

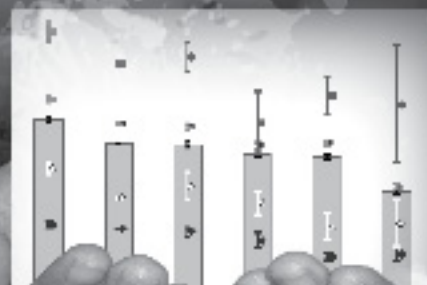
Indiana Business Review

How Does Your Garden Grow?

Employment Growth
Among the States

Also in this issue:

Household Income Varies by Region and Race
Agritourism and Rural Economic Development



Fall 2006

A publication of the Indiana Business Research Center
at the Kelley School of Business, Indiana University

IBRC **KELLEY**
Indiana Business Research Center School of Business

Kelley School of Business

Daniel C. Smith
Dean

Frank Acito
Associate Dean of
Academic Programs

Patricia P. McDougall
Associate Dean of
Faculty and Research

Roger W. Schmenner
Associate Dean of
Indianapolis Programs

Nancy L. Spriggs
Director of Marketing

Indiana Business Research Center

Jerry N. Conover
Director and Publisher

Indiana Business Review

Executive Editor
Carol O. Rogers

Managing Editor
Rachel M. Justis

Graphic Designer
Molly A. Manns

Quality Control
Shannon Arango, Eric Harris, and
David Landers

Circulation
Nikki J. Livingston

Table of Contents

1

How Does Your Garden Grow?: Employment Growth Among the States

Morton J. Marcus digs into data about employment growth, volatility and variation to determine how well the Indiana economy is performing relative to the rest of the United States.

4

Differences in Income by Region and Race

Rachel M. Justis compares Indiana's household income to the Midwest and the nation, looking at whether or not there is a relationship between race and income.

6

Agritourism and Rural Economic Development

Melissa Ramsey and Nathan A. Schaumleffel discuss the state of Indiana's current agritourism industry and unveil potential partnerships to enhance the industry across Indiana.

A Note from the Editor

The garden metaphor is an apt one for this issue. One might suggest that good data are part of the soil mix we need in order to grow our economy and gauge our quality of life. Indiana has been working toward better data to better inform its most important decisions, first with the 2004 study commissioned by the Central Indiana Corporate Partnership, followed by the Lilly Endowment's support of the State Data Initiative (now called Information for Indiana).

A coalition of universities and the Governor's office have been moving forward on the recommendations of the 2004 study, and this initiative continues to receive support from a broad spectrum of data users. Our state's most important agencies are now aware of key data issues; more (and sometimes better) data have begun to flow more forcefully from these agencies; and we can now point to many significant successes in the availability and utility of data. Property tax files, local certified budgets, income and retail sales tax data, child care data—all are now available as time series in forms more useful for general policy analysis.

STATS Indiana will be the essential portal to reach these new data, transformed into meaningful maps, graphs, and other representations that will speed the process from question to answer. A focus on metrics, usability, and dashboard-style indicators will help Hoosiers better understand our benchmarks and our progress. Through continuous improvements in content and usability, STATS Indiana will bring Information for Indiana to life.

—Carol O. Rogers

How Does Your Garden Grow?

Employment Growth Among the States

Morton J. Marcus

Director Emeritus, Indiana Business Research Center, Kelley School of Business, Indiana University

Some florid orators will tell you that a state's economy is like a garden. It must be nurtured, weeded, properly drained or absorbent enough to withstand flooding, and with an orientation toward the beneficial rays of the sun. Thus, we may ask: how have our gardens been growing?

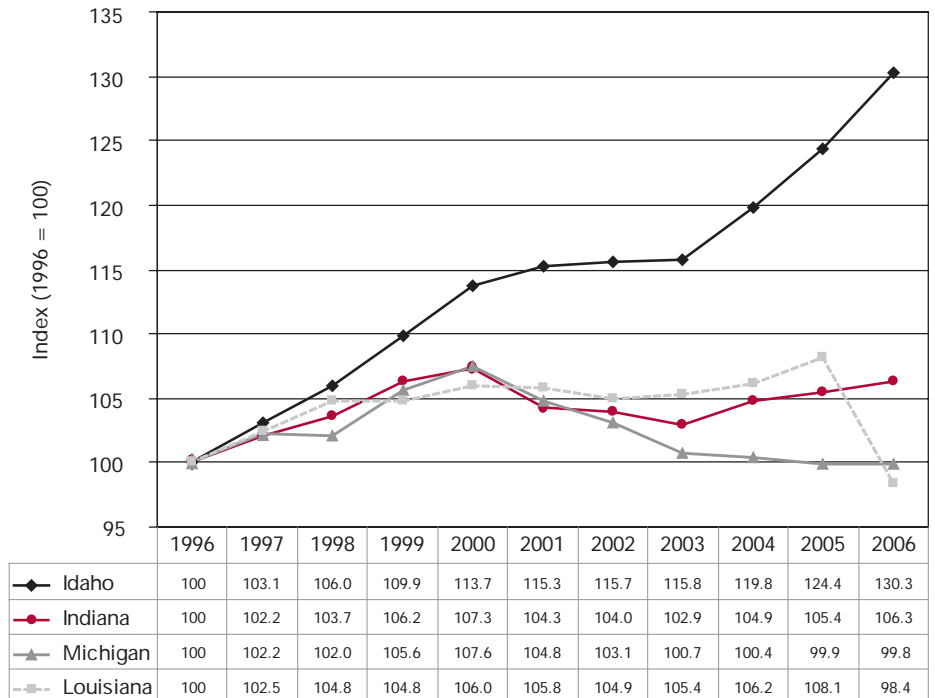
States are an appropriate unit of analysis because there are few metropolitan economic development commissions with major authority. Only the states themselves have the power and the resources to influence economic development in a serious fashion. This said, from a purely economic point of view, the metropolitan area is probably the best unit of analysis since serious economic effects rarely spread far beyond the borders of a given metro area.

State Employment Growth, 1996 to 2006

We consider employment as the rose of the garden. Jobs are the focus of our politicians who are (whether they know it or not) tied to the Great Depression and who see one job as equal to some multiple of that number in votes.

