



January 27, 2005

### Employee Compensation in Indiana 2001 to 2003

Where does our income come from? For most of us, that question will be answered by naming our employer – the company, store, factory, restaurant, government office, or hospital for which we work. The money we earn from our employers is now tracked statistically in ways to help us measure our general wealth or economic well-being as it is contributed to by our work.

For the first time, the federal government has released statistical estimates of employee compensation by industry for states, counties and metro areas. Researchers at the Indiana Business Research Center, a member of the U.S. Bureau of Economic Analysis’s user group, analyzed these new measures, released on Thursday, January 27<sup>th</sup>.

Insights from this new economic measure:

- Between 2001 and 2003, Indiana’s compensation for work (wages and salaries, bonuses, contributions for social insurance, pensions, health insurance) increased by 8 percent to \$124.6 billion, compared to a 2.3 percent increase nationwide.
- Compensation for work accounted for just over three-fourths of personal income in Indiana in 2003, with the remaining 24% coming from dividends, rent, interest, and transfer payments. Total personal income in 2003 for Indiana was \$178.4 billion.
- Indiana employer contributions for benefits such as health insurance and private pension funds, etc. went up by nearly 40 percent over the past three years, compared to 25 percent nationally (from \$13.5 billion in 2001 to \$18.8 billion in 2003).
- Manufacturing accounts for the biggest proportion (in percentage terms) of total compensation in Indiana, at 29 percent or \$36.6 billion.
- The biggest increase in compensation for an Indiana county: Gibson, a 61 percent increase between 2001 and 2003.
- Indiana ranks 26<sup>th</sup> out of all states (and the District of Columbia) in average compensation per job in 2003, up from its 28<sup>th</sup> rank in 2001 and 2002.
- Regional rankings in compensation per job in 2003: Michigan 8<sup>th</sup>, Illinois 10<sup>th</sup>, Ohio 22<sup>nd</sup>, Wisconsin 30<sup>th</sup> and Kentucky 32<sup>nd</sup>. The Great Lakes region ranks 4<sup>th</sup> out of 8 regions nationally on this same measure.

A closer look at compensation shows that wage and salary compensation has gone down over this 3 year period for both the U.S. and Indiana, even while supplements to pay and contributions to pensions and for health insurance by the employer have gone up. Two things are at work here – job losses in Indiana and across the United States and increases in health insurance (and possibly pension contributions) by employers.

Components of Compensation	Indiana			U.S.		
	2001	2002	2003	2001	2002	2003
Wage & Salary Disbursements	82.5	81.0	79.1	83.3	82.1	81.2
Supplements to wages & salaries	17.5	19.0	20.9	16.7	17.9	18.8
Employer Contributions for pension & insurance	11.7	13.2	15.1	10.7	11.9	12.8

Source: Indiana Business Research Center, Kelley School of Business (BEA data)

### Continued Strength in Manufacturing

Indiana manufacturers paid out \$36.6 billion in employee compensation in 2003, accounting for 29.4 percent of all employee compensation in the state, and by far the largest share of any industry. Moreover, compensation by Indiana manufacturers grew by 12.5 percent from 2001 to 2003, a period in which Indiana manufacturing employment shrank by 4.2 percent. Compensation for Indiana manufacturing employees grew much more quickly than for the nation as a whole (2.3%).

The two next highest Indiana sectors in terms of 2003 employee compensation were government (\$18.5 billion) and health care & social assistance (\$12.1 billion). These three sectors combined accounted for more than half of all employee compensation paid by Indiana firms.

### County Highlights

Marion County experienced the state's largest growth in total employee compensation, a more-than \$1.2 billion increase from 2001 to 2003. In general, compensation grew the most in the state's largest counties, but there were some exceptions, such as Gibson County, which enjoyed the highest rate of compensation growth (61.0%) of any of Indiana's 92 counties. Compensation paid to Elkhart County employees grew significantly more (gaining \$941 million, or 20.7%) over the 2-year period than in the much larger Lake County (\$573 million, or 7.1%).

