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Indiana Labor Force Trends: Shrinking Supply May Incentivize Employers and Training Programs to Get Creative and Competitive

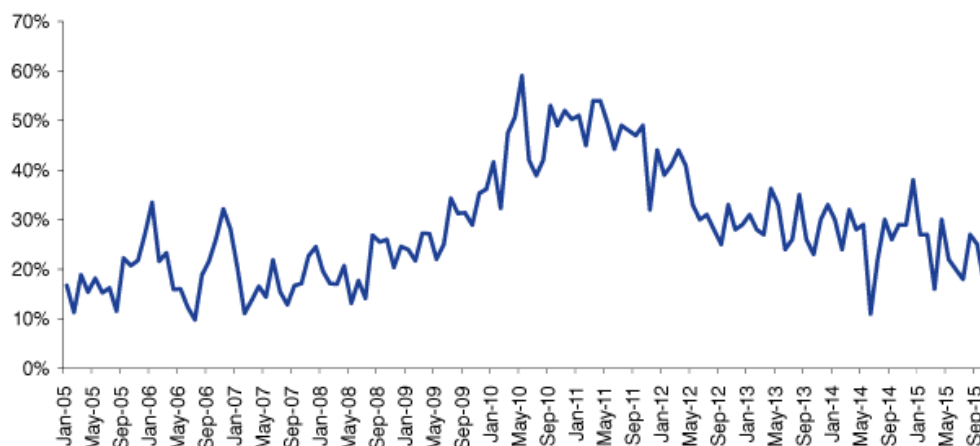
ALLISON LEEUW

Research Director, Research and Analysis Division of the Indiana Department of Workforce Development

Indiana faces a tightening labor market as the state's unemployment rate continues to decline, now below 5 percent for the last five months. Historically, a 5 percent unemployment rate was considered full employment. This standard has been debated in recent years, as many discouraged workers left the labor force during the Great Recession. Many have questioned the value of the unemployment rate measure given the large number of people leaving the labor force across the nation. But now after years of recovery, the labor force is growing again. In Indiana, that growth rate surpasses the U.S. average. Additionally, estimates of long-term unemployed and discouraged workers are now at levels comparable to the prerecession era of the mid-2000s.¹

During the third quarter of 2015, just 23 percent of Indiana's unemployed were unemployed long-term (over 27 weeks), down from a peak of over 50 percent during the recession (see **Figure 1**). Total unemployment has also declined by nearly 60 percent, from over 340,000 to under 150,000 in the third quarter of 2015. The long-term unemployed may need more targeted training and recruitment efforts to successfully re-engage in the workforce, yet they are still actively looking for work and in need of employment.

Figure 1: Indiana Long-Term (27+ Weeks) Unemployed as a Percent of Total Unemployment



Source: Indiana Department of Workforce Development

Currently, Hoosiers that are out of work experience shorter spells of unemployment on average. These levels mirror trends of the 2006 prerecession era. The average number of weeks a person is

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unemployed has dropped from a peak of 50 back down to 20 weeks or fewer. These trends lead to a tighter labor market and a shrinking supply of potential employees from the employer’s perspective. True labor shortages and churn among the workforce should eventually lead to wage increases. This may create new pressure among employers for competition and should drive the workforce development system to seek new ways to train and align the workforce to better target employer demand.

This article examines some of the alternative measures of labor underutilization as sources of potential labor supply throughout Indiana (see **Table 1**).

