

Indiana Business Review Update

A Monthly Overview of Economic Trends
Indiana University School of Business Indiana Business Research Center

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Entitlements. How important are the government payments to individuals that are at the center of controversy in Washington? Nationally, these "entitlements" exceeded \$874 billion in 1993 and equalled 16.3% of total personal income. Such payments are called transfers and do not include government purchases of goods or services or farm subsidies. These payments include social security, unemployment compensation, medicare and medicaid.

The \$16.5 billion of government payments to individuals in Indiana were 15% of total personal income in 1993. This exceeded the sum of all payments to workers and owners in Indiana's construction, wholesale, and retail trade sectors combined. Alternatively, these transfers were greater than all the dividends, interest, and rent earned by Hoosiers in that year. Hence, significant cuts in transfers could have a major impact on the buying power of Hoosiers and the revenues of businesses serving our state's citizens.

At 15.1%, Indiana ranked 33rd among the 50 states in dependence on these transfers. West Virginia led the nation with 26.8%, while Colorado had the least dependence (12.8%) on transfers (see Map 1, page 4).

Composition. Figure 1 shows the major categories of government payments to individuals in Indiana. The largest portion (54%) was payments for retirement and disability. The next big piece was medical payments which go to health care providers, not to the individuals who are the beneficiaries of such services. Income maintenance, which receives so much attention, accounts for just 7.3% of these transfers. The

largest piece of such aid is food stamps. The category also includes Aid to Families with Dependent Children (AFDC) and local welfare.

Education and training grants to individuals, plus payments to veterans, account for just over 3%. Payments to colleges, universities, and other non-profit organizations are not included here.

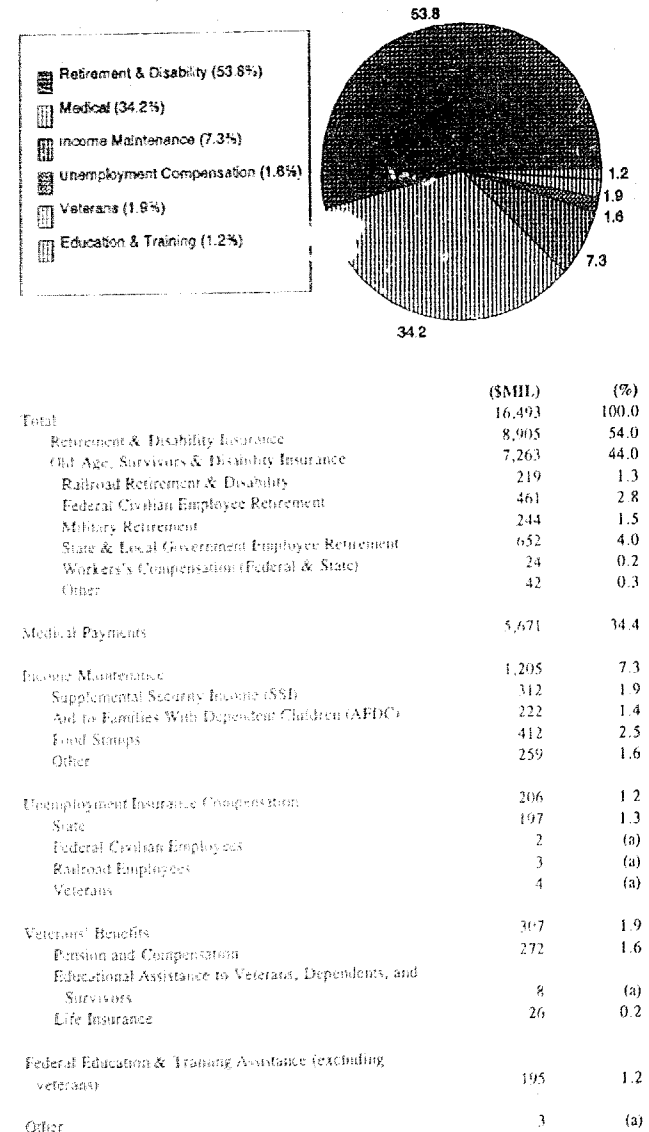
Counties. As might be expected, the counties which are least dependent on government payments to individuals are those with the highest incomes (see Map 2, page 4). Hamilton County ranked last in the state in such dependence, with only 6.4% of personal income derived from these programs. There were 25 Indiana counties where these payments were at least 20% of total personal income. At the top of the list were Jennings, Switzerland, and Crawford. For Jennings, this high position derives from the presence of a state hospital. Other counties achieved a high ranking because they have low income and large numbers of older citizens.

Government payments to individuals are called transfers because they do not represent compensation for services provided by the beneficiaries in the current time period. They are transfers of income (and hence buying power) from one group in our nation to another. If transfers are reduced, it is presumed that those taxpayers who provide the funds will have more money to spend.

