

Status of Working Families in Indiana, 2015 Report

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The Indiana Institute for Working Families conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency.



What is Economic Self-Sufficiency?

- Self-Sufficiency is the ability of individuals to care for their families without government support.
- Generally, 200% of FPG is considered self-sufficiency
- Our Self-Sufficiency Standard measures how much a family of a certain composition in a given geographic location needs to meet their basic needs.
- Calculated for 70 family types in each of Indiana's 92 counties.
- Interactive Tool: The Self-Sufficiency Calculator
www.indianaselfsufficiencystandard.org/

Self Sufficiency Standard Vs. Federal Poverty Guidelines (FPL)

Self-Sufficiency Standard

- Cost of basic needs based on local costs
- County specific
- Assumes all adults are working full-time
- Adjusts by family size and composition
- Includes taxes and tax credits

Federal Poverty Guideline

- Based solely on food costs
 - Assuming food represents 1/3rd of a families budget
- Does not take into account geographic location
- Assumes one parent stays at home and the other is working
- Taxes not included

Self-Sufficiency - Monthly Income

Marion County: 1 Adult, 1 Preschooler, 1 Schoolage Child

Housing	\$741
Child Care	\$1,072
Food	\$476
Health Care	\$370
Misc.	\$291
Transportation	\$248
Taxes	\$618
Monthly Total	\$3,511
Hourly Wage	\$19.95
Annual	\$41,506

See our Self-sufficiency Standard for 70 different family types in Marion County:

<http://www.indianaselfsufficiencystandard.org/>

About the Report

- Measuring the economic health of Hoosier families is a central function of the Institute's mission.
- Analyzes the general state of Indiana's economy as it relates to working families by examining data on poverty, labor force and wages, followed by working-family friendly policy options.
- Online and interactive data.
- Guides our research and subsequent policy recommendations.

Executive Summary

- Despite an improving unemployment rate, the number of impoverished and low-income Hoosiers is still on the rise, median household income is still declining and income inequality in Indiana is growing.
- Whether these economic measures are examined from the beginning of the recession, the start of the official recovery or from the beginning of the century, Hoosier families have steadily lost ground, too often at clips greater than the nation and even our neighbors.

Executive Summary

- Decline is largely explained by the loss of good-paying manufacturing jobs.
- Loss of middle- and high-wage jobs during Great Recession only exacerbated the loss of an enormous amount of good-paying jobs that took place during the first part of the century. Benefits, job quality, consistency and certainty were also lost in this low-wage job swap.

Executive Summary

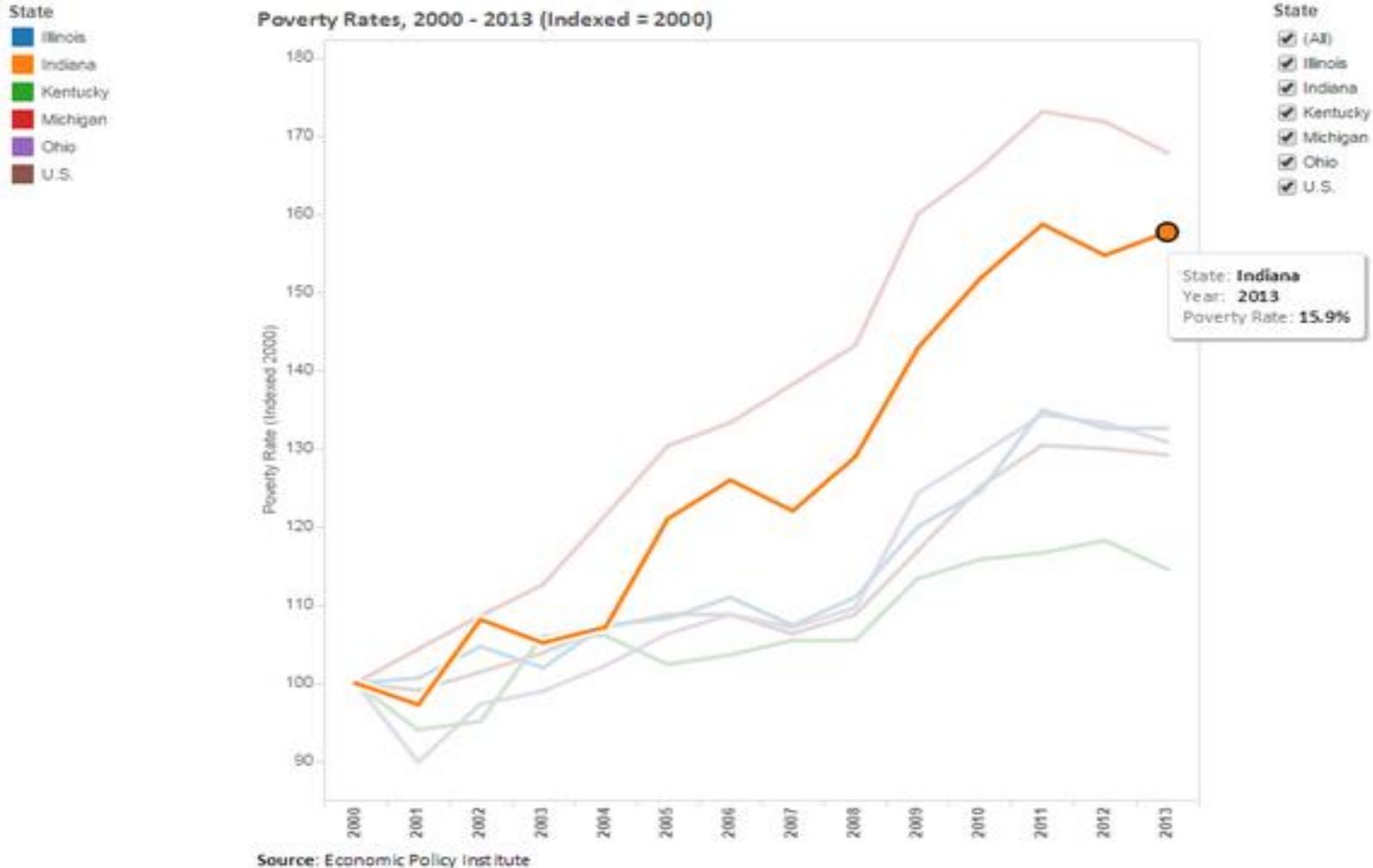
Public policy decisions can help to restore prosperity by:

- Repurposing a state-designed social safety net.
- Reverse deteriorating job quality, stagnating wages and job inconsistency.
- Construct tax policy based on the principle of fairness.

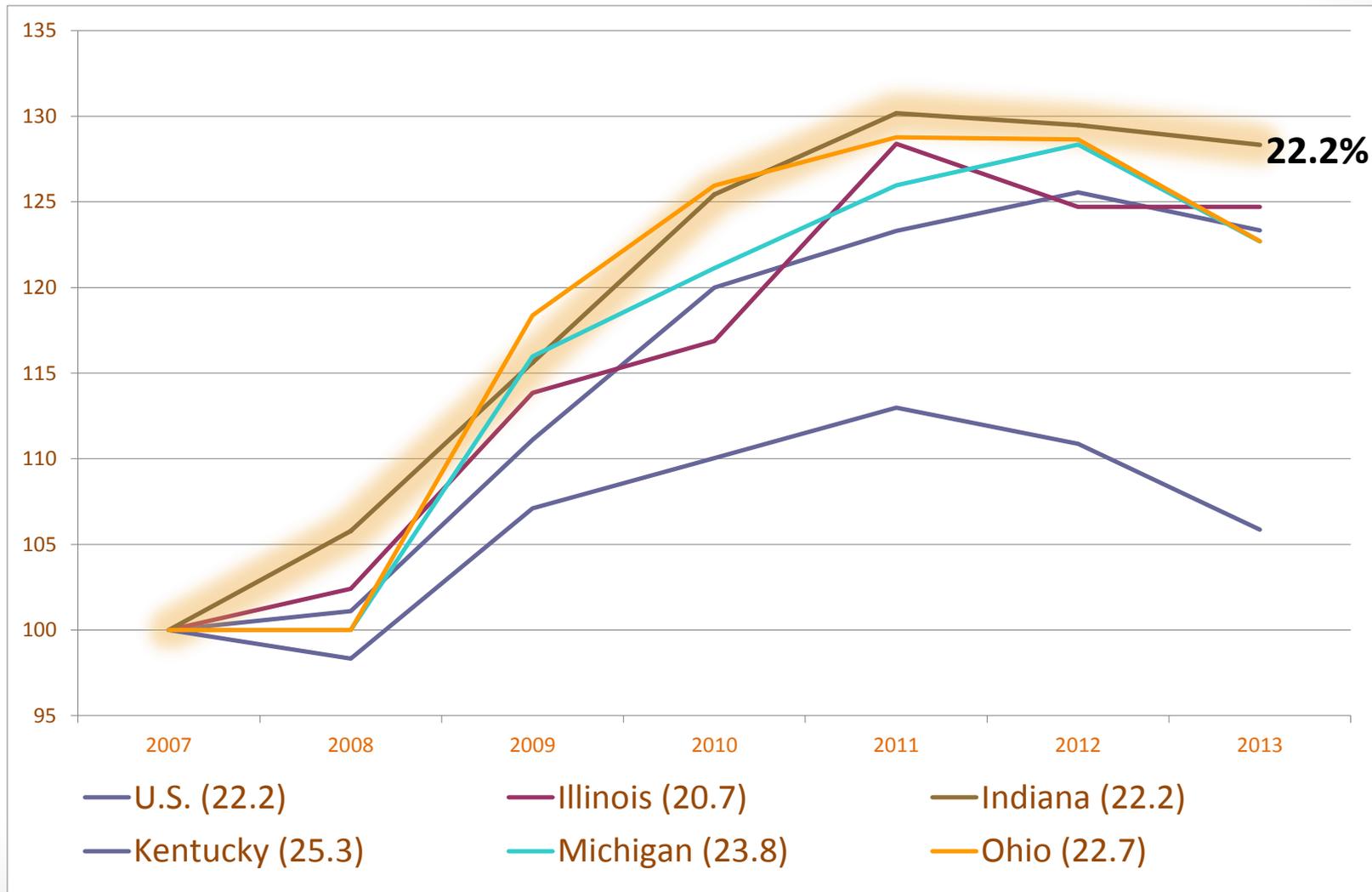
Chapter 1 [Poverty (Still) on the Rise]

- Record-breaking 1,015,127 Hoosiers in poverty. Indiana's rate (15.9%) is just above national average, but below all neighbor states, except Illinois (14.7%). However....
 - **Since 2000**, poverty increased nationally by ~30% while Indiana saw a 57% increase. Among neighbors, only Michigan saw a larger increase. Our increase was near double Illinois's increase.
 - **Since 2007**, poverty increased by more than 29% in Indiana – more than all neighbors and more than the national average.
 - Changes in poverty rates among neighbor states with similar characteristics help to gauge effectiveness of safety-net.

