

Allen County *Insight*

A summary of economic events, data, and trends published by the Community Research Institute

On the web: www.ipfw.edu/cri

In this Issue

Focus on... Pay

- Allen County Average County Pay and Occupational Pay

Also...

- Employment Recap
- Business Events

From the Director

Analysis of Wage Differences: Allen County average annual pay compared to the state and nation.



Allen County Insight is brought to you by The Community Research Institute at IPFW with the support of the Allen County Commissioners



Introduction

Welcome to the second issue of the Allen County Insight. This edition takes an in-depth look at Allen County average county and occupational pay by reviewing average annual pay; pay adjusted for inflation; and other income measures- such as per capita personal income and median household income. This issue also reports on the state of employment in Allen County by examining local employment trends and looking at FW MSAs national employment success. In addition, Allen County 3rd Quarter Business Dynamics column reviews events occurring with local business establishments. The Director's Corner examines county, state and national average annual pay and offers an analysis of the wages differences.

This newsletter will also be available on our website: <http://new.ipfw.edu/center/cri/reports>.

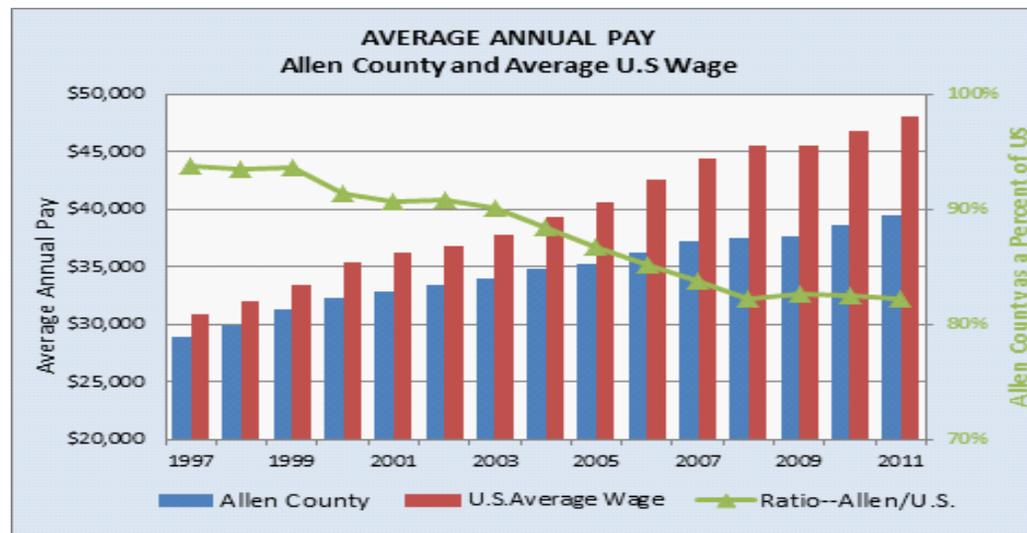
Allen County Pay

No change in the Allen County to U.S. pay ratio

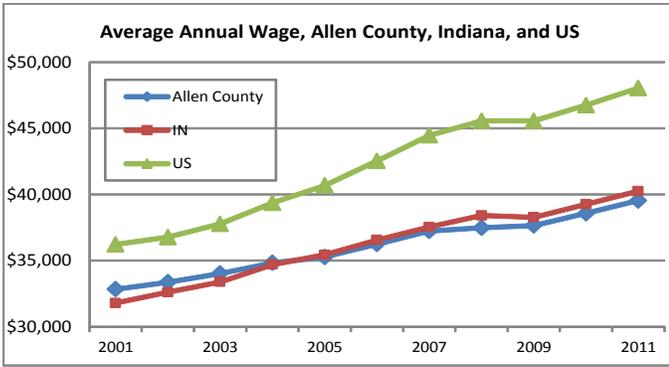
The Bureau of Labor Statistics (BLS) recently released average annual pay for 2011, and the average wage for Allen County in 2011 was \$39,535. As shown in the table and charts which follow, Allen County's average pay lags the state and national averages.

Wages have been the county's Achilles' heel for quite some time: the average county pay in 2011 was 82.3 percent of the national wage, and as seen in the chart below, the ratio has been in this range for the past 4-5 years.