### Compensation of Indiana Employees (\$000)

#### Top 20 Counties by Growth in Compensation

County	2003 Employee Compensation	2001-2003 Change in Comp.	2001-2003 % Change in Comp.
Indiana	124,566,530	9,276,667	8.0
Marion	30,159,792	1,253,319	4.3
Elkhart	5,493,337	941,318	20.7
Lake	8,678,153	573,262	7.1
Howard	2,896,940	465,873	19.2
St. Joseph	5,416,197	433,601	8.7
Hamilton	4,377,424	372,022	9.3
Gibson	894,163	338,621	61.0
Vanderburgh	4,587,165	300,927	7.0
Allen	8,087,367	281,248	3.6
Hendricks	1,402,028	219,855	18.6
Monroe	2,390,307	210,958	9.7
Kosciusko	1,573,375	210,506	15.4
Tippecanoe	3,381,879	199,485	6.3
Vigo	2,030,535	194,466	10.6
Johnson	1,532,917	187,696	14.0
Bartholomew	1,924,193	140,537	7.9
Grant	1,272,590	135,267	11.9
Madison	1,932,059	131,596	7.3
De Kalb	995,808	121,893	13.9
Porter	2,315,679	104,400	4.7

Source: Indiana Business Research Center (BEA data)

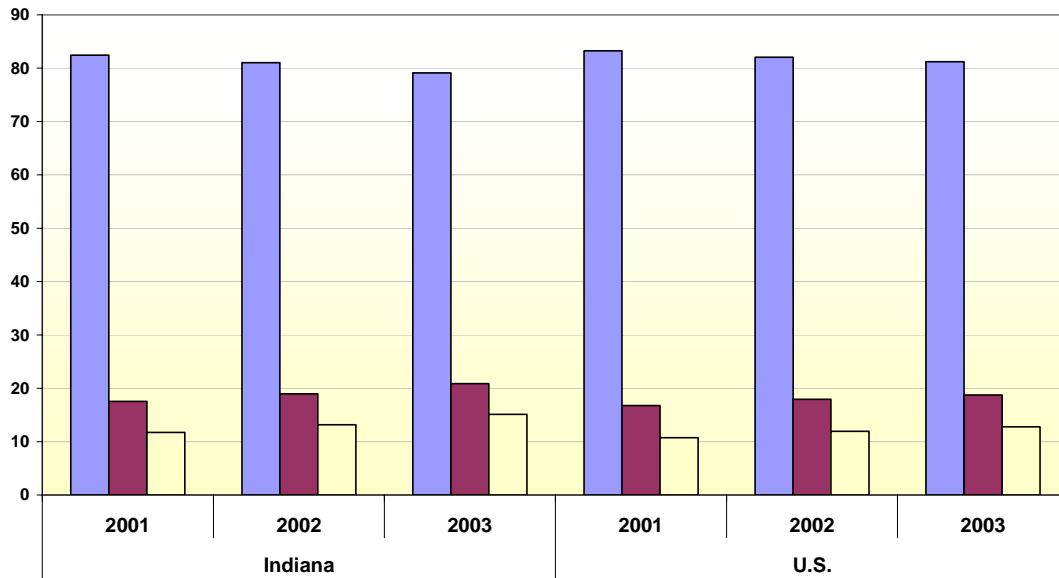
Compensation	Ranked by 2001-2003 %Chg	2001-2003 %Chg	2001-2003 Chg (000's)	2001-2003 - Chg for Manufacturing (000's)	Manufacturing - Chg as a percent of total Chg
<b>Indiana</b>	-	<b>8.05</b>	<b>9,276,667</b>	<b>4,069,546</b>	<b>43.87</b>
Gibson	1	60.95	338,621	304,940	90.05
Clay	2	25.73	53,054	44,532	83.94
Elkhart	3	20.68	941,318	800,797	85.07
Adams	4	20.56	94,847	71,488	75.37
Crawford	5	20.38	13,359	(D)	(D)
Howard	6	19.16	465,873	424,044	91.02
Perry	7	18.88	38,691	20,614	53.28
Hendricks	8	18.60	219,855	9,988	4.54
Lagrange	9	17.24	75,190	62,874	83.62
Boone	10	17.22	91,518	17,909	19.57

Source: Indiana Business Research Center, Kelley School of Business (BEA data)

