying, precipitating, and still machine setters, operators, and tenders	Moderate-term on-the-job training	750	\$40,314	26	Things
Mine cutting and channeling machine operators	Work experience in a related occupation	130	\$39,340	130	Things
Chemical plant and system operators	Long-term on-the-job training	1,000	\$36,930	31	Systems
Truck drivers, heavy and tractor-trailer	Moderate-term on-the-job training	58,660	\$36,406	1,061	Things
Chemical technicians	Associate degree	1,470	\$35,306	81	Systems
Electrical and electronic repair workers, commercial and industrial equipment	Postsecondary vocational training	1,550	\$35,058	101	Systems
Chemical equipment operators and tenders	Moderate-term on-the-job training	3,140	\$32,355	137	Systems
Maintenance and repair workers, general	Long-term on-the-job training	36,640	\$31,894	558	Things
Executive secretaries and administrative assistants	Moderate-term on-the-job training	25,360	\$31,629	4,050	People
Mixing and blending machine setters, operators, and tenders	Moderate-term on-the-job training	3,120	\$31,189	228	Things
Continuous mining machine operators	Moderate-term on-the-job training	110	\$30,764	124	Things
Inspectors, testers, sorters, samplers and weighers	Moderate-term on-the-job training	18,590	\$29,186	3,148	Things
Packaging and filling machine operators and tenders	Short-term on-the-job training	11,570	\$25,502	n/a	Things
Shipping, receiving and traffic clerks	Short-term on-the-job training	17,490	\$25,406	1,968	People
Laborers and freight, stock, and material movers, hand	Short-term on-the-job training	60,530	\$21,797	1,265	Things

*These are the skills necessary for successful employment based on Indiana's research to develop new skill-based career clusters
 Note: This list accounts for 66 percent of total employment in the chemical manufacturing (biofuels) and mining industries. The remaining employment is divided among another 128 occupations.
 Source: Research and Analysis Department, Indiana Department of Workforce Development

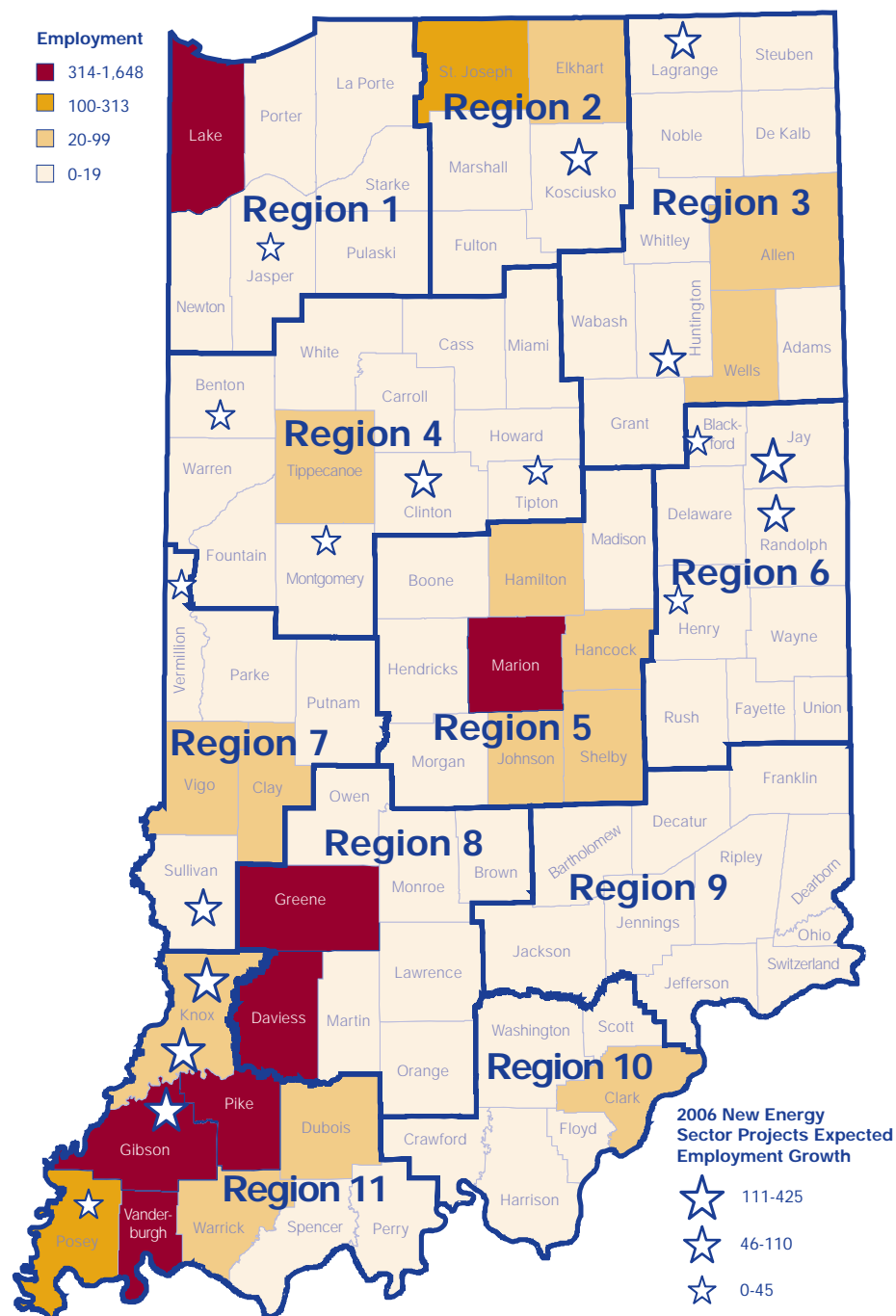
experience may be required. The typical skills required by these jobs include equipment maintenance, equipment selection, installation, operation and control, operation monitoring, repairing, and troubleshooting. **Table 1** lists the types of jobs and the required education and skills.

Where We Are

Indiana's workforce has a strong historical precedent of a vibrant manufacturing industry. In the first quarter of 2006, 550 businesses in mining and related biofuel manufacturing industries employed an average of 12,042 workers statewide. However, contractions, company reorganizations and relocations in recent years have created a large pool of dislocated workers. According to mass layoff statistics for the mining, manufacturing, utilities and construction industries,² a total of about 6,750 layoffs occurred at 48 establishments throughout the state dating back to 2001. The highest concentration of these layoffs was located in southwest Indiana, with a total of 4,304 layoffs at 36 establishments in economic growth regions (EGRs) 7, 8, and 11. Fortunately, this is where several of the new developments will occur (see **Figure 2**). Some of the announcements pledging to bring the greatest numbers of jobs are located in these southwest regions of the state.

A major source of labor supply for the energy industry expansion will be supported by dislocated workers who predominantly come from construction, production and extraction occupations. These jobs typically require moderate-to long-term on-the-job training. Only a few occupations require workers to have a bachelor's degree. This pool of workers has a substantial amount

FIGURE 2: ENERGY SECTOR EMPLOYMENT AND ATTRACTION PROJECTS, 2006:1



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

"According to mass layoff statistics for the mining, manufacturing, utilities and construction industries, a total of 6,750 layoffs occurred at 48 establishments throughout the state (dating back to 2001)."

of work experience and their skills will transfer well to these new jobs in biofuels and other energy sector initiatives.

Where We Are Headed

In the southwest region of the state (EGRs 7, 8 and 11) more than 12,000 job applicants from Indiana's Department of Workforce Development (DWD) job-matching system reported 12 months or more of related experience in mining, construction and production occupations.³ The numbers of job applicants in each of the occupations specific to the biofuels and mining industries are listed in **Table 1**. Of those with more than one year of experience, the average level of experience is a little over seven years. More than 10,000 of these applicants report having attained some college, more than 2,500 report having a bachelor's degree, over 3,000 report having an associate's degree and approximately 500 report having a postsecondary vocational degree.

However, fewer applicants possess employment experience in occupations that emphasize managerial skills, information technology skills, and interpersonal skills, such as coordination, instructing, negotiation, persuasion, service orientation, social perceptiveness and time management. Training and education that targets these skill areas are needed to fully develop the potential of this emerging workforce. Assessment of applicants using WorkKeys or other skill-assessment tools (and providing additional training or retraining as appropriate) will prove valuable in preparing the available workforce for the specific tasks required for the new, high-tech jobs being created in the biofuels industry.

Are We Ready?

This initial glance results in a fair degree of confidence in Indiana's ability to fill many of the projected new jobs with a skilled and experienced workforce; nevertheless, there is room for opportunity and growth. In the 21st century economy, employers increasingly demand workers with advanced technology and computer skills. Although these energy-related expansions are heavy with jobs for the manufacturing, mining and construction industries, many of the added jobs will require new skill proficiencies. Indiana's Strategic Skills Initiative (SSI) identified skill shortages throughout the state in the following areas: critical thinking, complex problem solving, science, mathematics, reading comprehension and active (lifelong) learning. The SSI also pointed to shortage areas including advanced manufacturing and medical technology.

Many national articles also emphasize shortage areas in science, engineering and technology, as America faces increased global competition. American (and Indiana) workers at every skill level are in direct competition with workers throughout the world. Indiana and the United States can maintain a competitive advantage with increases in education and training that will lead to innovation and creativity.⁴

Conclusion

The Indiana workforce is ready to fill many posts for the projected ethanol, biofuel and coal mining plants. Experienced workers and an emerging workforce with growing levels of educational attainment will ensure that Indiana remains a powerful hub of manufacturing (chemical and

"Experienced workers and an emerging workforce with growing levels of educational attainment will ensure that Indiana remains a powerful hub of manufacturing (chemical and otherwise), mining and construction."

otherwise), mining and construction. WorkOne Centers⁵ will direct dislocated or underemployed workers to this expanding industry and, with increased focus on the educational and skill shortages that exist, Indiana will be well able to meet the challenge of this expanding, high-tech sector.