- ◆ Would they spend their increased disposable income in the same places (is the geographic distribution of those who give different from those who receive)?

(Entitlements continued on page 4)

Fig. 1 Government Payments to Individuals
Indiana, 1993



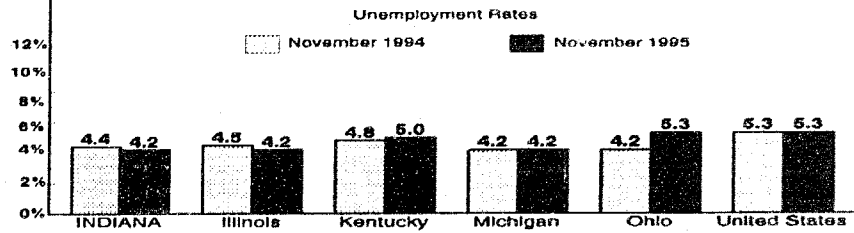
(a) = Less than 0.05%

Source: U.S. Bureau of Economic Analysis (BEA)

Data refers to the most recent revisions released by the BEA.

The Regional Employment Situation

Total Persons Employed	November 1994	November 1995	Number Change	% Change	Rank in US
INDIANA	2,985,700	2,987,200	1,500	0.05%	38
Illinois	5,720,300	5,852,800	132,500	2.32%	11
Kentucky	1,764,000	1,762,800	-1,200	-0.07%	39
Michigan	4,540,000	4,500,900	-39,100	-0.86%	46
Ohio	5,326,300	5,319,300	-7,000	-0.13%	41
United States	124,896,000	125,599,000	703,000	0.56%	N/A



Employment - Hours - Earnings by Industry

INDIANA	Establishment Related Employment		Average Weekly Hours		Average Weekly (Real) Earnings	
	Nov. 1995	% Chg. 94/95	Nov. 1995	% Chg. 94/95	Nov. 1995	% Chg. 94/95
Total Non-Ag	2,818,700	1.6%	NA	NA	NA	NA
Mining	6,600	-4.3%	45.4	-1.1%	\$788.14	5.9%
Construction	134,400	-1.4%	41.0	6.2%	\$692.08	4.8%
Manufacturing	679,000	1.0%	42.9	-1.6%	\$596.31	2.5%
Durable	487,100	1.1%	43.5	-1.1%	\$624.66	-1.8%
Non-durable	191,900	0.2%	41.4	-2.1%	\$519.98	-4.1%
Wholesale	139,200	2.6%	36.8	-1.3%	\$434.61	-1.3%
Retail	550,700	3.3%	28.8	-0.3%	\$213.98	-0.9%
Finance, Insurance & Real Estate	131,900	2.3%	35.7	-2.5%	\$371.99	2.6%
Services*	634,000	2.4%	32.4	1.6%	\$328.86	-4.3%

Employment - Hours - Earnings

(Not seasonally adjusted)

Metropolitan Statistical Areas (MSAs) in Indiana

NON-AG WAGE & SALARIED EMPLOYMENT	November 1994	November 1995	Change	
			Number	Percent
Bloomington MSA	65,000	66,600	1,600	2.5%
Elkhart-Goshen MSA	117,600	117,900	300	0.3%
Evansville MSA	146,800	150,800	4,000	2.7%
Fort Wayne MSA	256,500	263,800	7,300	2.8%
Gary MSA	255,100	253,300	-1,800	-0.7%
Indianapolis MSA	789,600	806,900	17,300	2.2%
Kokomo MSA	50,800	53,400	2,600	5.1%
Lafayette MSA	88,100	92,900	4,800	5.4%
Muncie MSA	62,300	66,200	3,900	6.3%
New Albany Area*	73,700	76,100	2,400	3.3%
South Bend MSA	127,700	130,800	3,100	2.4%
Terre Haute MSA	70,900	70,500	-400	0.6%

MANUFACTURING	November 1995		Average Weekly Hours	Average Hourly Earnings	Average Weekly Earnings
	Employment				
Bloomington MSA	10,100		34.1	\$11.00	\$375.10
Elkhart-Goshen MSA	57,900		39.7	\$11.80	\$468.46
Evansville MSA	32,600		42.6	\$12.58	\$535.91
Fort Wayne MSA	73,900		41.5	\$13.41	\$556.52
Gary MSA	52,200		44.4	\$18.60	\$825.84
Indianapolis MSA	126,100		43.8	\$15.53	\$680.21
Kokomo MSA	21,500		48.1	\$19.20	\$923.52
Lafayette MSA	21,400		42.8	\$14.38	\$615.46
Muncie MSA	11,100		43.8	\$15.29	\$669.70
New Albany Area*	17,400		42.0	\$11.29	\$474.18
South Bend MSA	23,000		40.8	\$12.96	\$528.77
Terre Haute MSA	12,800		43.4	\$13.83	\$600.22

* Employment includes schools; Hours and Earnings excludes schools. *The New Albany Area (Clark, Floyd, Harrison, Scott counties) is part of the larger Louisville MSA. (Real) indicates dollars adjusted for changes in consumer prices to 1995 level. Employment and earnings data based on preliminary and revised series provided by the Indiana Department of Workforce Development.