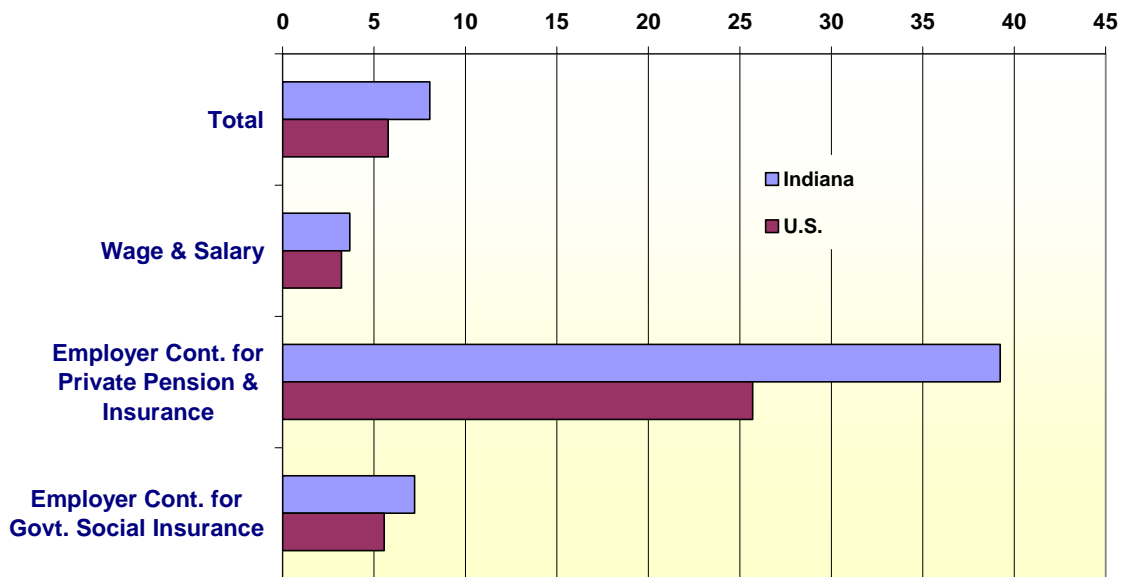
(D) = Not disclosed

### Compensation - What's It Made Of and How Has It Changed? Percent of Total Compensation by Type

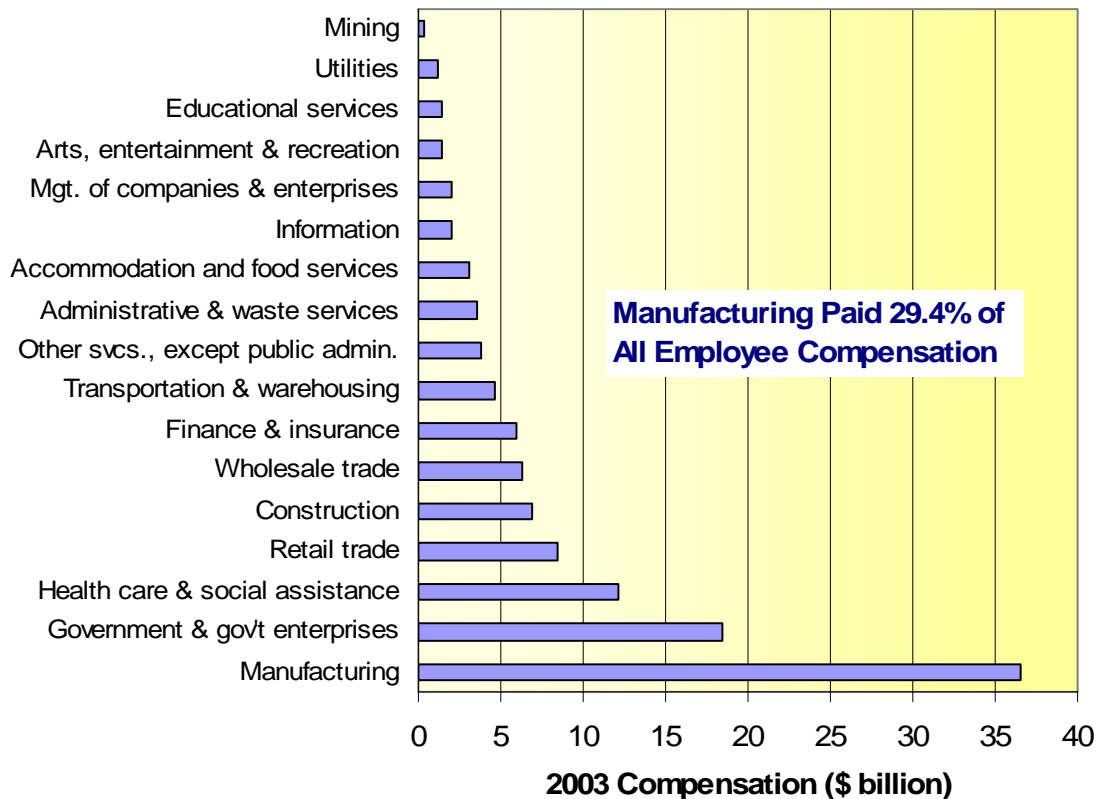
■ Wage & Salary Disbursements ■ Supplements to wages & salaries □ Employer Contrib. for pension & insurance



