

Job mix blunts slump

City weathering recession better than rest of state, U.S.

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In just one year, Indianapolis' unemployment rate has risen from 4.5 percent to 8.2 percent. But don't expect local economic development officials to complain too much.

Not when 74 of Indiana's 92 counties have higher unemployment rates than Marion County's.

"When I took this job 15 months ago and the Dow [Jones industrial average] was twice as high, yeah, it was a little easier. But all things considered, I think we're well-positioned," said Ron Gifford, CEO of the Indy Partnership, which spearheads central Indiana's economic development.

"There are challenges and there are things we've got to work through in the economy. But when I talk to my colleagues around the country, and read what's going on elsewhere, I'd rather be here than anywhere else."

It all depends on your point of view. If you're standing in line at a local WorkOne center, Indianapolis' job losses are painful and all too real. But compared to most of the rest of the state and nation, the city is an occupational dynamo.

Along the Michigan border, for example, Elkhart's 18-percent jobless rate is so high it drew a town hall meeting with President Obama.

Many big urban communities around the country are also faring much worse than the Circle City. One-third of all U.S. metropolitan areas have jobless rates over 10 percent.

In the Midwest alone, the rate in St. Louis and Chicago stands at 9.2 percent. Cleveland's is 9.4 percent, Louisville's is 10 percent, Toledo's is 12.4 percent, and Detroit's is 13.6 percent.

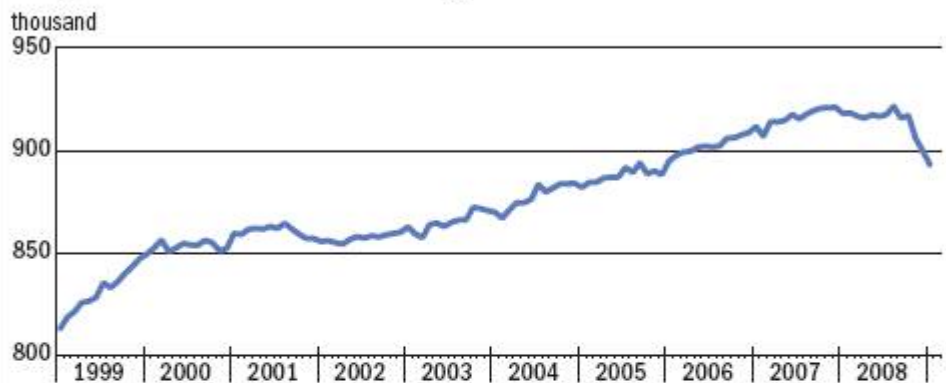
By contrast, the U.S. unemployment rate is 8.9 percent, up from 5.2 percent a year earlier.

"If I'm either a skilled manufacturing worker or I was an unemployed worker with just about any skill or occupation, I'd rather be in Indianapolis than in Putnam County, Carroll County, St. Joseph County, you name it," said Indiana State University economist John Conant. "I think Indianapolis will fare better than most other regions in the state."

Heading south

Jobs

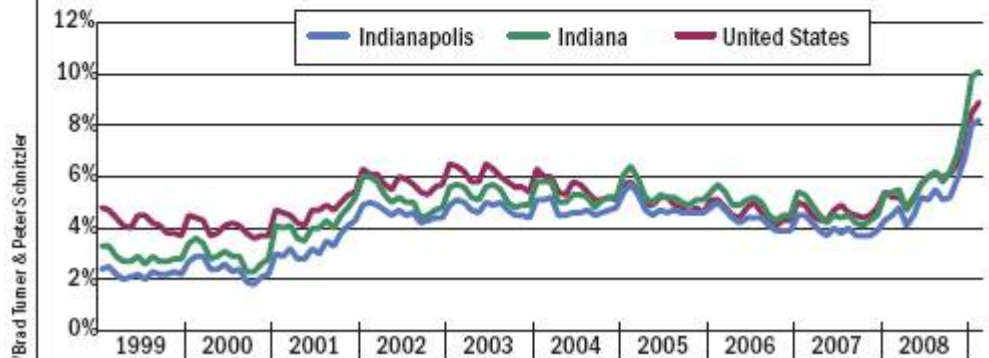
Total non-farm jobs in the Indianapolis/Carmel metropolitan statistical area peaked last August. Since then, the local community has lost 30,900 jobs. But there are still 71,900 more jobs here than there were a decade ago.



Note: Figures are seasonally adjusted. February 2009 figure is preliminary.

Unemployment rate

The percentage of unemployed people in the Indianapolis/Carmel metropolitan statistical area is rising after a decade of stability.



Note: December 2008 and February 2009 figures are preliminary.

Source: U.S. Department of Labor

Economic insulation

The diversity of Indianapolis' economy has protected it from the worst effects of the recession. U.S. Department of Labor statistics show the Indianapolis-Carmel metropolitan area has lost 30,900 jobs since the region peaked at 921,600 in August—a decline of only 3.4 percent.

