

THE STATUS OF WORKING FAMILIES IN INDIANA: 2007 UPDATE

September 2007

By
Rochelle Finzel



Indiana Coalition on Housing and Homeless Issues

INDIANA
INSTITUTE FOR
WORKING FAMILIES



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**By
Rochelle Finzel
Senior Policy Analyst**

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Indiana Institute for Working Families, ICHHI
3737 N. Meridian St., Suite 404, Indianapolis, IN 46208
Phone: (317) 636-8819 Fax: (317) 324-1250
Email: info@ichhi.org Website: www.ichhi.org

Indiana Institute for Working Families, ICHHI

The Indiana Institute for Working Families is a program of the Indiana Coalition on Housing and Homeless Issues (ICHHI). ICHHI is a statewide, non-partisan, non-profit organization that believes everyone in Indiana deserves safe, decent, affordable housing; employment; income; and resources for self-sufficiency. ICHHI is committed to building stronger individuals, families, and communities through planning, research, education, and advocacy.

The Indiana Institute for Working Families was founded in 2004 with generous support from the Joyce Foundation located in Chicago, Illinois. The goal of the Institute is to help Hoosier families achieve and maintain economic self-sufficiency. The Institute conducts research and analysis of public policy issues important to working families, engages in advocacy and education campaigns on policy issues, and works through national, statewide, and community partnerships to promote progressive policies in Indiana.

About the Author

Rochelle Finzel is Senior Policy Analyst for the Indiana Institute for Working Families. Ms. Finzel's work focuses on public policy issues on education, training and workforce development that impact low-income working families. She is the author of "Meeting Federal TANF Participation Rates: Indiana Should Follow Federal Guidelines in Allowing Education and Training," and the report "Is Indiana Getting Its Fair Share? Federal Programs Available to Working Hoosier Families."

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EXECUTIVE SUMMARY



The Status of Working Families in Indiana: 2007 Update

Indiana's economy has experienced dramatic changes in the last decade, largely due to job losses in the manufacturing industry. The manufacturing industry provided high-paying jobs with wages adequate to support a family, which kept the state insulated from the higher poverty rates and unemployment that existed in other parts of the country. Unfortunately, Indiana has seen both these indicators rise in the last seven years. Indiana still has a larger share of its jobs in manufacturing than the rest of the country, but it is no longer the leading industry in the state. Hoosiers are working hard, but their wages are not keeping up with the nation.

The Institute for Working Families first compiled a comprehensive review of the economic conditions facing Indiana's working families in 2004. This fourth edition will point out any trends in the data over the last seven years since the economic peak of 2000. The report is divided into seven sections covering data related to jobs, labor force and employment, wages and income levels, poverty rates, union membership and health insurance coverage.

Summary of Findings

Indiana families continue to struggle in a changing state economy and face many challenges such as stagnant median wages (50th percentile) and incomes, more long-term unemployment and slightly higher poverty rates. African Americans and those with a high school education or less have fared the worst. On the other hand, the number of jobs in the state has risen and the percent of residents covered by health insurance has increased. Below are highlights of each economic indicator covered in the report.

Jobs in Indiana: The number of jobs has rebounded, but they are not the same as before.

The number of jobs has rebounded to near peak levels, but this gives a false impression of a full economic recovery. The number of jobs may be up, but they do not pay as well as in 2000.

- In June 2007, total non-farm employment equaled 2.98 million jobs, only 35,100 less than the peak of 3.01 million in May 2000, an overall decline of less than one percent.
- The manufacturing industry experienced the greatest number of job losses; the sector had 110,000 fewer jobs in June 2007 compared to June 2000. The industry sector with the largest growth was education and health services.

Labor Force and Employment: Hoosiers have not given up, despite a tough labor market.

More Hoosiers are attached to the labor force than neighboring states and the nation as a whole; however, men and workers with a high school education or less had a more difficult time finding a job. More minorities are working. Overall unemployment is down, but long-term unemployment is up. More Hoosiers exhausted their unemployment insurance benefits.