### Compensation- Percentage Increases 2001 to 2003: Indiana Compared to the U.S.



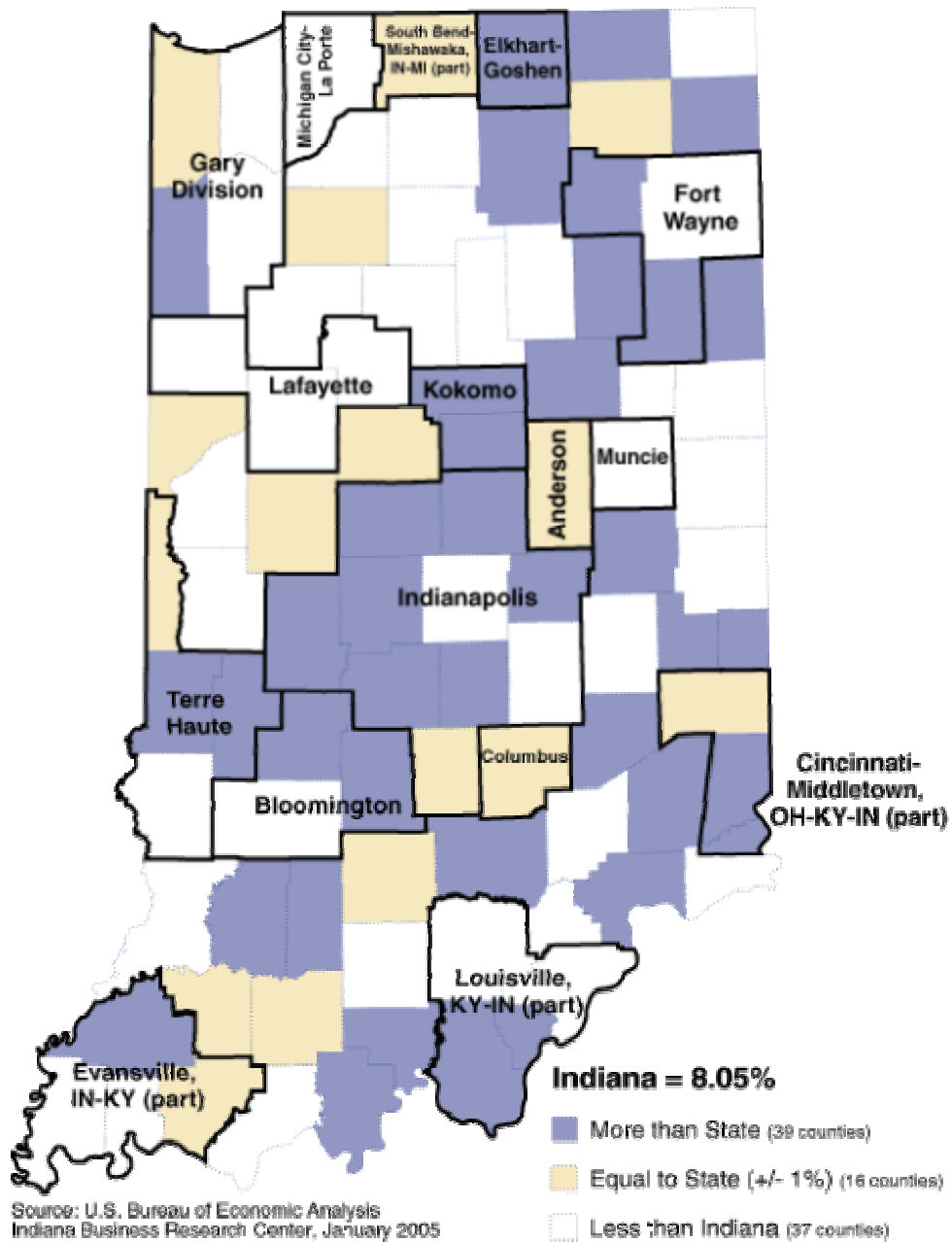
### Indiana Employee Compensation by Industry