Growth in Poverty, 2000 - 2013

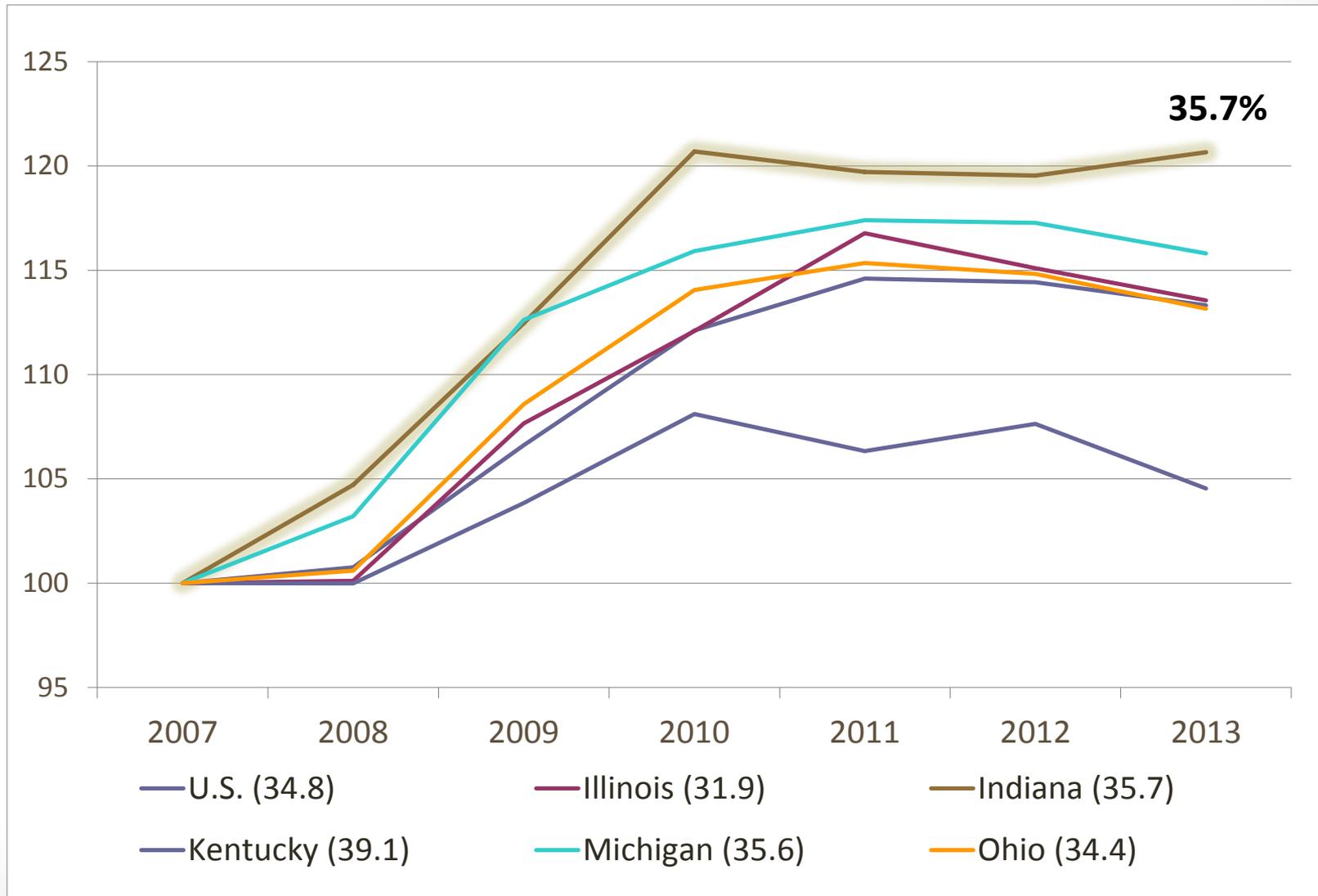


Growth in Child Poverty, 2007 - 2013



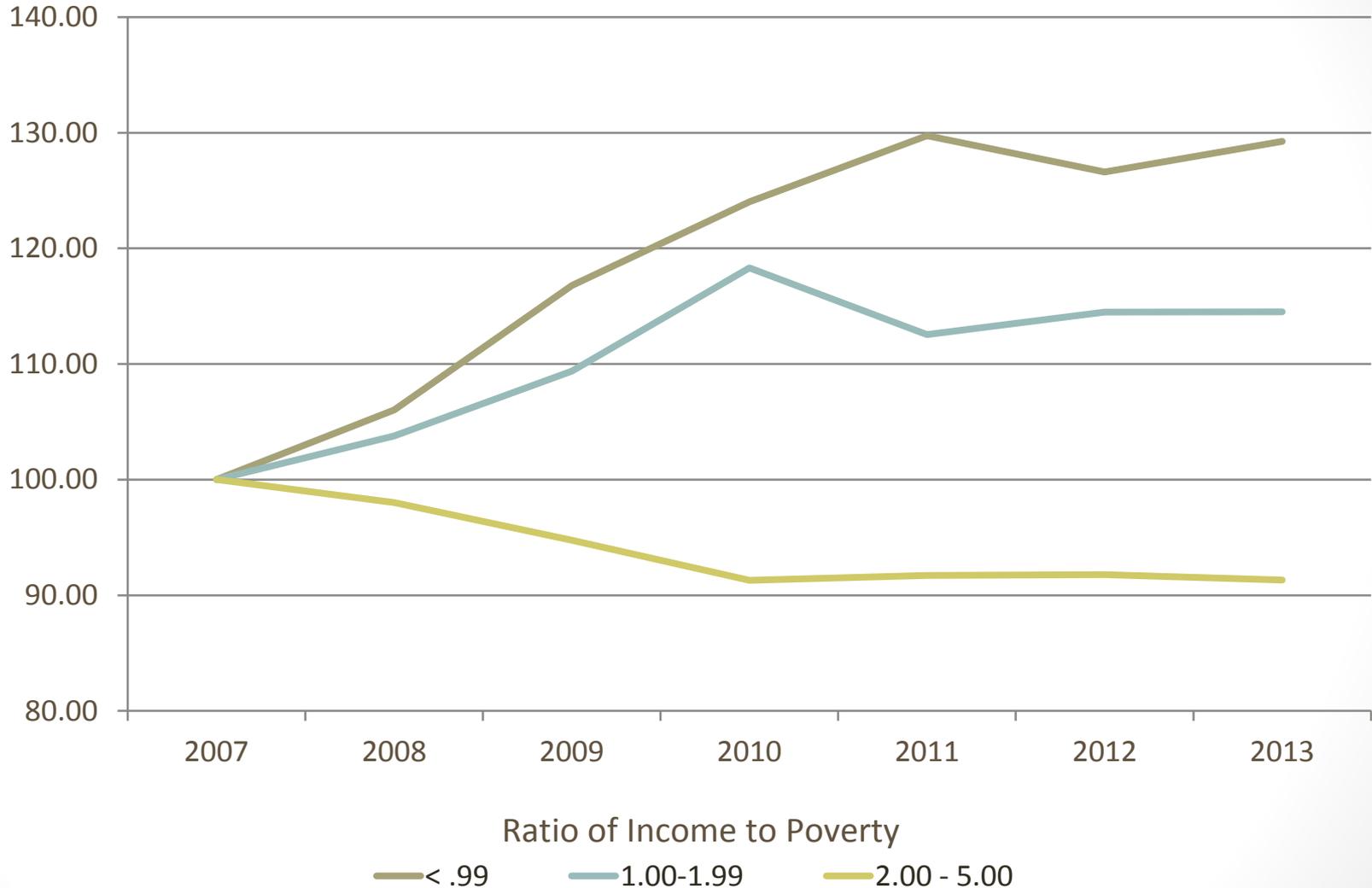
Source: Economic Policy Institute

Growth of Low-Income Hoosiers, 2007 - 2013



Source: American Community Survey

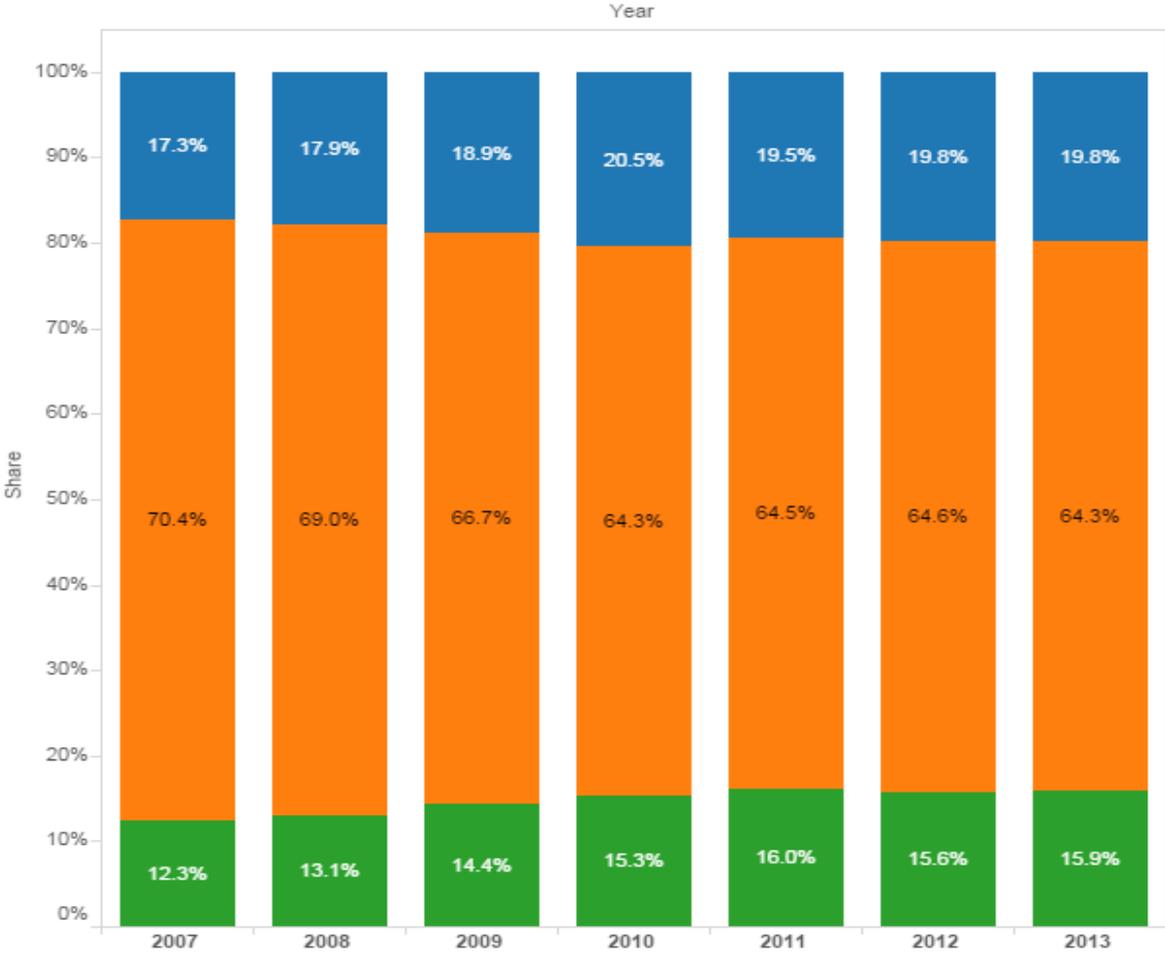
Most Hoosiers are Getting Poorer



Indiana's Shrinking Middle Class

Ratio on Income to Pove... Ratio of Income to Poverty Level, Indiana, 2007 - 2013

- 100 - 199% FPL
- 200 - 500% FPL
- < 99% FPL

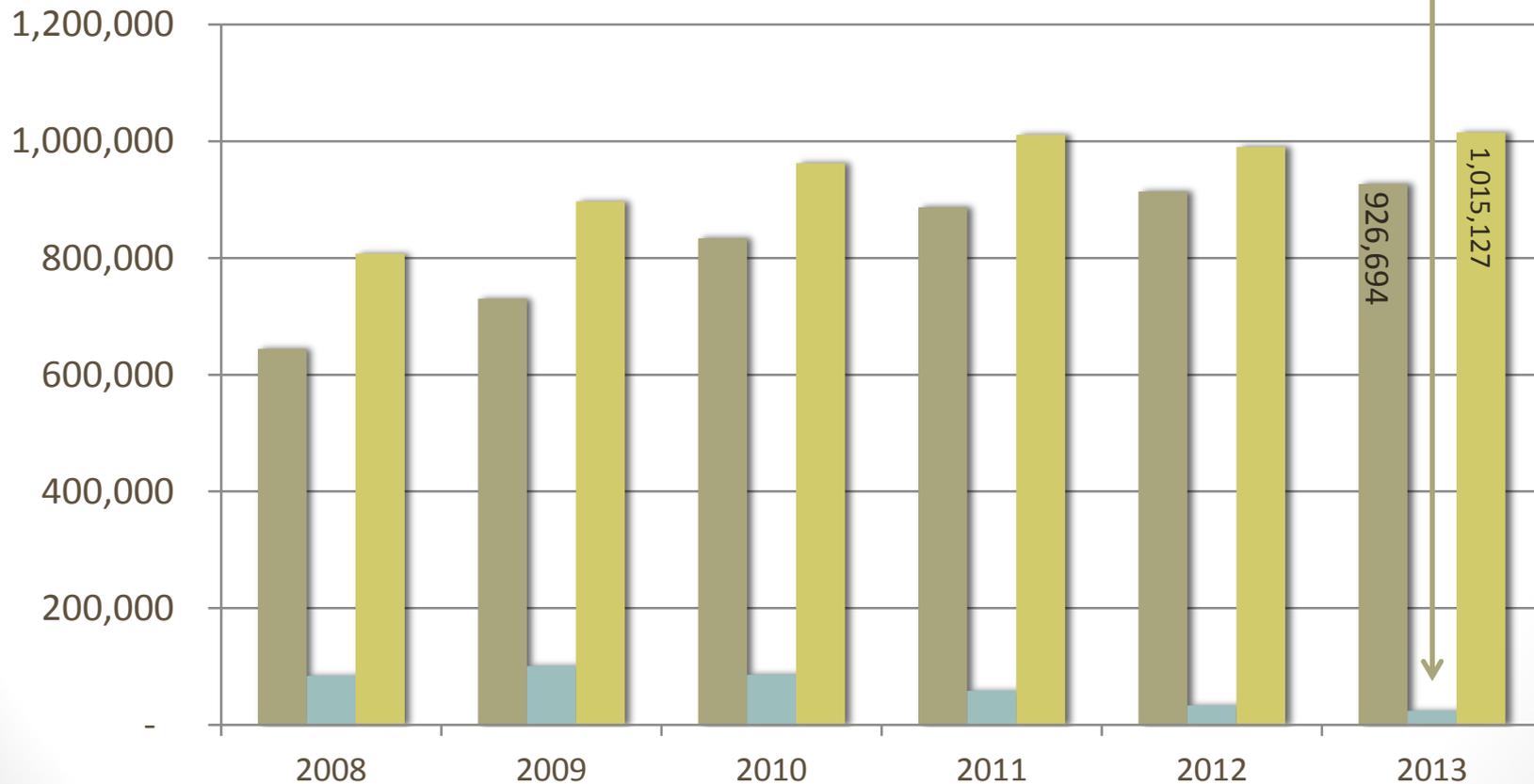


Source: American Community Survey

Indiana's Social Safety-Net's NON- Response

■ SNAP ■ TANF ■ Poverty

24,276 Hoosiers on TANF in 2013 represents



Source: Author analysis of TANF (U.S. Health and Human Services, Office of Family Assistance, Caseload Data), SNAP (USDA, SNAP Research and Analysis Division, Food and Nutrition Service) and Poverty (American Community Survey, 1 Year Averages) data. All 2013 annual averages calculated with data from January through September.

Chapter 1 Policy Options

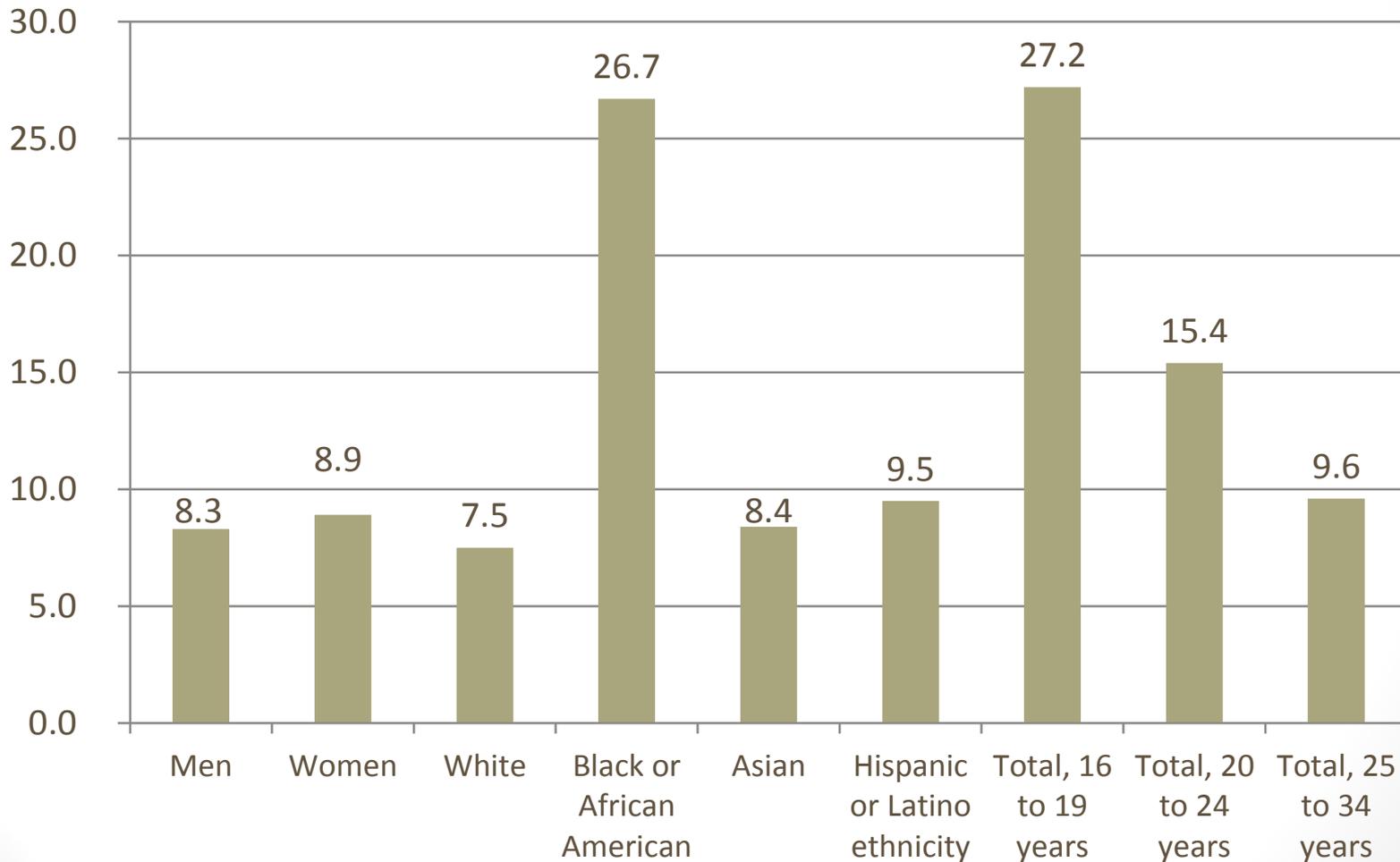
- **Eliminate the childcare benefit cliff** – a \$0.50 raise can result in a loss of childcare – to encourage work and restore the most basic incentive for upward mobility – that a raise equals an increase in net resources.
- Continue efforts to **eliminate the Child Care Development Fund (CCDF) waitlist** of more than 11,000 children or 21,000 families.
- **Increase CCDF entry level eligibility** to 200 percent FPL to start to “ensure that low-income families have the necessary access to child care to achieve self-sufficiency.”
- **Eliminate antiquated TANF and SNAP asset tests** to promote savings behavior, encourage self-sufficiency and create administrative efficiency.
- **Raise the SNAP Gross Income Limit** to 200 percent FPL to eliminate the SNAP benefit cliff and respond to growing food insecurity.
- **Tie TANF benefits to inflation** and need to maintain real value of benefits for low-income parents.
- **Increase Investments in Individual Development Accounts** to enable Hoosiers of modest means to save money and build financial assets to purchase a home, to pay for postsecondary education expenses, or to start a small business.

