Why High-Tech Jobs do Not Come to Indiana and Why They Leave

Tracy I Cole
University of Indianapolis

Tracy I. Cole is currently a part-time undergraduate in Business Administration at the University of Indianapolis, Indianapolis, Indiana.

6329 Meridian Woods Boulevard
Indianapolis, IN  46217
317-791-7192
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Indiana is in need of bringing high-tech jobs to Indiana. There are many reasons why high-tech companies are not coming to Indiana. These reasons involve Indiana’s image, location, education system, and tax incentives being offered. Although Indiana is struggling with competing in the high-tech industry, it is important to consider why existing high-tech companies leave. These reasons generally involve a company finding cheaper labor or filing bankruptcy. Regardless of the reasons, Indiana continues to improve its economy by implementing plans such as Energize Indiana.
Why does Indiana continue to struggle in keeping up with the high-tech industry? For many years Indiana has not compared to other states when looking at the high-tech job market. For instance, California offers 834,709 high-tech jobs and Indiana only offers 66,794 high-tech jobs (8, 9). Due to the wide range of high-tech positions being offered per state, it is important to figure out why there are not as many high-tech opportunities in Indiana. This is a growing issue with respect to Indiana’s economy and causes many Hoosiers to be concerned. This issue not only affects Indiana’s economy, but it also affects many friends and family members as well.

According to the governor’s action plan, one way to improve Indiana’s economy is to increase the number of high-tech jobs offered in the state of Indiana (13). Indiana already has some of the best colleges, such as Purdue University, Indiana University, and Rose-Hulman University. These colleges have many people graduate each year with degrees in high-tech fields. Unfortunately, many of the college graduates have to pursue careers in other states. They do this because it is difficult to find adequate employment in high-tech fields here in Indiana. To help determine what can be done to increase the number of high-tech jobs in Indiana, it is important to consider the reasons why high-tech companies do not come to Indiana and why they leave. The answers to these questions should help determine what needs to be done in order to bring more high-tech companies to Indiana, as well as retain the companies that already exist.

**WHAT IS HIGH-TECH?**

According to the Merriam-Webster’s Dictionary, the definition of high-tech or high technology is, “scientific technology involving the production or use of advanced or sophisticated devices especially in the fields of electronics and computers” (14). High-tech can also refer to advancements in other fields such as audio, video, automotive, agriculture, or medical fields. For example, advancing from records to compact disks resembles technological
advancement. Also, the development of the OnStar system installed in automobiles resembles advanced technology. Although these are just a few examples, many other technological advancements are made every day in different fields.

**HIGH TECH LOCATION NEEDS**

In order to determine the reasons why high-tech companies do not come knocking on Indiana’s door, it is important to understand what types of requirements high-tech companies have when they look for a place to locate. Of course, different high-tech companies have different needs, but some of their needs are the same. For example, many companies look to locate in a place that can bring a good quality of life and high paying salaries to its employees (1). Quality of life and high paying salaries are important because everyone likes to live comfortably and in a nice environment. By living in a nice environment and making good pay, employees are more apt to be retained within the organization (1). While hoping for a good quality of life with a high paying salary is important, it is also important to consider the cost of living. If a company is offering a higher salary in California, the company should realize that the cost of living is greater in that area. This could explain some of the differences in pay when considering where to locate.

According to the executive vice president of WorkPlaceUSA, Jack Seifrick states, “Companies establishing a call center where employees handle customer orders or inquiries often look for more out of the way places where there is a good supply of cheap labor” (1, pg. 1). His company builds and designs buildings for corporate offices (1). This company focuses on different needs due to the type of company it is. Finding cheaper labor for routine positions allows the company to pay higher salaries to the higher skilled employees. Also, Scott Testa, the chief operating officer of a software company in Philadelphia, states, “educated work force and
institutions of higher learning are usually located in the same places” (1, pg. 1). What this means is that his company generally looks to locate in states near highly respected colleges and where there are already high-tech companies established. Testa also points out the importance of looking for “places where there is some high-tech presence but that are not so huge that the company might get lost in the shuffle or have to offer spiraling salaries to attract or retain workers” (1, pg.2). This is important because most major companies like to be noticed. If too many companies are competing in the same field, employees may change companies and share ideas. This could hurt or help the industry.

Other key factors that high-tech companies look for are “government economic incentives” (1, pg. 1). If companies are kept happy by having good incentives such as bigger tax breaks and governmental support, high-tech companies will consider locating in that type of community. Again, depending on the occupation, different high-tech companies may have different needs. Overall, high-tech companies try to find a location that better fits the needs of their organization. If this is true, then why do high-tech companies not come to Indiana?