- Indiana's labor force is more diverse. The Hispanic share of the labor force increased by 55 percent since 2000 and comprised over four percent of the state's labor force in 2006.

- Indiana lags behind the nation and region in workers with a college education. Nearly 30 percent of the nation's workers in 2006 had a bachelor's degree or higher compared to 23 percent in Indiana.
- The yearly average unemployment rate in 2006 was five percent, the lowest average annual rate since 2001. However, the African American unemployment rate was 11 percent, more than double the 4.5 percent rate for Whites.
- Over 10 percent of workers without a high school degree were unemployed in 2006 and nearly 17 percent were working part-time because they were unable to find full-time jobs.

Wages: Median hourly wages remain flat with no real growth since 2001. Hoosiers are not able to keep up with the nation.

Median wages have stagnated since 2001 and actually dropped slightly in 2006. Indiana's wages were below the national median and that of neighboring states. Low-wage workers saw their relative standing fall. Historically, low-wage earners in Indiana fared better than their national counterparts. There also remains a strong education gap. Workers with a high school education or less did not experience the same wage gains as those with postsecondary experience.

- Median wages have fallen for all demographic groups compared to 2003, with the largest drop for African Americans (-14.3%), followed by workers with less than a high school education (-7.8%).
- Low-wage earners fared worse than the top wage earners. The bottom third of workers saw wages decline between four and six percent since 2000 while the top 10 percent saw wages increase by nearly two percent.
- More workers earn poverty level wages. Nearly 24 percent of Hoosier workers in 2006 earned wages that would not lift a family of four above the federal poverty threshold. Indeed, the median wage for workers without a high school diploma was \$9.23 per hour, \$0.68 less than the poverty threshold of \$9.91 per hour.
- Wage inequality is still an issue. Women earned 75 percent of their male counterparts in 2006. African Americans earned 82 percent of median wages for Whites. The gap between earnings by education also grew. High school educated workers in 1979 earned 76 percent of the median wage of their college educated counterparts. In 2006, the same worker earned only 55 percent of the median wage for someone with a bachelor's degree or higher.

Income: Median household income remains well below pre-recession levels despite five years of an economic recovery.

Indiana also experienced stagnating median household incomes. The state remains well below the national average and had the lowest median household income of any of the states in the East North Central region in 2006.

- Indiana's two-year average median household income in 2005-2006 was \$44,618, an increase of only \$113 over 2004-2005 and \$4,000 below 1999-2000 in real dollars.
- The gap between Indiana's median household income and that of the nation continues to grow. In 2002-2003, the state's median household income was nearly 99 percent of the nation. Indiana's households earned just 93 percent of the national median in 2005-2006.

- Family incomes in the state were also below the national and regional levels. Indiana ranked 23rd in median family income in 2002, but saw that ranking slip to 30th in 2006.

Poverty Rates: More families and children were living in poverty in 2006.

Indiana has historically had lower poverty rates than the rest of the nation, but the state's rate has been increasing steadily since 1999. Many researchers argue the federal poverty threshold (\$20,615 for a family of four in 2006) is outdated and inadequate due to higher costs of living and changes in family structure. New standards suggest that twice the poverty threshold is a more accurate measure of material hardship. Therefore, poverty rates underestimate the number of families struggling to make ends meet.

- Indiana's poverty rate edged up slightly in 2006 to 12.7 percent compared to 12.2 percent in 2005.
- Child poverty also went up slightly, from 16.7 percent in 2005 to 17.9 percent in 2006. This compares to just 13.5 percent in 2003 when the state ranked 36th in the country. In 2006, Indiana had the 21st highest poverty rate.
- On the other hand, elderly poverty remains well below the national rate. Indiana has the seventh *lowest* poverty rate for persons over the age of 65 at 7.8 percent in 2006.

Union Membership: Union membership equaled the national rate despite historically higher levels.

Union workers earn more than non-union workers and are more likely to have health benefits and paid leave. Historically, unions have had a strong presence in Indiana with the high concentration in manufacturing jobs. Union membership has declined in recent years. The loss of manufacturing jobs has meant a decrease in the number of workers belonging to collective bargaining units, but the largest decrease in union membership is among construction workers.