Chapter 2

[Labor Market & 21st Century Jobs Swap]

- A closer examination of the data reveals that several large pockets of weakness in the labor market persist.
- Working families trying to make up ground from the last decade-and-a-half of weak income growth are further hampered by the reality that today's jobs are not what they used to be.

Unemployment Rate by Demographic, 2013 Annual Average

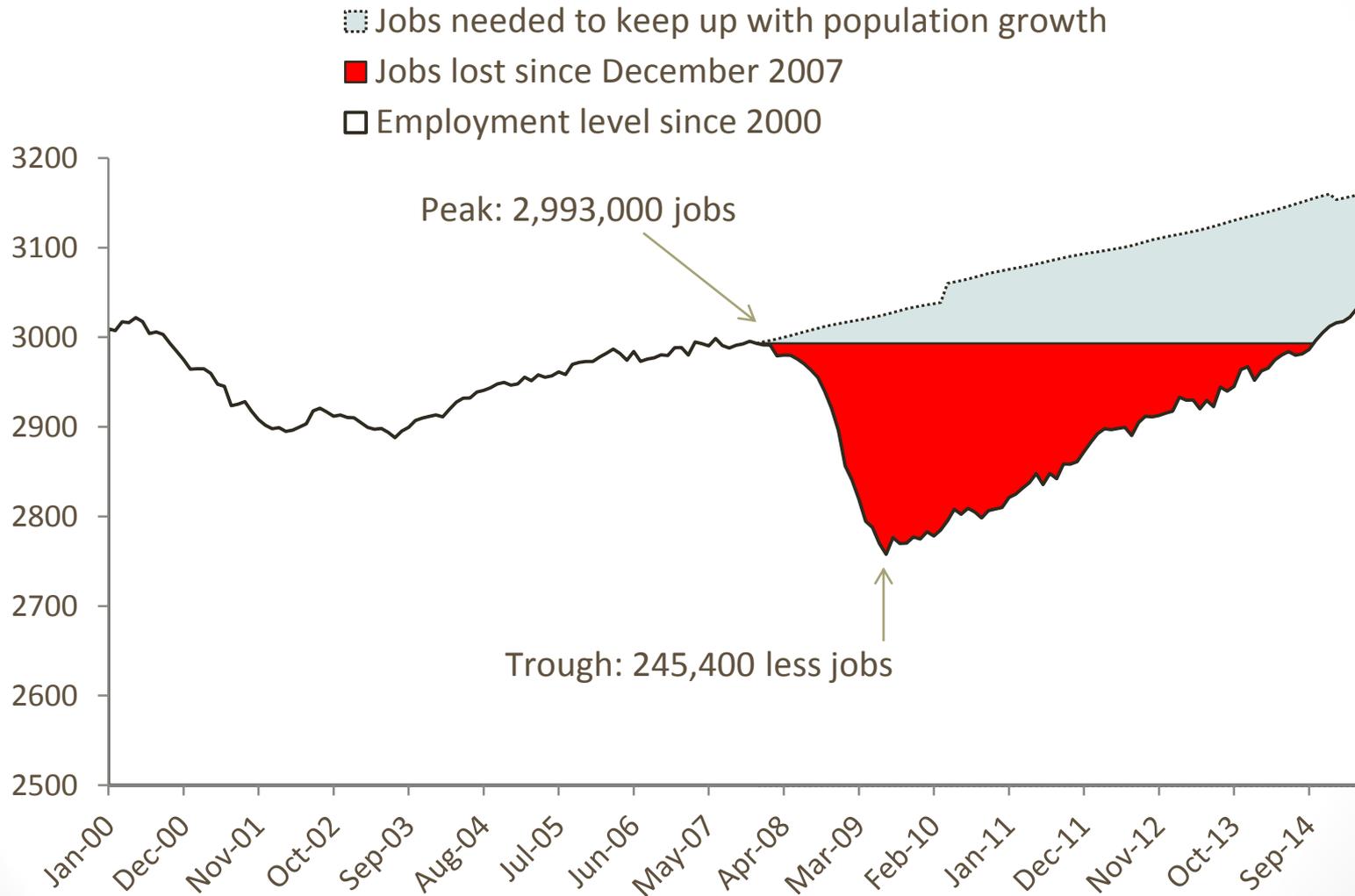


Source: Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, 2013

Long Term Unemployment & Part-Time and Employment

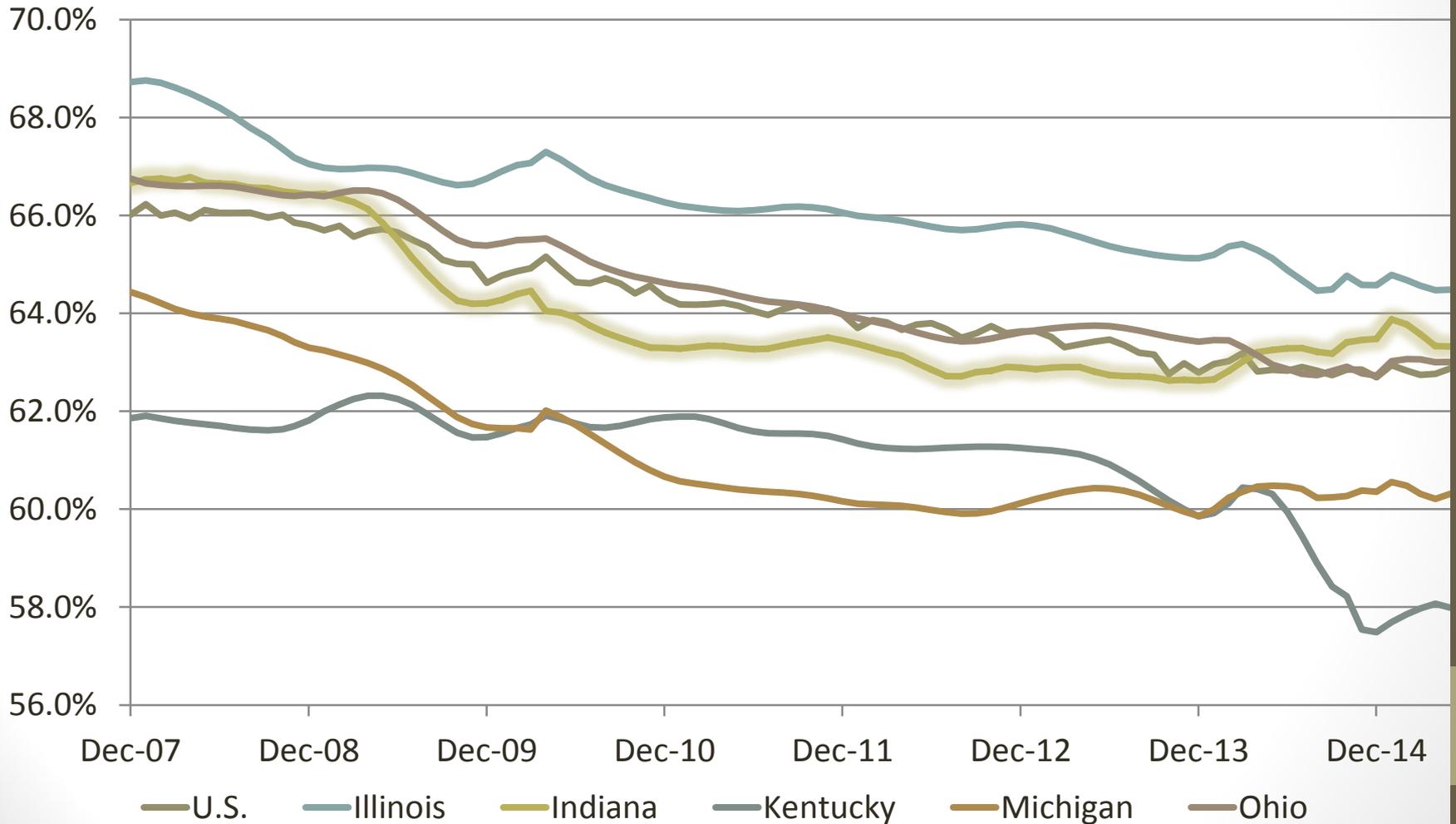
- LTU is **68 percent higher** than it was before the recession started in 2007.
- Part-time employment – as a percentage of the employed – has declined to prerecession levels, but the share of those that are working part-time involuntarily, or for economic reasons, has **increased 36%** – now at 27.9 percent