**WHY HIGH-TECH COMPANIES DO NOT COME TO INDIANA**

There are many reasons why high-tech companies are not coming to Indiana. One reason high-tech companies do not come to Indiana is because of the image and location. Due to Indiana’s image and location, companies may consider that the quality of life is not as good as it would be somewhere else. For many years, Indiana has been considered a manufacturing and agricultural state. Indiana has had this image because of the workforce available and the products that are produced within the state. For example, Indiana produces huge amounts of soy beans and corn. This has brought about an image that the state is a highly populated farming industry. This is one reason why when a high-tech company is looking for a place to locate, Indiana is not
the first place they consider. Also, Indiana has been focused on being a manufacturing state because of the image of being the “crossroads of America.” Indiana has this reputation because the highways in Indiana travel in all directions making it easier to transport goods across the country. However, an article published in the Indianapolis Star says that thousands of manufacturing jobs have left Indiana recently (5). Manufacturing jobs have left because companies are finding cheaper labor in other states and countries. By manufacturing jobs leaving, service positions are continuing to increase in Indiana (5). Since Indiana has many service positions available, income levels are not as high as they would be for other occupations. Also, high-tech companies do not tend to locate in Indiana because of the location. The majority of high-tech companies are on the West Coast. The West Coast offers a better living environment because of the weather, mountains, and oceans. Indiana can not compete with these environmental factors on the West Coast because it is located in the Midwest. For these reasons, Indiana’s image and location make it difficult to persuade new high-tech companies to locate here in Indiana.

Another factor that may affect the location of a high-tech company in Indiana is the time change. Indiana continues to stay on the same time throughout the year, while other states change to daylight savings time. What this means is that Indiana does not keep the same time with the rest of the states. This time issue could affect business if companies have businesses in multiple states. For example, if a company had a business in Indiana and one in New York, the company located in New York would close earlier than the company in Indiana. According to an article in the Indiana Business Magazine, a chairman of Techpoint states, “Running a tech-oriented business means being in frequent contact with the world outside of Indiana and staying off of daylight savings time interferes with those contacts” (12, pg.5). This clearly affects the
operations of a high-tech company. Another area that affects the operations of a high-tech company, such as an internet bank in Indiana, is the ability to open a customer service call center (12). By having to change the time twice a year, worker’s schedules change, making it more difficult for them to adjust to the new hours of operation. For example, the call center would be open at 8:00 a.m. in the winter, and then 7:00 a.m. in the summer (12). Although a few hours difference may not be a major concern, it still is a concern. Time change affects business operations in many ways and is a key factor as to why some high-tech businesses do not come to Indiana.

Furthermore, another reason that high-tech companies do not locate in Indiana is because of the continuous cycle that has been implemented for so many years. This cycle involves the number of high-tech workers in Indiana. Although there are many well known colleges in Indiana, unfortunately many of the graduates head off to greener pastures. They do not stay in Indiana because there are not a lot of high-tech opportunities. This is known as the “brain drain” (7). According to the AFL-CIO, “Brain drain refers to the number of highly-skilled workers in Indiana leaving the state for other opportunities” (7, pg. 1). Unfortunately, due to so many students with high-tech degrees leaving the state, not a lot of high-tech individuals remain. This appears to be a continuous cycle for people in Indiana. By having this cycle, Indiana continues having difficulty being an appealing place to locate new high-tech business.

Another reason Indiana does not look appealing as a place to locate new high-tech business is because, “Indiana ranks 48th out of 50 states in the percentage of adults with a college degree” (7, pg. 1). Hoosiers are not taking full advantage of the educational opportunities provided by the colleges or their employers. Employers oftentimes offer to pay some of the expenses associated with college, but not many use these resources. This may be due to many
Hoosiers seeking employment early in life and not knowing what benefits are available. It may also be due to not being able to afford other expenses related with attending college. Regardless of the reason, Indiana is obviously not ranking as a popular place due to the education factors.

Furthermore, the states SAT scores are relatively low compared to the national average (10). Stan Jones, the state’s commissioner for higher education, states that “We need students, parents, and teachers to step up and perform at higher levels of education” (10, pg. 1). If Hoosiers would do this, it would help younger people attain higher levels of achievement. If more parents would attend college, this would help with the overall rankings of the SAT scores in Indiana. This would eventually have to benefit the state at some point in time in the future. However, due to the lack of motivation to attain higher levels of education, Indiana does not appear as appealing as other states to high-tech businesses.

