

## 2012 Public Policy Agenda

In keeping with the vision of the Indiana Community Action Association (IN-CAA), to have a state with limited or no poverty, where its residents have decent, safe, and sanitary living conditions, and where resources are available to help low-income individuals attain self-sufficiency, the goal of the Indiana Institute for Working Families (Institute), a program of IN-CAA, is to help Hoosier families achieve and maintain economic self-sufficiency. All policy and legislative recommendations on the Institute's 2012 Policy Agenda are based on the culmination of the Institute's analysis of research, data, and national best practice models.

Based on the Institute's research throughout the 2011 calendar year, the 2012 public policy agenda will focus on four main areas:

- Unemployment Insurance;
- Higher Education;
- Tax Reform; and
- Protecting Work Supports.

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### ***Unemployment Insurance***

#### **1. Indiana should establish a Work Sharing program. (Legislative)**

Work sharing (also known as Short-Time Compensation) is an unemployment insurance (UI) benefit that explicitly targets job preservation and allows businesses to retain their skilled workforce during times of temporary decreased demand. A work sharing program would allow an employer an option to reduce the hours and wages of all employees or a particular group of workers instead of laying off a portion of the workforce to cut costs. Workers with reduced hours and wages are eligible for partial unemployment benefits to supplement their paycheck. Because work sharing is voluntary, employers can make decisions about participation in the program based on their unique circumstances.

Currently, a business that sees a 20 percent decrease in demand, and therefore needs to reduce production, might lay off one-fifth of its workforce. However, if a work sharing program was available, the firm could retain its entire workforce by reducing the hours of all its employees from 40 hours a week to 32 hours a week, reduce production by the required amount, and could achieve the same amount of cost savings while retaining all its employees. Therefore, the affected employees would receive wages based on four days of work. The 20 percent reduction in wages would then be supplemented by a portion of unemployment benefits—typically equal to half of lost wages. Under work sharing, an employee who made \$300 per week—and would

normally receive \$150 a week in unemployment benefits if they were laid off—would receive \$240 in wages and \$30 in work sharing benefits. Like regular unemployment benefits, work sharing benefits do not fully cover lost income, but they help mitigate the loss.

Currently 23 states and Washington D.C. have adopted work sharing programs. According to the U.S. Department of Labor, work sharing programs saved approximately 165,000 jobs in 2009 - nearly triple the number of jobs saved in 2008, and another 100,000 jobs in 2010. Multiple studies have found that countries that adopted more robust work sharing programs weathered the recent recession with lower unemployment rates.<sup>1</sup>

Work sharing is a win-win-win approach. A work sharing program benefits the state by mitigating further job losses. The employer benefits by reducing the high costs associated with turnover and maintaining continuity within the firm. And the employee benefits by maintaining wages and reducing the effects associated with long-term unemployment and marketability. Implementing a work sharing program in Indiana is vital as it keeps employees working and productive, provides financial security to employees as they still earn wages and pay taxes maintain state revenues (income and sales tax), allows employers to maintain their skilled workforce, and keeps unemployment rates low.

The Institute believes work sharing can preserve many jobs in the state of Indiana and has proposed recommendations for implementing a work sharing program in Indiana.

- **Require employers to maintain wages and benefits coverage.** One of the conditions of employers participating in a state work sharing program should be that they will not reduce employees' wages and will maintain their benefits (health, retirement, etc.).
- **Create links between work sharing programs and training.** States may permit employees receiving work sharing benefits to participate in an employer-sponsored training program to enhance their job skills. Other federal and state training resources may also be available to employees participating in work sharing programs. New York's program, as stated earlier, was able to take advantage of training because they "align their UI and WIA programs to assure that workers participating in a work sharing program who could benefit from training are referred to the appropriate education and training services."
- **Make Program Flexible for Employers.** According to Bill McDonald, Program Manager of Washington State's work sharing program, the flexibility the program affords an employer to reduce individual employee work hours on a weekly basis predicated on business needs is paramount." Unlike other states, Washington State allows an employer the ability to reduce weekly work hours (between 10 percent and 50 percent) in varying amounts for each individual employee every week while participating in the program.

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<sup>1</sup> GoLocalProv. "New: DLT Director Fogarty in Washington Thursday." 9 November 2011 Retrieved November 2011: <http://www.golocalprov.com/news/new-dlt-director-fogarty-to-testify-before-congress>.