Notes

1. Based on the staffing patterns of construction/extraction occupations in mining and biofuels related industries: www.hoosierdata.in.gov/dpage.asp?id=24&view_number=2&menu_level=smenu1&panel_number=2.
2. The Mass Layoff Statistics (MLS) program measures job losses or separations when an establishment's employees file at least 50 initial claims for unemployment insurance during a consecutive five-week period. MLS does not track smaller industry cutbacks and often misses dislocated workers who are offered packages, or are let go over a period of time.
3. DWD CS3 System as of December 2005.
4. National Center on Education and the Economy, the Commission on the Skills of the American Workforce, "America's Choice: high skills or low wages!" 1990, available at www.skillscommission.org; Richard B. Freeman, "Investing in the Best and Brightest: Increased Fellowship Support for American Scientists and Engineers," *The Hamilton Project*, December 2006, available at www.hamiltonproject.org; The National Association of Manufacturers (NAM)—2005 Skill Gap Report.
5. WorkOne Centers are designed as one-stop shops, able to assist job seekers and the unemployed with a wide range of employment and training services. For more information, call 1-888-WORK-ONE or visit www.in.gov/dwd/job_seekers/workone_centers.html.

—Allison Leeuw, Research and Analysis Department, Advanced Economic and Market Analysis Group, Indiana Department of Workforce Development

On the Road Again: How Hoosiers Get to Work

How much time does the average Hoosier spend on the road en route to his or her job? Indiana's average travel time to work is 22.5 minutes, give or take 12 seconds, but the time it takes to get to work varies significantly depending on where exactly you live.

This article uses 2005 American Community Survey (ACS) data to compare the drive-time habits for various parts of the state and nation. Note: Although references are made to driving, these data apply to all of the 2.7 million Hoosiers age 16 and older who work outside their homes, regardless of whether they rode in a vehicle (the most common method by far), took public transportation, walked or bicycled.

The Time It Takes

Indiana's average travel time to work is 22.5 minutes, which is a few minutes shorter than the national average of 25.1 minutes. Double those numbers and you get the total time spent getting to and from work each day, 45 minutes and 50.2 minutes, respectively. At first glance, a difference of five minutes

Commuting by the Sexes

Men and women have different commuting habits; below are a few highlights from the 2005 data for Indiana:

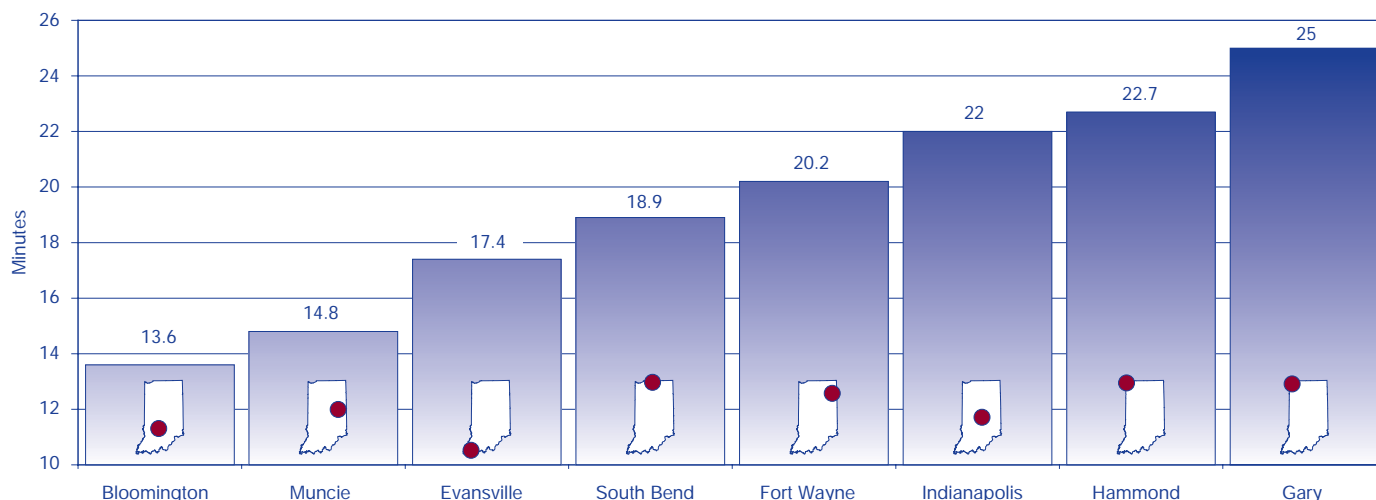
- Men are slightly more likely to carpool than women (10 percent of men vs. 9 percent of women).
- Women are more likely to work in the county where they live (73 percent of women vs. 65 percent of men). They are also more likely to work in the city or town where they live (35 percent of women vs. 29 percent of men).
- Men are more likely to leave the house before 6:30 a.m. (31 percent of men vs. 17 percent of women).
- Women are more likely to have commutes less than 30 minutes (76 percent of women vs. 67 percent of men).

seems fairly insignificant, but if you calculate it out, Indiana's shorter commute saves each worker about 21 hours in travel time each year.¹ So, while the typical American spends eight-and-a-half days getting to and from work in the course of a year, the average Hoosier spends roughly seven-and-a-half days in transit to his or her job.

The ACS currently collects data for eight Indiana cities and 492 cities nationwide. In Indiana, Gary residents had the longest average travel time to

work at 25 minutes, while Bloomington residents had the shortest at 13.6 minutes (see **Figure 1**). In fact, Bloomington had the shortest commute time of all 492 cities nationwide. Only two other places had average travel times under 14 minutes: Champaign, Ill., and Wichita Falls, Tex. At the other end of the spectrum, three cities in California and one in Virginia had average travel times exceeding 40 minutes. Located in the Riverside-San Bernardino area, Hesperia, Calif.,

FIGURE 1: AVERAGE TRAVEL TIME TO WORK BY CITY, 2005



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

topped the list with an average one-way commute time of 44.6 minutes.

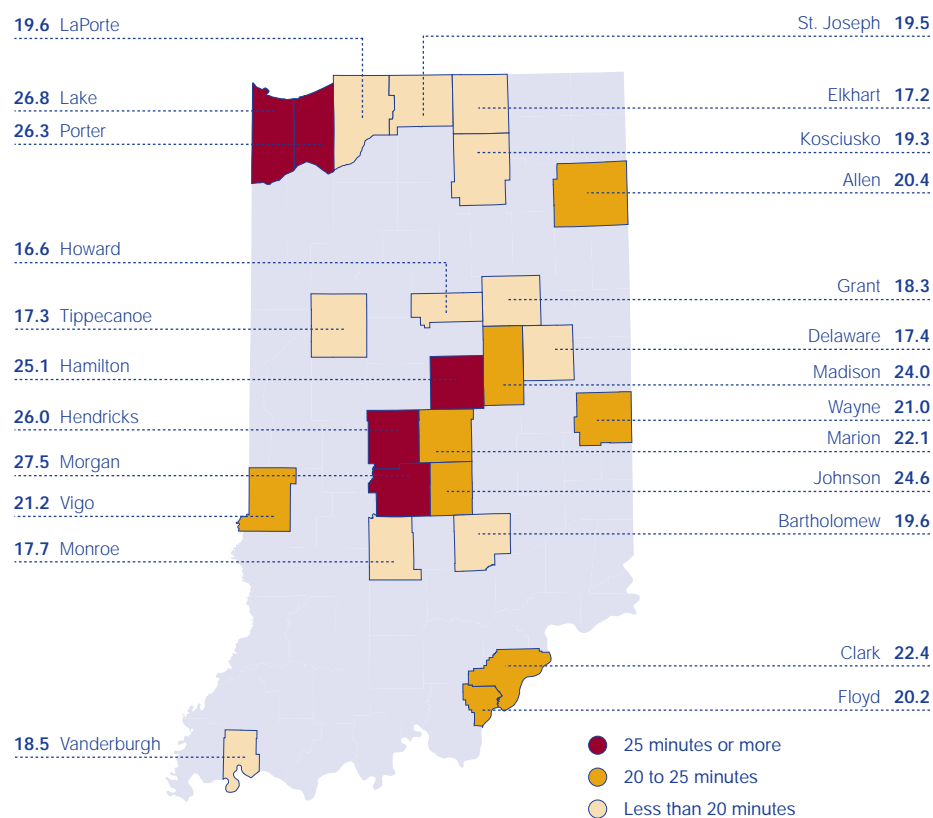
As seen in **Figure 2**, the average travel time to work for the 24 Indiana counties covered by the 2005 ACS ranged from 16.6 minutes in Howard County (home to Kokomo) to 27.5 minutes in Morgan County (on the outskirts of the Indianapolis-Carmel metro area). Nationwide, commute times ranged from 14 minutes in Cascade County, Mont., to 42 minutes in Richmond County, N.Y.

The Shortest and Longest Commutes

Figure 3 takes a closer look at travel time, comparing Indiana to the nation. It takes 17.3 percent of Hoosier workers less than 10 minutes to get to work, while half of the state's workers arrive at their job in less than 20 minutes. On the other hand, 11.2 percent of Indiana workers have commutes of 45 minutes or longer, with 5.1 percent traveling an hour or more.