Allen County wages have not always been substantially lower than the nation's. The chart below begins in 1997 when wages were about 94 percent that of the nation's, but Allen County was consistently higher than the national average until the recessions in the early 1980s, and has been trending downward since that time.



More Annual Pay



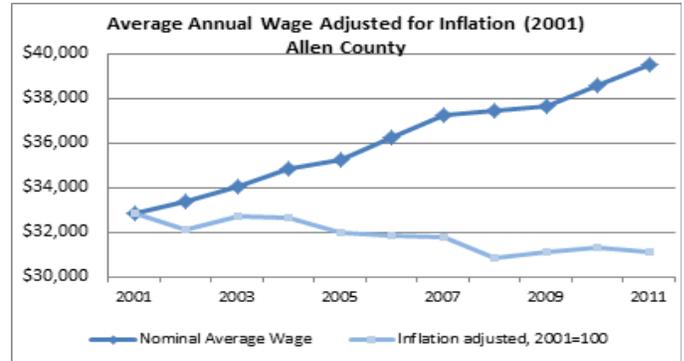
Average Annual Pay 2011

Allen County	\$39,535
Indiana	\$40,248
U.S.	\$48,040

Source: U.S. Bureau of Labor Statistics, QCEW Program

Pay Adjusted for Inflation

The inflation-adjusted charts indicate that Allen County has had a lower purchasing power every year compared to 2001, the year we chose as the base year for this discussion. This has not been the case for the state or the nation, although real wages for the state and nation have stalled in the last part of the decade.



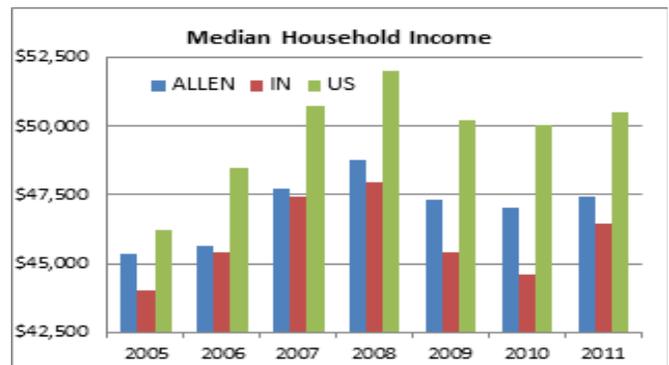
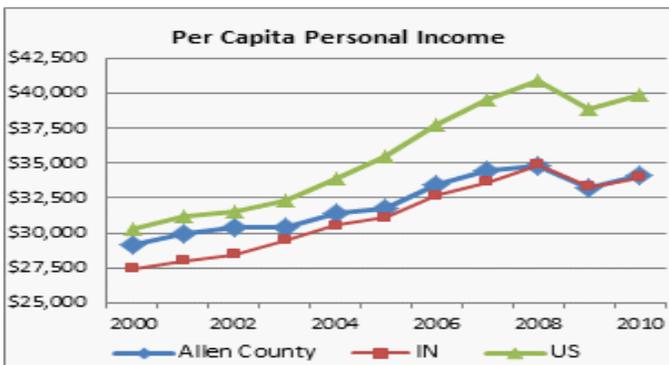
Occupational Pay

Sector	Average Wage, Allen County
Mining	\$51,483
Utilities	\$74,991
Construction	\$46,454
Manufacturing	\$56,537
Wholesale Trade	\$49,674
Information	\$49,044

Sector	Average Wage, Allen County
Finance and Insurance	\$57,302
Real Estate and Rental/Leasing	\$31,781
Professional, Scientific, Tech Serv	\$55,996
Management of Companies	\$66,676
Health Care & Social Assistance	\$43,364
Government (State, Local, Fed)	\$37,469

Other Income Measures

Other income measures used are Per Capita Personal Income (PCPI) and Median Household Income, which are summarized below. PCPI was the subject of last quarter's income analysis. Median Household Income, a product of the Census's annual American Community Survey, recently released 2011 data. The chart overview is shown below, and the ACS data will be a focus of a quarterly insight in a future issue.

