

CHAD SHEARER ISHA SHAH MARK MURO December 2018



EXECUTIVE SUMMARY

Promoting opportunity for all workers has become a defining challenge for metropolitan regions throughout the United States, including Central Indiana. The twin forces of global trade and technological change continue to open vast new markets for the goods and ideas created by Central Indiana's businesses and workers. Yet these same forces also expose the region to fiercer competition, which can quickly render some advantages and capabilities obsolete. Workers with the greatest ability to adapt to these forces have thrived in recent years, while others have fallen behind.



This report finds that these disruptive forces have both benefited and buffeted Central Indiana's economy over the prior decade. The region achieved among the fastest rates of job growth in the Midwest, fueled in no small part by its advanced industries—those that disproportionately drive the region's innovation and trade with the world. At the same time, the region lost many of its middle-class jobs in manufacturing and construction. And despite its job growth, Central Indiana saw slow and uneven earnings growth. Many more of the region's workers and families now struggle to make ends meet.

Central Indiana is not alone. These same disruptive forces are rapidly reshaping regional economies throughout the country and the access to opportunity they provide. Recognizing these challenges, Central Indiana's leaders are seeking to promote economic growth and prosperity while advancing opportunity for more workers and families to reach the middle class. Their concern prompts this closer look at the industries, occupations, and skills that offer workers the best chances of obtaining jobs that provide family-sustaining wages and benefits.

This report considers ways in which Central Indiana can advance economic opportunity by focusing regional growth strategies on "Opportunity Industries"—the industries that concentrate the region's good jobs and promising jobs. Good jobs provide middle-class wages and benefits. Promising jobs are entry-level jobs that, while they do not provide the pay or benefits of a good job, enable the workers who hold them to reach a good job within 10 years. Five central findings from this report emphasize that Opportunity Industries are a critically important focal point for efforts to expand and support the middle class in Central Indiana:

1. Central Indiana needs more good and promising jobs than it provides. Central Indiana provides hundreds of thousands of good and promising jobs for workers both with and without four-year college degrees. The region is home to more than 1.1 million prime-aged workers, about 60 percent of whom have less than a four-year college degree. About 264,000, or 26 percent, of Central Indiana's jobs are good or promising jobs held by sub-baccalaureate workers, those without a four-year college degree. Another 239,000, or 23 percent, are good or promising jobs for high-skill workers, those who have at least a bachelor's degree. However, the region still does not provide enough labor market opportunity for all the workers who need it. The remaining 524,000, or 51 percent, of Central Indiana's jobs are neither good nor promising, meaning they provide insufficient pay or benefits and no viable pathway to good jobs. Providing more good and promising jobs could have important, long-lasting economic and social benefits for the region.

2. Opportunity Industries disproportionately contain Central Indiana's good jobs and can help close its opportunity deficit. Focusing economic development efforts on Opportunity Industries can increase the number and share of good jobs in the region, in turn creating more pathways to good jobs. The region's Opportunity Industries are found within a small but diverse set of sectors. Manufacturing, government, construction, logistics, and health care provide over 70 percent of the region's good jobs for sub-baccalaureate workers. About 70 percent of good and promising jobs for high-skill workers are found in government, health care, and professional services. Subbaccalaureate workers' advancement toward

good jobs often depends on the availability of good jobs in Opportunity Industries, rather than promising entry-point jobs. Growing Opportunity Industries that concentrate these good jobs, especially those "advanced" and "tradable" industries that drive innovation and sell most of their products or services outside of the region, can advance both opportunity and prosperity.

3. Career pathways to Central Indiana's good jobs in Opportunity Industries usually involve a major career switch.

Opportunity Industries and the good jobs they provide include many types of occupations. Construction occupations provide among the highest concentrations of good jobs for sub-baccalaureate workers, followed by production occupations such as machinists and welders. Some administrative occupations, such as secretaries and bookkeepers, also disproportionately concentrate good jobs for sub-baccalaureate workers. High-skill workers can find good jobs in management, business, and STEM occupations, among others. To gain a good job, however, most sub-baccalaureate workers (75 percent) will switch between completely different types of occupations. For these workers, career pathways with the greatest upward earnings mobility tend to involve knowledge and skills associated with construction, maintenance and repair, and manufacturing-areas of expertise that are decreasing in their importance to the labor market. By contrast, abstract cognitive abilities and social skills, which enjoy increasing demand in the region's labor market-are most closely related to upward earnings mobility for high-skill workers. Because people traditionally learn these skills and abilities in four-year degree programs, new models of learning for sub-baccalaureate workers may be needed.