As seen in **Figure 4**, Elkhart and Floyd counties have the smallest percentage of workers traveling 45 minutes or longer (4.2 percent and 4.5

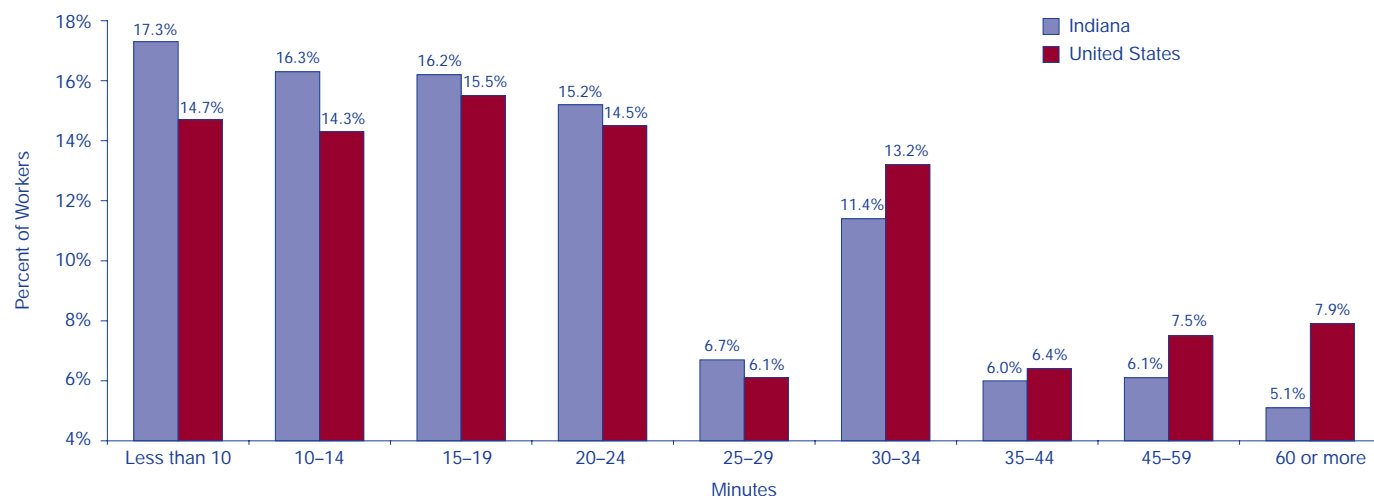
FIGURE 2: AVERAGE TRAVEL TIME TO WORK BY COUNTY, 2005



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

"It takes 17.3 percent of Hoosier workers less than 10 minutes to get to work, while half of the state's workers arrive at their job in less than 20 minutes."

FIGURE 3: MINUTES OF TRAVEL TIME TO WORK BY PERCENT OF WORKERS, 2005



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

percent, respectively), while Morgan and Lake counties have the highest percentages (18.7 percent and 18 percent, respectively). Moreover, one out of 10 Lake County workers travel an hour or more to his or her job—the highest percentage in the state, undoubtedly because many are employed in the Chicago metro.

Leaving Home

Figure 5 compares the time Hoosiers leave home to go to work to the United States overall. Half of Indiana’s workers leave home between 6:30 a.m. and 9 a.m. Almost 25 percent of workers rise early and leave home to go to work before 6:30 a.m., while the remaining 25 percent leave for work at 9 a.m. or later.

Learn More

Use American FactFinder from the U.S. Census Bureau to get more detail on these commuting characteristics for any geography covered by the ACS. Go to <http://factfinder.census.gov/> and select the “get data” link underneath the American Community Survey heading. Click the “Enter a table number” link and type “S0801” to bring up the commuting characteristics table. Use the sidebar links to view additional geographies or years.

Notes

1. The number of days worked per year varies by employee. This calculation assumes a five-day workweek, two weeks of vacation and six annual holidays for a total of 244 work days per year.

—Rachel Justis, Managing Editor, Indiana Business Research Center, Kelley School of Business, Indiana University

FIGURE 4: PERCENTAGE OF WORKERS TRAVELING 45 MINUTES OR LONGER TO GET TO WORK, 2005

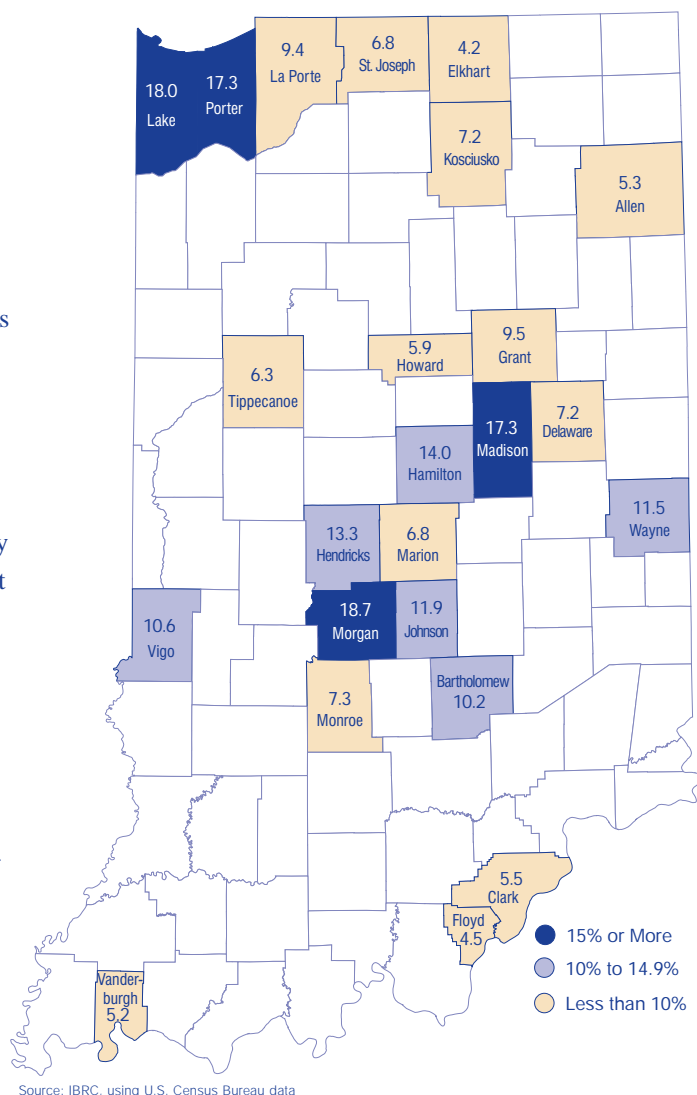
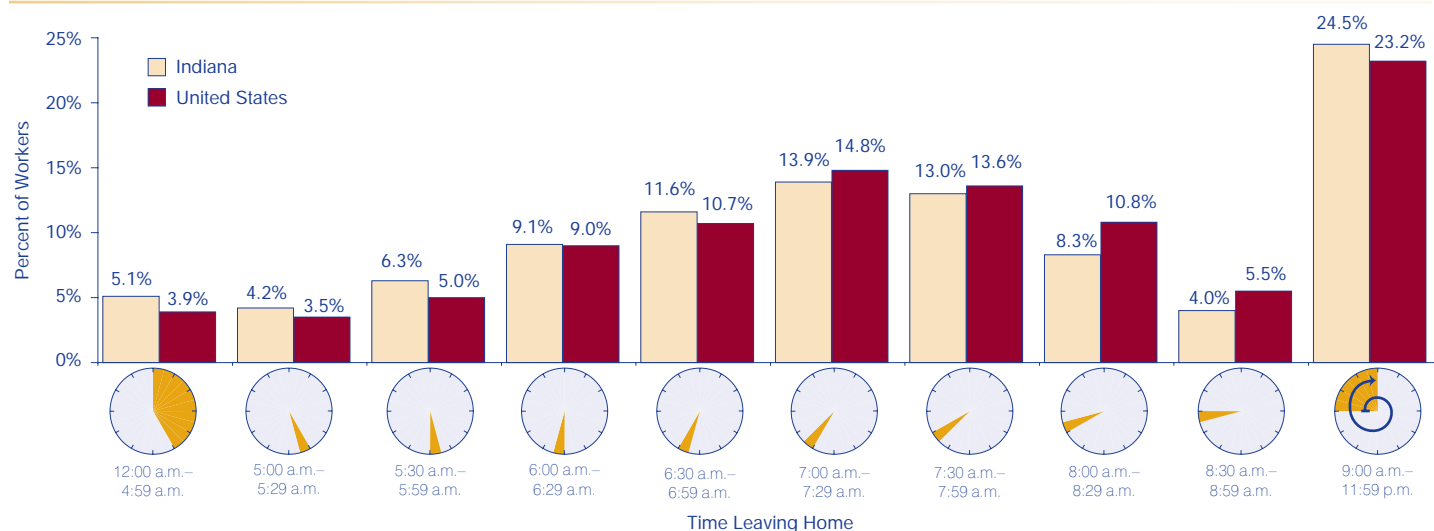
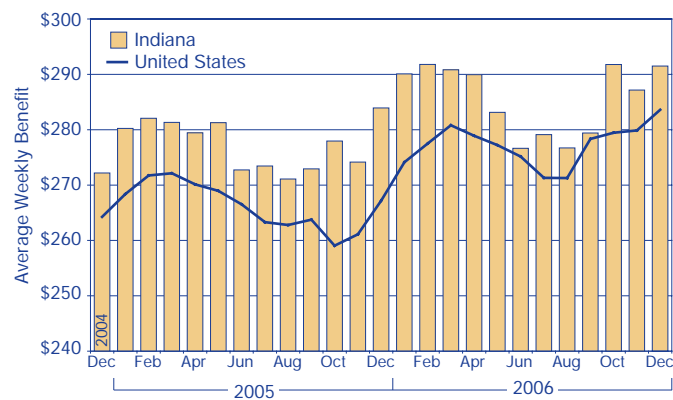


