

# Columbus

As we look ahead to 2004, the nation is emerging from a different kind of recession. That difference is going to have an important impact on Columbus and Bartholomew County.

The national economic recovery that began in late 2001 has not produced a big upswing in employment. A good explanation for this jobless recovery came out of a study this past summer by the Federal Reserve Bank of New York.

Its economists analyzed postwar recessions and found two kinds of job loss during recessions. Typically, a drop in demand triggers a recession and firms cut employment as a means to reduce capacity temporarily. Employees laid off due to lack of demand are typically rehired soon after demand picks up in the recovery.

A different kind of job loss occurs when firms simply eliminate jobs. The jobs disappear due to productivity gains, shifting jobs to other locations, or subcontracting. This "structural" employment decline typically does not recover when the economy picks up. The jobs are gone forever.

The 2000 to 2001 recession was not a demand-driven recession. In fact, consumer demand remained strong all through it. So the job losses we saw were predominantly structural rather than driven by demand. Many of these jobs won't come back.

The structural job loss effects will show up in a slow recovery in Columbus and Bartholomew County. Employment here did

not plummet during the recession. In fact, the county unemployment rate mostly stayed below 4.5 percent and only briefly pushed above 5 percent (see **Figure 1**).

A factor protecting the local economy from widespread unemployment is the increasing diversity of the economic landscape. Ten years ago, more than 40 percent of all jobs in Bartholomew County were in manufacturing. Today that figure is about 35 percent. The health care sector now provides 13 percent of the jobs in the county, nearly double its share from ten years ago. Employment in banking and finance also has grown, now accounting for more than 3 percent of all jobs.

Our conclusion is that a large portion of the decline in manufacturing employment during the recent recession was structural and will not soon return. Therefore, our overall employment forecast is for a very slow rise in employment during 2004, adding perhaps three hundred jobs in the county. The county unemployment rate is expected to remain above 3 percent for 2004.

Overall economic activity, however, should remain healthy. Interest rates will edge up only very slowly and incomes will stay strong. We expect 2004 motor vehicle sales and retail sales in general to be very close to the high levels seen in 2003. Real estate activity may be slightly below 2003, since mortgage rates appear to have bottomed out.

Two concerns about the future should be noted, however. One is that Bartholomew County slipped one spot in the ranking of educational level in Indiana counties. With 17 percent of the workforce holding a bachelor's degree or higher at the 1990 census, Bartholomew County ranked eleventh out of ninety-two counties. At the 2000 census, while the rate climbed to 22 percent, the ranking dropped to twelfth in the state (Johnson County passed us with a rate of 23 percent).

There is a clear link between educational attainment and income. Keeping the Bartholomew County workforce competitive in education is important for future prosperity.

The second concern has to do with how attractive the county is as a place to live and work. Are we attracting new people to Columbus and Bartholomew County? As **Figure 2** shows, the estimated number of county residents with jobs peaked in 1995.

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**Figure 1**  
Monthly Unemployment Rates in Bartholomew County, January 1999 to September 2003

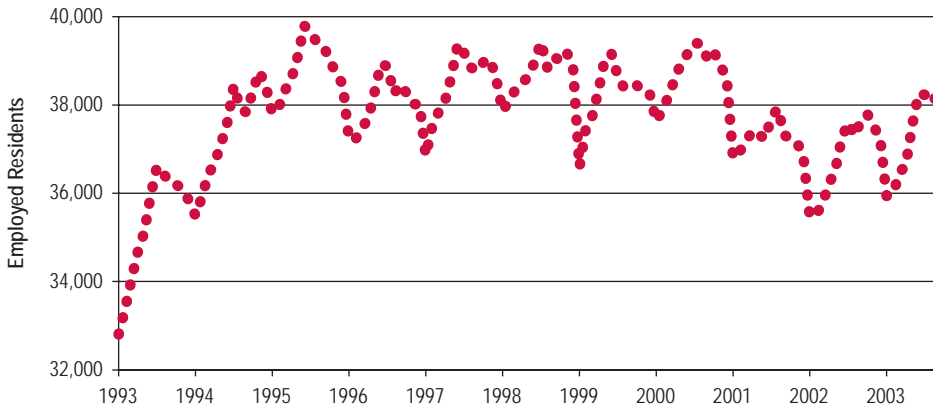


# Evansville

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Figure 2  
Monthly Employment in Bartholomew County, January 1993 to September 2003



Throughout the remaining boom years of the 1990s, Bartholomew County did not add significantly to its workforce.

Structural shifts continue to drain manufacturing jobs, so it is important for Columbus and Bartholomew County to

attract other kinds of employment. The recent data suggest that, although the percentage of employment in other industries has expanded, the absolute numbers of new people living and working in our communities have not risen. ◀

Table 1  
Index of Economic Activity in Evansville

Year	Industrial Production	Construction	Trade	Transportation	Finance	Index	Index Growth
1995	0.316	0.040	0.273	0.047	0.240	0.917	
1996	0.330	0.060	0.275	0.051	0.247	0.963	5.0%
1997	0.329	0.048	0.284	0.055	0.250	0.966	0.3%
1998	0.359	0.069	0.277	0.060	0.234	1.000	3.5%
1999	0.385	0.090	0.282	0.062	0.247	1.066	6.6%
2000	0.397	0.072	0.285	0.060	0.254	1.068	0.2%
2001	0.387	0.045	0.288	0.052	0.280	1.053	-1.4%
2002	0.401	0.064	0.287	0.052	0.250	1.055	0.2%
Change From 2001	3.7%	41.9%	0%	0%	-10.7%	0.2%	

The Evansville economy was stalled for much of 2002, as measured by the index of economic activity maintained at the University of Evansville (see Table 1). Reaching a peak in 1999, it posted an inconsequential decrease in 2000, but fell by 3.4 percent in 2001. There were substantial gains in construction and in industrial production, but declines in trade and finance. Throughout 2002, the index remained at its 2001 level.

### Index Defined

- ▶ Electricity sold to industrial users = industrial production
- ▶ The total value of new construction permits in Vanderburgh County = construction.
- ▶ Annual boardings at the Evansville Regional Airport = transportation
- ▶ Metropolitan area employment in wholesale and retail trade = trade
- ▶ Finance sector employment = finance

With 1998 as the base year for the index, the raw data show industrial production at a record high between 1995 and 2002. Construction permits were up 43 percent over 2001, but have yet to regain their 1999 maximum. Recent changes in the way we use our airport may make comparisons with the transportation variable less informative. The trade and finance employment-based components have been recalculated this year to incorporate the new NAICS classification system.

I am guardedly optimistic about our near-term future, based on the recent performance of the local labor market. Though we lost 2,900 jobs from 2002 to 2003, our unemployment rate (4.2 percent) is less than the state's (5.0 percent), which is less than the nation's (6.0 percent). As the national economy continues to recover, the local economy will likely continue its recovery.

For our area to prosper in the long term, our workers must be able to compete successfully with workers all over the world.