Table 1: Alternative Measures of Labor Underutilization, 2014 Q4 through 2015 Q3 Averages

	United States	Indiana	Six alternative measures of labor underutilization have long been available on a monthly basis from the Current Population Survey (CPS) for the United States as a whole. They are published in the U.S. Bureau of Labor Statistics' monthly Employment Situation news release. The official concept of unemployment (as measured in the CPS by U-3 in the U-1 to U-6 range of alternatives) includes all jobless persons who are available to take a job and have actively sought work in the past four weeks. This concept has been thoroughly reviewed and validated since the inception of the CPS in 1940. The other measures are provided to data users and analysts who want more narrowly (U-1 and U-2) or broadly (U-4 through U-6) defined measures.
U-1: Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	2.4	2.0	
U-2: Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	2.7	2.5	
U-3: Total unemployed, as a percent of the civilian labor force (this is the definition used for the official unemployment rate)	5.4	5.3	
U-4: Total unemployed, plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	5.9	5.6	
U-5: Total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers	6.7	6.3	
U-6: Total unemployed, plus all marginally attached workers, plus total employed part-time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers	10.8	9.7	

Source: U.S. Bureau of Labor Statistics

Where Can We Find the Available Workforce Considering the Alternative Measures?

Table 2 shows the breakdown of these alternative measures by Indiana economic growth region (EGR).

Table 2: Alternative Measures of Unemployment by EGR, October 2015 12-Month Average

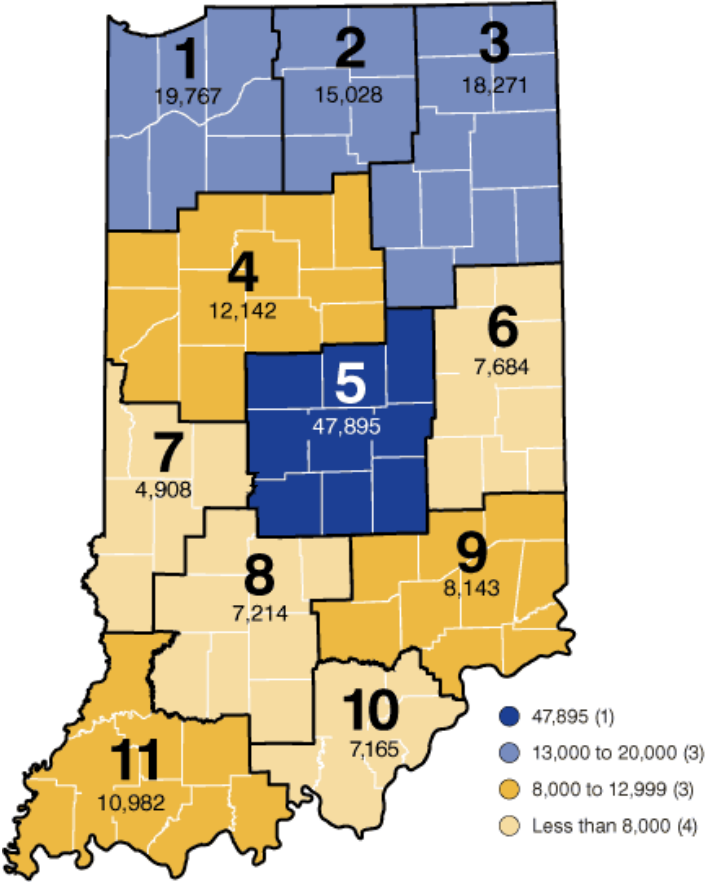
	Employed	Under-Employed as a Percent of Employed (Part-Time for Economic Reasons)	Percent of State Labor Force	Unemployed	Discouraged Workers	Marginally Attached	Total Potential Surplus (U-6 Proxy Measure)
EGR 1	376,491	3.7%	12%	27,694	1,242	4,619	19,767
EGR 2	292,100	3.6%	9%	15,172	944	3,511	15,028
EGR 3	355,283	3.6%	11%	18,314	1,148	4,269	18,271
EGR 4	236,199	3.6%	8%	12,063	763	2,837	12,142
EGR 5	930,825	3.6%	30%	48,492	3,008	11,192	47,895
EGR 6	147,818	3.7%	5%	9,305	483	1,796	7,684

EGR 7	93,819	3.7%	3%	6,540	308	1,147	4,908
EGR 8	139,051	3.6%	5%	8,464	453	1,686	7,214
EGR 9	158,339	3.6%	5%	8,161	511	1,903	8,143
EGR 10	139,230	3.6%	5%	7,279	450	1,674	7,165
EGR 11	214,447	3.6%	7%	10,108	690	2,566	10,982
Statewide	3,083,602	3.6%		171,593*	10,000	37,200	159,200

* Approximately 14,000 veterans were unemployed statewide.
Source: Indiana Department of Workforce Development

Figure 2 shows the total potential surplus across the state, which includes those that are discouraged, marginally attached and underemployed.

