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Positively Disrupting Indiana’s Labor Productivity

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Income growth requires labor productivity growth. Labor productivity depends upon export industries.

In a market economy, a worker is paid only as much value as they contribute. Wage is higher if the price earned by the good or service is higher and if the share of production value contributed by the worker is higher.

The highest value products from a region are those that are exported to other regions. Industries that sell goods and service to buyers in other regions are the biggest contributors to local income. These are called tradeable industries.

Indiana needs high value tradeable industries. High value industries need high productivity talent.

- Microelectronics & Semiconductors
- Electric Vehicles & Mobility Systems
- Clean Energy
- Smart Manufacturing & Robotics
- Bio/Pharma/Life Sciences

INDIANA FOR THE BOLD

There are four ways to grow labor productivity. Indiana needs a plan for positive disruption.

BETTER TECHNOLOGY

Recruit companies and incubate ventures that bring new generation equipment and facilities to the region.

BETTER INFRASTRUCTURE

Make large public investments that reduce the cost of business for companies and raise the quality of life for residents.

BETTER MANAGEMENT

Inspire companies to build organizational cultures that encourage creativity and offer fulfilling work for employees.

BETTER EDUCATION

Attract highly skilled talent and elevate the knowledge and expertise of workers with innovative options for learning.

New initiatives have given Indiana momentum. Fuel existing initiatives without huge expenditures.

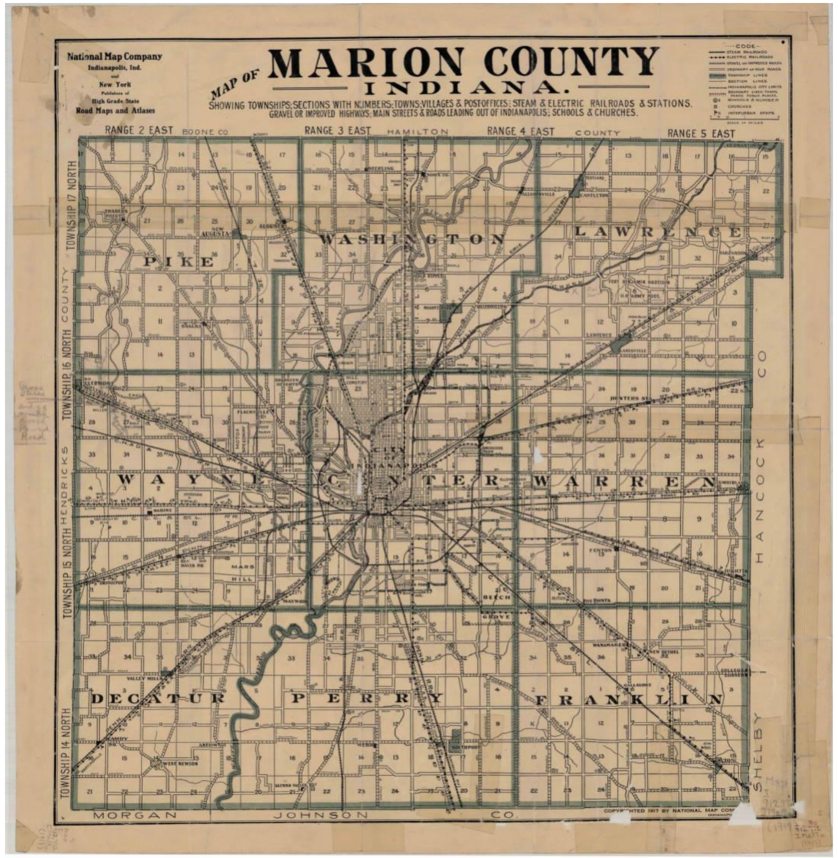
Force inefficiencies out of the system by tying public funds to outcomes that unambiguously increase labor productivity. Let students, families, and workers individually choose who receives the state dollars designated by the General Assembly on their behalf to expand their labor market opportunity. Reduce barriers to entry for entrepreneurial institutions that will deliver higher quality at lower cost using new methods, technology, and management.