In addition to these areas, other reasons high-tech companies are not coming to Indiana is because not enough incentives are being offered to attract new high-tech businesses. Kevin Brinegar, from the Indiana Chamber of Commerce, believes the answer is to offer “more incentives to businesses, including restructuring taxes, eliminating the inventory tax, and finally dealing with the property tax reassessment” (7, pg. 1). For example, tax incentives are an important factor. Each state has its own tax regulations. In Indiana, people pay 6 percent sales tax. If a company is located in Texas, they would pay no sales tax. This is important because all businesses must purchase equipment, supplies, and materials for operation. The less they have to pay, the more enticed they are to locate in that specific state. When looking at inventory tax, Indiana makes businesses pay a certain amount of tax on what inventory they hold at the company at year end. Inventory tax varies from state to state. If a high tech company keeps a lot of inventory on hand, Indiana would not seem very appealing. Property tax is also a major
consideration for high-tech companies. Recently, Indiana raised property taxes. Although Indiana’s property taxes are not as high as other states, businesses do not like locating where property taxes are not competitive.

**WHY HIGH-TECH JOBS LEAVE INDIANA**

There are many reasons why high-tech jobs leave Indiana. One reason why high-tech jobs have left Indiana may be due to Indiana being too conservative in the past. Indiana has been conservative in the past by the legislation not allowing companies to come to Indiana and purchase businesses. What happened is that other businesses in other states with less conservative practices were allowed to grow and expand by purchasing and acquiring other companies. Then, by the time Indiana legislation allowed businesses in Indiana to grow and expand outside the state, other companies had beaten them to it. Due to other businesses being somewhat bigger, it made it difficult for some Indiana businesses to grow. When looking at high-tech positions within the banking industry, these legislative practices have had some impact.

Thomas H Jeffs II, former vice chairman of First Chicago NBD Corportion states, “legislative changes have made it easier for banks to cross state borders and operate multi-state franchises” (11, pg. 1). Due to legislative changes allowing Indiana banks to purchase and acquire other banks, many mergers and acquisitions have occurred. This has caused many high-tech positions to re-locate in different states. For example, when NBD Bank acquired INB National Bank, most of the high-tech jobs moved operations from Indiana to Detroit. Then, when NDB merged with First Chicago, most high-tech positions went to Chicago. This is a continuous issue that concerns high-tech jobs within the banking industry. However, banking is one way that jobs can be re-located. This type of movement of positions occurs in other businesses as well.
In addition, another factor that causes high-tech companies to leave Indiana is cheaper labor incentives. Cheaper labor can be enticing to a company if a high-tech worker in India, China or another country can do the same high-tech job as someone here in Indiana. Companies benefit because high-tech workers in other countries may offer to do the same job for less than someone in Indiana. Also, because the location of high-tech jobs brings other opportunities for other positions, it is possible that those jobs will be able to be filled with cheaper labor as well. Recently, “Thompson Consumer Electronics announced it would cut more than 1,800 jobs in two Indiana factories and shift that production to Mexico” (2, pg.2). Thompson Consumer Electronics makes televisions for RCA. This means that Indiana will be losing jobs, and Mexico will gain more opportunities. This often times benefits the company, but does not benefit workers here in Indiana. By sending jobs to Mexico, Hoosiers have less pay. This means that they can not purchase as many goods. If Hoosiers can not purchase the goods that companies are producing in other countries, Indiana’s economy will not do well. This in turn can make companies want to re-locate. Also, there is risk involved by taking jobs from the U.S. and transferring them to Mexico. For example, this could affect a company’s operations because products might be made with lesser quality materials.

Furthermore, because of the L-1 Visa program, companies can transfer their own employees from other countries to work here in the United States (6). This means that the international people can be contracted to work here in the United States, but be employed by the international subsidiary. This in turn allows the company to pay lower wages to someone working here from another country. For example, the Indiana Department of Workforce Development recently hired a firm based in India to do upgrades on computers for unemployment claims in Indiana (6). The reason they were able to do this is because the
company that they hired had other offices in India. Not only does this hurt Hoosier job opportunities, but it allows existing businesses located here in Indiana to consider moving operations for cheaper labor.