Figure 2: Total Potential Surplus

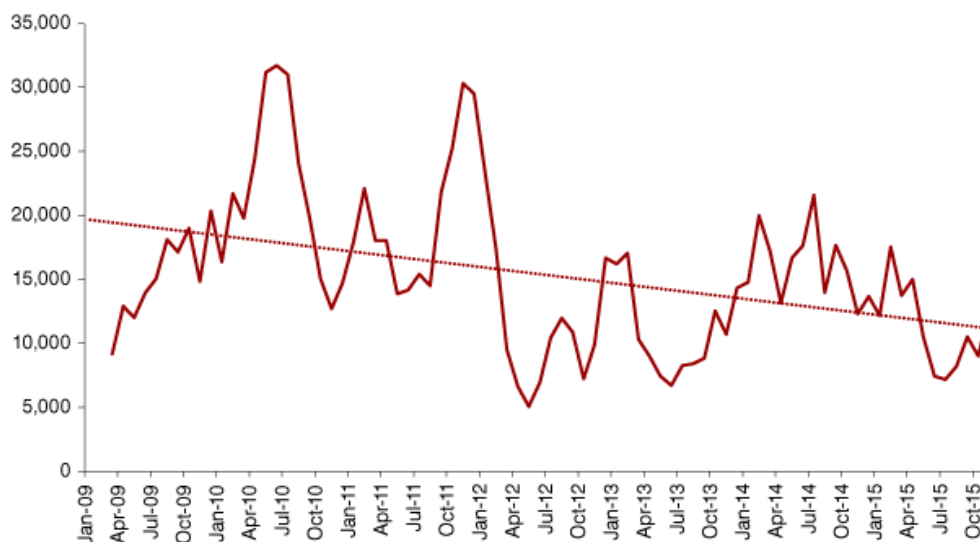


Source: Indiana Department of Workforce Development

Discouraged Workers and Those Marginally Attached

Part of the total potential surplus shown in Figure 2 above are those who have left the official labor force. The CPS measure of discouraged workers are those who have previously “given-up” on finding employment because they believe there are no jobs available or there are none for which they qualify. Discouraged workers now number less than 10,000 per month throughout the state (see Figure 3). This is a decline of over 50 percent from the 2010 average of 21,500 per month. Estimates of where they may be dispersed throughout the state can be seen in Table 2.

Figure 3: Discouraged Workers in Indiana



Note: Data are not available for August 2015.

Source: U.S. Census Bureau, Current Population Survey

According to the latest Current Population Survey (CPS) estimates, there are also approximately 35,000 to 40,000 marginally attached workers statewide (i.e., those who want a job and have looked for employment sometime in the prior 12 months but are not currently searching for work). Estimates based on a region's labor force concentrations are also illustrated back in **Table 2**. Discouraged workers and marginally attached workers are not considered part of the labor force, so these workers haven't been factored into the traditional unemployment rate. It may take targeted recruiting, training and continued improvements in the economy to entice them back into the workforce. Yet given the rate at which these estimates have declined recently, there is evidence of continued opportunity to find labor under the right conditions.

Incumbent Workers and Part-Timers

Who among the current workforce can employers entice to fill their labor needs?