When discussing the economy of states, it is inappropriate to compare the growth rate of any given state to the national growth rate. The national growth rate is not the average of the fifty states, but rather the growth rate for the United States, which is

Figure 1
Employment Trends in Selected States, 1996 to 2006



Source: Bureau of Labor Statistics

the sum of employment in all of the states. This is equal to the weighted average where California's growth rate counts for nearly forty-three times more than the growth rate of North Dakota.

The national employment growth rate from 1996 to 2006 was 13.4 percent.¹ This was also the median growth rate, dividing the top twenty-five states from the bottom twenty-five. The highest rate was realized by Nevada with 52.7 percent and the lowest rate (excluding hurricane-

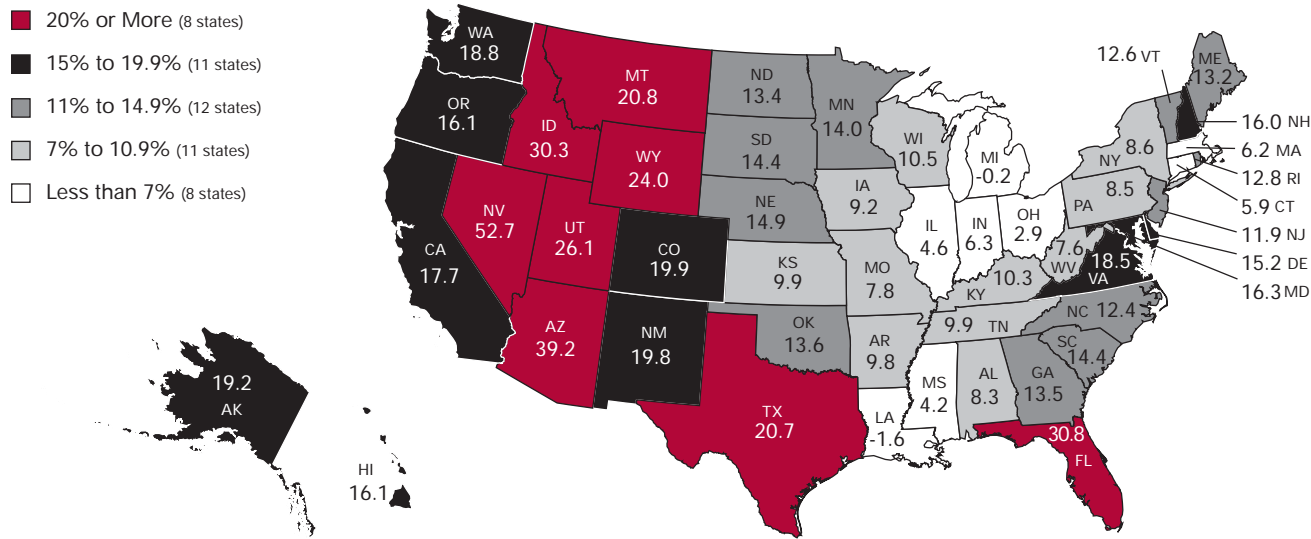
ravaged Louisiana) was -0.2 for Michigan. Indiana was forty-third in the nation with a 6.3 percent rate of growth, half the national pace.

Figure 1 presents the employment pathways followed by four states. Many states followed the same pattern as Idaho over this period of time: A basic upward trend, interrupted by a softening of job growth early in this decade, then resumption of growth. Indiana, Michigan, and Louisiana followed their own lower but similar path until a clear divergence appeared among the three in 2002. The effect of Hurricane Katrina on Louisiana is evident for 2006. The split between Indiana and Michigan grew over the latter years of the time span.

Figure 2 offers the growth rates for all states. Western states predominate as the fastest growing areas. Four

“Indiana was forty-third in the nation with a 6.3 percent rate of growth, half the national pace.”

Figure 2
Growth Rates in Employment, 1996 to 2006



Source: Bureau of Labor Statistics

Midwestern and two New England states were the slowest growing, along with Katrina-battered Louisiana and Mississippi.

Annual Growth

The fastest rate of growth for any state was 6.5 percent for Nevada in 2004, while Arkansas never grew faster than 1.9 percent in any of the past ten years. Indiana's peak year of growth occurred in 1999 at a rate of 2.5

percent, which placed us thirty-eighth in the nation.

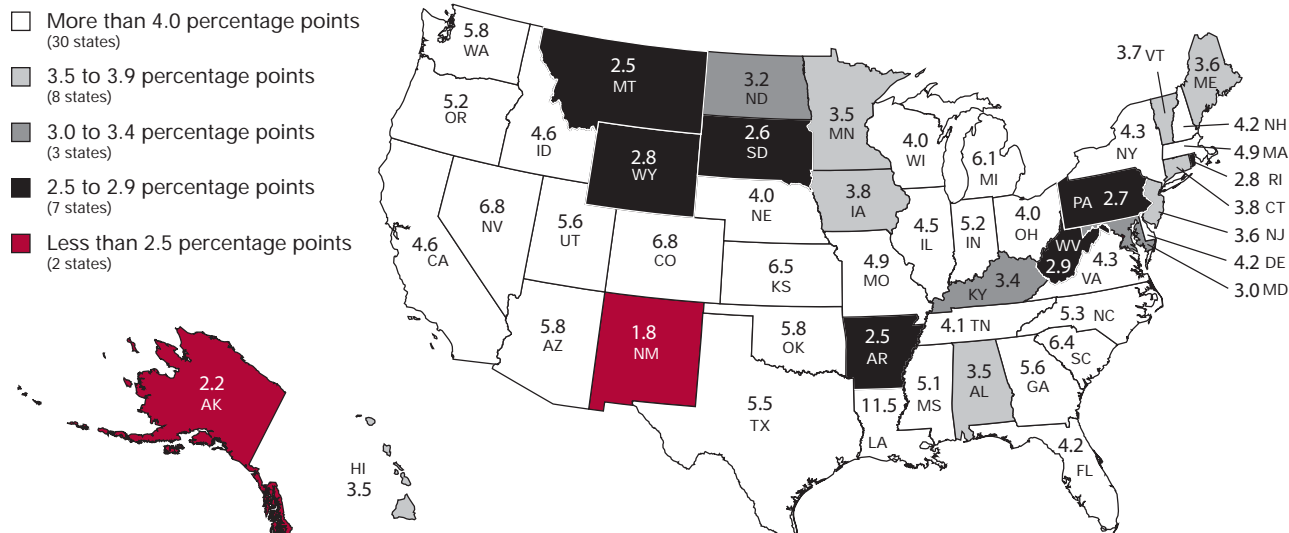
This past year, jobs in Louisiana declined by 9 percent, the most of any state in the past ten years. Aside from that tragic circumstance, Indiana had the greatest annual decline in jobs back in 2001 at -2.8 percent. Perhaps it needs to be repeated, except for Louisiana last year, no state had a more serious decline in employment

in the past ten years than did Indiana in 2001.