- Union membership in Indiana stood at 15.6 percent of workers in 2000. Since that time, union membership declined by over three percentage points and in 2006 equaled the national rate of 12 percent of all workers.
- The private construction industry has seen the largest drop in union membership. Nearly one-third of workers were members of unions in 2000. That figure dropped to just under 23 percent in 2006. This is a significant change.
- Union workers still earn higher wages than non-union workers. In 2006, the median wage for union workers was \$18.80 per hour compared to \$13.43 for non-union counterparts.

Health Insurance: Fewer Hoosiers were uninsured, in contrast to national trends.

Access to employer-sponsored health insurance is a coveted benefit in this economy. The number of Hoosiers insured by employer-provided plans remained steady in 2006. The state saw a significant drop in the uninsured rate. Indiana's children were also more likely to be covered by health insurance in 2006. These data do not follow national trends; the United States saw a rise in uninsured over the same time period.

- Indiana saw a significant drop in the uninsured rate. In 2006, 11.8 percent of Hoosiers were not covered by health insurance, down by nearly two percentage points from 2005.

- Fewer low-income children in Indiana were uninsured in 2006. Only 12.5 percent of low-income children had no health insurance, compared to 18.1 percent nationally.

Conclusion and Recommendations

It is important to look at the full economic picture for all Hoosier workers. The number of jobs alone does not give any information on their quality. The unemployment rate does not indicate how long people are unemployed. Median wages are also a poor indicator of economic well-being if taken out of context, and poverty rates underestimate the number of families struggling to make ends meet. Minority groups often experience different outcomes from the economy.

Indiana's economy has changed since the last recession. Manufacturing is no longer the leading industry sector. The labor force is more diverse. More jobs require postsecondary education and training. Median wages and incomes are not keeping pace with the national levels. African Americans are experiencing even higher unemployment rates and lower wages. Workers who lack postsecondary education are also falling behind. The trends are going in the wrong direction in terms of poverty rates, wages, incomes and union membership. Taken together, it is apparent that the economic recovery has not reached all Hoosiers.

The data in this report support the recommendations of an earlier study by the Institute, *Investing in Indiana's Working Families to Build a 21st Century Economy*. Aligning state programs and policies to better serve workforce training needs can have a positive effect on the economic data presented here. In particular, the state should focus on three broad policy areas.

- **Racial disparities deserve more attention.** Across many indicators, African Americans fare much worse than their White counterparts. The state cannot afford to leave behind this segment of its workforce and must reach out and target resources to the African American community in order to reverse these trends.
- **Education and training programs are critical.** Workers with a high school education or less are seeing their economic standing continue to fall. The state has fewer college-educated workers than the rest of the nation, yet more jobs require postsecondary training. The state must ensure its current workforce has access to educational opportunities that will lead to higher paying jobs.
- **Job quality must be the goal.** The fact that nearly one-quarter of Hoosier workers earn wages that would not lift a family of four above the federal poverty threshold is a disturbing statistic. This goes against the American Dream and the intrinsic belief that hard work leads to success. The state must work to support job growth and an economy that provides family-supporting wages. Meanwhile, as workers strive to reach higher rungs on the economic ladder, work supports such as tax credits, child care assistance, affordable health insurance and a safety net for unemployed workers are critical.

The overarching concern for Indiana is job quality, including adequate wages, health insurance benefits and general protection of worker rights. The data show some erosion in these areas over the last recession and recovery period. The recent increase in the minimum wage, state efforts to offer health insurance to low-income families through its Healthy Indiana plan, and education and training programs targeted to current workers are positive steps to improve economic outcomes for families. The state's strategic economic development plan, *Accelerating Growth*, articulates many policy objectives to improve the state's economic conditions. The public needs to hold the state accountable for its broad goals to meet the national average in annual wages by 2020 (p. 2) and to move every Hoosier up one level on the talent scale (p.13). The data will bear out the consequences of achieving these goals. It is clear that there is room for improvement in ensuring the economy works for all Hoosiers.