Indiana's Jobs Deficit May 2015



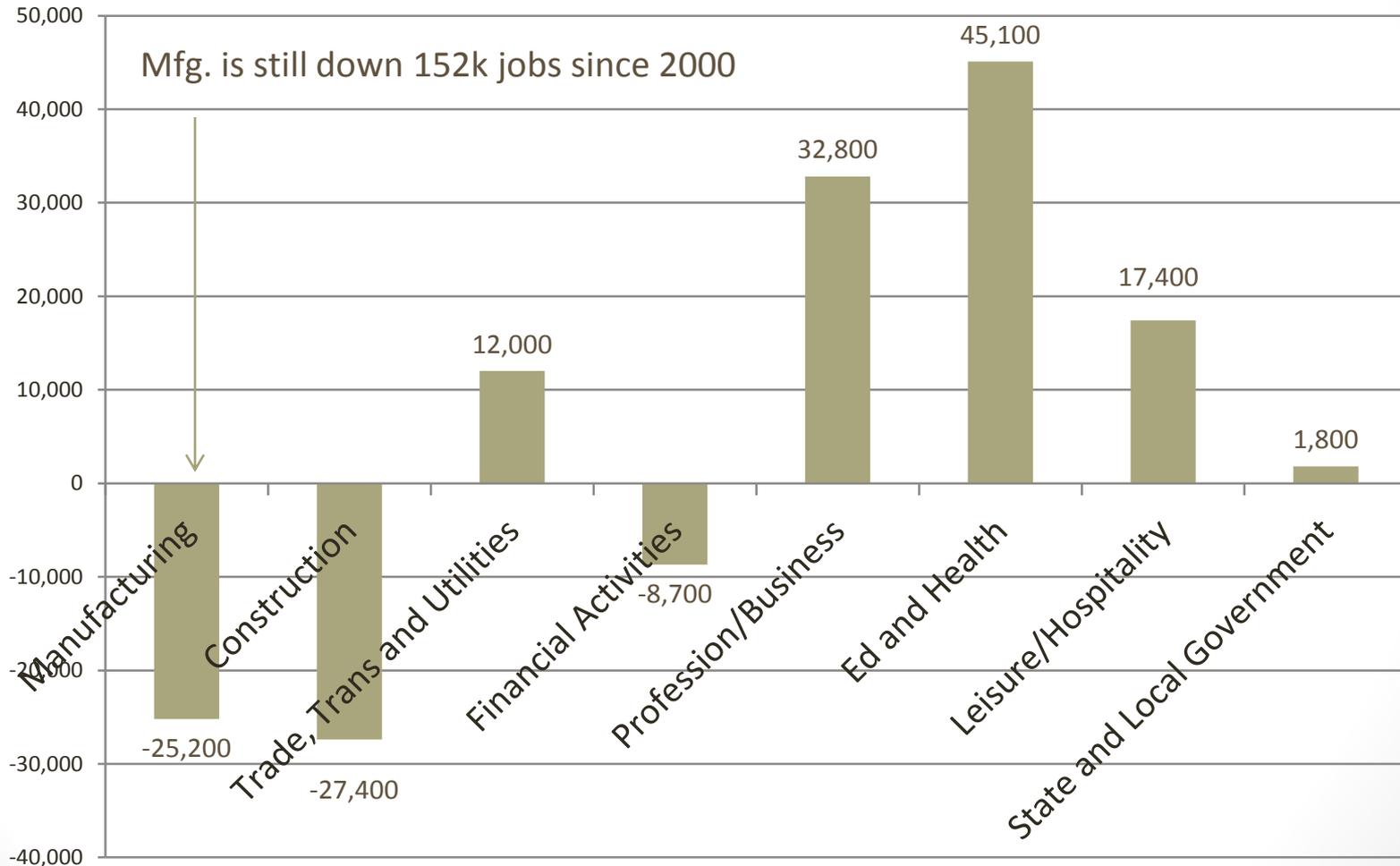
Labor Force Participation

December 2007 – May 2015

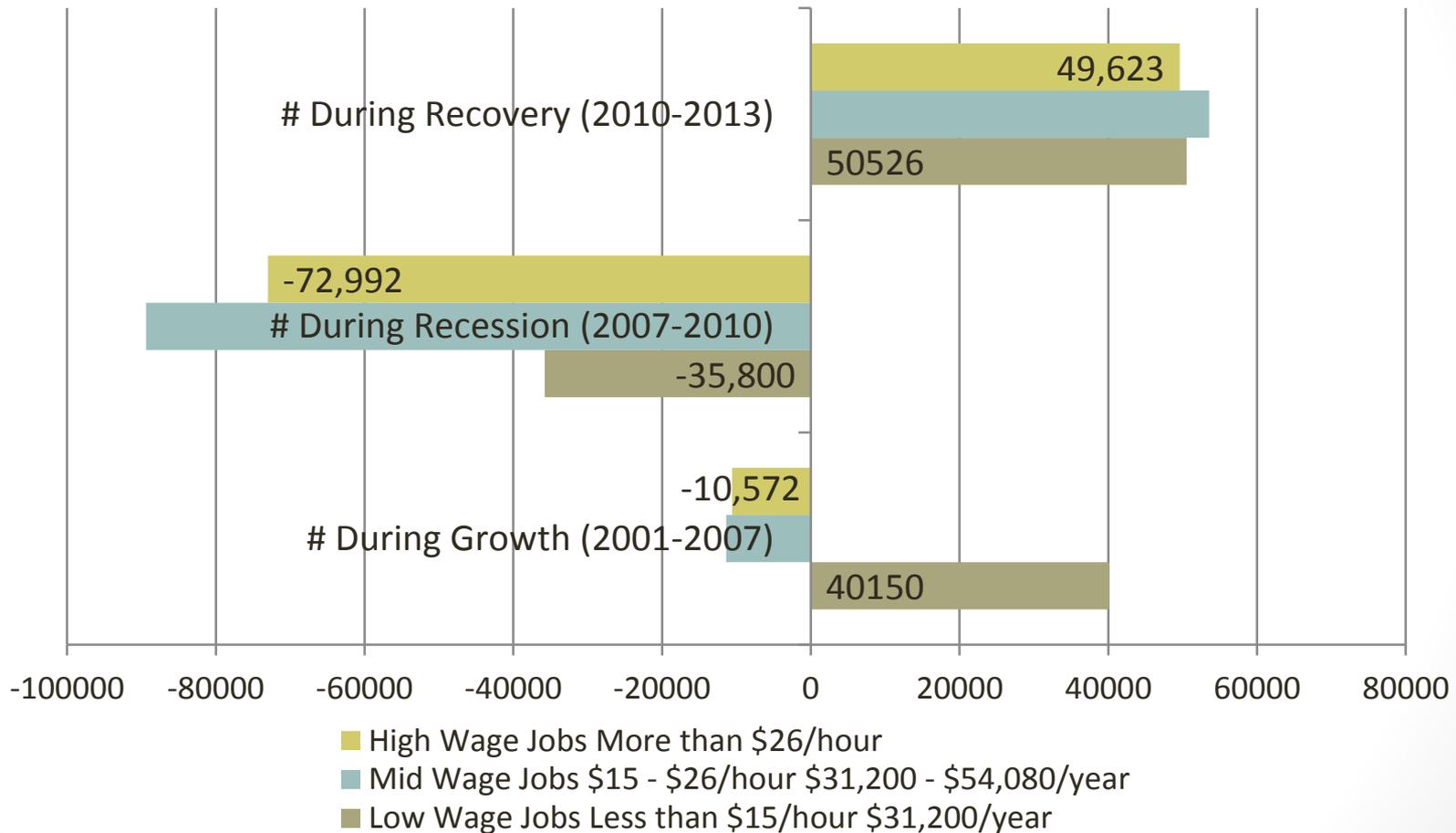


Job Growth by Industry

Dec 2007 – May 2015



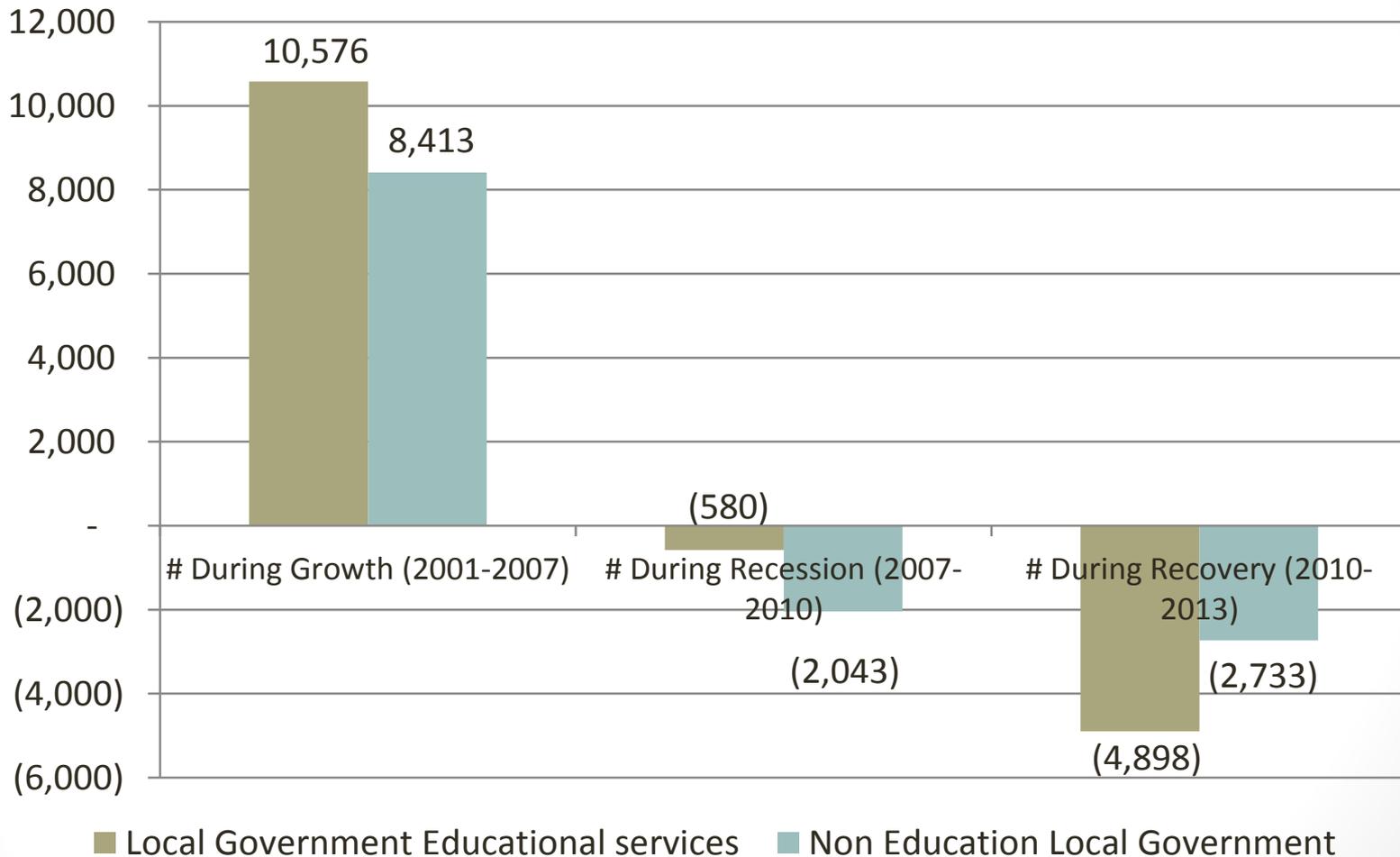
21st Century Job Swap



Source: Author analysis of Current Employment Statistics (CES) survey

Public Sector Jobs

Shedding of Local Government Jobs During Recovery



Source: Author analysis of Current Employment Statistics (CES) survey

Chapter 2 Policy Options

- **Work Sharing** to provide firms with the flexibility to keep workers on the job, while also creating savings to the unemployment insurance trust fund.
- **Require retail employers to post schedules** at least two weeks in advance.
- **Work Opportunity Tax Credit Outreach** to strengthen employment opportunities for Hoosiers who face significant barriers to employment.