FIGURE 5: TIME LEAVING HOME TO GO TO WORK, 2005



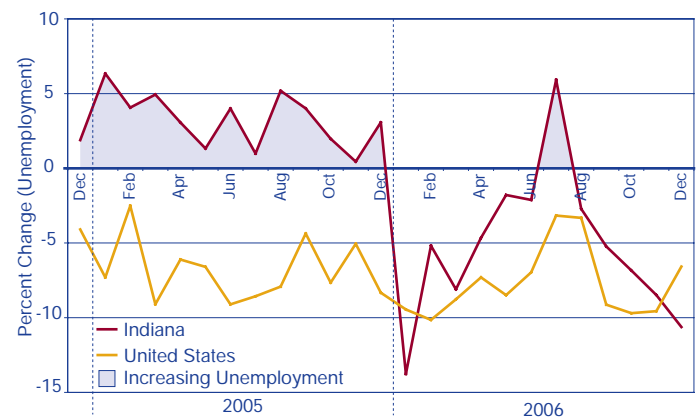
Monthly Metrics: Indiana's Economic Indicators

AVERAGE BENEFITS PAID FOR UNEMPLOYMENT INSURANCE CLAIMS



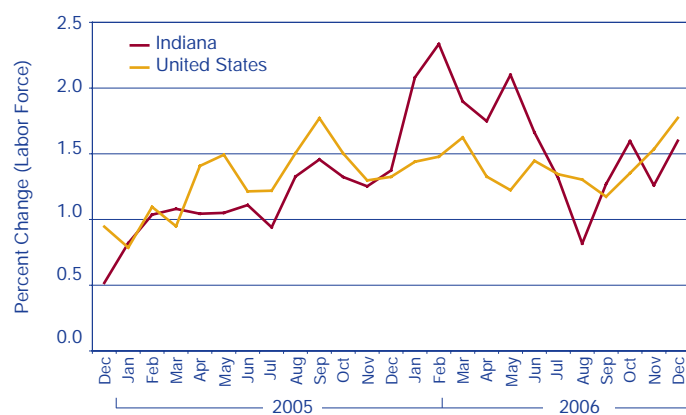
Source: IBRC, using U.S. Department of Labor data

PERCENT CHANGE IN PERSONS UNEMPLOYED FROM THE PREVIOUS YEAR*



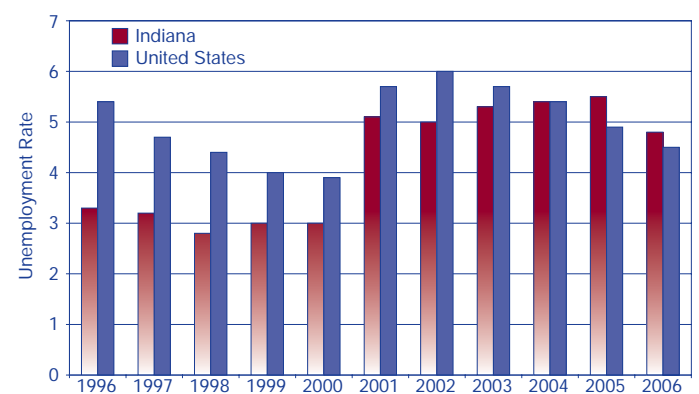
*seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics data

PERCENT CHANGE IN LABOR FORCE FROM PREVIOUS YEAR*



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

DECEMBER UNEMPLOYMENT RATES



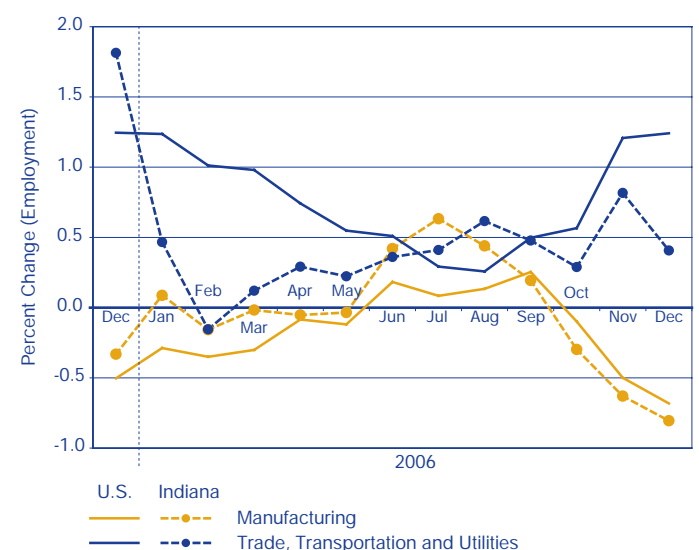
*seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics data

CHANGE IN EMPLOYMENT BY INDUSTRY SUPER-SECTOR, 2005 TO 2006*

Industry	Indiana		United States
	Change in Jobs	Percent Change	Percent Change
Total Nonfarm	10,400	0.3	2.1
Financial Activities	2,100	1.5	2.6
Other Services	1,300	1.2	1.1
Professional and Business Services	2,300	0.8	4.0
Educational and Health Services	2,600	0.7	3.2
Trade, Transportation and Utilities	2,400	0.4	1.2
Leisure and Hospitality	900	0.3	3.6
Information	100	0.2	0.2
Government	800	0.2	1.0
Manufacturing	-4,600	-0.8	-0.7
Natural Resources and Mining	-200	-2.9	9.3

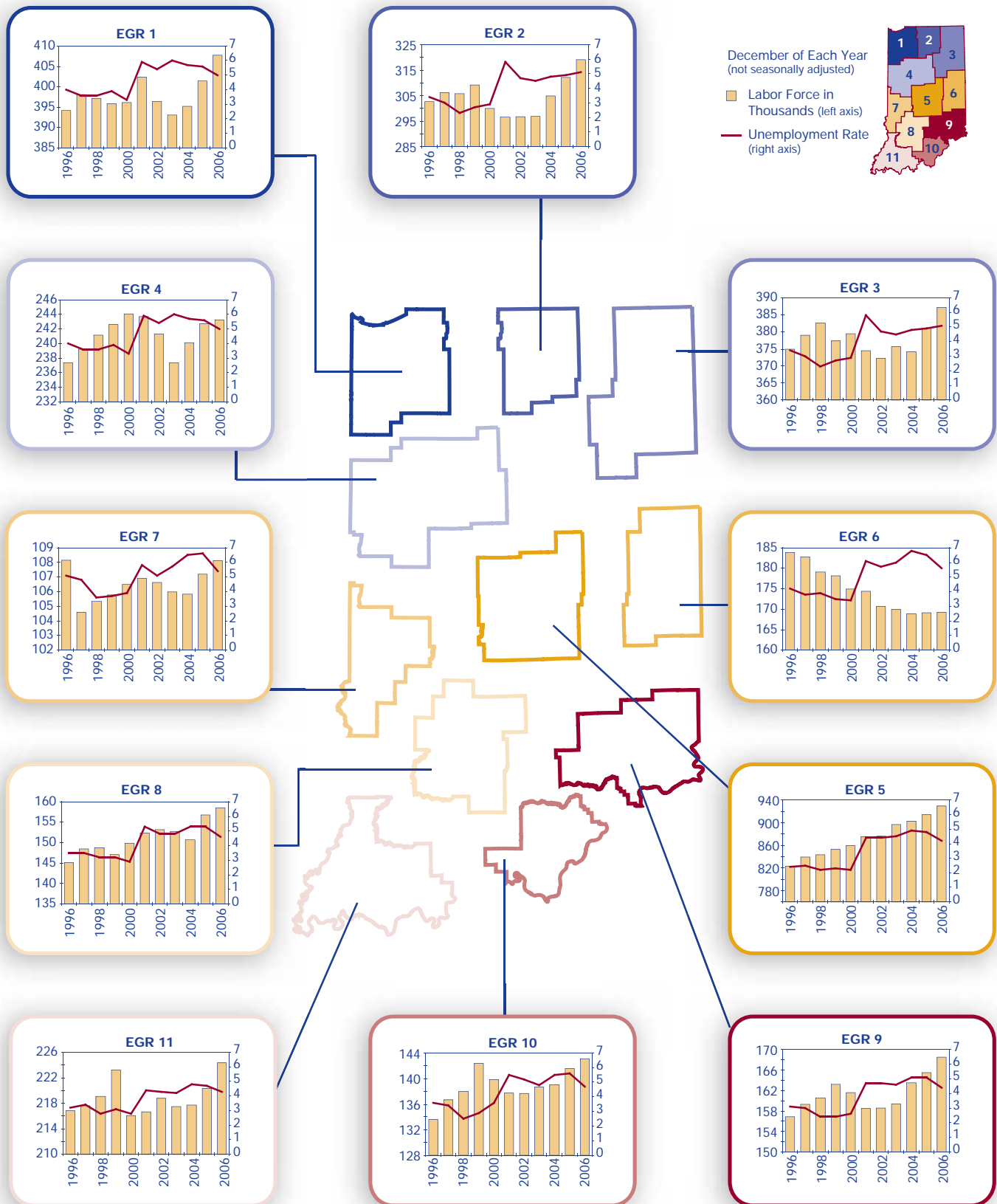
*December of each year, seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics data

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



I Did It My Way: Self-Employment on the Rise in Indiana

The lure of self-employment has always been strong. What is sacrificed in subsidized benefits, paid vacations and a steady paycheck is offset by the freedom to call your own shots and the sense of personal satisfaction (forgetting, for the moment, the endless hours, stress and anxiety). Despite the inherent risks, an increasing number of Hoosiers are accepting the challenge and going into business for themselves. According to the U.S. Census Bureau's Nonemployer Statistics, the number of Indiana businesses with no employees (dubbed nonemployer establishments) rose nearly 7 percent between 2002 and 2004 to 350,962 establishments. Indiana's \$13.5 billion in total receipts¹ for 2004 represents an 11 percent increase over 2002. These growth rates, though positive, are among the nation's lowest over this period (see **Table 1**).