Variation in Employment Growth

The range of the percent change in employment (that is, the maximum and minimum values for each state) gives us one measure of volatility. These ranges are represented in **Figure 3**. Again we must discount the result for Louisiana where the range was 2.5 percent to -9.0 percent,

Figure 3
Variation in Employment Growth, 1997 to 2006



Source: Bureau of Labor Statistics

or 11.5 percent. Next on the list were Colorado and Nevada with ranges of 6.8 percent. The least spread between its highest growth rate and its lowest was New Mexico, with a growth peak of 2.9 percent and a trough of 1.1 percent. Indiana ranked fourteenth in this measure with a range of 5.2 percent, from 2.5 percent to -2.8 percent.²

Volatility in Employment Growth

The range tells us about the highs and the lows of a set of values, in this case two observations out of ten. But the volatility of change is measured by how much the change of each year is away from the average or the mean value of a series. For Indiana, the average percent change in jobs over these past ten years has been 0.6 percent (forty-third in the nation). The measure of distance from that average is called the standard deviation; this was 1.6 percent for Indiana (seventeenth in the United States). When the standard deviation is divided by the average, we have a coefficient of variation, a measure that applies across all states regardless of differences in their

average growth rates.³ The coefficient of variation for Indiana was 2.6 (the standard deviation was more than two-and-a-half times as great as the mean), which put Indiana in seventh place across the nation for volatility of job growth. Michigan showed the greatest volatility of job growth, meaning it had the greatest variance around its average value. The most placid job market was in New Mexico (see **Figure 4**). A high level of job growth may be desired. But do we want a high degree of variation in that rate of growth? Does a boom/bust scenario seem desirable?

And do these questions make any sense if we cannot control the behavior of the job market?

To know what has been happening and what may therefore happen again is useful. To believe that by such knowledge we can rein in either growth or volatility, that we can accelerate lagging performance for a state with a vigorous private market, could be a significant and embarrassing vanity. ■

Notes

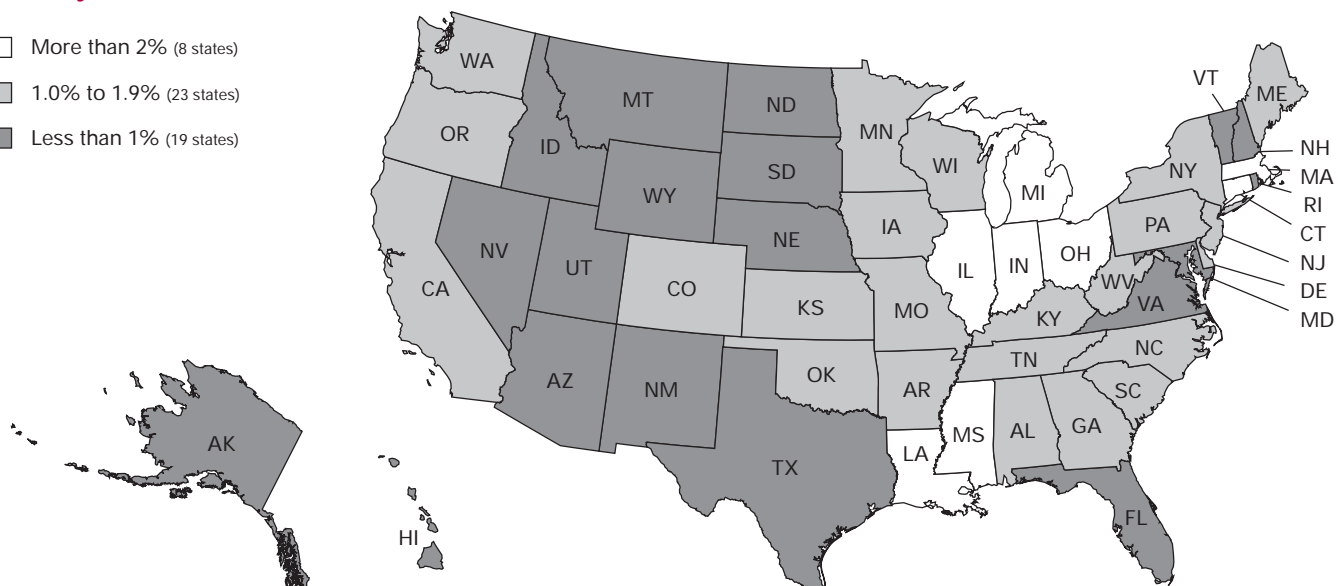
1. All data used are seasonally adjusted figures for the month of July as provided by the U.S.

“A high level of job growth may be desired. But do we want a high degree of variation in the rate of growth? Does a boom/bust scenario seem desirable?”

- Bureau of Labor Statistics. The data for July 2006 are preliminary. Data for the District of Columbia have been excluded since that entity shares economic power over the jurisdiction with the federal government.
2. Numbers may not add because of rounding.
 3. There is a problem, however, when the mean or average value in the denominator is very close to zero, the coefficient of variation will get very large. Thus, states with little or no change on average, will show dramatic statistical volatility that a reasonable person would not recognize as valid.