- **Invest in infrastructure** to put more Hoosiers back to work, and upgrade our aging bedrock of economic activity.
- **Self-Employment Assistance:** Remove regulatory barriers from unemployment insurance to unleash entrepreneurship for unemployed Hoosiers.
- Require business of a certain size to offer a standard **paid sick day** benefit.

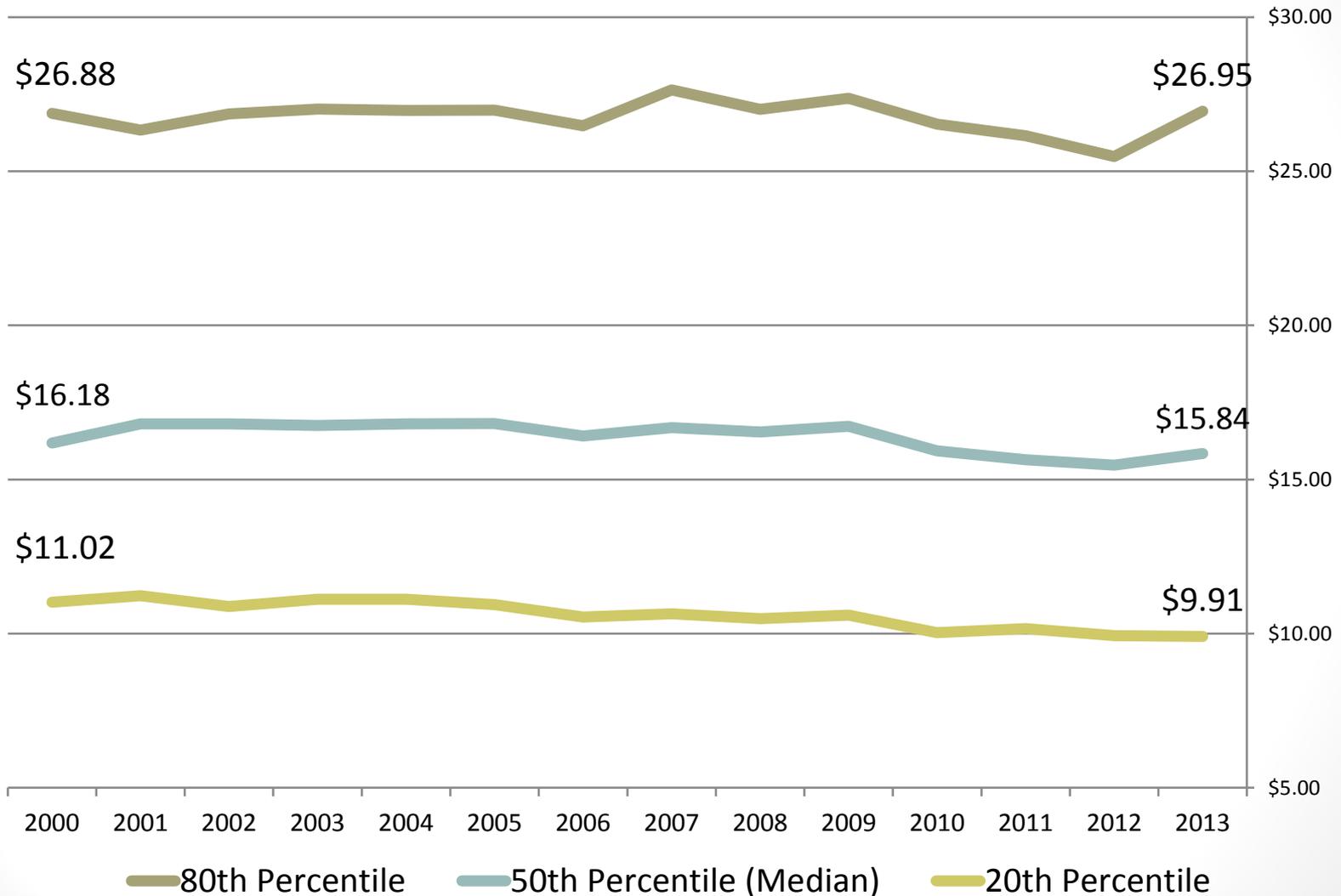
Chapter 3 [Working for a (Basic) Living]

Top 3 Industries by Total Jobs and Average Hourly Wage

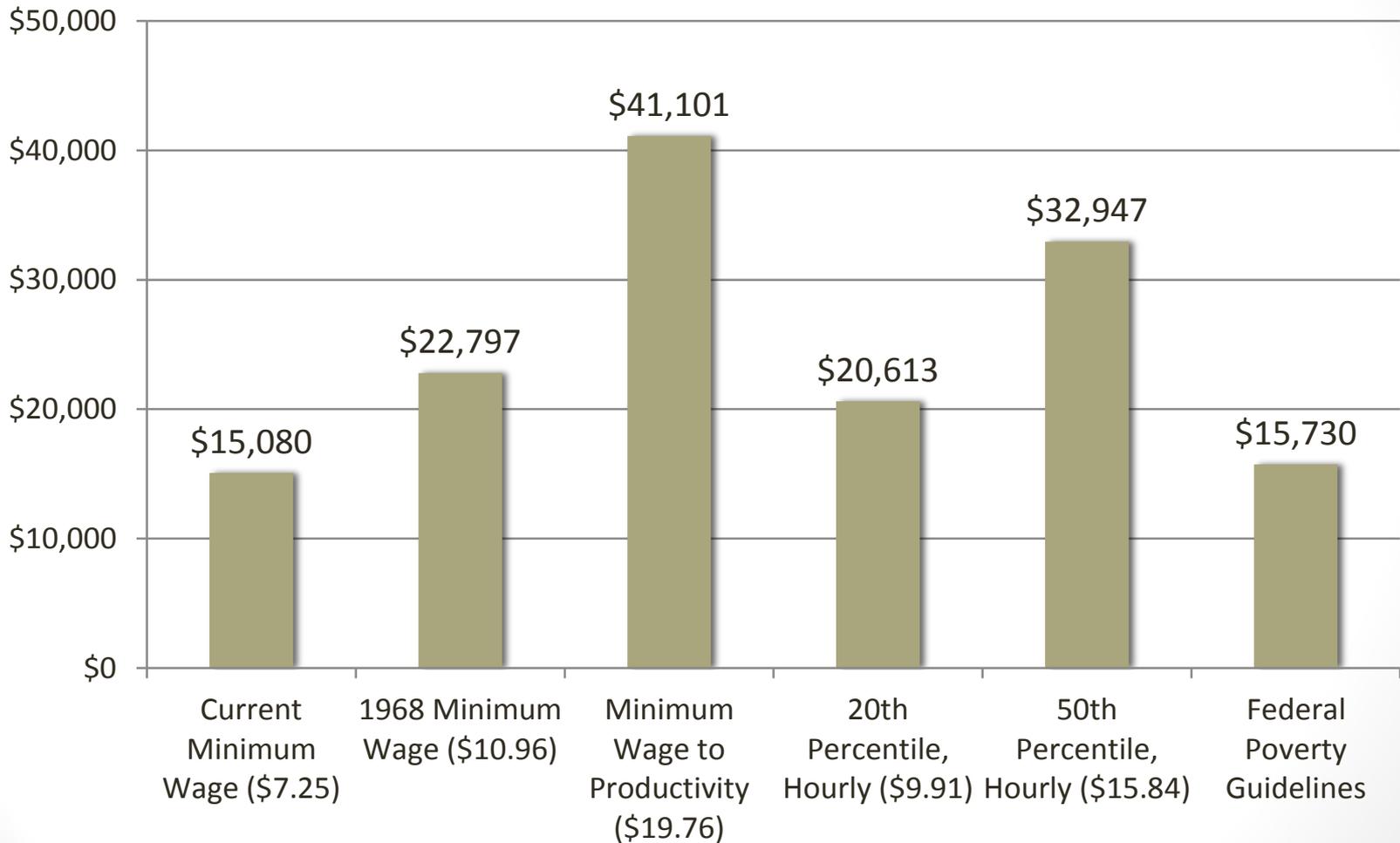
Food Services and Drinking Places	227,389	\$6.53
Administrative and Support Services	166,971	\$12.95
Transportation and Equipment Manufacturing	130,202	\$26.63

Source: Author analysis of Current Employment Statistics (CES) survey

Hourly Wages, By Percentile, 2000-2013 (in 2013 Dollars)