A nonemployer establishment is defined as a business that has no paid employees, has annual business receipts of \$1,000 or more and is subject to federal income taxes. The vast majority of nonemployer establishments are sole proprietorships, although partnerships and corporations that

have no employees are counted as well. These establishments may or may not be the owner's primary source of income. Many are certainly small, representing little more than hobbyists in some cases, and generate modest income. Others are very profitable and will expand and create jobs in the future. Of course, these figures do not represent all self-employed individuals because some do employ others.

As **Figure 1** illustrates, the largest percentage of Indiana's nonemployer establishments falls under the category of other services (16.1 percent), which includes industries ranging from automotive repair to hair and nail salons. Other sectors with large numbers of self-employed individuals include construction (13.7 percent); retail trade (12.4 percent); professional, scientific and technical services (11.0 percent); and real estate, rental and leasing (10.9 percent). These also represent the top five sectors nationally, although in a somewhat different order.

TABLE 1: INDIANA NONEMPLOYER ESTABLISHMENTS AT A GLANCE

Indicator	Number	U.S. Rank
Number of Nonemployer Establishments, 2004	350,962	20
Growth in Establishments, 2002–2004	6.7%	46
Total Receipts, 2004	\$13.5 billion	22
Growth in Receipts, 2002–2004	11.4%	44
Receipts per Establishment, 2004	\$38,442	43

Source: U.S. Census Bureau

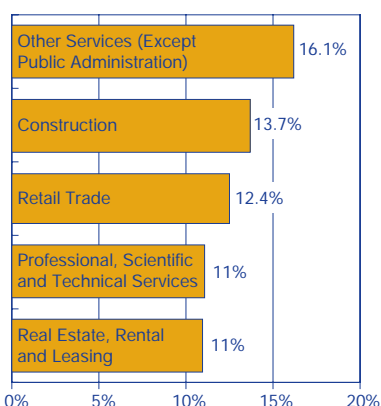
How do these one person enterprises translate into economic activity? The other services sector, for example, holds the largest share of nonemployer establishments, but in 2004 it generated some of the lowest annual receipts per establishment (\$20,631) among Indiana's industries. The real estate, rental and leasing sector led the state with \$77,414 in annual receipts per establishment in 2004, followed by wholesale trade at \$66,720 (see **Figure 2**).

Growth in Nonemployer Establishments

As one would expect, some of Indiana's most dramatic recent growth rates can be attributed to the Internet. Sub-industries such as Internet service providers and Web search portals (84 percent), Internet publishing and broadcasting (80 percent), and electronic shopping and mail-order houses (44 percent) saw impressive growth between 2002 and 2004. Despite these gains, the state's information industry accounted for only 1 percent of the total nonemployer establishments in 2004. The real estate, rental and leasing industry's 12.7 percent growth was the highest among Indiana's larger sectors.

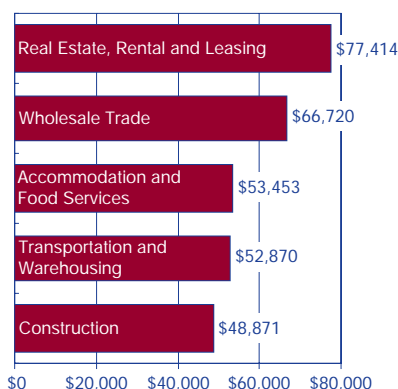
In terms of geography, recent growth in nonemployer establishments appears to be influenced greatly by proximity

FIGURE 1: INDIANA'S TOP FIVE NONEMPLOYER INDUSTRIES AS A PERCENT OF THE TOTAL, 2004



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

FIGURE 2: INDIANA'S TOP FIVE NONEMPLOYER INDUSTRIES BY RECEIPTS PER ESTABLISHMENT, 2004



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

to metropolitan areas. Indiana counties that are part of a larger MSA account for 11 of the top 12 counties in terms of growth (see **Figure 3**). Hamilton County leads the state with a 16.0 percent growth rate followed by Whitley (13.1 percent), Ohio (13.1 percent), Switzerland (12.5 percent), and Hancock (12.2 percent) counties. Eight counties saw the number of nonemployers decline between 2002 and 2004.

County Comparison

So which Indiana counties have the greatest number of nonemployer

establishments per capita? **Figure 4** illustrates the ratio of adults (population 18 and above) to nonemployer establishments in 2004 for each county. Lagrange County leads the state with a ratio of 8.1 adults to each nonemployer establishment. Adams, Hamilton, Brown and Boone counties also have fewer than 10 adults to each establishment. Keep in mind that this measurement can be skewed somewhat as some individuals operate multiple establishments.

annual business income tax returns. Business income consists of all payments for services rendered by nonemployer businesses, such as payments received as independent agents and contractors.

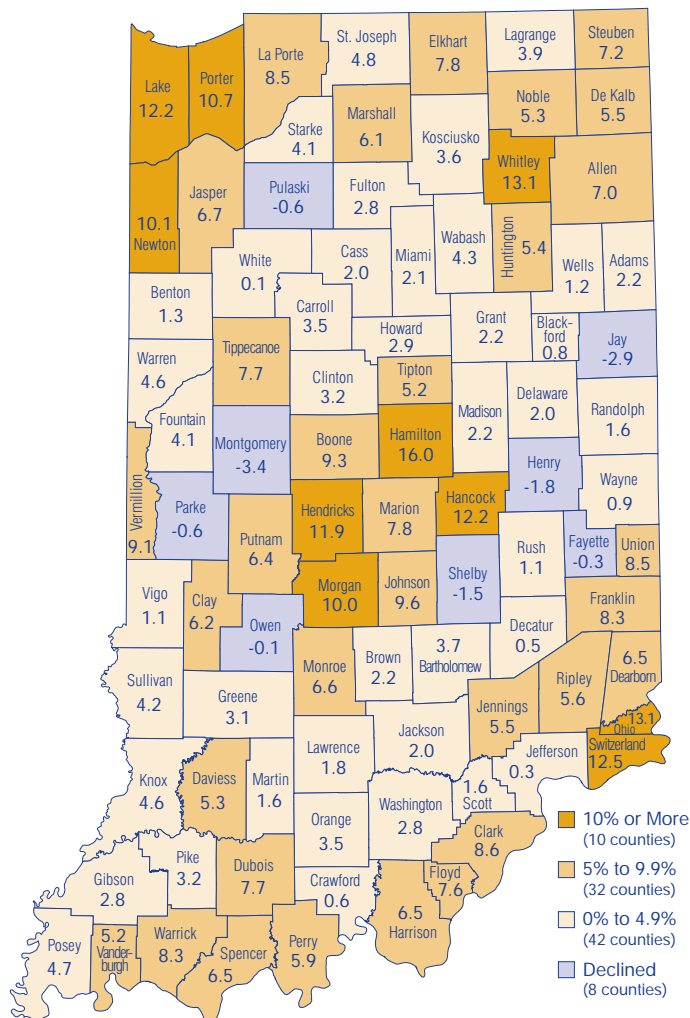
The composition of nonemployer receipts may differ from that of the related data item that is published for employer establishments. For example, for wholesale agents and brokers without payroll, the receipts item contains commissions received or earnings. In contrast, for wholesale agents and brokers with payroll, the sales item published in the economic census represents the value of the goods involved in the transactions.