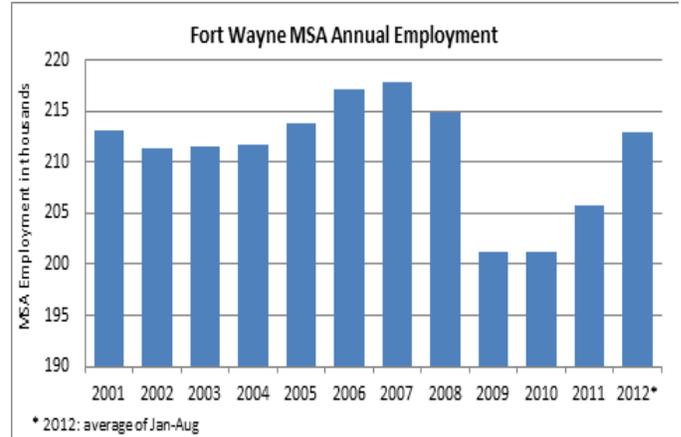
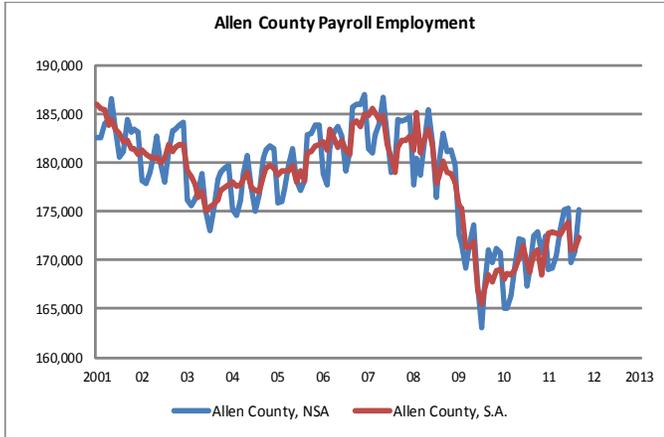


Sources: PCPI: Bureau of Labor Analysis; Med HH Income: US Census, American Community Survey, 2011

Allen County Employment Summary

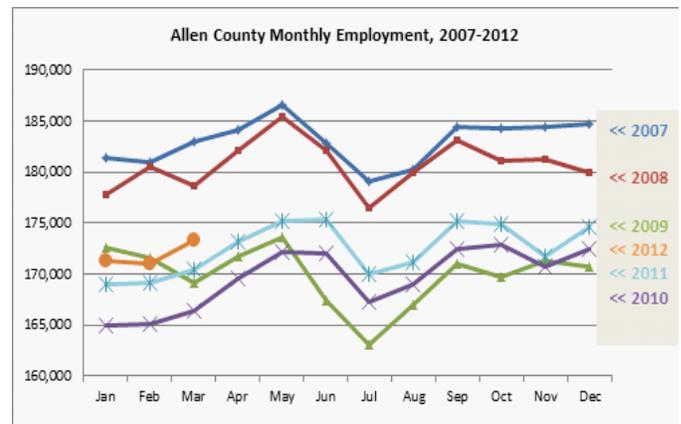
Local Employment Continues To Do Well

Two different employment numbers are presented below; the first is monthly employment in Allen County (shown both seasonally adjusted and non-seasonally adjusted), and the other for the Fort Wayne Metro Area (Allen, Wells, and Whitley). The MSA data is much timelier than the county data, and Allen County employment represents 85-89 percent of the MSA employment, and therefore viewing the more timely MSA data can be very helpful.



The FW MSA seasonally adjusted employment as of August was 216,400, up from 205,400 in August 2011. See top right chart.

The chart to the right identifies the employment levels by month from 2007 through the first three months in 2012. The January-March 2012 employment was higher than the employment levels in these months in 2010 and 2011, and this same pattern exists when the MSA data is plotted (not shown). Those 2012 MSA employment levels have continued to rise and are neck and neck with the 2007 employment levels, which bodes well for the county employment for 2012.



The Fort Wayne MSA Employment in the National Spotlight

A recent Garner Economics review identifies the FW MSA in a group of elite 23 MSAs.

Garner Economics LLC recently released a report identifying the FW MSA as one only 23 MSAs out of 372 to consistently outpace the nation in monthly job growth. CRI performed additional analysis and found that the FW MSA has outpaced the nation in job growth for 28 consecutive months (and counting). In the past 12 months, the FW MSA has averaged 4.1 percent growth compared to the nation's 1.4 percent.