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INTRODUCTION

The Status of Working Families in Indiana: 2007 Update

Indiana's economy has experienced dramatic changes in the last decade, largely due to the job losses in the manufacturing sector and the rise of service and knowledge-based employment. Indiana still has a larger share of its jobs in manufacturing than the rest of the country, but it is no longer the leading industry in the state.

The Institute for Working Families first compiled a comprehensive review of the economic conditions facing Indiana's working families in 2004. That report helped establish a set of priorities and guiding principles for the Institute's research into policies affecting low-income families. The 2005 and 2006 updates synthesized data on seven main elements of the economy. This fourth edition attempts to not only provide the most recent data, but interpret those numbers and identify trends that have occurred since the 2001 recession.

The report is divided into seven sections covering data related to jobs, labor force and employment, wages and income levels, poverty rates, union membership and health insurance coverage. Each section describes a different aspect of the economy and what it means for working families. The report ends with summary conclusions and broad recommendations for policymakers to consider to ensure Indiana's economy works for all Hoosiers.

As has been stated in earlier versions of this report: *In its efforts to thrive in the 21st Century, Indiana cannot afford to leave behind low-income families. The true challenge is not whether Indiana can create a stronger economy; it's whether the state can create an economy that benefits each and every Hoosier.*

Definitions and Key Terms

This report uses various terms and definitions that are important to clarify.

American Community Survey (ACS): Data on poverty, income and health insurance coverage come from this survey conducted by the U.S. Census Bureau. The ACS covers a large sample population and is a good source for state and local data.

Current Population Survey (CPS): The CPS is the main source of information on the labor force, including employment data, wages, hours worked and earnings. Most of the data in the report comes from the Current Population Survey of the U.S. Census.

East North Central Division: The Economic Policy Institute analyzes data from the CPS and divides states into regions for comparison purposes. Indiana is part of the East North Central Division, which includes the states of Illinois, Michigan, Ohio and Wisconsin.

Median: The median is the midpoint of a sample, where half of the sample falls above and half below. In a group of 101 workers, the median wage is the dollar amount at which 50 workers earn below that amount and 50 workers earn less. Averages are often avoided because they can be distorted by just a few very large or very low numbers.

Percentiles: The report divides workers into 10 equal groups, or percentiles, to get a better sense of the distribution of wages. For example, workers in the 10th percentile earn more than 10 percent of all workers. Workers at the 90th percentile earn more than 90 percent of workers.

Real Dollars: Monetary values have been converted to 2006 real dollars, meaning the value has been adjusted for inflation to its 2006 equivalent. Nominal dollars are not adjusted for inflation. For example, the nominal median hourly wage in 1979 was \$5.27, but in 2006 real dollars that is the equivalent of \$13.63.

