



Indiana Manufacturers Association

Indiana's Leading Voice for Industry

One American Square, Suite 2400, Box 82012, Indianapolis, IN 46282

Phone: (317) 632-2474 or (800) 462-7762 Fax (317) 231-2320 www.imaweb.com

For Immediate Release

January 8, 2007

To the Editor:

Manufacturing is the key component of the Indiana economy. Indiana is the number-one most manufacturing-intensive economy in the nation when compared to direct employment (568,000) and contribution to the state's domestic output (\$67 billion or 28 percent of total output). The more than 9,000 manufacturing firms pay average wages in excess of \$48,000 per year and have better benefits than any other sector.

A recent study estimated that more than 59 percent of Indiana's total employment is tied to the success of the manufacturing value chain. In 2005, manufacturing was 98 percent of Indiana's exports and exceeded \$21 billion. Roughly 32 percent of our total production is export dependent.

Indiana's manufacturing economy is mature, diverse and advanced. However, all domestic manufacturers face fierce international competition and extreme cost-related pressures, with high wages and benefits, as well as high-input costs from materials and energy.

External overhead costs from taxes, health and pension benefits, tort litigation and rising energy costs add approximately 31.7 percent to manufacturing labor costs when compared to our competitors. These external costs reduce profitability and tie up dollars that would otherwise be spent on investment, research and development, training and new product lines. If you truly want more advancement in manufacturing, you cannot ignore these issues.

It is becoming progressively less expensive to automate functions that used to be performed by people. These are mostly middle-class jobs that will continue to decline. Indiana is one of the largest middle-class states in the nation, and this is reason for serious concern. The choice is clear – higher skills or lower wages.

As Congress and the Indiana General Assembly convene, we hope they will consider the facts. Education and cost structures matter. Our future is in our own hands and no one else's. In order to advance manufacturing in Indiana, we do not need any more studies, we need action.

We can start by changing the way we tax businesses based on wages, output and investment. Remove all taxation from investment in machinery and equipment used in research



Indiana Manufacturers Association

Indiana's Leading Voice for Industry

One American Square, Suite 2400, Box 82012, Indianapolis, IN 46282

Phone: (317) 632-2474 or (800) 462-7762 Fax (317) 231-2320 www.imaweb.com

Letter to the Editor Continued

Page 2

or production. Our tax, education and training systems were designed in another era and continue to impede our ability to break out.

We need a data-driven strategic plan and assessment system that improves outcomes. We need a coordinated effort to raise expectations and change attitudes. Most of the people who will be in our workforce are already here; and if they can't master new literacy skills, little else will matter.

We've failed to motivate and educate students to work harder and take tougher courses. The state has instituted "Core 40" as the new graduate standard but has done very little to explain to parents, teachers and students why it's important to their future. The problem is the system, and it must change. Adding "full-day kindergarten" will only marginally improve achievement under the current system, and it will be minimally 13 years from now before the workforce benefits. With our current high school graduation rate at 74 percent, we need action and we need it now.

We have extensive funding mechanisms for public education and providing college funds for our youth, but we don't have the same effort for adults with jobs and families to get the continuing education and training they need to survive. Improvements have occurred in the past several years in many areas, but education needs to be brought to the forefront. We need an honest discussion about all education processes and funding. Every day we wait, we can expect to underperform.

Manufacturing is the nation's leader in productivity with gains of at least five percent in each of the past five years. No other sector comes close. The bottom line is that a positive business climate and a prepared, skilled workforce are synonymous and will attract investment; and investment creates high-wage, high-skilled jobs.

Pat Kiely, President
Indiana Manufacturers Association
317-632-2474
pkiely@imaweb.com

An electronic version of this letter may be found online at www.imaweb.com, under "Breaking News."