Year-over monthly Employment Change

	FW MSA	U.S.
Dec' 11	3.3%	1.4%
Jan' 12	3.2%	1.5%
Feb' 12	5.0%	1.6%
Mar' 12	4.7%	1.5%
Apr' 12	5.4%	1.3%
May 12	3.7%	1.4%
June 12	5.2%	1.3%
July 12	5.1%	1.4%
Aug' 12	5.4%	1.4%

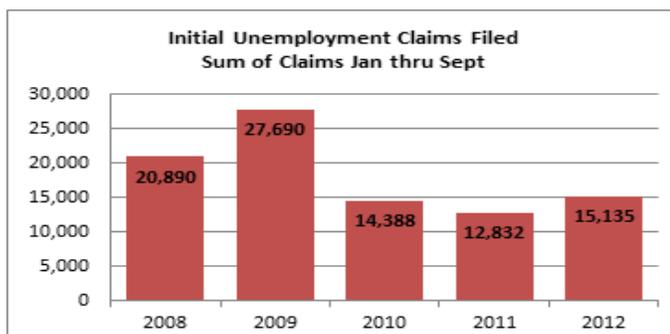
Employment Trends

Employment by the numbers

The FW MSA sector employment, as of August 2012, is presented in the chart below. Although not shown, the employment data for July for many of these sectors and subsectors in the FW MSA was the highest recorded employment in the last ten years.

Sector Employment

Employment for Selected Sectors (and subsectors) for FW MSA Year-over-year (not seasonally adjusted)	August 2012 (employment in 000s)	August 2011 (employment in 000s)	Percent Change
FW MSA Total Covered Employment	214.1	205.2	4.3%
Manufacturing	33.3	33.5	-0.6%
Transportation Equipment Mfg	6.1	5.5	10.9%
Wholesale Trade	11.4	10.8	5.6%
Transportation and Utilities	10.7	9.9	8.1%
Financial Activities	12.6	11.9	5.9%
Professional & Business Services	24.6	22.4	9.8%
Health Services (w/ Private Education Empl included)	37.0	34.7	6.6%
Other Services	8.6	7.9	8.9%
Local Government	13.2	14.2	-7.0%



Labor Force Change: Year-over-year	August 2012
Allen County	0.1%
FW MSA	0.1%
Indiana	-1.8%
U.S.	0.6%

Business Dynamics-3rd Quarter

A quarterly review of events occurring with the business establishment in Allen County.

The following reflects business dynamics events that have started in Allen County, although the project may have been announced in a previous quarter or year. CRI does not collect data on some industries such as retail, restaurant, or accommodations. Our focus is on manufacturing, insurance, defense, logistics, medical devices, food processing, and major employers. Some establishments do make changes to their workforces that are not recorded through our business dynamics, although we survey establishments to capture that information-see the Major Employers report.

If you are aware of any additional changes in the target industries or major employers, please contact us at cri@ipfw.edu.

Note that the business dynamics data is continuously being revised.

Allen County Business Dynamics-July through September, 2012:

Event	People/ Jobs	Investment in Millions	Company
Downsizing	21	0	ITT Communication & Force Protection Systems
Downsizing	30	0	Raytheon Systems Co
Downsizing	37	0	Lincoln Financial Group
Expansion	65	3.7	Tuthill Transfer System
Expansion	0	0	Summit Brands
Expansion	13	0.5	Calico Precision Molding LLC
Expansion	50	0	Hentz Manufacturing
Expansion	4	0.5	JCR Automation Inc.
Expansion	0	1.5	Edy's Ice Cream
Expansion	0	1	Logistics Insight Corporation
Expansion	30	0	Terex Advance Mixer, Inc
New	33	10.3	Meijer RX Distribution Center

Unemployment: Year-over-year (not seasonally adjusted)	August 2012	August 2011	Change
Allen County	7.7%	9.2%	-1.5
FW MSA	7.5%	9.1%	-1.6
Indiana	8.0%	9.3%	-1.3
U.S.	7.6%	8.8%	-1.2
U.S., Seasonally adjusted	7.8%	9.0%	-1.2



Director's Corner

Analysis of Wage Differences: Allen County average annual pay compared to the state and nation.