SECTION ONE



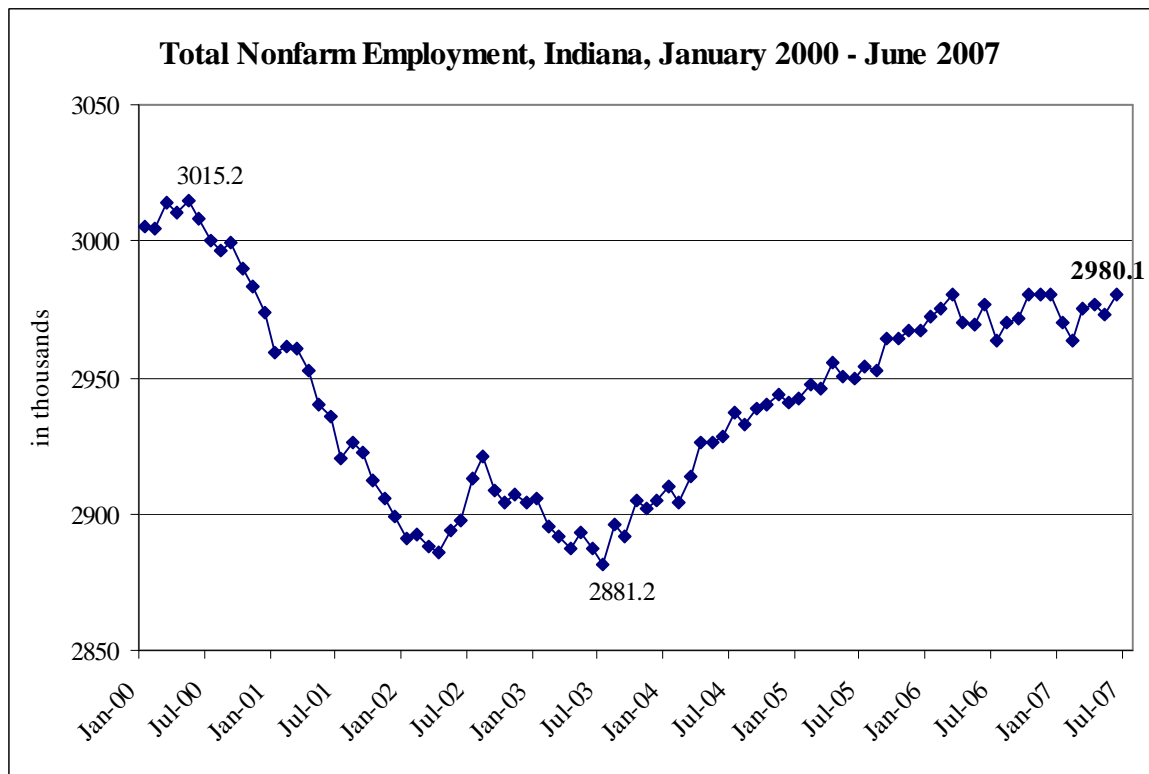
Jobs in Indiana

The number of jobs is an important indicator of economic health, but this statistic must be examined alongside other factors. Employment data give insight to the demand side of the economy. The type of jobs available, wages paid, benefits offered and industry sectors are important variables to also keep in mind.

The total number of jobs in Indiana remains below its peak levels of 2000, but has rebounded from the historical lows of 2003. The biggest result of the economic recession and recovery has been the change in the makeup of Indiana's economy. Manufacturing is no longer the largest sector of the economy; the trade, transportation and utilities sector has taken over the lead. In fact, the manufacturing industry saw the largest decreases in the last seven years. Education and health services occupations saw the largest growth.

Non-farm, industry employment reached its peak in Indiana in May 2000, at 3,015,200 jobs but employment losses associated with the recession meant 134,000 fewer jobs by July of 2003. Much of the decline is driven by the manufacturing sector, which alone lost 110,000 jobs since 2000. As shown in Chart 1.1, by June 2007 the total of non-farm jobs had climbed back to 2,980,000 – a gain of 98,900 jobs since the all-time low in July 2003. Yet, as of June 2007 employment statewide remained 35,100 jobs below the May 2000 level.

Chart 1.1



Source: Economic Policy Institute analysis of Current Employment Statistics Survey data

While the state's employment picture is clearly improving, the type of jobs has changed over the past seven years (See Table 1.1). In 2000, 22 percent of Indiana's total non-farm employment consisted of manufacturing jobs – the highest percentage of manufacturing jobs of any state economy in the nation. This high concentration of manufacturing jobs left Indiana very vulnerable to the type of recession that hit the nation early in the decade. Beginning in 2005, manufacturing dropped from its rank as the largest sector of Indiana's economy. Trade, transportation, and utilities exceeded manufacturing by 19,600 jobs in 2006.