- **Establish Program Time Limits.** Most work sharing programs are 6 months or less. This key element allows a temporary reduction of hours to be just that, temporary. Constant tweaking, as seen in Germany, Canada, and Washington State, allows the program to be only temporary, and limits any displacement effects as a result of labor hoarding. Participating firms should only be experiencing problems due to the business cycle, and not those suffering structural decline. Because this can be a difficult distinction to make, it is necessary to foster open dialogue with all stakeholders.
- **Automation.** The majority of states recommend automation as an effective way to reduce administration costs. New York’s work share program has operated as a paper process until recently. The huge influx in applications and claims during the recent economic crisis substantially increased the staff time, leading to the Department’s development of a technological solution. In today’s environment, the Department would recommend that any new programs invest in technological self-service processes which can effectively respond to fluctuations in demand. The overall number of applications and claims represent a relatively small portion of the workload so systems that can be integrated into normal processes would not substantially add to ongoing administrative costs.
- **Make Application Process Easy and Quick for Employers.** Some states require a plan while others require a short one page application to be approved by the state UI agency. Making it ease will allow employers to give their employees time to make the decision that is right for them—to stay or leave. Washington State has the quickest turnaround time for approving applications—7 days.
- **Effectively Market the Program.** Nearly all states, and countries, as well as the United States Department of Labor claims that the low participation levels are attributed to the lack of knowledge of the program. States such as Washington and Missouri saw vast increases in participation partly due to their marketing campaigns and partnerships. Rhode Island cited the Chamber of Commerce as key to this outreach. Washington State cited the efforts of their governor as key to marketing.

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## **Higher Education**

### **2. Open the Frank O’Bannon Grant up to Part-Time Students and move the funding from the Part-Time grant into the Frank O’Bannon Grant. (Legislative)**

In order to gain a better understanding of postsecondary students in Indiana, data from the Indiana Commission on Higher Education (ICHE) was collected and analyzed. The ICHE database contained information on 1,463,979 students enrolled in Indiana institutions of higher education between 2001 and 2006. Of those, an astounding 35.6 percent were attending part-time. Despite this high percentage of part-time students, only about 2 percent of financial aid

funding is available to part-time students. Of the nearly 1.5 million students enrolled in Indiana during this time frame, 43 percent of them were adults aged 25 years or over. The data also showed that Indiana's adult students were more likely to be: female; a minority; enrolled in a certificate program; working full-time; and earning low-wages. Furthermore, because the Part-Time Grant has such a low funding level, only 35,629 of the 520,699 part-time students during those years were awarded the Part-Time Grant, the awards given account for only 6.8 percent of the total number of part-time students. The need for more financial support for part-time students is clear. Part-time students should have the same access to adequate financial aid that our full time students enjoy. And because part-time student's costs are lower, more students can be served.

**3. Change Indiana's March 10th application deadline for filing the FAFSA. (Administrative)**

Not meeting the March 10th application deadline disqualifies students from receiving financial aid until the next academic year. This applies solely to Indiana's grant programs. Students who complete the FAFSA after the March 10<sup>th</sup> Deadline are still eligible for both subsidized and unsubsidized loans. In addition, students may submit an incomplete FAFSA and have until May 15<sup>th</sup> to file amendments or changes to the document. However, twenty-three states and the District of Columbia have set FAFSA deadlines later than March 10<sup>th</sup>, deadlines across the country range from February through October, with the largest occurrences in June of each year. Several other states have created secondary deadlines later in the year for first-time college students and community college students. Setting a new deadline later in the year will provide more time for students to determine if they will enroll in college and to file their tax returns before filing their FAFSA. This could improve numbers of adult students who apply for and receive financial aid.

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## ***Tax Reform***

**4. Indiana's State EITC eligibility guidelines should be realigned with the federal guidelines, including the expansion of EITC eligibility as established by the American Recovery and Reinvestment Act of 2009. (Legislative)**

During the 2011 session of the Indiana General Assembly, the budget bill (HB 1001) decoupled Indiana's state Earned Income Tax Credit (EITC) eligibility guidelines from the federal eligibility guidelines as established by the American Recovery and Reinvestment Act (ARRA) of 2009. ARRA temporarily expanded the EITC in two ways. First, it added a "third tier" of the EITC for families with three or more children these families now receive up to \$629 more than families with two children. Second, ARRA expanded marriage penalty relief, reducing the financial penalty that can happen when a couple marries, by allowing married couples to receive larger tax benefits. Indiana's HB 1001 reset eligibility for Indiana's state EITC to the federal guidelines *prior* to ARRA. Thus lowering the benefit to larger families and increasing the effects

of the marriage penalty. Additionally, as state eligibility levels are now different than those of the federal program there will likely be confusion among low-income tax filers thereby increasing the State's error rates.

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### ***Protecting Work Support and Asset Development Programs***

**5. Indiana should maintain current eligibility levels for work support and asset development programs and should work within current guidelines and funding streams to maximize economic returns to the State. *(Legislative and Administrative)***

Due to the poor economy many work support programs, such as Temporary Assistance to Needy Families (TANF), Supplemental Nutritional Assistance Program (SNAP), and public health care programs may see reductions in funding. However, during this recessionary period Hoosier families are having a difficult time simply getting by and these programs are crucial to keeping many working families above the Federal Poverty Guidelines (\$18,530 for a family of three in 2011).

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