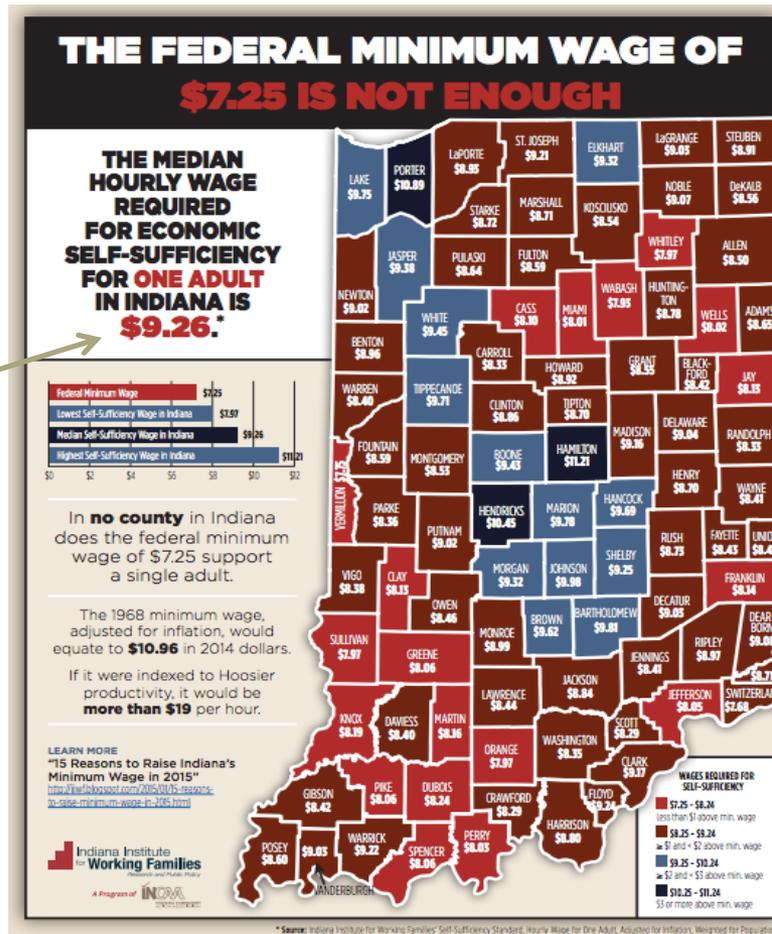


Annualized Value of 2014 & 1968 Minimum Wage (in 2014 Dollars)



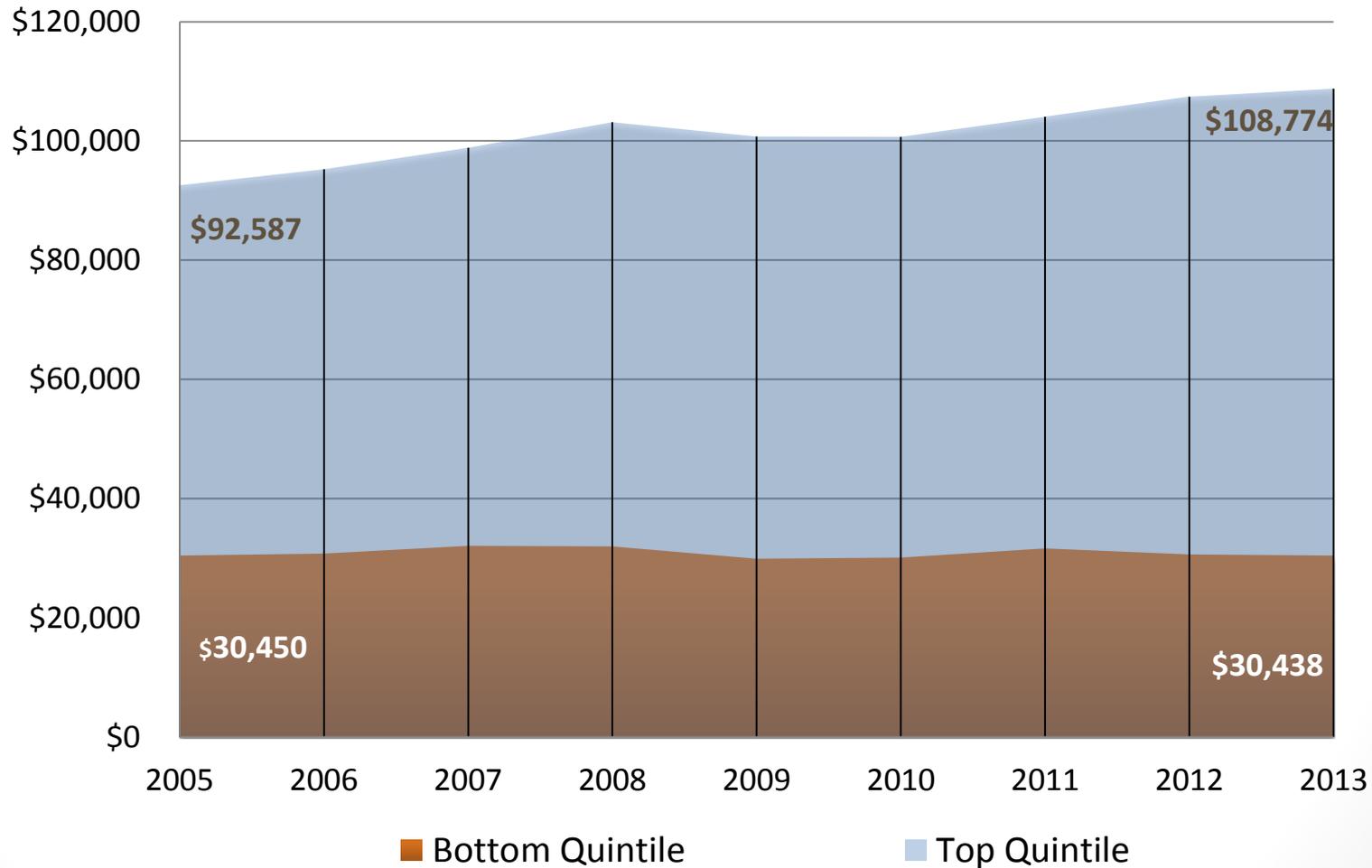
Self-Sufficiency – Hourly Wage

In no county does the federal minimum wage of \$7.25 per hour support economic self-sufficiency for a single adult



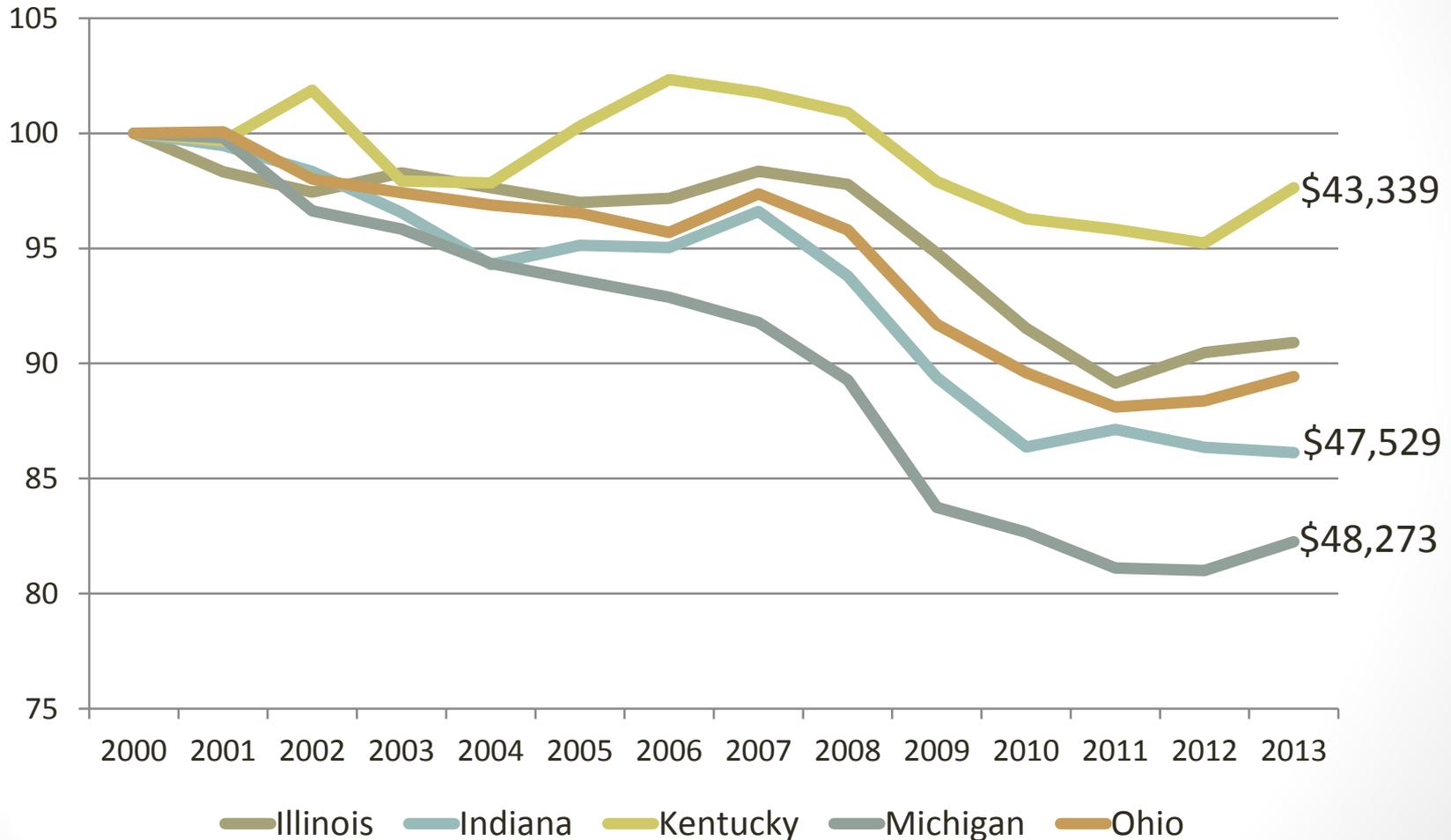
Indiana's median hourly self-sufficiency wage for 1 adult = \$9.26

Income of Most Affluent Working Hoosier Families Compared to Least Affluent, 2005 - 2013



Source: Working Poor Families Project

Median Household Income, 2001- 2013



Chapter 3 Policy Options

- Raise the **Minimum Wage**
- Raise the **Tipped Minimum Wage**
- Provide tax relief to low- to middle-income Hoosiers with a '**Working Families Tax Cut**' package (See next chapter)