Another reason companies leave Indiana is because they go out of business or file bankruptcy. This could be caused by many reasons. For instance, competition may increase and cause a company to go out of business. If this occurs, jobs can be lost. Also, some companies may go out of business due to a lack of high-tech workers available to do the job that is needed. If a parent company has operations in different states, the company may decide to close the business in one state because it cannot fulfill the employment needs. Also, some companies have better locations for the type of business that they operate. By having a good location, technological advances may be produced quicker. Companies can be affected in a negative way if the location is not beneficial for the company. In addition, a company may go bankrupt due to poor operational planning. For example, Indiana helped finance United Airline’s high-tech maintenance facility, which was supposed to bring many high paying salaries to the city of Indianapolis (3). Once everyone pitched in and built the facility, United decided to file bankruptcy (3). This action caused Indiana to lose many opportunities for the state to offer jobs, as well as high-tech jobs being eliminated. Now the city seeks help to accommodate the use of the location. Although there may be other reasons, bankruptcy can usually be a factor.

**DEVELOPMENTS IN INDIANA**

Although there are several reasons why high-tech jobs do not come to Indiana and many reasons why existing companies leave, Indiana continues to develop new ways to help entice more high-tech companies to come to Indiana. Currently, Indiana is focused on what is called “Energize Indiana” (13, pg. 1). This plan is what Indiana is using to help develop a better
The plan focuses on different areas of Indiana’s economy, but focuses some on the development of the high-tech industry. According to the governor’s action plan, “the plan targets spending in high-tech sectors, tax credits for new and existing businesses, and building projects throughout Indiana” (pg. 1,2). Hopefully, these plans will bring more high-tech jobs to Indiana.

In addition, different cities within Indiana are focusing on how to develop more high-tech business. For example, Indianapolis is working on a plan called “The Bio Crossroads” (4 pg. E5). According to the Indianapolis Star, Mayor Bart Peterson tackles a highly debated topic about high-tech jobs and relates that the efforts of this plan are to help promote Indianapolis in the life-sciences area. By promoting this area, Mayor Bart Peterson hopes to keep college graduates here in Indiana. If college graduates remain in Indiana, Indiana’s economy would eventually become better. It would become better because children of these graduates would be more motivated to attend college. This would eventually help increase Indiana’s education levels and break the current brain drain cycle that affects Hoosiers today. Also the state would benefit from high-tech workers paying taxes on the higher salaries that they earn. For all of these reasons, Indiana continues to focus on ways to get more high-tech job opportunities in Indiana.

Furthermore, Purdue University is very hopeful of tapping into the new market of high-tech. They are motivated because there are many ways that an agricultural state can expand in the high-tech market. For example, “First there is the emerging new science of genomics, which will allow us to make great strides in improving the genetics of crops and food animals” (15, pg. 1). Next, “there is the reality of greater environmental regulations and controls, and the economic opportunities these new rules create” (15, pg. 1). Due to these new developments, Purdue is striving for the state of Indiana to make investments towards the life-sciences area. As
long as Indiana keeps focusing on new ways to develop the high-tech industry, Indiana’s economy will improve in the future.

**CONCLUSION**

Overall, Indiana has continued to make improvements with bringing more high-tech jobs to Indiana. Depending on the high-tech field, there are several factors that play into where a high-tech firm looks to locate. Unfortunately, there are many reasons why high-tech companies do not locate in Indiana. These reasons range from Indiana’s image and location, to the education system, and not enough tax incentives being offered to new businesses. When looking at Indiana’s image, Indiana is considered a manufacturing and agricultural state. This does not bring favorable recognition for a high-tech industry. There are also better environmental incentives offered in other states, such as scenic mountains and oceans. The education system in Indiana needs upgrading to increase scores on SAT’s and motivate Hoosiers to attend college. Tax incentives also weigh heavily on a company’s decision to locate in Indiana. By being competitive with sales, inventory, property tax, and other tax credits, Indiana may be able to bring more high-tech jobs to the state.

Although Indiana is trying to entice more high-tech businesses to the state, sometimes existing business tend to leave. Reasons why some existing businesses leave include mergers and acquisitions. Businesses also leave because they find cheaper labor in other countries. They often times even find better incentives, which entice them to move. Also, due to operational errors, some high-tech companies have the unfortunate luck of going bankrupt. Although bringing and retaining high-tech businesses remains challenging for Indiana, the legislation and colleges remain optimistic. For example, Energize Indiana is being put into place over the entire state. Several cities are developing their own as well, such as Indianapolis’s Bio Crossroads.
These plans are focused on helping Indiana’s economy. Furthermore, universities such as Purdue remain optimistic due to agricultural advances they are making with the high-tech industry. As long as Indiana continues to remain focused on bringing more high-tech jobs to Indiana and retaining the companies that exist, Indiana’s economy should continue to improve. If Indiana’s economy continues to improve, more high-tech companies will eventually want to locate in Indiana. By having more high-tech companies locate to Indiana, Indiana will gain a stronger reputation of being more competitive in the high-tech industry.
REFERENCES
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