—Matt Kinghorn, Economic Research Analyst, Indiana Business Research Center, Kelley School of Business, Indiana University

Note

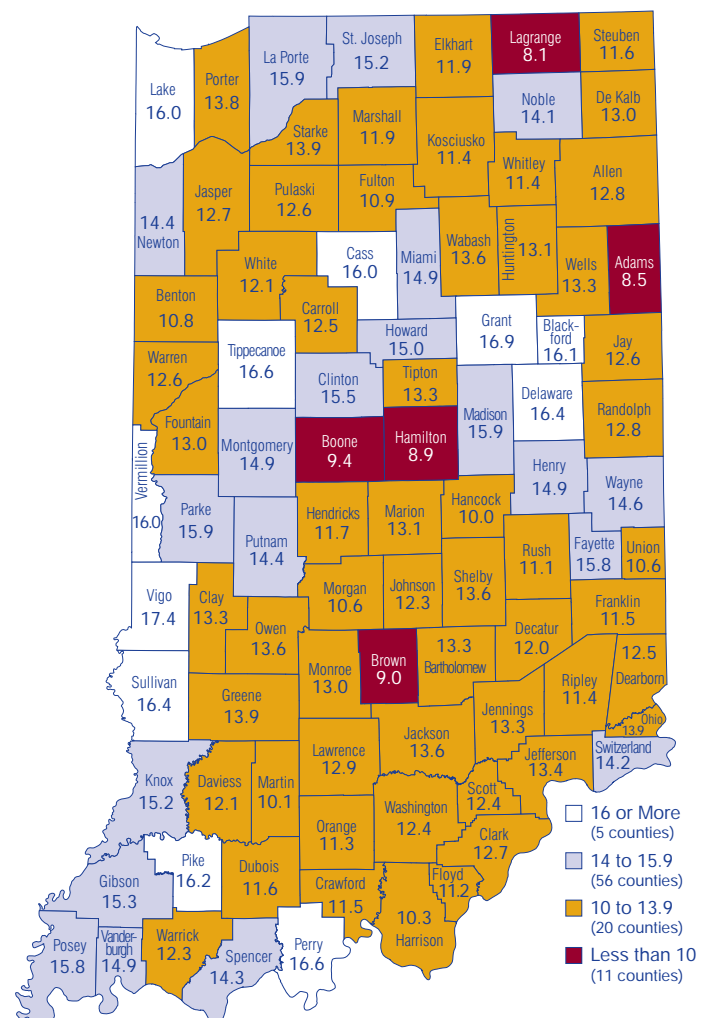
1. Receipts include gross receipts, sales, commissions and income from trades and businesses, as reported on

FIGURE 3: PERCENT CHANGE IN NONEMPLOYER ESTABLISHMENTS, 2002 TO 2004



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

FIGURE 4: PER CAPITA MEASURE OF NONEMPLOYER ESTABLISHMENTS, 2004



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

The Southern Indiana Bank Deposit Market

Banking has changed rapidly since the 1980s. Due to a record number of mergers and acquisitions, the average bank grew while the total number of banks declined.

With passage of the 1999 Financial Services Modernization (FSM) Act, also referred to as the Gramm-Leach-Bliley Act, banks can now engage in previously restricted activities, such as underwriting securities and insurance policies.¹ Since the FSM Act could

lead to a wave of consolidation across commercial banks, insurance companies and investment banks, market concentration was likely to rise.

In this report, we investigate changes in southern Indiana's bank deposit market between 1998 and

2005 (six years after the FSM Act), and compare it with the Louisville, Indiana and Kentucky markets. For purposes of this article, southern Indiana includes eight Indiana counties, four of which belong to the Louisville Metropolitan Statistical Area (metro) that also includes nine Kentucky counties.²

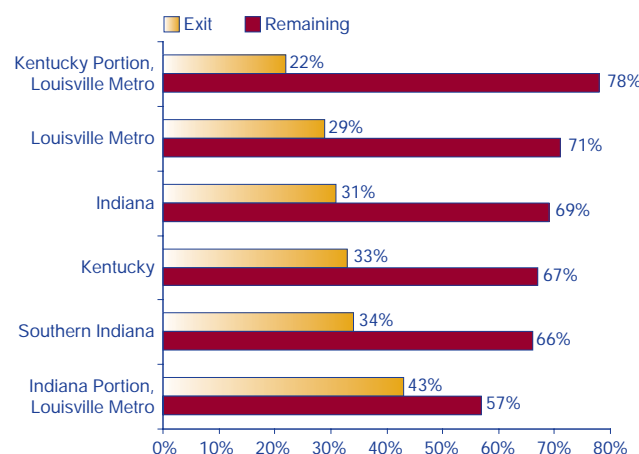
Banks in the Deposit Market

As seen in **Table 1**, the amount of bank deposits in southern Indiana increased from \$3.22 billion to \$3.99 billion between 1998 and 2005. The number of offices increased from 136 to 151, whereas the number of banks decreased from 32 to 29. These trends are largely shared by Indiana, Kentucky and the United States. Therefore, as the FSM Act led to a wave of mergers and acquisitions, the number of banks declined while the number of retail offices increased.

However, the Louisville metro did not experience a reduction in the number of banks, and this is especially true for the Kentucky side of the metro, which had an 11 percent increase in the number of banks.

Deposits in the United States went up 62 percent from 1998 to 2005.

FIGURE 1: PERCENT OF BANKS EXITING OR REMAINING IN MARKET



*For each market, the total number of banks in 1998 equals 100%
Source: Federal Deposit Insurance Corporation

TABLE 1: BANKS IN THE DEPOSIT MARKET

	1998	2005	Change
Southern Indiana			
Banks in the Market	32	29	-9%
Offices	136	151	11%
Market Deposits (billions)	\$3.22	\$3.99	24%
Indiana Portion of the Louisville Metro			
Banks in the Market	21	21	0%
Offices	99	112	13%
Market Deposits (billions)	\$2.41	\$3.02	26%
Kentucky Portion of the Louisville Metro			
Banks in the Market	36	40	11%
Offices	321	357	11%
Market Deposits (billions)	\$14.65	\$16.27	11%
Louisville Metro			
Banks in the Market	52	53	2%
Offices	420	469	12%
Market Deposits (billions)	\$17.06	\$19.29	13%
Indiana			
Banks in the Market	269	223	-17%
Offices	2,245	2,345	4%
Market Deposits (billions)	\$69.76	\$84.54	21%
Kentucky			
Banks in the Market	320	257	-20%
Offices	1,541	1,750	14%
Market Deposits (billions)	\$47.72	\$57.24	20%
United States			
Banks in the Market	10,738	8,856	-18%
Offices	83,314	92,046	10%
Market Deposits (billions)	\$3,657.85	\$5,933.76	62%

Source: Federal Deposit Insurance Corporation

Unfortunately, this boost was shared by neither Indiana (21 percent) nor Kentucky (20 percent). As for the Louisville metro, the Indiana side had a much higher increase (26 percent) in the total amount of deposits than the Kentucky side (11 percent).

Bank Entry and Exit

The banking industry is no stranger to mergers and acquisitions. For example, in 1998, NBD Bank ranked first in regard to southern Indiana's deposit market share at 17 percent. It was acquired by Bank One Indiana in 1999, which was later acquired by Bank One National. Bank One National was then acquired by JPMorgan Chase. By 2005, JPMorgan Chase Bank had become the number one bank, with about 12 percent of the deposit market share.

As seen in **Figure 1**, about 34 percent of banks that existed in 1998 exited the southern Indiana market by 2005, while 66 percent remained. (Remaining banks are defined as those having the same FDIC certificate number in 2005 as in 1998.) As for the Louisville metro, the Indiana counties have a much lower percentage of remaining banks (57 percent) than the Kentucky counties (78 percent),

TABLE 2: MARKET SHARE OF BANKS IN EXIT, REMAINING AND ENTRY

Geography	1998*		2005*	
	Exit	Remaining	Remaining	Entry
Southern Indiana	38%	62%	79%	21%
Indiana Portion of the Louisville Metro	43%	57%	63%	37%
Kentucky Portion of the Louisville Metro	30%	70%	69%	31%
Louisville Metro	32%	68%	68%	32%
Indiana	48%	52%	68%	32%
Kentucky	39%	61%	72%	28%

*For each market, the total deposit market share is equal to 100% in 1998 and 2005
Source: Federal Deposit Insurance Corporation

meaning the Indiana counties had a much higher proportion of exit banks (43 percent) than the Kentucky counties (22 percent); this implies that the deposit market of Indiana counties was more active and dynamic than that of the Kentucky counties between 1998 and 2005.

In both Indiana and Kentucky, remaining banks gained more market share since 1998 (see **Table 2**). For example, the remaining banks in southern Indiana held 62 percent market share in 1998 and 79 percent by 2005. More specifically, Community Bank of Southern Indiana ranked sixth in 1998 with a market share of 5 percent. By 2005, it had risen to second place with a market share of 9 percent.

However, the market share of remaining banks in the Louisville metro stayed the same, due to the slight decrease in market share for the Kentucky counties and the increase in market share for the Indiana counties.

Market Concentration

Table 3 reports market concentration in 1998 and 2005, measured by the market share of the top 10 percent of banks and the Herfindahl Index.³ Market concentration in southern Indiana has declined considerably, despite the consolidation trend in the overall banking industry since the 1999 FSM Act. More specifically, the top 10 percent banks' market share dropped from 39 percent to 29 percent,

and the Herfindahl Index fell from 0.077 to 0.060. The Louisville metro demonstrates the same trend, indicating that the local deposit markets in southern Indiana and Louisville have actually become more competitive since 1998.

The Indiana side of the Louisville metro has a much lower level of concentration than its Kentucky counterpart. For instance, in 2005, the top 10 percent banks held 26 percent of the market share in the Indiana counties and 54 percent in the Kentucky counties.

Contrary to the local markets, Indiana overall has experienced an increase in market concentration (in line with the consolidation trend after the FSM Act), demonstrated by both a moderate increase in the top 10 percent banks' market share and an increase in the Herfindahl Index. However, the results for Kentucky are mixed.

Market Share by Bank Asset Size

Table 4 shows the distribution of market shares among large (asset sizes larger than \$1 billion), medium (between \$100 million and \$1 billion), and small banks (smaller than \$100 million). In southern Indiana, medium banks

hold more market share than large banks. From 1998 to 2005, the share of medium banks increased from 42.2 percent to 59.8 percent, while the shares of large and small banks both declined. Furthermore, medium banks have the highest average market share per bank in 2005. Hence, medium banks have become the major players in the local deposit market of southern Indiana.