Figure 4
Volatility in Job Growth, 1997 to 2006

- More than 2% (8 states)
- 1.0% to 1.9% (23 states)
- Less than 1% (19 states)



Source: Bureau of Labor Statistics

Household Income Varies by Region and Race

Rachel Justis

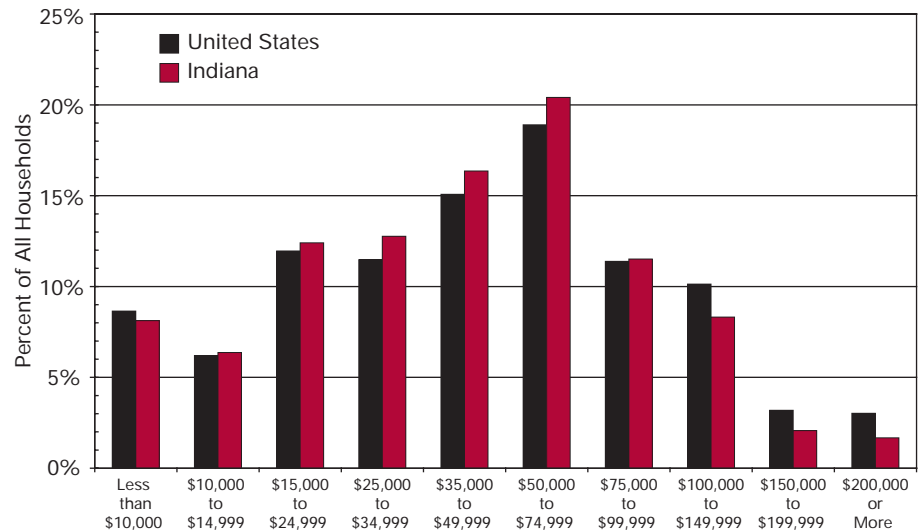
Geodemographic Analyst, Indiana Business Research Center, Kelley School of Business, Indiana University

Indiana's median household income trailed the United States by about \$2,250, according to the 2005 American Community Survey (ACS) from the U.S. Census Bureau. The median household income for Hoosiers was \$43,993 for the 12-month reference period. Meanwhile, the U.S. median household income came in at \$46,242 (which means that half of the incomes were above that mark, and half were below it).

Nearly 498,700 Indiana households had incomes between \$50,000 and \$74,999, accounting for 20 percent of all households (see **Figure 1**). The fewest households in both the state and the nation were found in the top income category; less than 40,800 Hoosier households (and less than 3.4 million U.S. households) earned \$200,000 or more.

With the exception of Illinois, all of Indiana's neighboring states fall below the U.S. median (though Michigan's number is within the margin of error). As seen in **Figure 2**, the lowest median household incomes are generally found in the South and Midwest. At \$32,938,

Figure 1
Household Income in Indiana and the United States, 2005



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

Mississippi residents have the lowest median nationwide, while New Jersey has the highest at \$61,672.

Differences by Race

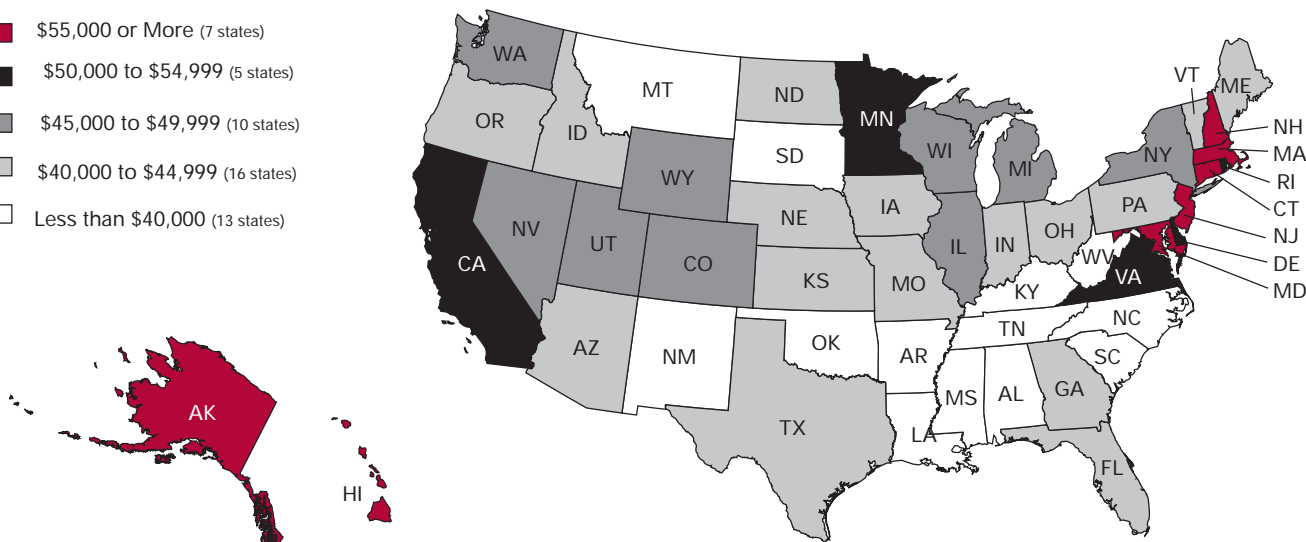
In the Midwest, does one's race and ethnicity have a bearing on median household income?¹ Indeed, for Indiana, its neighbors and the

nation as a whole, Asian households have the highest median incomes, followed by whites, Hispanics and blacks (see **Figure 3**).

In Indiana, the median household income for white households is \$45,943 but just \$28,760 for black households—a gap of nearly \$17,200. Hispanic households fall in the

Figure 2
Median Household Income by State, 2005

- \$55,000 or More (7 states)
- \$50,000 to \$54,999 (5 states)
- \$45,000 to \$49,999 (10 states)
- \$40,000 to \$44,999 (16 states)
- Less than \$40,000 (13 states)



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

middle at \$35,449. Asian households exceed all others at \$49,681. However, since there are fewer Asian households to sample, the margin of error for that racial group is quite large.

Local Areas

ACS data are also available for areas with 65,000 people or more, which includes twenty-four Indiana counties and eight Hoosier cities.

Hamilton County's median household income is almost \$35,000 higher than the Indiana average. At \$78,932, it ranks seventh nationwide among counties with less than 250,000 people. The next highest median incomes in Indiana are also found in the Indianapolis suburbs: Hendricks

County has a median of \$57,538, followed by Johnson County at \$56,251.

Meanwhile, five of the counties for which data are available have median household incomes below \$35,000: Vigo (\$34,862), Wayne (\$34,384), Monroe (\$34,308), Grant (\$34,286) and Delaware (\$34,227).

Turning now to Indiana cities, median income for households ranged from \$41,578 in Indianapolis down to \$22,589 in Bloomington.² Both Gary (\$25,496) and Bloomington are found on the top ten list for the lowest median household income among places nationwide with less than 250,000 people.