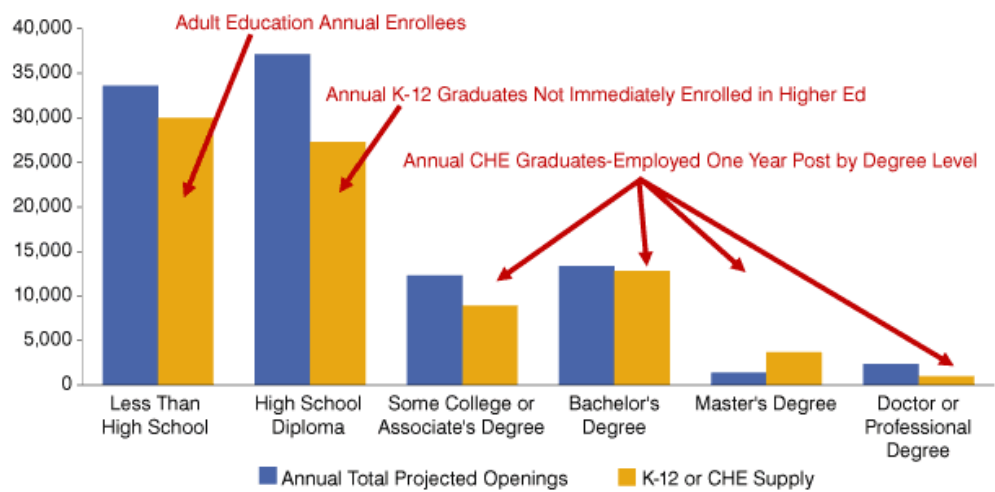
In addition to the total unemployed population, which now is estimated at under 150,000 for Indiana, traditional target populations for workforce development and training include the following:

1. Entrant: Students or youth who lack work history

Estimates from the Department of Education indicate that of the approximately 78,000 annual K-12 graduates, 35 percent (27,300) may not go immediately to college and may be seeking full-time employment. An additional student labor force supply source stems from the 26,000 to 27,000 annual higher (public) education graduates that are found employed in Indiana one year after graduation.

Figure 4 shows annual estimates based on the latest cohorts of 2013 graduates at the time of this release.

Figure 4: Annual Projected Openings by Educational Level and Student Entrant Supply



Source: Indiana Department of Workforce Development, Indiana Department of Education and Indiana Commission for Higher Education (CHE)

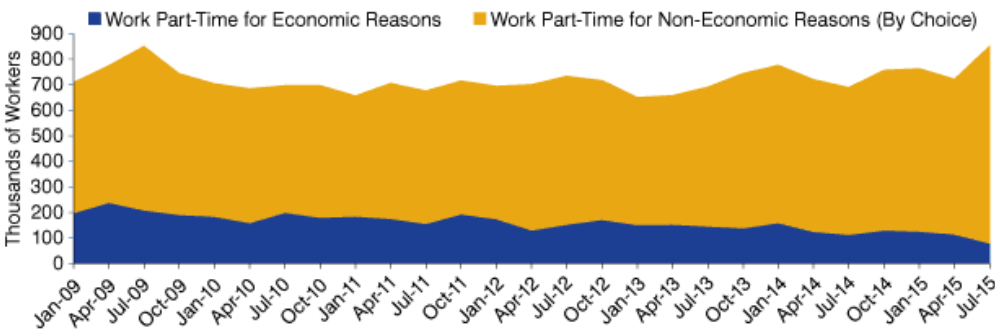
2. Contingent: Dislocated workers and those in transition (i.e., freelancers, contract workers, etc.)

Estimates of these populations are harder to define throughout the state. Estimates from the U.S. Census Bureau's Local Employment Dynamics (LED) data indicate that there are an average of 159,000 monthly separations in Indiana and an average of 146,000 new hires. A significant level of churn indicates a strong economy, as employees are able to potentially move up in their careers. Employers can also benefit from a dynamic labor pool.

3. Incumbent: Underemployed workers or those who are pursuing advancement within their careers, including the part-time workforce that seeks full-time employment

Among the 3 million people employed in Indiana, the part-time workforce hovers around 800,000, or 26 percent of the total employed. Those working part-time that were seeking full-time employment has declined significantly over the last few years, yet still remains as high as 110,000 statewide (see **Figure 5**). Those that are seeking full-time employment and still working part-time are one common proxy measure for "underemployed."