Existing initiative …	How to fuel it …
Career scholarship accounts	Expand vouchers to include older adults who need training.
Swiss-style apprenticeships	Require school system flexibility for work schedules.
IEDC recruitment	Bring more new generation technology and fixed assets to state.
REDI grants	Require funding of public assets that increase productivity.
Higher education reform	Link state funding more strongly with job market outcomes.

Why has Indiana fallen behind?
Why does Indiana face an economic uphill battle?

The Indiana economy built itself to thrive as a leader in labor intensive-manufacturing. Mindsets, infrastructure, business networks, and education still reflect that legacy. It takes time to realign regional economies. Silicon Valley replaced orchards – a new economy did not have to overtake an old economy.

Since the pandemic, Marion County has lost population but has added businesses and jobs.



- **Less Residents**: Population fell from 976,659 in 2020 to 968,460 in 2023. A 0.8% loss locally contrasted with a 1.0% gain nationally.[1]
- **More Businesses**: Establishments grew from 23,484 in 2020 to 23,865 in 2021. Local growth of 1.6% lagged national growth of 1.9%.[2]
- **More Workers**: Labor force grew from 496,408 in 2020 to 516,721 in 2023. Local expansion of 4% matches national growth rate.[3]

[1]Stats Indiana [2]U.S. Economic Census County Business Patterns [3]Federal Reserve Economic Data Civilian Labor Force Levels

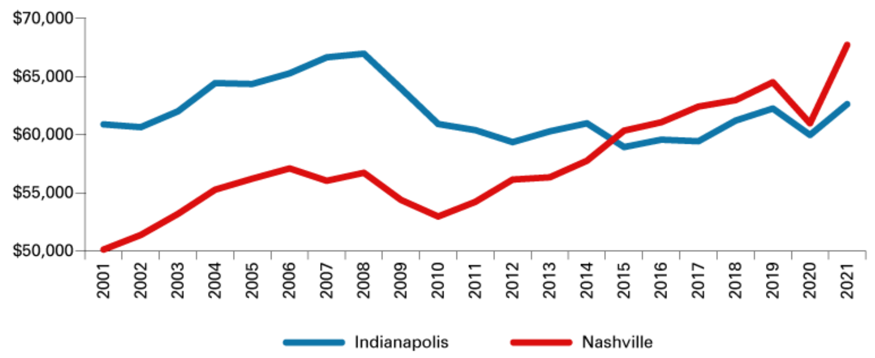
Indianapolis specializes in low wage job growth and serves the periphery (not the core) of the U.S. economy.

- **Income Stagnation**: Between 2007 and 2021, per capita real GDP grew 1% in the metro area versus 14% nationally.[1]
- **Productivity Stagnation**: Between 2007 and 2021, metro area real labor productivity grew 3% in the metro area versus 18% nationally.[1]
- **Occupational Stagnation**: Between 2021 and 2022, the metro area lost 3.1% of its engineers and computer scientists.[2]

However, there is some momentum …

Indianapolis has outpaced the nation since 2020: 8.5% per capita real GDP growth versus 7.3% .[3]