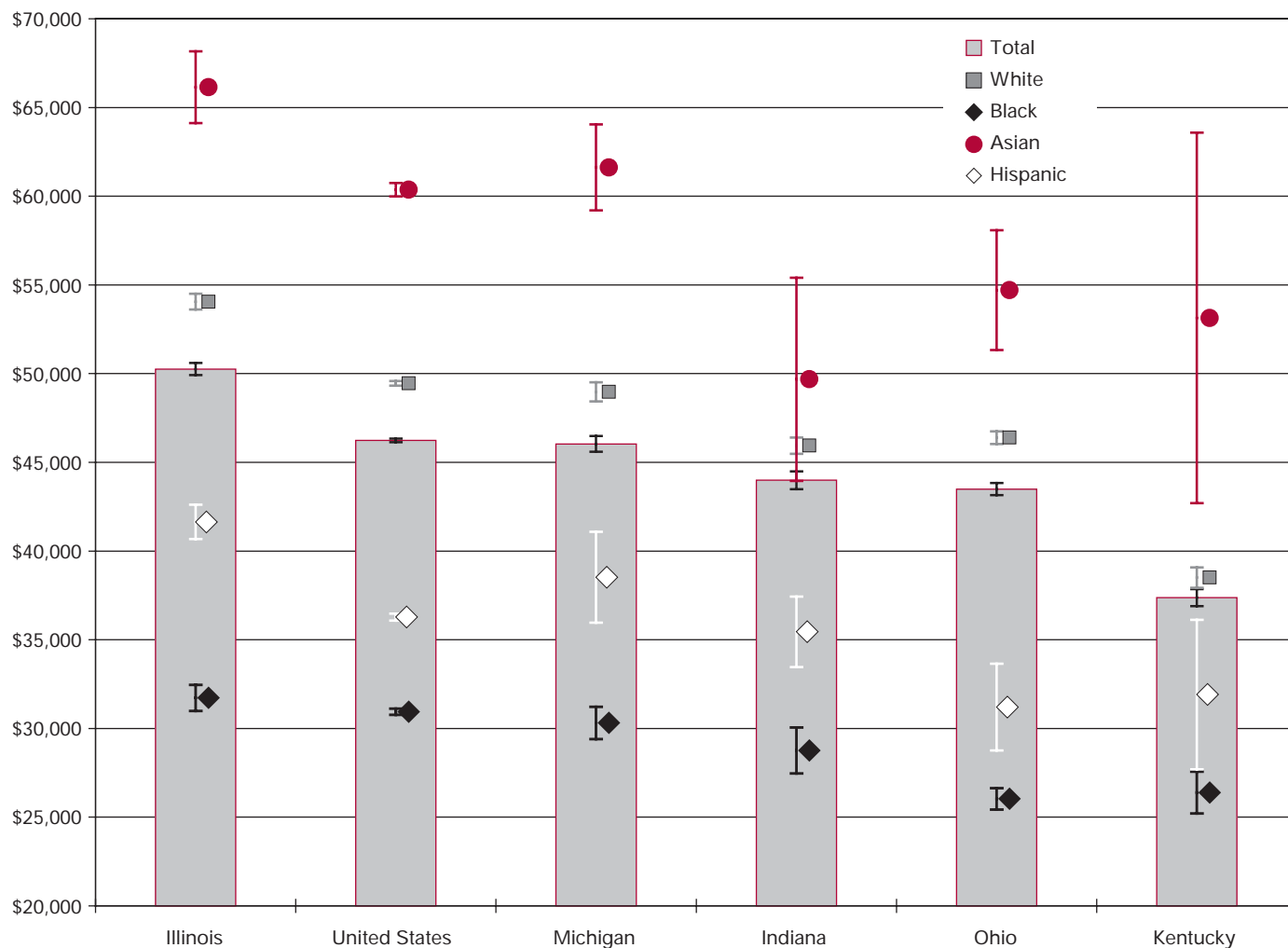
For more detail from the national perspective, see the ACS report,

Income, Earnings, and Poverty Data from the 2005 American Community Survey, at www.census.gov/prod/2006pubs/acs-02.pdf. ■

Notes

1. For households that contain people of different races, it is the race of the householder that is used to categorize households by race. In addition, Hispanic is an ethnicity, so those households are a separate classification and can be of any race. ACS provides figures excluding Hispanic from race groups only for white. The difference in household income in Indiana, for example, is \$125 higher for white not Hispanics than it is for white including Hispanics.
2. Bloomington typically has low levels of income reported due to the high number of households headed by students attending Indiana University.

Figure 3
Midwest Household Income by Race, 2005



Note: Since the margin of error varies, the lines show the 90 percent confidence interval for each data point.

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

Agritourism and Rural Economic Development

Melissa Ramsey

Research Associate, Department of Recreation and Sport Management, Indiana State University

Nathan A. Schaumleffel, Ph.D., CPRP

Assistant Professor, Department of Recreation and Sport Management, Indiana State University

Indiana's Office of Tourism Development reports that the state's "tourism industry brings in approximately \$6.7 billion in spending from 58 million leisure visitors."¹ According to *Destination Indiana: Indiana Office of Tourism Development 2006 Strategic Plan*, tourism is essential to Indiana's economy and is growing almost 5 percent annually, which is above the national average. Although tourism has the potential to impact rural economies, many do not have the local capacity or institutions to develop a sustainable tourism system. The basic acknowledgement of tourism's importance along with other quality of life factors is often not present, thus their importance is minimized in the rural mindset. However, rural communities should develop active municipal and county park boards that are willing to collaborate with other tourism development agencies to enhance the local/state economy through sustainable tourism that achieves economic benefits. Agritourism enterprises offer a wide range of benefits to tourists, such as convenient, secure, educational, and amusing family experiences for visitors who are international, national, and Midwestern residents.²

Public parks and recreation (PPR) plays a vital role in achieving individual, community, environmental, and economic benefits. Some underestimate the importance of PPR and its benefits because its impact is difficult to measure. However, rural municipal and county park boards can facilitate tourism (e.g., festivals and events, nature-based tourism, historical and cultural interpretation, and sports), which can have a significant impact

