The economic downturn during the early portion of this decade hit the northeast Indiana employment base with a hammer. The Fort Wayne Metropolitan Statistical Area (MSA)—for purposes of this article, we will use the old definition of the MSA (including Adams, Allen, De Kalb, Huntington, Wells, and Whitley counties)—lost jobs at a rate approximately twice that of the state of Indiana from the point of peak employment (March 2000 for the Fort Wayne MSA and May 2000 for the state) through September 2004. The MSA lost 6 percent of its employment base, as identified in the Bureau of Labor Statistics’ Current Employment Statistics (CES), compared with a 3.3 percent drop in employment across all of Indiana. For the Fort Wayne MSA, that represented a loss of 16,750 jobs.

Not surprisingly, the vast majority of jobs lost were in the manufacturing sector—both statewide and in northeast Indiana. Between February 2000 and September 2004, manufacturing employment in the Fort Wayne MSA was down by 15,740 jobs. That is a 21 percent decline in the industrial sector—even steeper than the 15 percent manufacturing employment decline experienced statewide. Durable goods manufacturing was hit the hardest, losing 13,600 jobs in the MSA between March 2000 and September 2004.

Job loss in Indiana began to level off in late 2002 and throughout 2003. Between September 2002 and September 2003, Indiana experienced a net loss of 6,000 jobs; but the Fort Wayne area continued to lose jobs at a much faster pace, with a net loss exceeding 6,500. For the twelve-month period leading up to last year’s forecast, job loss in Indiana (after factoring out the Fort Wayne MSA) had come to a halt. But the pain continued in this corner of the state.

However, during the past twelve months, the news has been better—modestly better—for both the state and for northeast Indiana. During that period, Indiana gained approximately 14,000 jobs, and the Fort Wayne MSA gain included 2,475 of that total. Given that this MSA represents about 8.3 percent of the total state population, the Fort Wayne area more than doubled the proportion of state employment growth it might have expected to share. Nearly half of that regional gain was in the educational and health services sector. Another 500 jobs were created in the leisure and hospitality sector.

The key question for northeast Indiana is whether we can regain a significant portion of those manufacturing jobs lost in the downturn. We have done it before. Most recently, the MSA increased manufacturing employment by 8,800 between 1994 and 1998. Our strong industrial base, our location, and a labor force suited to the industry needs at that time supported such an increase—an increase more than four times the manufacturing employment growth rate experienced nationally over those five years. Will those factors prevail in our favor again, or will the dual pressures of constantly improving productivity in the industrial sector and the globalization of supply networks dictate that the majority of those lost manufacturing jobs are gone forever? This question is being strongly debated among regional economic development professionals and public policy leaders.

For the longer haul, I will weigh in on the side of those whom suggest that northeast Indiana must get very serious about diversifying our economic base. As seen in Figure 1, several counties in this part of the state derive more than 50 percent of their total payroll from manufacturing jobs (compared with the 27 percent statewide and 13 percent nationally). Given the fundamental economic transformation that has been, is now, and will continue to occur in this country, it is simply too great a risk to just bet on manufacturing to remain that high of a percentage of our economic base.

For the shorter haul (2005), the core economic assets of northeast Indiana will provide for continued modest employment growth. While the statewide forecast suggests that Indiana will experience a net job growth of only 15,000 over the next twelve months, the Fort Wayne MSA will again see net job growth at a rate approximately twice that projected statewide. This would give the MSA another 2,500 net additional jobs—a growth rate just under 1 percent. We will continue to experience churn in the industry—both losses and gains in manufacturing jobs throughout the region. The net result may be a slight gain, so long as the automotive industry does not see a significant downturn nationally. Gains should also continue in the educational and health services sector and in professional and business services. The MSA has a higher proportion of educational and health services jobs per capita than nationally or statewide—and this proportionality has been growing over the past five years.