Table 1.1

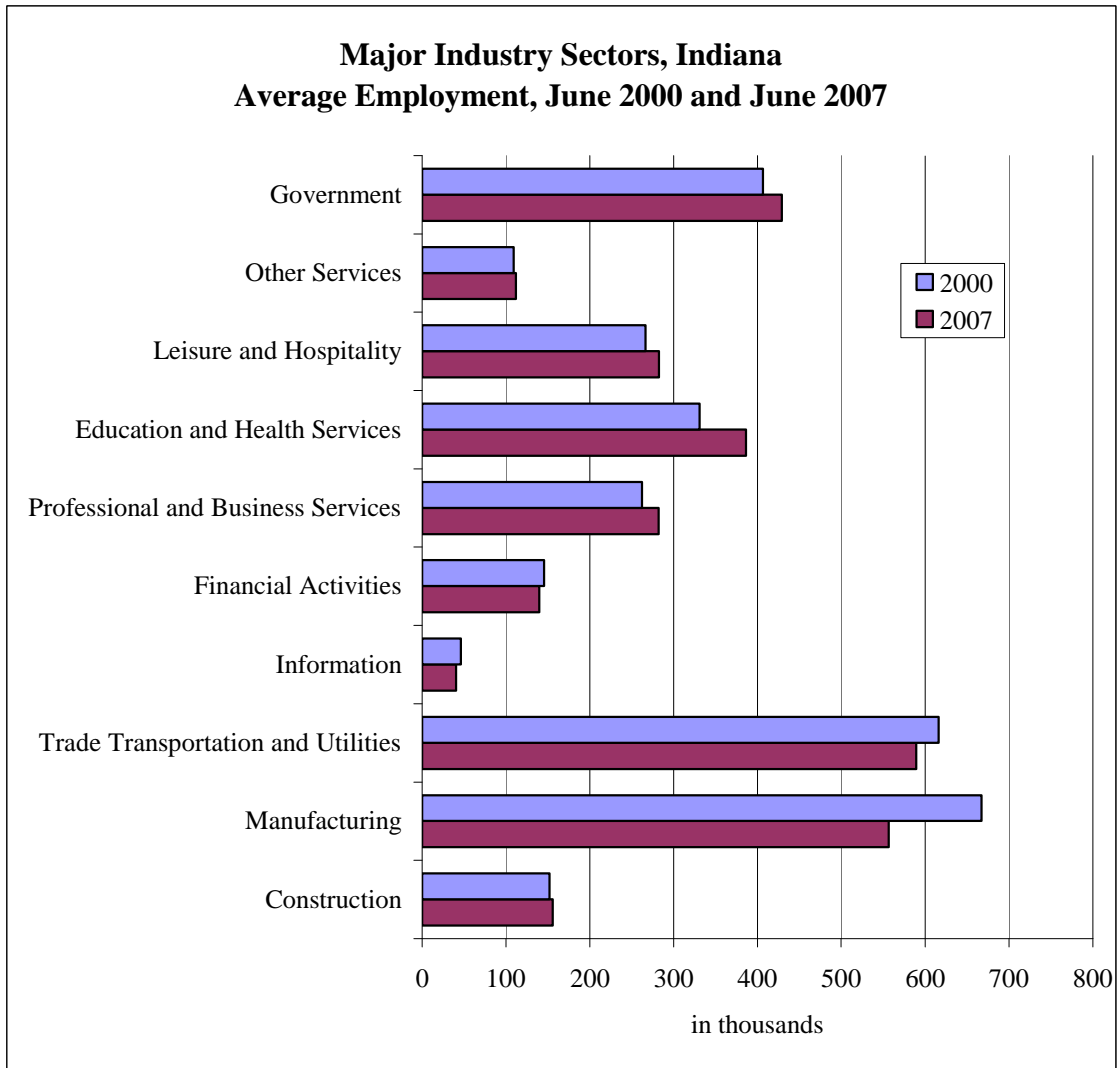
Employment by Major Sector, Indiana, June 2000 and June 2007				
	June 2000	June 2007	Number Change	Percent Change
Total Non-Farm	3,008,100	2,980,100	-28,000	-0.9%
Construction	151,700	155,500	3,800	2.5%
Manufacturing	667,200	556,700	-110,500	-16.6%
Trade, Transportation, & Utilities	616,100	589,400	-26,700	-4.3%
Information	46,100	40,400	-5,700	-12.4%
Financial Activities	145,400	139,400	-6,000	-4.1%
Professional & Business Services	262,200	282,000	19,800	7.6%
Educational & Health Services	330,800	386,200	55,400	16.7%
Leisure & Hospitality	266,400	282,600	16,200	6.1%
Other Services	109,000	111,800	2,800	2.6%
Government	406,500	429,100	22,600	5.6%