In contrast, at the state level, large banks tend to hold the highest proportion of market share and their average market share per bank is also the highest. As for the Louisville metro, large banks dominated the market on both the Indiana and Kentucky sides in 1998. However, by 2005, medium banks dominated the market on the Indiana side.

County Shares of Southern Indiana

Interestingly, regardless of the considerable decline in market concentration and the large numbers of bank exit and entry, county-level market shares were relatively stable across time

TABLE 3: MARKET CONCENTRATION

Geography	1998	2005	Change
Southern Indiana			
Top 10% Banks' Market Share	39%	29%	-26%
Herfindahl Index	0.077	0.060	-22%
Indiana Portion of the Louisville Metro			
Top 10% Banks' Market Share	42%	26%	-62%
Herfindahl Index	0.123	0.086	-30%
Kentucky Portion of the Louisville Metro			
Top 10% Banks' Market Share	70%	54%	-23%
Herfindahl Index	0.151	0.101	-33%
Louisville Metro			
Top 10% Banks' Market Share	69%	56%	-19%
Herfindahl Index	0.127	0.082	-35%
Indiana			
Top 10% Banks' Market Share	61%	64%	5%
Herfindahl Index	0.031	0.039	26%
Kentucky			
Top 10% Banks' Market Share	60%	61%	2%
Herfindahl Index	0.033	0.029	-12%

Source: Federal Deposit Insurance Corporation

TABLE 5: MARKET SHARES OF SOUTHERN INDIANA COUNTIES

County	1998				2005			
	Banks	Offices	Market Deposits (millions)	Market Share	Banks	Offices	Market Deposits (millions)	Market Share
Clark*	13	42	987.8	30.7%	15	44	1,104.5	27.7%
Crawford	3	7	91.6	2.8%	2	6	88.8	2.2%
Floyd*	10	30	824.3	25.6%	16	42	1,118.1	28.0%
Harrison*	7	16	370.9	11.5%	5	15	536.5	13.4%
Jefferson	5	15	311.3	9.7%	7	16	407.8	10.2%
Orange	4	7	216.5	6.7%	5	8	243.6	6.1%
Scott	6	8	192.6	6.0%	6	9	226.6	5.7%
Washington*	7	11	223.6	6.9%	7	11	263.5	6.6%
Total	32	136	3,218.6	100%	29	151	3,989.4	100%

*Indiana counties included in the Louisville metro
Source: Federal Deposit Insurance Corporation

(see Table 5). The 2005 ranking (Floyd, Clark, Harrison, Jefferson, Washington, Orange, Scott and Crawford) is almost the same as it was in 1998, except that Floyd County rose from second place to first place, switching with Clark County. The counties in the Louisville metro hold more market share than any of the nonmetro counties, with the exception of Jefferson County (ranked fourth).

Together, the four Indiana counties of the Louisville metro held about 75 percent of the southern Indiana market share in 1998 and increased to 76 percent in 2005. Meanwhile, the four Indiana metro counties held about 14 percent of the entire Louisville metro market share in 1998 and grew to 16 percent in 2005.

Conclusions

The local banking market in southern Indiana is active in mergers and acquisitions, yet it has become more competitive and dynamic since 1998. Banks that existed in the region at that time gained more market share. Moreover, medium banks, not large banks, have become the dominant players in southern Indiana. This is particularly interesting, given that the medium and small banks are

losing shares in the deposit market at the national level.⁴ Although the 1999 FSM Act may have encouraged a consolidation trend in the entire banking industry, the local deposit market in southern Indiana has actually become much less concentrated since 1998.

TABLE 4: MARKET SHARE BY BANK ASSET SIZE*

Geography	1998			2005		
	Large	Medium	Small	Large	Medium	Small
Southern Indiana						
Banks	5	14	13	11	14	4
Market Share	39.6%	42.4%	18.0%	35.6%	59.8%	4.6%
Average Market Share per Bank	7.9%	3.0%	1.4%	3.2%	4.3%	1.1%
Indiana Portion of the Louisville Metro						
Banks	5	10	6	8	11	2
Market Share	51.4%	37.6%	11.1%	40.2%	55.9%	3.9%
Average Market Share per Bank	10.3%	3.8%	1.9%	5.0%	5.1%	2.0%
Kentucky Portion of the Louisville Metro						
Banks	7	15	14	9	22	9
Market Share	83.2%	12.5%	4.4%	78.6%	19.0%	3.1%
Average Market Share per Bank	11.9%	0.8%	0.3%	8.7%	0.9%	0.3%
Louisville Metro						
Banks	8	24	20	12	31	10
Market Share	78.8%	16.0%	5.2%	73.0%	24.0%	3%
Average Market Share per Bank	9.9%	0.7%	0.3%	6.1%	0.8%	0.3%
Indiana						
Banks	25	136	108	38	129	56
Market Share	55.3%	37.8%	6.9%	66.1%	31.0%	2.9%
Average Market Share per Bank	2.2%	0.3%	0.1%	1.7%	1.2%	0.1%
Kentucky						
Banks	16	114	190	23	138	96
Market Share	49.7%	32.7%	17.6%	54.4%	37.6%	8.0%
Average Market Share per Bank	3.1%	0.3%	0.1%	2.4%	0.3%	0.1%

*Banks with asset sizes larger than \$1 billion are large banks; those with asset sizes between \$100 million and \$1 billion are medium banks; and banks with asset sizes smaller than \$100 million are small banks.
Source: Federal Deposit Insurance Corporation

Notes

1. Cara S. Lown, Carol L. Osler, Philip E. Strahan, and Amir Sufi, "The Changing Landscape of the Financial Services Industry: What Lies Ahead?" *FRBNY Economic Policy Review*, October 2000.
2. Southern Indiana includes Clark, Crawford, Floyd, Harrison, Jefferson, Orange, Scott and Washington counties. The Indiana portion of the Louisville metro includes Clark, Floyd, Harrison and Washington counties. The Kentucky portion of the Louisville metro includes Bullitt, Henry, Jefferson, Meade, Nelson, Oldham, Shelby, Spencer and Trimble counties. The Louisville metro is a combination of the Indiana and Kentucky portions.
3. The Herfindahl Index measures the size of firms in relationship to the industry and is an indicator of the amount of competition among them. It can range from 0 to 1, moving from a very large amount of very small firms to a single monopolistic producer.
4. Rober DeYoung, William C. Hunter, and Gregory F. Udell, "The Past, Present, and Probable Future for Community Banks," *Journal of Financial Services Research*, 25 (2-3), April 2004.

—*Uric B. Dufrene, Sanders Chair in Business, and Yan He, Associate Professor of Finance, School of Business, Indiana University Southeast*

The Kokomo-Peru CSA

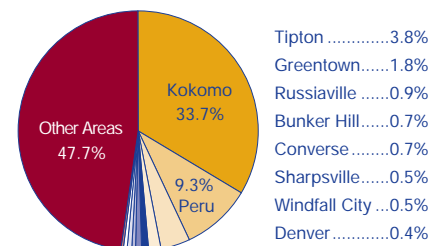
This article is the third of seven that will highlight each of Indiana's combined statistical areas (CSAs). CSAs are groupings of predefined metropolitan (metro) and/or micropolitan (micro) areas that, as the title suggests, combine these areas to "represent larger regions and reflect broader social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

Howard, Miami and Tipton counties make up the Kokomo-Peru CSA, which is the smallest CSA in Indiana. Accounting for only 2.2 percent of

Indiana's population in 2005, the area has just under 137,000 residents. In fact, only 10 of the 121 CSAs nationwide are smaller in population than the Kokomo-Peru CSA. This particular Indiana CSA was among the 14 percent of all CSAs nationwide to experience an overall loss in population from July 2000 to 2005.

Of the 10 largest cities and towns in the combined statistical area, only Kokomo and Peru have more than 10,000 residents. Denver, the 10th largest town in the CSA, has only

FIGURE 1: POPULATION DISTRIBUTION IN THE KOKOMO-PERU CSA, 2005



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

521 residents, and 47.7 percent of all residents of the CSA live in smaller towns or other areas (see **Figure 1**).

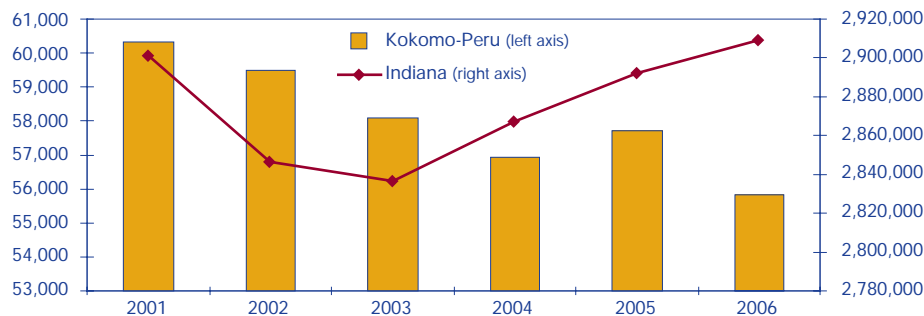
Jobs

The Kokomo-Peru CSA has seen fairly steady declines in jobs from 2001:2 to 2006:2 (other than an increase of 775 jobs in 2005), with total losses for the area at 4,485. In contrast, the state has been adding jobs since 2003 (see **Figure 2**). In more comparable percentage terms, the decline in jobs in the Kokomo-Peru CSA was -7.4 percent compared to a 0.3 percent increase in Indiana. Manufacturing did the most damage in the CSA with more than 3,200 jobs lost since the second quarter of 2001. Even after these losses are figured in, manufacturing comprised 32.2 percent of jobs in the CSA, significantly higher than the state's 19.6 percent.