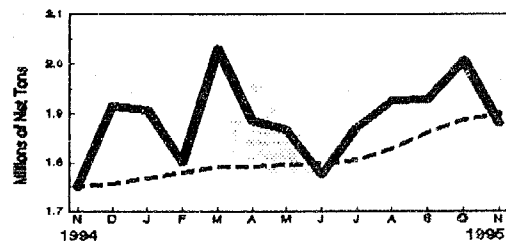
Indiana Economic Activity

— Monthly Data - - - - - 12 Month Moving Average

Raw Steel Production

American Iron and Steel Institute
(Millions)

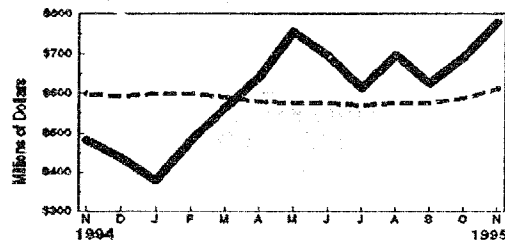
Nov. 1993 — 1.55 Nov. 1994 — 1.750 Nov. 1995 — 1.881



Total Construction Activity

F. W. Dodge Construction Potentials Bulletin
(Millions)

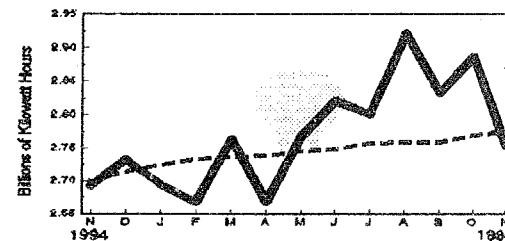
Nov. 1993 — \$506.3 Nov. 1994 — \$482.8 Nov. 1995 — \$779.7



Industrial Electricity Sales

(The 5 investor owned utilities)
(Billions)

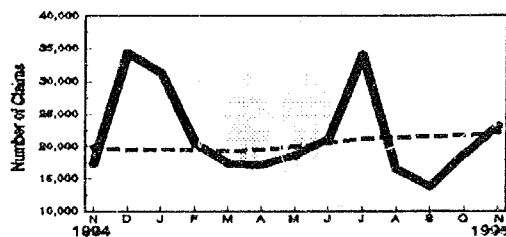
Nov. 1993 — 2.507 Nov. 1994 — 2.692 Nov. 1995 — 2.754



Initial Unemployment Insurance Claims

Indiana Department of Workforce Development

Nov. 1993 — 21,249 Nov. 1994 — 17,247 Nov. 1995 — 23,158



Ups or Downs... Indiana Indicators Year-to-Date

(Based on November 1994 through November 1995 or 1 compared to same period the year before, unless otherwise noted)



Steel production totaled 22.8 million net tons for the period, an increase of 1.8 million over the same time last year.



Construction activity (both residential & non) totaled \$7.36 billion during the period, an increase of \$164 million.



Industrial electricity sales surged to 37.3 billion kilowatt hours, an increase of 900 million hours over the same period last year.



New cars registered in Indiana totaled 164,578 for the period, an increase of 3,876 vehicles.



Housing starts in Indiana totaled 32,934 but this was only 182 more homes than the same time last year.

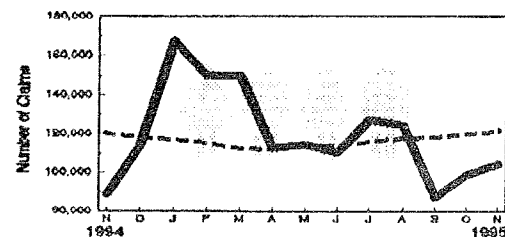


Retail sales sold \$52.4 billion worth of goods to Hoosiers between September '94 and October '95, an increase of \$3.6 billion.