Figure 5: Part-Time Workers in Indiana



Source: U.S. Census Bureau, Current Population Survey

Changing Population

Additional factors impacting labor force supply involve the changing demographics of Hoosiers. Since 2000, the state's population has grown by 8 percent (504,000 people). The median age has increased just slightly over two years from 35.3 to 37.5. The near and future pipeline of workers ages 15 to 44 has declined by 2 percent, or roughly 61,000 individuals. The 60-to-64 age group was the fastest growing over this time frame, with gains of 152,000 (see **Table 3**).²

Table 3: Indiana's Population by Age

	2000	2014	Change from 2000	Percent Change from 2000
Total	6,091,866	6,596,855	504,989	8%
Under 5 years	422,866	419,487	-3,379	-1%
5 to 9 years	441,170	440,559	-611	0%
10 to 14 years	445,214	450,203	4,989	1%
15 to 19 years	455,362	455,323	-39	0%
20 to 24 years	429,055	485,738	56,683	13%
25 to 29 years	405,966	421,760	15,794	4%
30 to 34 years	421,950	424,167	2,217	1%
35 to 39 years	476,361	403,725	-72,636	-15%
40 to 44 years	483,617	420,956	-62,661	-13%
45 to 49 years	439,773	422,569	-17,204	-4%
50 to 54 years	383,665	468,543	84,878	22%
55 to 59 years	296,197	453,137	156,940	53%
60 to 64 years	236,858	389,244	152,386	64%
65 to 69 years	203,269	311,219	107,950	53%
70 to 74 years	191,514	224,892	33,378	17%
75 to 79 years	160,182	161,530	1,348	1%
80 to 84 years	106,803	117,380	10,577	10%
85 years and over	92,044	126,423	34,379	37%
Under 18 years	1,574,989	1,581,927	6,938	0%
65 years and over	753,812	941,444	187,632	25%
16 years and over	4,693,434	5,195,715	502,281	11%
18 years and over	4,516,877	5,014,928	498,051	11%
15 to 44 years	2,672,311	2,611,669	-60,642	-2%
Median age (years)	35.3	37.5	2.2	n/a

Source: U.S. Census Bureau, July intercensal estimates

As the Indiana Department of Workforce Development works to develop a demand-driven workforce development system, understanding the available labor supply will be of vital importance in aligning training and education to future employer demands. Educating and training the pipeline of students will require different approaches than programs targeting the under-employed, incumbent workforce and those that have had long spells of unemployment. Employees and employers alike will need to understand the changing nature of the economy to best compete for an ever-mobile workforce. Several years into this economic recovery, new opportunities abound for Hoosiers to seek training and education and to find employment.

Notes

- 1. Source: U.S. Census Bureau (Current Population Survey) and the U.S. Bureau of Labor Statistics (LAUS estimates)
- 2. Source: U.S. Census Bureau, July intercensal estimates

Next: Millennials Outnumber Boomers

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Millennials Outnumber Boomers

CAROL O. ROGERS

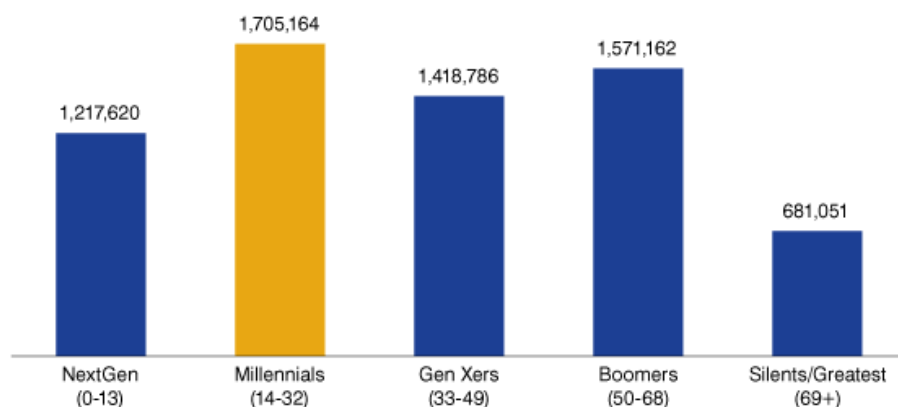
Deputy Director, Executive Editor and State Census Liaison, Indiana Business Research Center, Indiana University Kelley School of Business