The largest gains in the Kokomo-Peru CSA were in education and health care and social services, with increases of about 590 jobs and 384 jobs, respectively (see **Table 1**). With these mild additions being the largest the combined statistical area saw, it is not surprising to see such drastic declines over the past five years.

There were eight companies in the Kokomo-Peru CSA that employed at least 500 people, seven of which are located in Howard County. The largest of these companies was

FIGURE 2: JOBS IN THE KOKOMO-PERU CSA AND INDIANA, 2001:2 TO 2006:2



Source: IBRC, using Bureau of Labor Statistics data

TABLE 1: JOBS IN THE KOKOMO-PERU CSA AND INDIANA BY INDUSTRY, 2001:2 TO 2006:2

Industry	Kokomo-Peru CSA			Indiana		
	2006:2	Change	Percent Change	2006:2	Change	Percent Change
Total	55,841	-4,485	-7.4	2,908,961	7,931	0.3
Educational Services	4,261	589	16.0	244,044	19,088	8.5
Mining	120	13	12.1	6,679	-153	-2.2
Health Care and Social Services	6,232	384	6.6	352,566	34,146	10.7
Public Administration	3,536	188	5.6	129,443	1,356	1.1
Wholesale Trade	1,221	52	4.4	123,849	-207	-0.2
Administrative, Support and Waste Management	2,036	53	2.7	163,378	24,804	17.9
Transportation and Warehousing	1,192	-26	-2.1	129,686	-703	-0.5
Accommodation and Food Services	4,871	-122	-2.4	241,748	12,388	5.4
Finance and Insurance	1,199	-33	-2.7	100,547	-5,226	-4.9
Real Estate, Rental and Leasing	552	-46	-7.7	38,037	-415	-1.1
Arts, Entertainment and Recreation	333	-33	-9.0	47,283	-664	-1.4
Retail Trade	6,625	-738	-10.0	328,574	-20,764	-5.9
Agriculture, Forestry, Fishing and Hunting	443	-60	-11.9	12,247	373	3.1
Other Services (Except Public Administration)	1,499	-246	-14.1	85,136	-2,689	-3.1
Professional, Scientific and Technical Services	1,076	-189	-14.9	93,436	5,970	6.8
Manufacturing	17,977	-3,274	-15.4	568,929	-55,684	-8.9
Utilities	162	-34	-17.3	16,521	16	0.1
Information	597	-132	-18.1	47,146	-4,700	-9.1
Construction	1,734	-442	-20.3	152,713	1,296	0.9

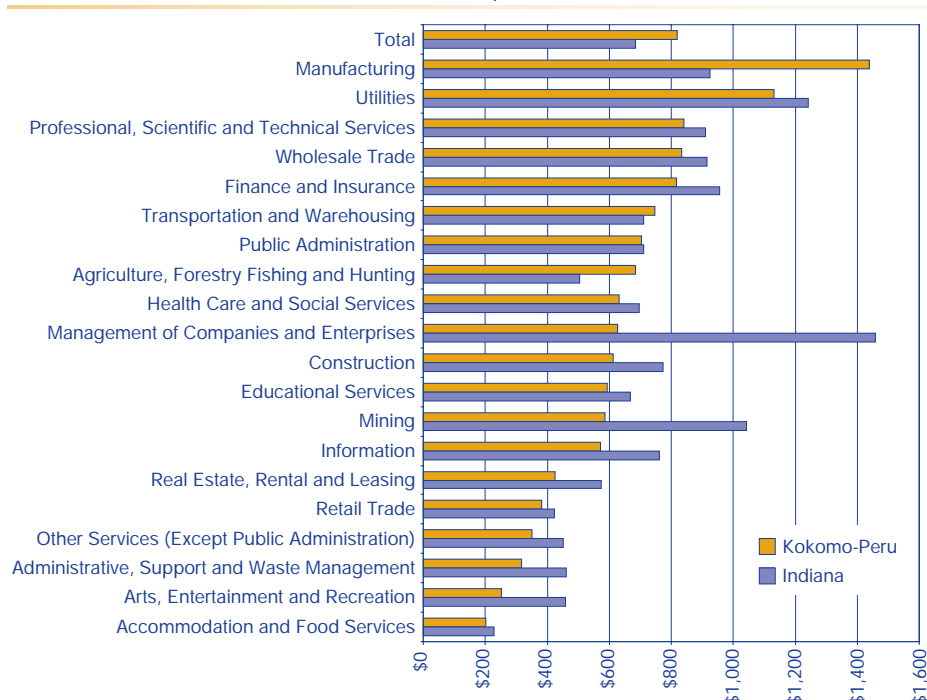
Note: Data for the management of companies and enterprises industry were not available in 2001 for the Kokomo-Peru CSA and are therefore not included
Source: IBRC, using Bureau of Labor Statistics data

TABLE 2: LARGEST COMPANIES IN THE KOKOMO-PERU CSA

Company	County	Employees	Description
Delphi Electronics and Safety	Howard	8,000	Manufacturing: semiconductors and related devices
Howard Regional Health System	Howard	1,300	Hospitals
Saint Joseph Hospital	Howard	950	Hospitals
Haynes International Inc	Howard	800	Manufacturing: Foundries-Steel
Meijer	Howard	700	Grocers—Retail
Indiana University Kokomo	Howard	600	Schools: Universities and Colleges
Wal-Mart Supercenter	Howard	600	Department Stores
Square D	Miami	600	Electric Equipment and Supplies—Wholesale

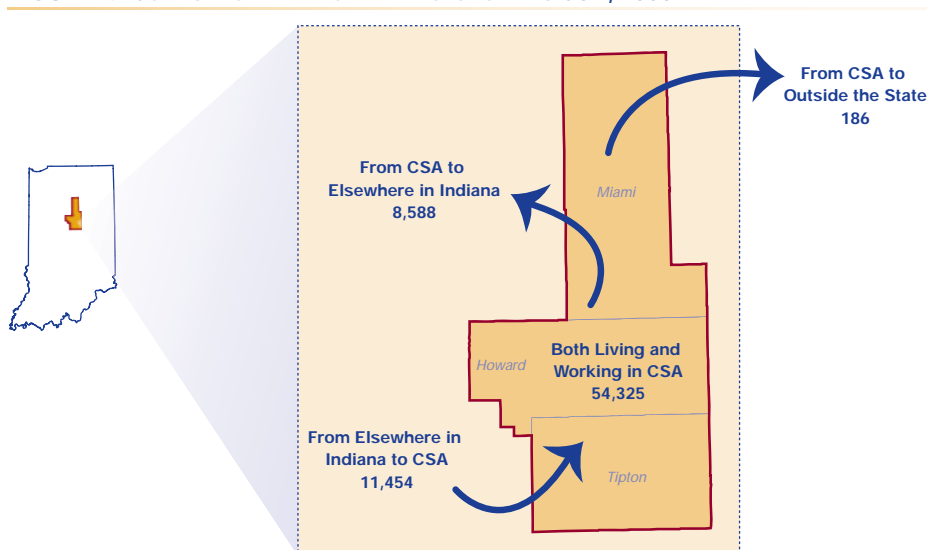
Source: ReferenceUSA, as of January 2007

FIGURE 3: AVERAGE WEEKLY WAGES BY INDUSTRY, 2006:2



Source: IBRC, using Bureau of Labor Statistics data

FIGURE 4: COMMUTING PATTERNS IN THE KOKOMO-PERU CSA, 2000



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

Delphi Electronics, a manufacturer of semiconductors and related devices (see Table 2).

Wages

While the job market was not overly appealing from 2001 to 2006 in the Kokomo-Peru CSA, average weekly wages were at least somewhat encouraging. For total covered employment, the CSA consistently paid at least \$110 more per week in all five years.

At the individual industry level, the region's manufacturing firms paid an average of \$515 more per week than did Indiana firms in the second quarter of 2006. The other two industries where the Kokomo-Peru CSA paid higher wages were in agriculture, forestry, fishing and hunting and transportation and warehousing (see Figure 3). The downside is that each of these three industries experienced job losses during the last five years.

Commuting

Around 63,100 workers lived in the Kokomo-Peru CSA, according to Census 2000. Of those, 75.5 percent live and work in the same county within the CSA, and another 10.6 percent travel to other counties within the CSA (see Figure 4). As for those workers leaving the combined statistical area, 13.6 percent travel to other counties within Indiana, meaning less than 1 percent leave the state (which is expected, given the central location of the CSA within Indiana).

Notes

1. U.S. Office of Management and Budget, available at www.whitehouse.gov/omb/

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It can be challenging to both locate and use older U.S. government documents and statistical data that only exist in paper form. It does not help that the paper format is often in less-than-stellar condition.

The State Data Center at the Indiana State Library has recently added Part I of a two-part microfiche set to the center's collection. Originally filmed by Greenwood Press, this set includes non-decennial U.S. Census publications issued from 1820 to 1945 and contains 2,500 Census reports on 5,934 microfiche.

Included in this set are censuses of:

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- dependent, defective, and delinquent classes
- foreign trade
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- manufacturers
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- religious bodies
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- vital statistics
- partial employment, unemployment, and occupations, 1937
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If you would like to view or use this set, please feel free to visit and see what's new at the Indiana State Data Center!

—Anika Williams, State Data Center Coordinator, Indiana State Library