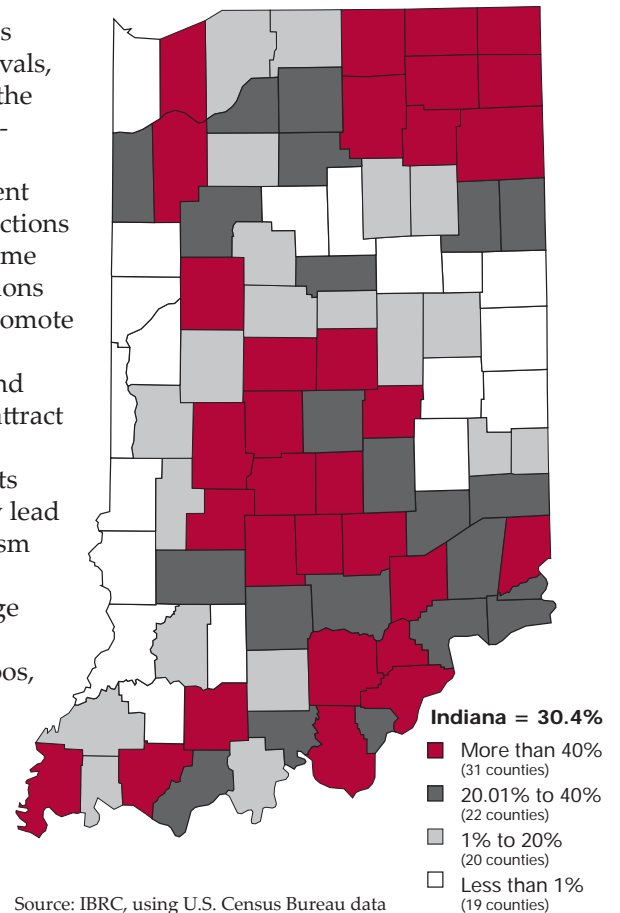
on the state's economy. "In most cases, sports tournaments will generate a greater economic impact for local communities than special events and festivals, because most attendance at the latter (unless they are 'mega-events') is likely to be from locals."³ Tourism development can be cultivated using attractions located in parks, whereas some parks are considered attractions by themselves.⁴ "PPR can promote tourism by:

1. Hosting special events and festivals at park sites to attract tourists.
2. Using park sites for sports tournaments, which may lead to major sources of tourism and economic benefits.
3. Attracting tourists to large urban parks that have memorials, museums, zoos, cultural and heritage artifacts, and historical sites.
4. Attracting tourists to parks with landscape planting and design that are recognized as living works of art."⁵

Rural Community Trends

Lt. Governor Becky Skillman stated that "with 75 percent of Indiana counties designated as 'rural,' we must cater to the needs of these communities and offer any assistance possible to successful and sustainable rural Indiana communities."⁶ As of 2000, 29.2 percent of Indiana's population lived in rural areas, which is a 5.9 percent decrease since 1990. The population shifts result from a lack of in-migration and the increase of out-migration, often due to the loss of local jobs.

Figure 1
Population Growth, 1960 to 2000



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

Continued suburbanization, urban sprawl, and agriculture productivity advancements have made employment smaller in rural areas.⁷

Figure 1 illustrates the growth rate of Indiana's 92 counties from the 1960s to the end of the 1990s. It is obvious that Indiana's metropolitan areas have increased in population, while Indiana's rural areas have not kept pace.

To combat rural population decreases, local leaders should consider the potential economic impact and job creation of agritourism.

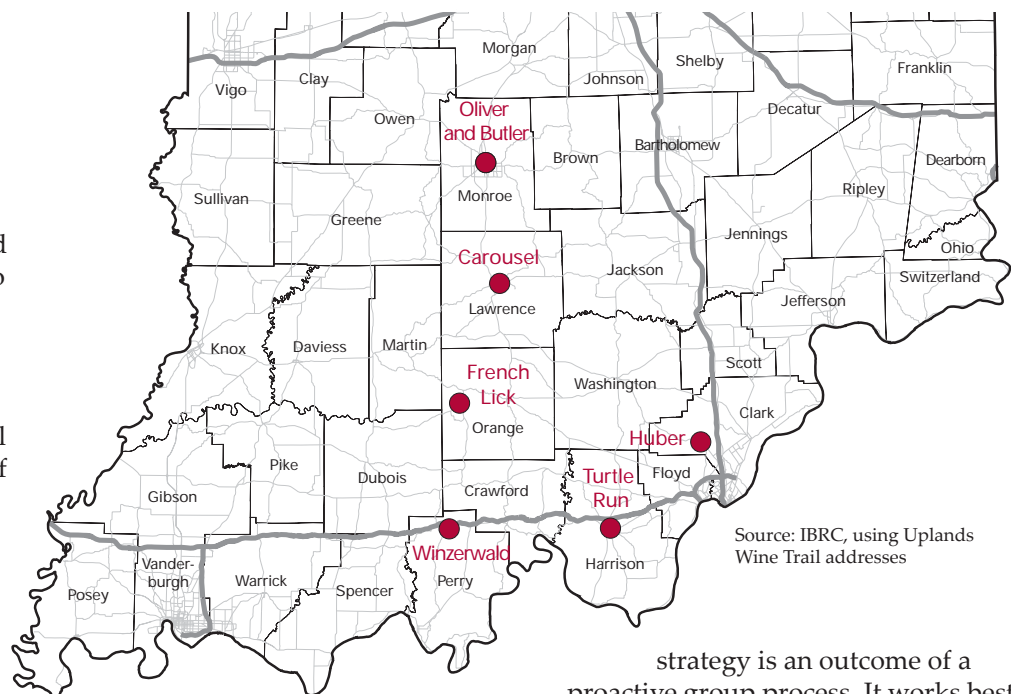
Agritourism

How is tourism beneficial to rural areas? Well-developed agritourism systems in rural areas have the potential to reverse negative economic trends by bringing in visitors and creating new jobs and local business ventures for rural residents. For those unfamiliar with the concept, agritourism “is a hybrid concept that merges elements of two complex industries—agriculture and travel/tourism—to open up new, profitable markets for farm products and services and provide travel experience for a large regional market.”⁸ **Table 1** highlights a few of these activities.

According to Wicks and Merrett, “it is very likely that agritourism development in the Midwest can be successfully integrated into local economies, environments, and rural lifestyles without great disruption.” Indeed, agritourism is critical to the economic health of rural Indiana and the sustainability of family farms. Although it will not create a massive amount of jobs in any one rural region, agritourism creates opportunities for individuals to financially sustain a rural lifestyle.