Chapter 4

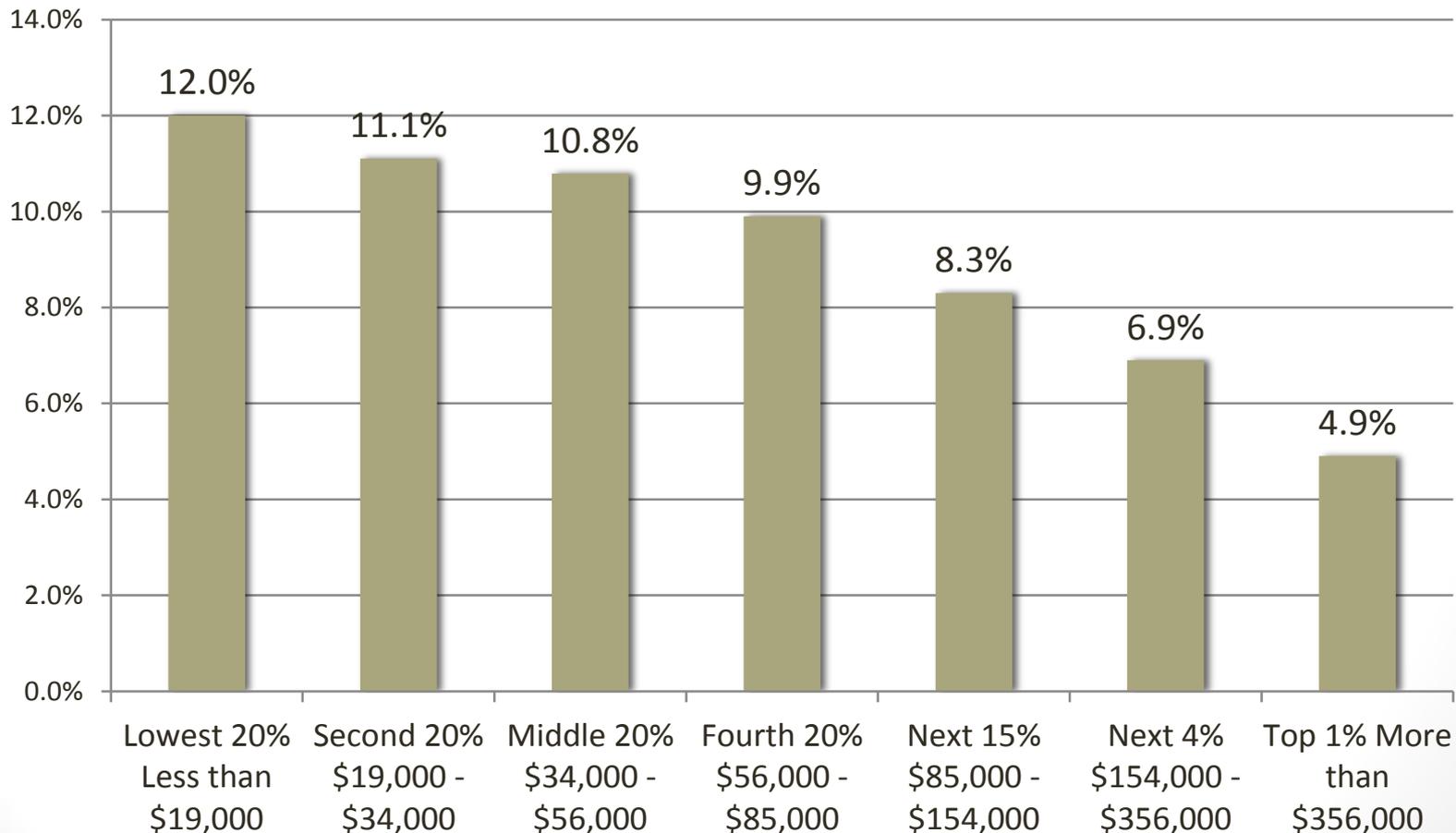
[Indiana's Upside Down Tax System]

“The subjects of every state ought to contribute toward the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.”

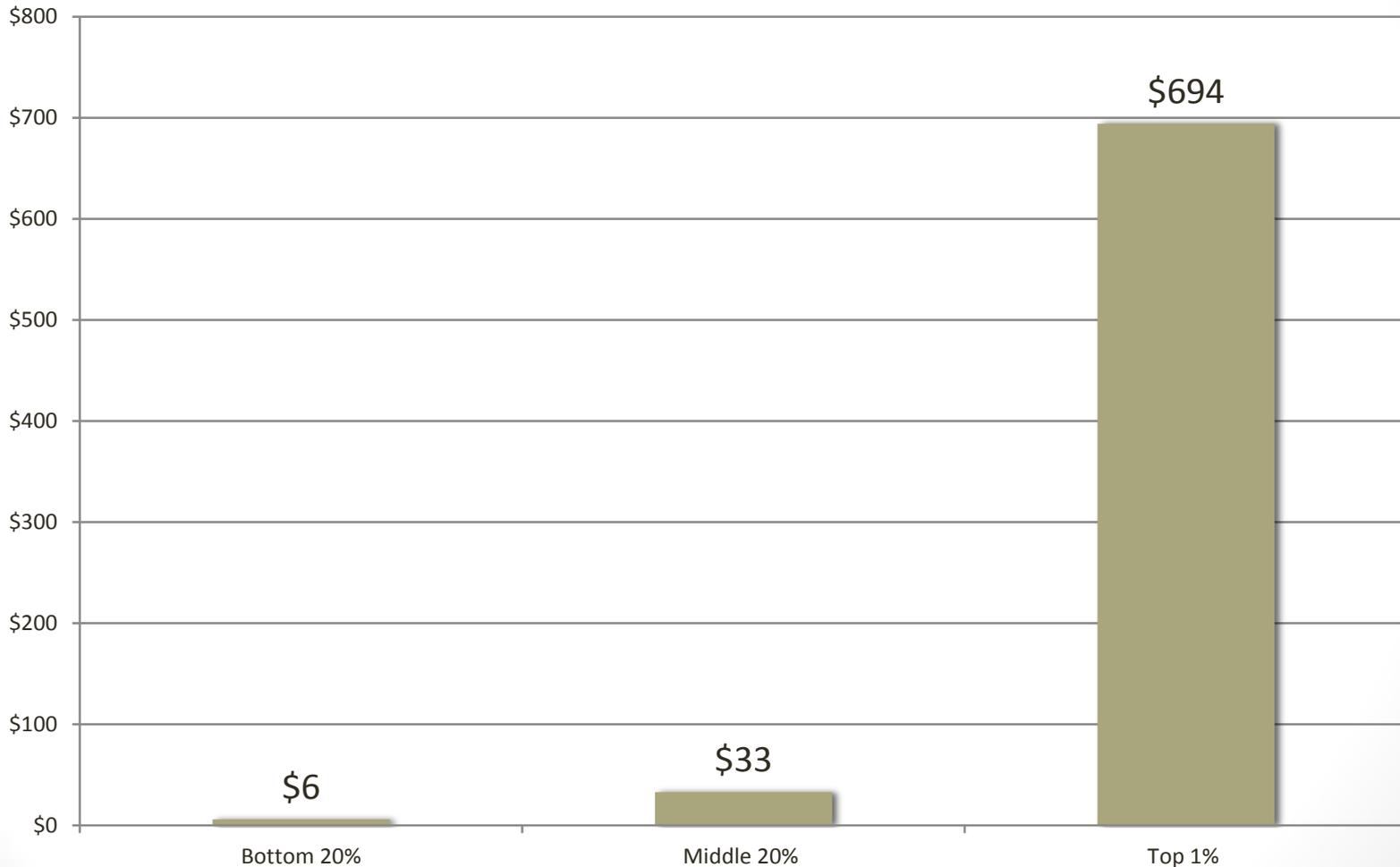
-Adam Smith-

Indiana State and Local Taxes in 2015 as a Share of Family Income

Includes sales and excise, property taxes, and personal and corporate income taxes post-federal offsets. assumes fully phased-in personal income tax



What the 3% Tax Cut Passed in 2013 Would Have Looked Like in 2012, Annual Relief



Chapter 4 Policy Options

- **Increase Indiana's Personal Exemption:** When the Indiana income tax was enacted in 1963, the basic personal exemption was set at \$1,000 per family member — where it remains today. Since then, inflation has eroded the value substantially, resulting “in a large, hidden, regressive tax increase over time that disproportionately impacts low-income families.”
- **Eliminate Income Taxes on Low Incomes:** Currently Indiana is one of 16 states that taxes below the Federal Poverty Guidelines (\$22,850 for a family of four, 2014). By enacting a no-tax floor tied to the federal poverty line, families making below the poverty level for different family types would owe no income taxes.

Chapter 4 Policy Options

cont...

- **Adopt a Graduated Income Tax:** Low- to middle-income families are taxed disproportionate to their resources, and given their propensity to spend additional income, the current system overtaxes the state's best consumers while those with the greatest ability to pay, pay the smallest share.
- **Increase The State's Earned Income Tax Credit** from 9% to 25% of the Federal EITC. Given the status of Indiana's working families, a stronger EITC may be more important to them than ever before, particularly when they are taxed in a regressive system.

Chapter 4 Policy Options

cont...

- **Eliminate the Marriage Tax Penalty** (Recouple State EITC With Federal EITC Formula). During the 2011 Session the budget bill HB 1001 decoupled Indiana's State EITC eligibility guidelines from the federal guidelines,⁴⁵ which prevented families of three or more children from receiving the benefit from the larger EITC payment and they would no longer benefit from the reduction of the "marriage penalty," which smoothed out the benefit phase-outs for married couples. Naturally, this also added "complexity and administrative burden".

Working Families Tax Cut Package

	Lowest 20% (<\$20,000)	Second 20% (\$20,000 - \$37,000)	Middle 20% (\$27,000 - \$60,000)	Fourth 20% (\$60,000 - \$90,000)	Next 15% (\$90,000 - \$168,000)	Next 4% (\$168,000 - \$386,000)	Top 1% (>\$386,000)
Tax Change as % of Income	-1.1%	-0.6%	-0.3%	-0.1%	-0.1%	-0.0%	-
% w/ Income Tax Cut	77%	86%	95%	92%	87%	12%	-
Avg. Cut for Those w Cut	-\$175	-\$212	-\$135	-\$95	\$75	-\$50	-
Share of Tax Cut	23%	31%	22%	15%	17%	0%	-

Source: Institute for Taxation and Economic Policy

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