Indianapolis versus Nashville



Nashville per capita real GDP relative to Indy:
82% in 2001
108% in 2021

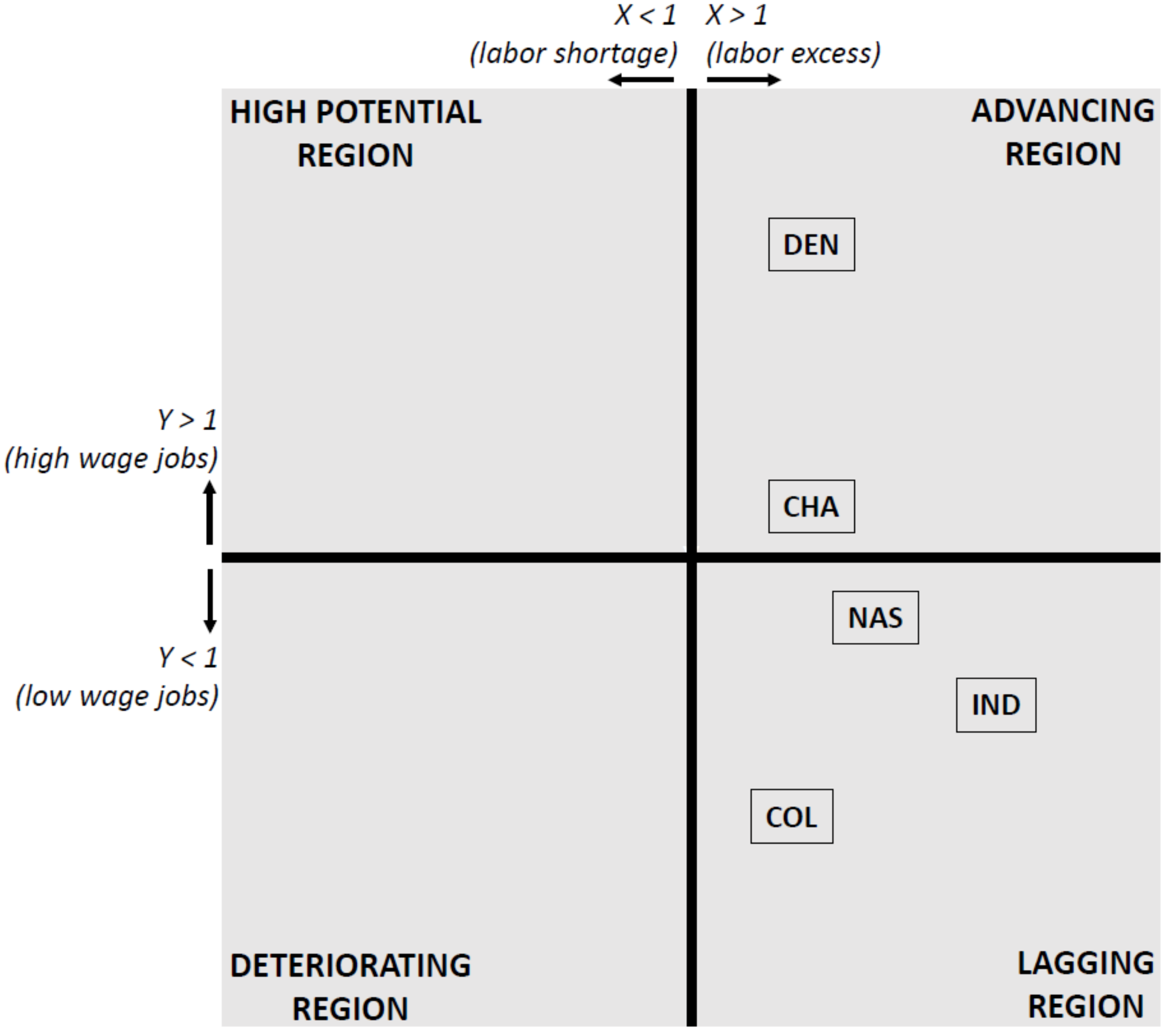
Nashville beat Indy with better leadership, strategy, and marketing. Nashville had fewer resources and a weaker brand in 2001.[4]

[1]"Making the Indianapolis workforce more competitive", *Indiana Business Review* [2]"Indianapolis forecast 2024", *Indiana Business Review*
[3]Bureau of Economic Analysis Metro Area GDP Data [4]"Music City and the Circle City: Lessons for regional economic development strategy", *Indiana Business Review*

Indianapolis also lags Columbus, Denver, and Charlotte. They attract new generation industry.