Last year, an unremarked milestone occurred nationally and in Indiana. The iconic baby-boom generation was outnumbered by a new generation, the millennials.

Millennials, those born from 1982 to 2000, make up more than a fourth of Indiana's total population. The boomers, on the other hand, are now slightly less than one-fourth of the population. At opposite ends of the millennials and the boomers, we have the 13 and younger folks with 18 percent of the population and the 69 and older group at a mere 10 percent.

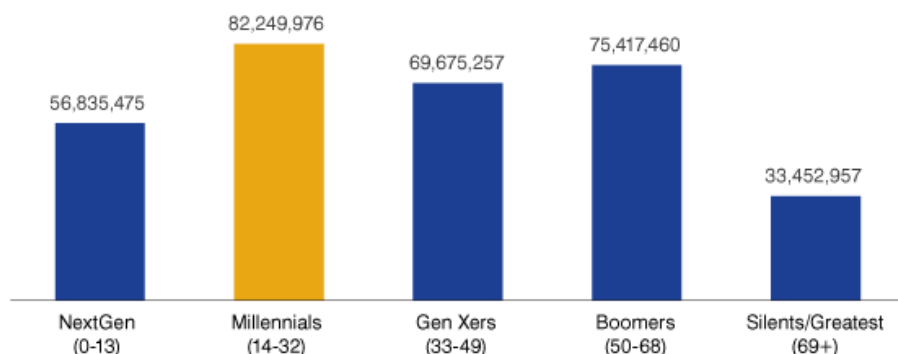
These proportions match the national percentages pretty closely. We provide a comparison of multiple generations in the following graphics that can help us all to be more aware of the shifting sands of time—as seen in the aging of our state.

Figure 1: Indiana Population by Generation, 2014



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

Figure 2: U.S. Population by Generation, 2014



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

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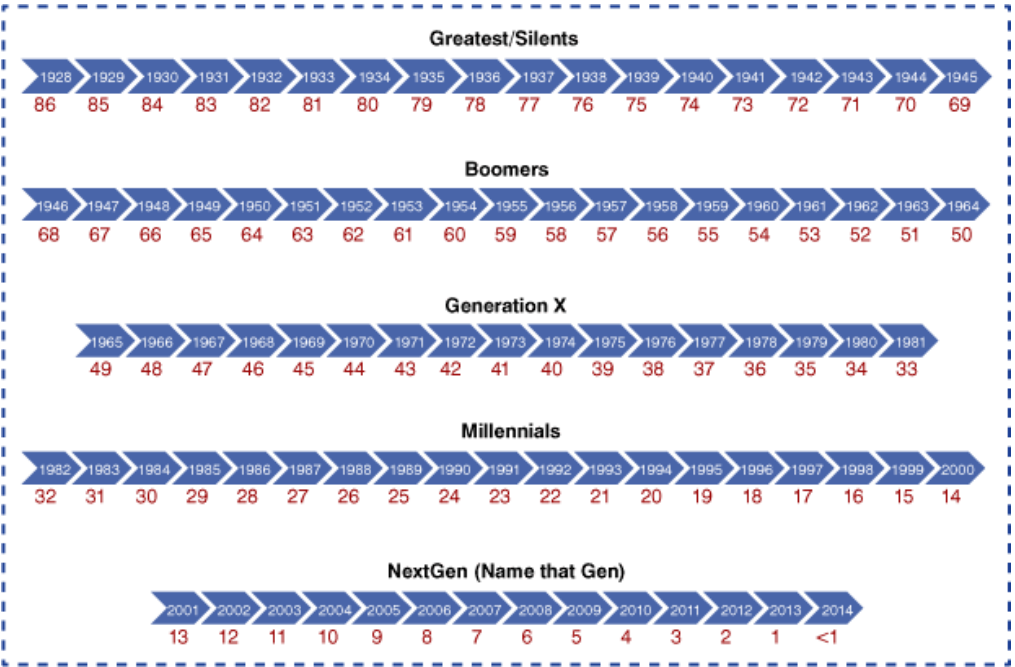
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Figure 3: Year of Birth in Each Generation along with Current Age as of 2014