Continued Unemployment Insur. Claims

Indiana Department of Workforce Development

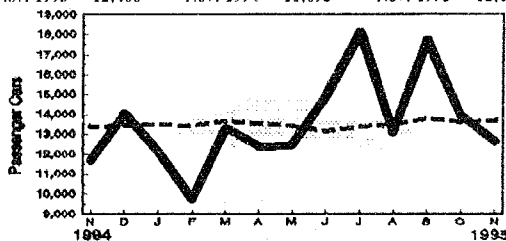
Nov. 1993 — 112,228 Nov. 1994 — 88,801 Nov. 1995 — 104,351



New Car Registrations

R. L. Polk and Company

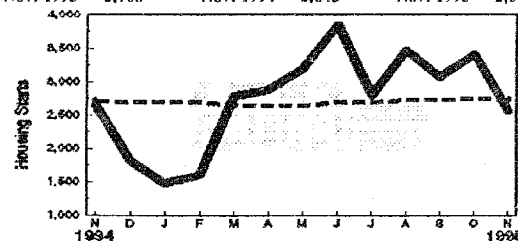
Nov. 1993 — 12,466 Nov. 1994 — 11,695 Nov. 1995 — 12,627



Housing Starts

F.W. Dodge Construction Potentials Bulletin

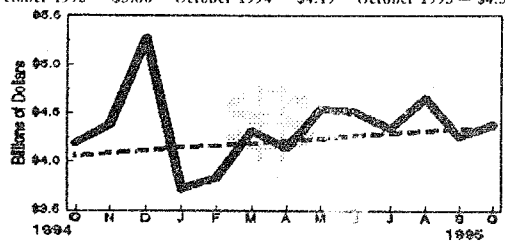
Nov. 1993 — 2,708 Nov. 1994 — 2,643 Nov. 1995 — 2,563



Retail Sales

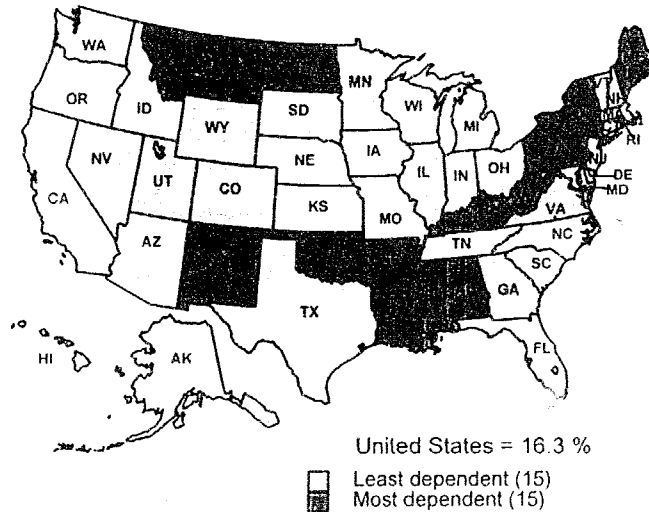
Bureau of the Census
(Billions)

October 1993 — \$3.86 October 1994 — \$4.19 October 1995 — \$4.38

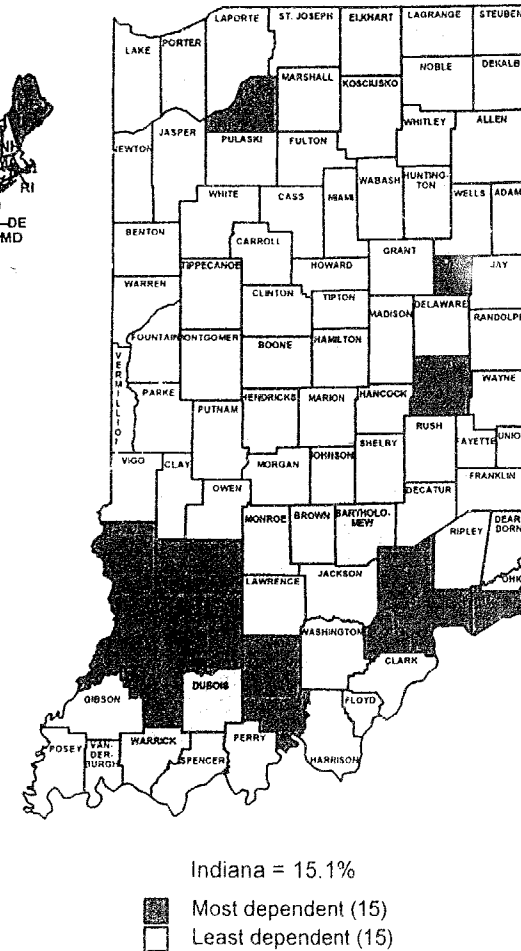


Dependence Upon Government Payments

Map 1



Map 2



(Entitlements continued from page 1)

- ◆ Would the money be spent on the same set of goods and services (do the two groups have different preferences)?
- ◆ Would the money be spent or would those who give have more of a tendency to save than those who receive?

These economic questions may deserve as much attention as the moralizing which characterizes the debates in Washington.

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