Much has been made over the past several years regarding local and state per capita personal income growth not keeping pace with increases experienced nationally. Per capita personal income is the total of all personal income for a given geographic area (the nation, a state or a county) divided by the number of residents in that given area. Personal income is the total of all wages, salaries, investment income, rental income, pensions, and government transfers received by the residents of the given area. Among these various sources of income, that coming from wages and salaries tends to be the source that differentiates one community from another. Therefore, I am going to focus this column on Allen County's wages as expressed in average annual pay reported by the U.S. Bureau of Labor Statistics compared the state and nation.

As was illustrated earlier in this edition of the Allen County Insight, Average Annual Pay in Allen County has lagged behind the national trend. In 2001 Allen County wages, on the average, were approximately 91% of the nation's average wages and by 2011 they had fallen to approximately 82%. That is a pretty dramatic decline over a single decade. When comparing Allen County with the statewide average annual pay in Indiana a similar pattern exists. In 2001 Allen county average pay exceeded the state by 3% but by 2011 Allen County had fallen approximately 2 percentage points below the state average. This is particularly disconcerting because, over the same period, Indiana was also losing pace with the nation, falling from 88% to 84%. Allen County is one of the largest urban areas in Indiana and past experience and conventional wisdom indicate that such major urban areas should match or exceed statewide average annual pay. Indeed, for decades this was the case when comparing wages in Allen County with those of the state. Why has this trend not continued? Two factors play a significant role in determining the average annual pay for a given county: (1) what employers pay and workers make in a given industry sector, and (2) the composition of the given county's industry mix.

If we examine average pay in each of the twenty major industry sectors, we find that pay is lower in Allen County in sixteen of these industry categories. The four sectors where Allen County average pay exceeded the statewide average are, however, important sectors to the local economy – Manufacturing, Transportation/Warehousing, Finance/Insurance, and Health Care/Social Assistance. These four do represent approximately 40% of employment in the county. In three of these four high paying sectors, Allen County has a higher percentage employment composition than the state average; only in manufacturing is this not the case. The manufacturing sector continues to decline as a percentage of total employment in Allen County – more on that later.

For what reasons can we attribute the lower than statewide pay in the other sixteen categories? Perhaps it is the rule of supply and demand at work – more residents willing and qualified to work in those sectors than available jobs, giving employers the ability to pay less than in other areas where there may be relative labor shortages in the needed occupations.

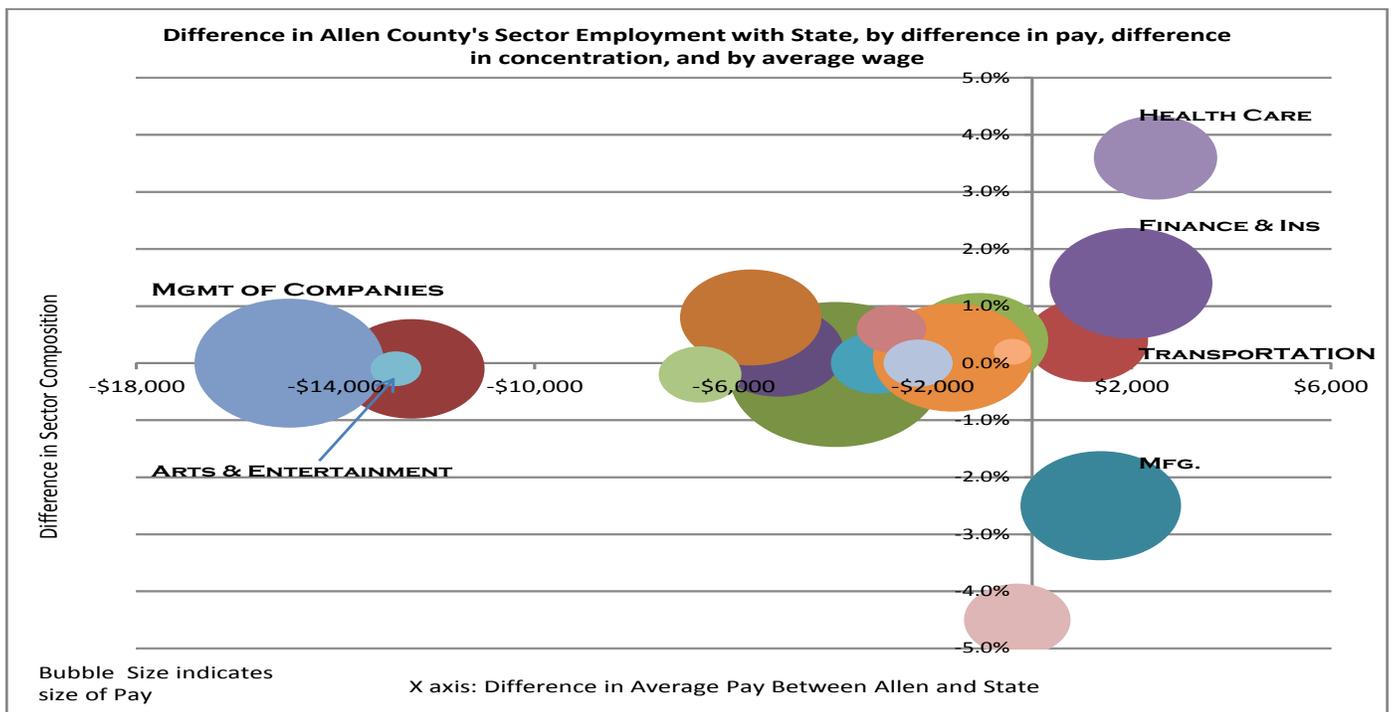
Perhaps it is the feeling that the cost of living is lower here than in other areas, so relatively lower wages is offset by lower cost of living. Unfortunately, a more careful examination of the cost of living in the Fort Wayne metro area indicates that, when compared with other Midwest communities of our size, our cost of living is not lower. It is only when we compare our cost of living to the national averages, which include larger urban areas such as Chicago and New York, that we compare favorably.

