



Indiana Manufacturers Association

Indiana's Leading Voice for Industry

Letter to the Editor

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Indiana Job Losses Worst in the Nation; Jobs Should Be Top Focus

By Patrick J. Kiely, President, Indiana Manufacturers Association

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As the Governor announces budget cuts and tries to explain the loss of revenue to the state budget, little attention has been paid to the root cause of Indiana's economic downturn. It is jobs and the cause of the loss of jobs here in Indiana. From January 2000 through February 2002, Indiana lost 101,400 jobs, more jobs lost than any other state in the nation. Not only have we lost more jobs than any other state, but on a percentage basis, Indiana has lost 3.37 percent of its workforce, also the worst in the nation. Three out of every four jobs lost has been in the manufacturing sector. The loss of these high-wage manufacturing jobs is the primary reason for the loss of revenues to the state. If Hoosiers are not working, they do not pay income tax; and discretionary spending on goods and services declines.

The loss of more than 74,000 manufacturing jobs in Indiana since January of 2000 has eliminated all of the economic expansion we've experienced for the last 11 years. Manufacturing employment in Indiana is now equal to that of May, 1991. These job losses are so important because Indiana is the most manufacturing-intensive state in the country, with nearly 30 percent of all earnings and 24 percent of all jobs manufacturing related.

Why has Indiana been hit so hard? Uncertainty has played a key role in Indiana's downturn. We have been living and working under a property tax system that was declared unconstitutional nearly four years ago. On December 27, 2001, the Governor signed new personal property tax regulations that included depreciation schedules that discourage new capital investment. Prior to the signing of these regulations, uncertainty

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stifled capital investment in Indiana. Now the certainty of the negative impact these new property tax regulations will have on investment will continue Indiana's economic slide.

The Governor continues to focus on solving the state's budget crisis. However, the state's focus should be on economic development and job creation. We have it backwards. The economy and jobs drive the state budget. The state's budget does not drive the economy. We must send a clear message that locating in Indiana is a wise business decision. We must create a climate that focuses on job creation and capital investment. This is how the state's budget crisis will be solved.

Steps must be taken now to encourage investment in Indiana and to reverse the negative message that we are sending to the country and the world. We ask that as the legislature continues the tax restructuring debate, the following objectives be kept in mind.

Indiana needs a tax structure that:

- 1) is less property tax dependent;
- 2) is focused on the future rather than tied to the past;
- 3) positions Indiana to have a more competitive tax climate for economic growth, and;
- 4) fosters the protection, as well as creation, of high-paying jobs.

Any changes should be designed to reverse Indiana's losses in both investment and high-wage jobs. We must act now. Education, welfare and prisons have continued to be funded beyond the cost of living; yet the state's economic development efforts have been nearly invisible. Indeed jobs and business investment have been at the bottom of the list of the state's priorities. Indiana's rank of 50th in jobs is ample proof that the state's tax structure must be changed in a positive manner that will live up to Indiana's marketing slogan: "Be in a State of Progress." Without positive economic change, our slogan will show that the "State of Progress" is clearly a state other than Indiana.