But the 890,700 remaining jobs are still 71,900 more than the metro area had 10 years ago. And the last decade's growing local employment was spread across a wide variety of industries. That type of progress blunts the economic downturn.

Jerry Conover, director of the Indiana Business Research Center at Indiana University, focuses on proportionate impact. Indianapolis has actually lost more jobs than Elkhart. But since it's a much bigger city, its losses were a smaller fraction of the total, Conover said.

And Indianapolis isn't a one-horse town. Intimately tied to the sagging fortunes of the recreational vehicle industry, Elkhart's 16,000 job losses represent a 12.9-percent piece of its employment pie.

"That's a benefit of a larger city," Conover said. "You have a larger, more diverse economy that can suffer the blows of economic troubles."

Indianapolis' job losses mainly have been concentrated in a few business sectors. Temporary workers, for example, have been particularly vulnerable—5,900 have lost their jobs in the past year. Conant explained that's because they're the easiest employees for companies to let go. Over time, permanent staffers develop unique skill sets most companies hate to lose.

When they must cut costs, businesses don't just consider the impact of paying salaries and benefits. They also factor in the price of replacement. And talent searches are expensive. So is training.

"The more you have invested, the more you want to hold on to them," Conant said. "If all you have are general skills, an employer doesn't risk a lot by laying you off. But if your skills are specific to a firm or industry, they have to find somebody else to reinvest in."

Some trends getting worse

Locally, the recession has accelerated some long-term employment trends.

Conover noted that manufacturing has taken a big hit, accounting for about a third of Indianapolis' job losses. He also pointed out that continued unemployment claims from former manufacturing workers are three times higher than before the downturn, suggesting that people in the field are taking a long time to find new jobs.

"The problem is, a lot of those jobs won't be coming back, at least not the same kinds of jobs," Conover said. "We're clearly going to see shrinkage of the automotive sector."

Indianapolis hasn't been immune to the slowdown in residential and commercial construction, costing the area 5,900 jobs. Banking, insurance and real estate have also been hit by the credit crunch.

Community leaders are trying to blunt those losses in two ways. First they're investigating how to shore up what's already here. And second, they're continuing to press for innovation in areas where Indianapolis is strong, particularly life sciences, logistics and advanced manufacturing.

If nobody from Indianapolis Economic Development Inc. has visited your office, just wait. Its CEO, Scott Miller, and his eight-person team are methodically calling on every one of the 25,000 or so businesses in Indianapolis. They want to ask how things are going and, more important, what they can do to help. What's your biggest current need? Do your facilities suit your needs? Would training money help? At the end of each week, all nine employees meet to discuss what they've found.

Miller said the effort in the first quarter helped Indianapolis retain 1,000 jobs that other states sought. And, despite the recession, the region added 1,000 positions.

"Our staff is swamped now, which is good," Miller said. "It's a fight every day. We've got very resilient businesses here in Indianapolis. I don't want to mitigate the fact that business is still tough. But Marion County is holding its own."

Meanwhile, Indy Partnership is hustling to reach key decision makers in the business-relocation field. Gifford said Indy Partnership recently purchased access to Site Selection magazine's subscriber list, then sliced and diced the data by industry codes in order to target the areas where central Indiana has something to tout.

"We figure if you subscribe to Site Selection magazine, you are our target audience," Gifford said.

Targeted e-mails and phone calls are already producing new inquiries from real estate brokers and consultants. They mainly want to hear about Indiana's lowcost structure. Their interest increases when they learn Indiana's still in a position to grant incentives, while other states curtail them for lack of money.

"We have the advantage of selling a great product, and that hasn't changed. One of our great strengths is the cost of doing business," Gifford said. "Now more than ever, that's a huge factor."

Half-full glass

Maybe it's the Hoosier can-do spirit—or the fact that Indianapolis has successfully navigated these waters before. Republican John Mutz, who was lieutenant governor back in the early 1980s, will tell you things seemed even worse back then, at the height of the last big recession.

Folks used to discuss “the misery index,” he said, as Indiana struggled to overcome double-digit unemployment, inflation and interest rates. The nadir came in December 1981. Mutz said the fear and desperation were palpable. The state responded by aggressively working to attract investment from Japanese automakers, and by developing local economic development offices around the state to leverage new opportunities.

Reached in Florida, Mutz pointed out how much worse the situation is there today than in Indianapolis—or Indiana. The Sunshine State is on the cusp of cutting back to a four-day week in its public schools, with state budget projections off by billions of dollars.

That's not the way to improve in the long term, Mutz said. Education and continued constant diversification won't immediately blunt the impact of this recession, but it's the best insulation from future ones.

“We will recover. The question is if we can make some decisions now that give us a competitive advantage,” Mutz said. “We're doing a little better than the rest of the states in the Midwest, but that's not good enough.” •