	Indianapolis	Charlotte	Columbus	Denver	Nashville	Peer Region
Total Growth (2007-2021)						
Real GDP	17.7%	38.2%	33.3%	43.3%	59.5%	43.6%
Population Growth	16.4%	27.8%	16.8%	22.9%	28.4%	24.0%
Employment Growth	14.0%	14.6%	14.6%	22.4%	32.4%	21.0%
Per Capita Real GDP						
2007 (% of Indianapolis)		92.5%	84.0%	99.9%	88.0%	91.1%
2021 (% of Indianapolis)		98.9%	94.8%	115.2%	108.1%	104.3%
Growth (2007-2021)	1.1%	8.1%	14.1%	16.6%	24.3%	15.8%
Real Labor Productivity						
2007 (% of Indianapolis)		106.1%	84.1%	101.6%	90.5%	95.6%
2021 (% of Indianapolis)		123.9%	94.6%	115.2%	105.5%	109.8%
Growth (2007-2021)	3.3%	20.5%	16.3%	17.1%	20.5%	18.6%



SOURCE: "Making the Indianapolis workforce more competitive", *Indiana Business Review*

***Source*: Bureau of Economic Analysis and Bureau of Labor Statistics.**

South Bend
Productivity = 0.81
Per Capita GDP = 0.76

Michigan City
Productivity = 0.71
Per Capita GDP = 0.57

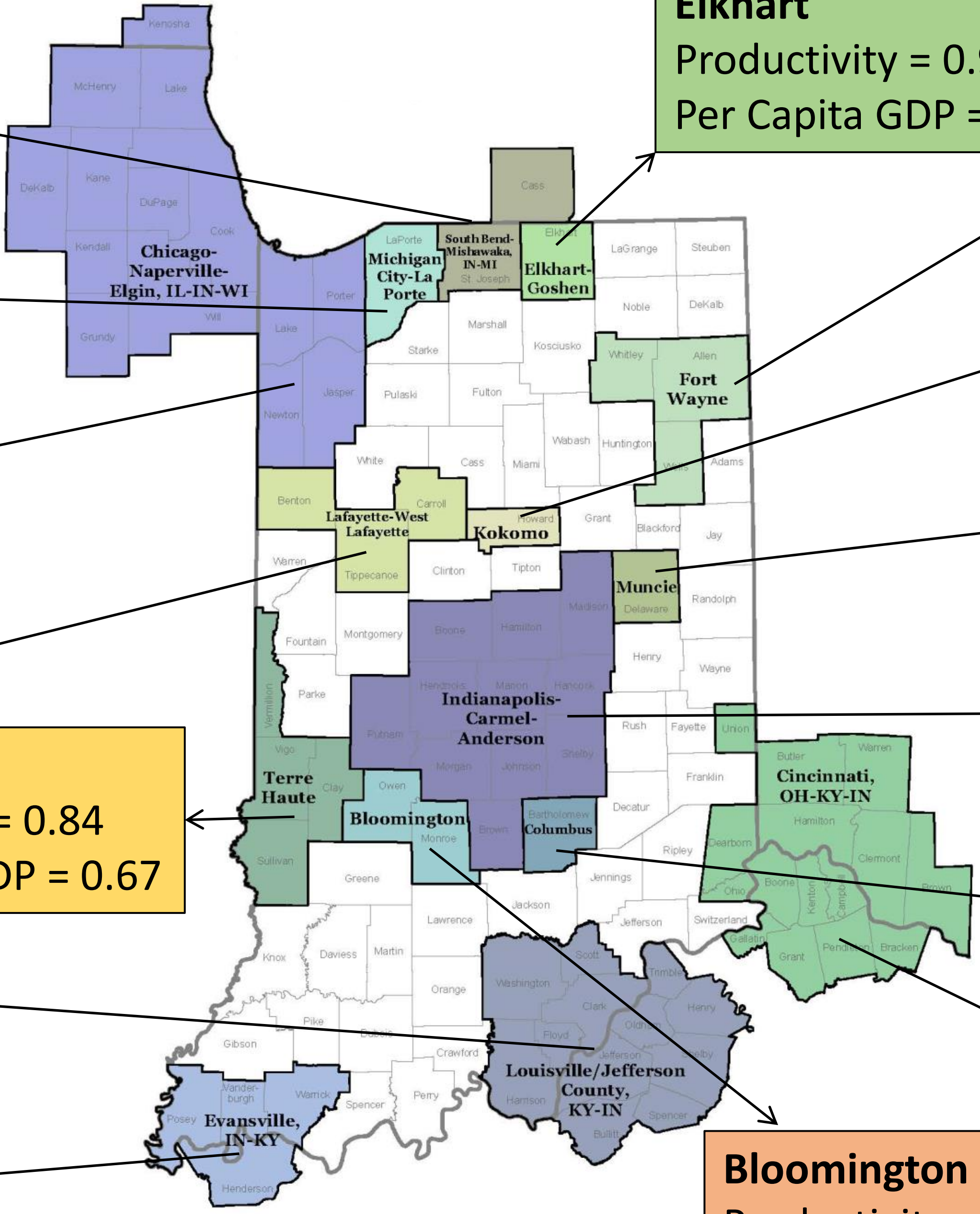
Chicago
Productivity = 1.05
Per Capita GDP = 1.15

