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LSU study notes shift in types of industries creating jobs

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Changes in the American economy have brought a basic change in the sorts of industry that create new jobs and create economic expansion, according to an economic analysis by LSU researchers.

With information and knowledge emerging as valuable commodities, Louisiana can look past manufacturing and at things like research institutes and medical centers as engines for the

creation of new jobs, according to David Johnson and Robert Sappenfield of LSU's College of Business Administration.

As the American economy shifts away from making things and toward doing things, it is possible for Louisiana to look toward some service sectors for new employment and to generate the new dollars that will drive the state's economy in the years to come, the researchers said.

Economists normally draw a distinction between basic sectors of an

economy and the so-called secondary or support sectors.

Basic industries provide goods and services primarily to those residing outside a state, while secondary or support industries sell primarily to Louisiana residents.

Nationally, the manufacturing sector has traditionally provided many of those basic sector jobs, but with the importance of manufacturing on the decline in America other endeavors have taken on basic sector importance, the researchers said.

For example, jobs in a port are directly related to services abroad and jobs that support tourism are directed at non-resident consumers and are analogous. Therefore, they said, a community can export services as well as goods and bring new money into its local economy.

"The creation of new jobs to 'export' knowledge or data will also support the creation of new secondary jobs in the community," Johnson and Sappenfield said.

"While manufacturing remains an

important basic industry for Louisiana, the creation of new, basic jobs is now less likely to be the result of a new manufacturing plant or mining site than a new research institute, regional medical center or financial or transportation service."

Since some knowledge-oriented activities can be expected to generate new jobs in the support sectors of the economy, Louisiana should try to identify some of those expanding

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industries and not focus exclusively on so-called smokestack industries, the researchers said.

Since 1960, there has been a very large decline in the percentage of the American labor force working in manufacturing industries and an accompanying shift in the importance of the service sector, the researchers said.

"The American economy is no longer so involved in the 'making' of things as in the 'doing' of things," they said. "The production of services has overtaken

the production of goods as the base of the American economy.

"... Manufacturing, by far the most important source of employment in the United States in 1960, currently ranks below trade and services in relative importance."

Although manufacturing declined in importance as an employer, the total number of people with manufacturing jobs increased during the last quarter century, and manufacturing jobs expanded at a faster rate in Louisiana and its neighboring states than in the nation as a whole.

Nonetheless, manufacturing as a

percentage of total employment has declined steadily in Louisiana throughout the 1960-1983 period, the researchers noted.

A similar picture emerges for mining — primarily oil and gas extraction — in Louisiana.

After declining from 1960 to 1970 and stabilizing for five years, mining as a percentage of total employment rose sharply in the half decade following the Arab oil embargo. However, in Louisiana it has dropped steadily since 1980.

In the past four years, Louisiana has lost a total of 40,000 workers in manufacturing and mining.