4. Central Indiana workers' chances of obtaining a good job vary by their education, race and gender. Central Indiana's shortage of good and promising jobs affects some workers more than others. Education is a key determinant of whether someone can obtain a good job. Thirty-five (35) percent of workers in Central Indiana who have no more than a high school diploma hold a good job or a promising job, while 73 percent of workers with a bachelor's degree hold a good or promising job. However, factors unrelated to workers' education or experience, such as gender and race/ethnicity, also distinguish their chances of obtaining a good job. Among workers with only a high school diploma, 30 percent of black men hold a good or promising job, while the same is true of 54 percent of non-Hispanic men of all other races. Among workers with an associate's degree, 40 percent of black women hold a good or promising job, while 72 percent of men who are neither black nor Hispanic do.

5. Central Indiana has a lead on other regions in advancing opportunity. Though Central Indiana faces a deficit of good jobs, the region's share of jobs that qualify as good or promising (49 percent) exceeds that in most of its peer regions. Central Indiana provides better labor market opportunities than most of its peers not only because of its affordability but also because of the nature of its economy. Despite losses in manufacturing and construction that have changed the structure of the region's economy in recent years, Central Indiana continues to provide many jobs in Opportunity Industries, enabling sub-baccalaureate workers to earn more than they would in other regions. These advantages provide the region's leaders with a solid platform for extending opportunity to more workers and families.

The report's findings reinforce the challenges the region faces around advancing opportunity. Central Indiana faces a deep and interrelated set of issues related to the supply of good jobs, especially for workers without high levels of education, and those from underrepresented groups. However, the findings also suggest practical strategies by which the region can adapt to change and help more workers thrive. Addressing the challenges highlighted here will require new coordinated solutions from the fields of economic development, education and workforce development, and state and local policymakers.



The findings point to four key implications relevant to regional strategies to address these challenges:

- Grow good jobs. Economic development can help bend Central Indiana's growth curve so that it provides more good jobs. To do so, economic developers must pursue two objectives simultaneously: advancing opportunity by incentivizing the growth of good jobs, and advancing prosperity by supporting the growth of tradable advanced industries that improve the region's prosperity. This requires a sharper focus on the Opportunity Industries that support both objectives, and the policy tools that most effectively promote their growth.
- Improve job quality. Even with more focused and disciplined economic development investments, Central Indiana is unlikely to close its gap in good and promising jobs through growth alone. It must also improve the quality of its existing jobs. The region's leaders should work with employers who are already committed to improving job quality, and with those where the business case for job quality is clearest. By leading the way, these motivated employers can put pressure on others. Meanwhile, policy can also play a productive role in shaping a competitive and fair labor market that encourages and incentivizes work and upward mobility.
- Prepare people for good jobs. Today, there are more workers in the region than there are available good jobs. However, growing good jobs and improving job quality depend on the availability of talented workers in Central Indiana. Education and training lead to better chances of obtaining good jobs. However, the knowledge, skills, and abilities employers

demand continue to change over time. Today, workers not only need training for specific jobs or occupations, they also need the skills to adapt: to teach themselves, to problem-solve, to reason, and to communicate ideas. These skills can improve workers' independence and help them forge their own pathways to good jobs even in the face of a changing labor market.

 Support working families. Many working families in Central Indiana today struggle to make ends meet. Workers in these families face difficult tradeoffs as they pursue better labor market opportunities. Even as leaders in Central Indiana continue to develop and implement new solutions to advance opportunity, many of these workers and their children will continue to struggle to get ahead. Leaders can support their upward mobility by addressing barriers struggling families face along the way through policy, education, and services.

Central Indiana possesses many enviable advantages for advancing opportunity, including a diverse and growing economy and tremendous civic capacity. Now, it must marshal and coordinate that capacity-across state and local economic development agencies and business groups, workforce development organizations that connect people to jobs, educational institutions, policymakers, and philanthropy-to address urgent challenges facing its workers and families. This report identifies strategies and tactics leaders in Central Indiana can pursue to address these challenges. The future of the region's middle class-and that of the regional economy as a whole-depends on the actions the region's leaders and institutions take today. This report provides new information and insights that can enhance the impact of their efforts.



B | Metropolitan Policy Program

.....

ALL REAL

1775 Massachusetts Avenue, NW Washington, D.C. 20036-2188 telephone 202.797.6139 fax 202.797.2965 www.brookings.edu/metro