<b>Average Compensation Per Job Counties At or Above Indiana's Average</b>				<b>Average Comp Per Job as a :</b>	
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>% of Indiana Average Comp Per Job</b>	<b>% of U.S. Average Comp Per Job</b>
<b>United States</b>	<b>42,742</b>	<b>43,994</b>	<b>45,706</b>		<b>100.0</b>
<b>Indiana</b>	<b>37,754</b>	<b>39,439</b>	<b>41,415</b>	<b>100.0</b>	<b>90.6</b>
<b>Indiana Metropolitan Portion</b>	<b>38,838</b>	<b>40,442</b>	<b>42,398</b>	<b>102.4</b>	<b>92.8</b>
<b>Indiana Non-metropolitan Portion</b>	<b>33,311</b>	<b>35,314</b>	<b>37,332</b>	<b>90.1</b>	<b>81.7</b>
<b>Howard</b>	50,604	54,401	63,161	<b>152.5</b>	138.2
<b>Martin</b>	55,142	58,904	61,046	<b>147.4</b>	133.6
<b>Gibson</b>	40,711	46,513	55,683	<b>134.5</b>	121.8
<b>Posey</b>	48,392	51,539	53,235	<b>128.5</b>	116.5
<b>Fayette</b>	40,928	44,028	49,353	<b>119.2</b>	108.0
<b>Marion</b>	44,843	46,507	48,220	<b>116.4</b>	105.5
<b>Hamilton</b>	45,629	46,285	46,797	<b>113.0</b>	102.4
<b>Bartholomew</b>	40,709	42,639	45,415	<b>109.7</b>	99.4
<b>Elkhart</b>	37,646	40,910	44,604	<b>107.7</b>	97.6
<b>Kosciusko</b>	38,564	40,589	43,883	<b>106.0</b>	96.0
<b>Henry</b>	36,894	40,338	43,831	<b>105.8</b>	95.9
<b>Vermillion</b>	40,292	42,387	43,778	<b>105.7</b>	95.8
<b>De Kalb</b>	38,743	40,919	43,495	<b>105.0</b>	95.2
<b>Pike</b>	39,610	40,157	42,953	<b>103.7</b>	94.0
<b>Allen</b>	39,050	40,301	41,897	<b>101.2</b>	91.7
<b>Lake</b>	38,052	39,197	41,556	<b>100.3</b>	90.9

Source: Indiana Business Research Center, Kelley School of Business (BEA Data)

## Percent Change in Total Compensation, 2001 to 2003



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**Some important definitions regarding compensation****1. Wage and salary disbursements**

This component consists of the monetary remuneration of employees, including corporate officers salaries and bonuses, commissions, pay-in-kind, incentive payments, and tips. It reflects the amount of payments disbursed, but not necessarily earned during the year.

- *Wage and salary disbursements* is measured before deductions, such as social security contributions and union dues.
- In recent years, stock options have become a point of discussion. Wage and salary disbursements includes stock options of nonqualified plans at the time that they have been exercised by the individual. Stock options are reported in wage and salary disbursements. The value that is included in wages is the difference between the exercise price and the price that the stock options were granted.

**2. Supplements to wages and salaries**

This component of personal income consists of employer contributions for employee pension and insurance funds and of employer contributions for government social insurance.

- **Employer contributions for employee pension and insurance funds.** This component of personal income consists of employer payments to private and government employee retirement plans, private group health and life insurance plans, privately administered workers' compensation plans, and supplemental unemployment benefit plans.
- **Employer contributions for government social insurance.** These contributions, which are subtracted in the calculation of personal income as part of contributions for government social insurance, consist of employer payments under the following Federal and state and local government programs: Old-age, survivors, and disability insurance (OASDI); hospital insurance (HI); unemployment insurance; railroad retirement; government employee retirement; pension benefit guaranty; veterans life insurance; publicly-administered workers' compensation; military employee programs (veterans life and military medical insurance); and temporary disability insurance.