Source: Indiana Business Research Center

In terms of the proportion that each generation represents relative to the total population, the U.S. and Indiana are nearly identical (see **Table 1**). Indiana has a slightly larger proportion of what we are calling “NextGen” (those 13 years of age and younger).

Table 1: Generations as a Percent of Total Population, 2014

	U.S.	Indiana
NextGen (0-13)	17.9%	18.5%
Millennials (14-32)	25.9%	25.9%
Gen Xers (33-49)	21.9%	21.5%
Boomers (50-68)	23.7%	23.8%
Silents/Greatest (69+)	10.5%	10.3%

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

There is no single authority that determines the names of generations nor the span of years that comprise them. Demographers who study the quantitative characteristics of population generally focus on cohorts, often shown in five-year breakouts. Marketers, and more increasingly, human resource professionals, tend to focus on generations in order to hone in on specific defining characteristics that either revolve around consumer habits or workplace issues.

Understanding the general size and proportions of these generational groupings can provide all of us with some critical information about who makes up our labor force. With that information, we can make inferences about the changes in life and work all around us. To that end, this article uses a hybrid of generations from both the Pew Research Center and *The Atlantic* (which is based itself on a hybrid).

Learn More

Interested in reading more or comparing definitions? Here is a short list of sources used for the curation of this article:

- Pew Research Center, “The Generations Defined,” March 5, 2014, www.pewsocialtrends.org/2014/03/07/millennials-in-adulthood/sdt-next-america-03-07-2014-

0-06/.

- *The Atlantic*, “Here is When Each Generation Begins and Ends, According to Facts,” March 25, 2014, www.theatlantic.com/national/archive/2014/03/here-is-when-each-generation-begins-and-ends-according-to-facts/359589/.
- NOVA (the PBS series), “Be a Demographer,” April 20, 2004, <http://www.pbs.org/wgbh/nova/earth/demographic-data.html>.

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What to Expect in Indiana's Metro Economies during 2016

RACHEL STRANGE

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

Economists from around the state shared their forecasts for Indiana's metropolitan economies during the Indiana Business Outlook Panel tour and in the online edition of the *Indiana Business Review*. Here are some highlights of how our panel of experts predict employment will change in 2016.

Anderson



Dr. Terry Truitt, Anderson University

For 2016, employment in Madison County is expected to continue improving, with a moderate decline in the unemployment rate and a tempered increase in employment. The unemployment rate is projected to drop between 0.8 and 1.4 percentage points in 2016 as the regional economy continues to improve. The number of jobs in Madison County is expected to hold steady, increasing about 1.5 percent over the year.

Bloomington



Dr. Jerry Conover, Indiana University

The IBRC's Center for Econometric Model Research forecasts 2016 employment growth of about 2 percent for the Bloomington metro area, ranking it in the top handful of Indiana's 14 metropolitan areas. This growth forecast reflects gradual improvement in the national and state economies, continued population growth, further momentum in construction and in professional and technical services, and a strengthening housing market.

Columbus



Dr. Ryan Brewer, Indiana University-Purdue University Columbus

In 2015, Columbus had one of the lowest unemployment rates in the state. The Columbus economic outlook for 2016 is neutral to slightly negative, with reasons for continued growth overshadowed by suspicions that the economic expansion seen in Columbus over the last seven years may be facing headwinds.