Perhaps it could be that local employers have difficulty finding enough skilled workers in the more highly compensated jobs in their respective industry sector. However, the percentage of adults in Allen County with Associate's Degrees, Bachelor's Degrees and Graduate or Professional Degrees respectively is higher than statewide percentages. The educational attainment of our local workforce should work in favor of higher wages in Allen County (compared with the state), not in the direction of relative decline.

Lastly, perhaps it is because we have lost a significant amount of company "headquarters" operations over the past several decades. Headquarters operations tend to employ more of the high wage jobs than branch facilities in a given industry sector. Most likely, it is a combination of all of the above along with some factors I surely have not discovered.

continues on following page

The second factor to be considered is the composition of the industry sectors in Allen County. For example, if a county is more concentrated in a relatively lower paying sector (such as agriculture) than is the state that will contribute to the county's overall average pay being less than the state's. Conversely, if the county's employment is highly concentrated in a relatively higher paying sector (such as manufacturing) that will contribute to the county's average pay being greater than the state's. There are six industry sectors in Indiana which individually represent at least five percent of the state's total employment. In four of those sectors – retail trade, administrative and support services, health care and social assistance, and accommodation and food services - Allen County has a higher concentration of employment than is found statewide. Average wages in three of these four is less than the statewide overall average wage. In two of the sectors – manufacturing and government – Allen County has a lower concentration of employment than is found statewide. For one, manufacturing, average pay is substantially above the overall statewide average. In the other – government – average pay is somewhat below the overall statewide average. The manufacturing sector does play a significant role in this changing average wage picture. As the Allen County economy continues to diversify, our percentage of total employment in manufacturing drops. It is important that we offset those declines in higher paying manufacturing jobs with gains in other high wage industry sectors.



How to read this chart-As discussed, there are four sectors which have higher pay in Allen County compared to the State: HealthCare, Finance & Insurance, Transportation, and Manufacturing. They are to the right of the zero coordinate, which indicates that the Allen average pay is higher than the state. Since the percentage of employed in mfg is less than the state average, its bubble falls below the zero horizontal line. Most of the other sectors are roughly the same percentage composition, with the exception of government (lowest bubble). Allen County has 10.8 percent employed in Government, compared with 15.3 percent for the rest of the state (a difference of 4.5 percent), and Allen's average pay is slightly less than the state average (hence, it is to the left of the zero coordinate). The average pay for government is \$37,469 which is "average"; and an average size bubble is show.

In summary, Allen County's change in average annual pay relative to the state and the nation can be attributed to several factors. A part of the answer involves the differences between what given occupations are paid locally compared to state and national averages. And part of the answer involves the composition of our local industry mix – and how that changes over time – compared with the state and nation. A focus on upgrading the quality of our workforce is one way to address the former and targeting economic development strategies at higher wage industry sectors is one way to address the latter.