Lafayette
Productivity = 0.80
Per Capita GDP = 0.82

Terre Haute
Productivity = 0.84
Per Capita GDP = 0.67

Louisville
Productivity = 0.79
Per Capita GDP = 0.93

Evansville
Productivity = 0.87
Per Capita GDP = 0.96



Elkhart
Productivity = 0.96
Per Capita GDP = 1.48

Fort Wayne
Productivity = 0.73
Per Capita GDP = 0.88

Kokomo
Productivity = 0.94
Per Capita GDP = 0.91

Muncie
Productivity = 0.63
Per Capita GDP = 0.59

Indianapolis
Productivity = 0.97
Per Capita GDP = 1.12

Columbus
Productivity = 0.95
Per Capita GDP = 1.29

Cincinnati
Productivity = 0.97
Per Capita GDP = 1.06

Bloomington
Productivity = 0.69
Per Capita GDP = 0.74

Index Value of 1.00 = U.S. Average (2022)

__Source__: Bureau of Economic Analysis and Bureau of Labor Statistics.

South Bend
Productivity: 13.9%
Per Capita GDP: 9.3%

Michigan City
Productivity: 1.5%
Per Capita GDP: 1.9%

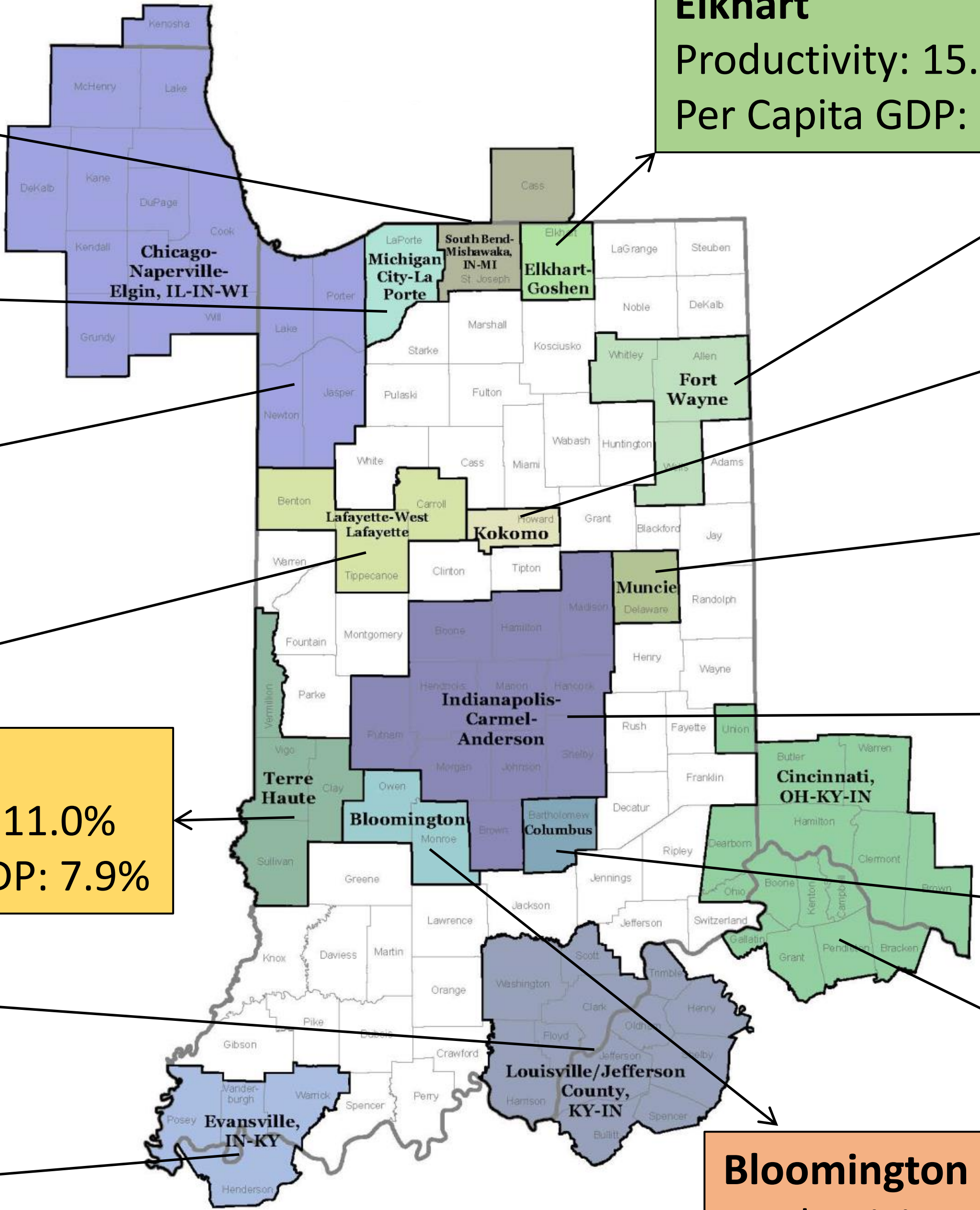
Chicago
Productivity: 4.3%
Per Capita GDP: 7.0%