Regionalization is a critical strategy for developing an agritourism experience, drawing on

Figure 2
Uplands Wine Trail



Source: IBRC, using Uplands Wine Trail addresses

the “power of clusters of interesting sites, activities, and events that can only be accomplished on a regional basis through cooperation.”⁹ The Indiana Uplands Wine Trail, which stretches about 110 miles from Monroe County all the way south to the Ohio River, is a good example of regionalization (see **Figure 2**). The trail, which launched in mid 2004, consists of seven Indiana wineries, which tourists can travel between, staying in bed and breakfasts, eating at local restaurants, and shopping along the way.

Regionalization and partnering is also one way to combat the lack of a convention and visitor bureau existing in every county or an active organization that actively promotes tourism locally, such as a chamber of commerce.

Rural park boards need to take care of residents, and not merely focus on satisfying visitors, through programs and services that achieve both individual and community benefits. Rural economic and community growth is good, but not at the expense of residents who currently live there. “Making tourism into a true economic development

strategy is an outcome of a proactive group process. It works best when the entire community supports it.”¹⁰ After addressing residents’ individual and community needs, local park boards need to serve as an engaged partner in the development of local agritourism to combat the loss of jobs, families, youth, and poor economic health.

Statewide Collaboration

Local leaders can develop agritourism opportunities by collaborating with the Indiana Rural Recreation Development Project (InRRDP) and the Indiana Office of Tourism Development (IOTD). The IOTD currently collaborates with other state organizations to develop agritourism, such as the Indiana Department of Agriculture, Indiana Rural Development Council, Indiana Cooperative Development Center, Indiana Wine Grape Council, and the Indiana Farm Market Association.

The InRRDP is dedicated to helping communities help themselves by striving to achieve the following goals:

- Enhance the community’s capacity to organize their community and sustain services that target specific rural demographic, social, economic, and political trends.

Table 1
Agritourism Activities

Agriculture Festivals
Antique Stores
Bed and Breakfasts
Farmers’ Markets
Mazes (Corn, Hay)
Petting Zoos
Roadside Markets
Scenic Byways Tours
Wineries
Camping
Ecosystem Preserves
Hiking
Living History Farms
Tractor Pulls/Hay Rides
U-Pick It Farms

Source: Wicks and Merrett, 2003

“For those counties that have no convention and visitors’ bureaus, local leaders should look to municipal and county park boards to develop local tourism.”

- Enhance community satisfaction and quality of life.
- Increase participation in community life.
- Develop leadership potential among residents.
- Satisfy the immediate unmet need for recreation programs in rural towns.

Brian Blackford, Director of the Indiana Office of Tourism Development (IOTD), stated that “agritourism can be successful in rural areas when they are highlighted and embraced.” Blackford continued by saying, “a good agritourism product already exists in Indiana and the Indiana Office of Tourism Development is continuing to better promote, showcase, and enhance what the state has to offer.”

Who Can Collaborate?

Local communities, the InRRDP, the IOTD, and other agritourism agencies can partner to use agritourism to stimulate economic development by working together to establish local and statewide partners, such as the Indiana Park and Recreation Association, the Lt. Governor’s Office of Community and Rural Affairs, the Indiana Department of Natural Resources, and the Indiana Association of Cities and Towns, to more effectively funnel state resources to rural municipal and county park boards to develop programs and services that have a significant economic impact in rural communities. Getting local municipal and county park boards involved is a useful strategy to develop agritourism because every locality

has the potential to offer different activities. Depending on the activities available in each community, the level of participation by park boards will be different.

Conclusion

If rural communities have the goal of enhancing their economy through tourism, local leaders should identify which agency or institution would be best suited to be responsible for agritourism planning and development. In some communities, existing agencies, such as convention and visitors’ bureaus (CVBs), economic development corporations, and local chambers of commerce develop, or could develop, agritourism.

However, only 51 CVBs exist within Indiana’s 92 counties (see **Figure 3**).¹¹ Therefore, 41 rural counties potentially have no central agritourism development agency. In these cases, local leaders should look to municipal and county park boards to develop local tourism by initiating partnerships with other local, regional, and state agencies. Local park boards can gain assistance with agritourism development from the InRRDP, and local leaders can look to Purdue University Extension, government and nonprofit agencies, and agritourism producers. As agritourism is developed, all local, regional, and statewide partners need to evaluate their roles and capabilities.

Local park boards should begin to develop local capacity by having park board members gain training in park and recreation management

and tourism development. (In keeping with this idea, the InRRDP is hosting a free seminar on November 30th at Indiana State University. More information on this seminar is available by contacting Dr. Nathan Schaumleff at 812-237-2189 or nschaumleff@indstate.edu).

Park boards should then embark on community master planning for parks, recreation, and tourism and participate in regional planning. Throughout this process, rural park boards should look to the InRRDP to direct resources and training opportunities from a variety of other government and nonprofit organizations, such as the Indiana Office of Tourism Development and other agritourism partners.

Current Initiatives

The Indiana Office of Tourism Development and the InRRDP are partnering to help rural communities that do not have a local CVB (or any other agency promoting local tourism) achieve economic goals through tourism development. “Planning and developing the rural product should enhance a community’s image, build up pride, and improve the quality of life

“It is plausible that if more jobs are created in rural communities then more families will remain in rural Indiana.”

for area residents.”¹² Furthermore, facilitating agritourism development throughout Indiana could potentially create jobs. It is plausible that if more jobs are created in rural communities then more families will remain in rural Indiana.

Job creation, economic development, and increasing the quality of rural life are just a few strategies that may prove effective when working to counter negative social, economic, and demographic trends.