Elkhart-Goshen and South Bend-Mishawaka



Dr. Hong Zhuang, Indiana University South Bend

Employment will increase in both metro areas in 2016, with Elkhart-Goshen exhibiting faster job growth due to the lion's share of manufacturing activities in local economy. More people are expected to join the labor force in both areas. Unemployment rates will remain steady, ticking down at most 1-2 percentage points in 2016 because the unemployment rates are very close to 10-year lows.

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Evansville



Dr. Mohammed Khayum, University of Southern Indiana

Relatively strong growth in manufacturing and retail trade, combined with increases in personal income and announcements of future fixed investments, provide the basis for projecting increased output, income and employment in 2016. In 2016, the number of jobs is projected to increase by 2,500, and the unemployment rate is projected to be 4.3 percent.

Fort Wayne



Ellen Cutter, Indiana University–Purdue University Fort Wayne

Based on EMSI, Inc. projections and Community Research Institute analysis, we presume that employment in the region will be modest in 2016, perhaps growing by about 1 percent in the three-county metro area. Even with this, unemployment may plunge farther down as demand for workers is induced by the continuation of baby boomer retirements.

Gary



Dr. Micah Pollak, Indiana University Northwest

In 2016, the Northwest Indiana economy is forecasted to grow at only 1.0 percent with regional employment expanding by only 0.4 percent, or the addition of approximately 1,100 jobs. While any economic growth and job expansion is a positive sign for the region, growth at this rate would still leave the region approximately 9,800 jobs (or 28 percent) below the pre-financial crisis employment high in 2007.

Indianapolis



James C. Smith, Indiana University

The economic climate in Indianapolis in 2016 is likely to be a continuation of the flat conditions in 2015. Total nonfarm employment is expected to grow about 1 percent, and the unemployment rate should stabilize around 4 percent.

Kokomo



Dr. Alan G. Krabbenhoft, Indiana University Kokomo

Unemployment rates within the north-central Indiana region should remain relatively stable for the foreseeable future, with the possibility of some slight continued downward movement. Durable goods manufacturing is critical to the Kokomo region, so eyes will be focused on economic conditions throughout the U.S. and even globally.

Lafayette



Tanya Hall, Purdue University

In 2016, it is expected that employment growth in the Lafayette metro will closely mirror 2015 results, with a potential gain of 3,200 jobs. A pullback in the manufacturing sector might occur; however, it may be offset by other industries' growth given the news reports of business growth in 2015.

Louisville



Dr. Uric Dufrene, Indiana University Southeast

In 2016, the Louisville metro will see moderate growth, but Southern Indiana will continue to experience quarters of impressive gains due to the River Ridge commercial area and the completion of the Ohio River Bridges Project.

Muncie



Dr. Dagney Faulk and Nathanial Law, Ball State University

The past year provided hints of increased economic activity, suggesting that Muncie may be moving beyond the long, slow recovery. In the coming year, we expect 1 percent growth in employment, as well as higher incomes (3 to 4 percent growth) within the Muncie metro.

Richmond



Dr. Lee Zhong, Indiana University East

Economic growth in the Richmond and east-central Indiana region will likely remain in positive territory, but growth will be moderate due to headwinds from the national and international economies. The unemployment rate is likely to hover in the 5-6 percent range.

Terre Haute



Dr. Robert Guell, Indiana State University, and Kevin Christ, Rose-Hulman Institute of Technology

It is unlikely that there will be any significant change in the Terre Haute labor market in 2016, with unemployment staying around 5.8 percent. Given the historic relationship between regional employment trends and national and state-level economic activity, the regional economy faces significant risks going forward. Barring bold new thinking, the most likely scenario seems to be for continued stagnation.

Learn More

Visit www.ibrc.indiana.edu/ibr to read the in-depth metro analyses, as well as projections for the nation, state, financial markets and more.


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