Lafayette
Productivity: 3.1%
Per Capita GDP: 6.8%

Terre Haute
Productivity: 11.0%
Per Capita GDP: 7.9%

Louisville
Productivity: 4.5%
Per Capita GDP: 8.3%

Evansville
Productivity: 11.3%
Per Capita GDP: 9.6%



Elkhart
Productivity: 15.5%
Per Capita GDP: 20.5%

Fort Wayne
Productivity: 3.4%
Per Capita GDP: 3.7%

Kokomo
Productivity: 31.1%
Per Capita GDP: 14.9%

Muncie
Productivity: 15.3%
Per Capita GDP: 9.1%

Indianapolis
Productivity: 7.9%
Per Capita GDP: 10.0%

Columbus
Productivity: 11.6%
Per Capita GDP: 6.4%

Cincinnati
Productivity: 7.0%
Per Capita GDP: 6.1%

Bloomington
Productivity: 1.7%
Per Capita GDP: 5.5%

U.S. Productivity Growth: 7.0% (2017-2022)
U.S. Per Capita GDP Growth: 9.2% (2017-2022)

Michigan
Productivity = 0.86
Per Capita GDP = 0.83

Illinois
Productivity = 1.00
Per Capita GDP = 1.06

Indiana
Productivity = 0.87
Per Capita GDP = 0.89

Ohio
Productivity = 0.87
Per Capita GDP = 0.90

Kentucky
Productivity = 0.77
Per Capita GDP = 0.74

Tennessee
Productivity = 0.89
Per Capita GDP = 0.89

Index Value of 1.00 = U.S. Average (2022)

***Source*: Bureau of Economic Analysis and Bureau of Labor Statistics.**

Michigan
Productivity: 7.0%
Per Capita GDP: 7.2%

Illinois
Productivity: 4.2%
Per Capita GDP: 6.6%

Indiana
Productivity: 7.9%
Per Capita GDP: 8.6%

Ohio
Productivity: 5.6%
Per Capita GDP: 5.5%

Kentucky
Productivity: 4.3%
Per Capita GDP: 6.0%

Tennessee
Productivity: 7.8%
Per Capita GDP: 10.7%

U.S. Productivity Growth: 7.0% (2017-2022)
U.S. Per Capita GDP Growth: 9.2% (2017-2022)

<u>Source</u>: Bureau of Economic Analysis and Bureau of Labor Statistics.

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Thank You

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