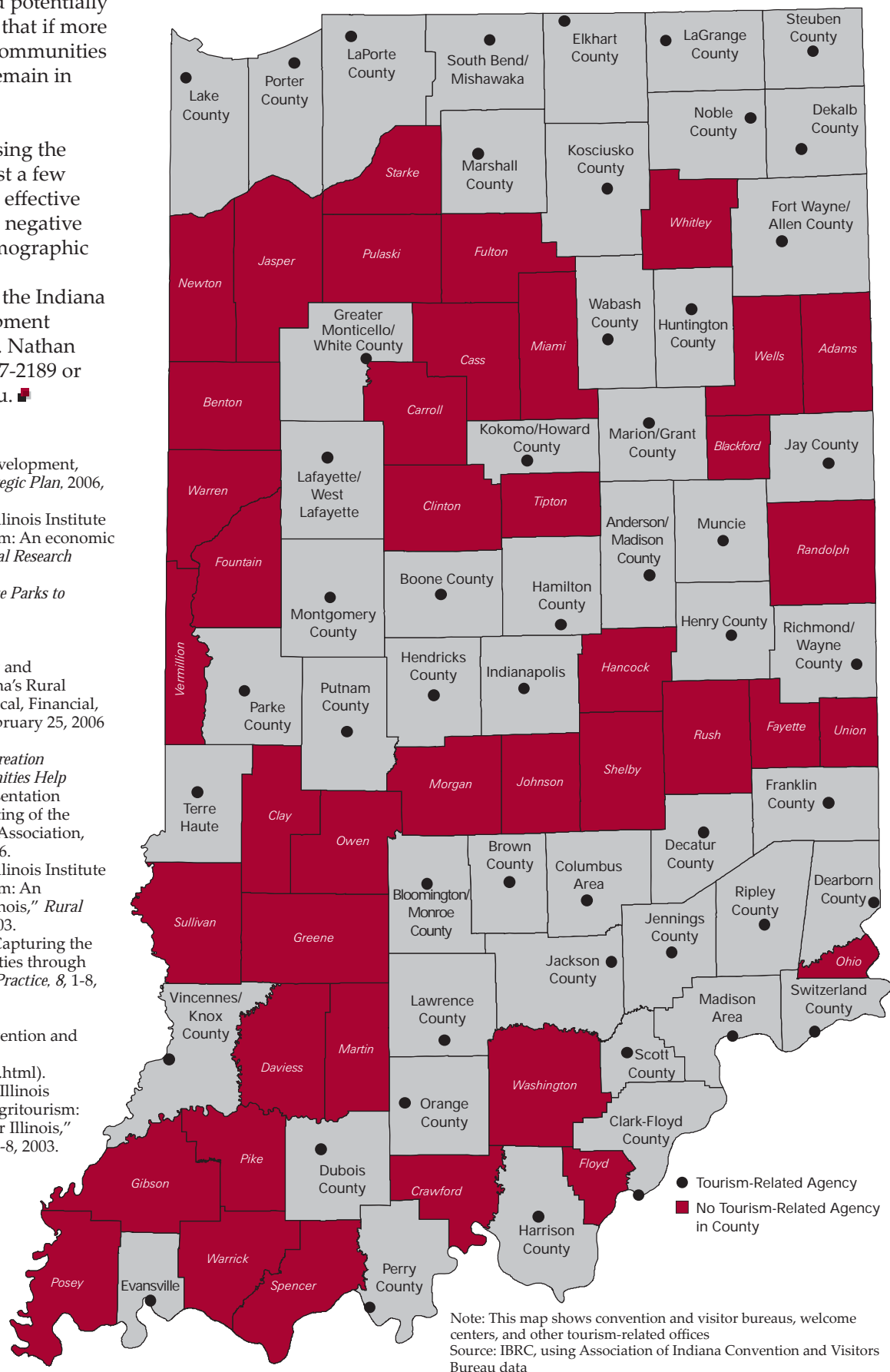
To possibly work with the Indiana Rural Recreation Development Project, please contact Dr. Nathan A. Schaumleffel at 812-237-2189 or nschaumleff@indstate.edu. ■

Notes

1. Indiana Office of Tourism Development, *Destination Indiana: 2006 Strategic Plan*, 2006, 1.
2. B. E. Wicks & C. D. Merrett, Illinois Institute for Rural Affairs, "Agritourism: An economic opportunity for Illinois," *Rural Research Report*, 14 (9), 1-8, 2003.
3. J. L. Crompton, *How Cities Use Parks to Promote Tourism*, 2005.
4. *Ibid.*
5. *Ibid.*
6. Indiana Office of Community and Rural Affairs, "Serving Indiana's Rural Communities through Technical, Financial, and Personal Assistance," February 25, 2006 (www.in.gov/ocra/).
7. N. A. Schaumleffel, *Rural Recreation Development: Helping Communities Help Themselves across Indiana*, presentation conducted at the annual meeting of the Indiana Park and Recreation Association, Indianapolis, IN, January 2006.
8. B. E. Wicks & C. D. Merrett, Illinois Institute for Rural Affairs, "Agritourism: An economic opportunity for Illinois," *Rural Research Report*, 14 (9), 1-8, 2003.
9. C. C. Loden & A. Svenson, "Capturing the Character of Rural Communities through Tourism Development," *CD Practice*, 8, 1-8, 2001.
10. *Ibid.*
11. Association of Indiana Convention and Visitors Bureau, 2006 (www.aicvb.org/cvbdirectory.html).
12. B. E. Wicks & C. D. Merrett, Illinois Institute for Rural Affairs, "Agritourism: An Economic Opportunity for Illinois," *Rural Research Report*, 14 (9), 1-8, 2003.


—Dr. Nathan A. Schaumleffel, CPRP, on behalf of the Indiana Rural Recreation Development Project, would like to thank the Indiana State University Office of the Provost and Vice President for Academic Affairs for financially supporting a portion of this project.

Figure 3
Convention and Visitors' Bureaus in Indiana, 2006



Inside this Issue...

 **How Does Your Garden Grow?: Employment Growth Among the States**

 **Household Income Varies by Region and Race**

 **Agritourism and Rural Economic Development**

Digital Connections

Indiana Business Review

Your source for credible analysis on current issues affecting the economy, the IBR online has searchable archives.

www.ibrc.indiana.edu/ibr

InContext

Current workforce and economic news with searchable archives.

www.incontext.indiana.edu

Indiana Economic Digest

The news behind the numbers, the Digest is a unique partnership with daily newspapers throughout Indiana providing access to daily news reports on business and economic events.

www.indianaeconomicdigest.net

STATS Indiana

Award-winning economic and demographic site provides thousands of current indicators for Indiana and its communities in a national context.

www.stats.indiana.edu



Indiana Business Research Center
Kelley School of Business
1275 East Tenth Street, Suite 3110
Bloomington, IN 47405-1701

ADDRESS SERVICE REQUESTED

Nonprofit Organization
U.S. Postage

PAID

Bloomington, Indiana
Permit No. 2