Source: Economic Policy Institute analysis of Current Employment Statistics Survey data

While manufacturing lost over 110,000 jobs, the service sectors added nearly 100,000 positions. The largest industry sector increase in the Indiana economy over the decade has been in education and health services, which grew by 55,000 jobs, an increase of nearly 17 percent. Additionally, the professional and business services sector saw an eight percent increase, or 21,200 jobs. The other service sectors, including leisure and hospitality as well as government grew during this same time period (see Chart 1.2) The relatively large decrease in manufacturing employment has been mitigated by a rise in other industry sectors resulting in an overall employment decline of less than one percent since 2000.

In June 2000, over 27 percent of jobs were in goods-producing industries with 22 percent in manufacturing alone. By 2007, the number of jobs in goods-producing industries dropped by 13 percent and now comprises only 24 percent of total employment. Manufacturing remains the second largest sector of the economy; however, the real job growth is occurring within service-providing industries. Nearly 76 percent of all jobs are in service-providing industries.

Chart 1.2



Source: Economic Policy Institute analysis of Current Employment Statistics survey data

The shifting industry sectors continue to reshape Indiana’s economy, affecting the overall labor market, from wages to unemployment trends. The decrease in jobs is occurring within the high-paying manufacturing sector, while job growth is occurring within the lower-paying service sector. This change should not be seen as trivial or temporary.

SECTION TWO

Labor Force and Employment



Understanding the demographics of the labor force, employment rates and overall participation in the labor market provides insight into the supply side of the economy. The previous section described the number of jobs available and in what industry. This section will describe the workers and who is employed. This section will also describe those who are not working or wish to be working more hours.

Labor Force Demographics

Indiana's labor force has become more diverse in the last six years. The Hispanic share of the labor force grew by 55 percent since 2000 and now makes up over four percent of the labor force. Both African Americans and Asians saw their share of the labor force increase by 17 percent. While Indiana's labor force is more diverse now than in previous years, Whites still make up more than 85 percent. Indiana is not unique; its labor force closely resembles that of neighboring states. The greatest and most alarming difference among East North Central states is Indiana's lower percentage of workers with a bachelor's degree or higher. Less than 23 percent of Hoosier workers have a college degree or higher compared to 28 percent in the East North Central region. Indiana also lags behind the national figure. Nearly 30 percent of the national labor force has a bachelor's degree or higher.

Table 2.1
Labor Force Demographics, 2006

	<u>Indiana</u>	<u>East North Central</u>	<u>United States</u>
<u>Gender</u>			
Male	53.8%	53.2%	53.7%
Female	46.2%	46.8%	46.3%
<u>Age</u>			
16-24 years	14.9%	15.3%	14.8%
25-54 years	68.1%	68.7%	68.4%
55 years and older	17.0%	16.0%	16.8%
<u>Race/Ethnicity</u>			
White	86.5%	80.6%	69.1%
African American	7.9%	10.2%	11.0%
Hispanic	4.2%	5.5%	13.7%
Asian/Pacific Islander	0.7%	2.5%	4.4%
<u>Education</u>			
Less than high school	11.7%	10.0%	12.3%
High School	36.2%	32.6%	29.7%
Some college	29.5%	29.6%	28.5%
Bachelor's or higher	22.6%	27.8%	29.5%

Source: Economic Policy Institute analysis of Current Population Survey data

Labor Force Participation and Employment Rates

Economists use various statistics to understand the civilian labor force. The labor force participation rate describes the percentage of the adult population that is employed or actively seeking employment. It does not include those who are retired, going to school full-time, or discouraged and no longer seeking work. The employment rate, on the other hand, includes only those workers who are currently *working*. Examining both statistics together provides a clearer picture of workers in the state.

Both statistics clearly illustrate Hoosier workers' strong attachment to the labor force. Nearly 68 percent of the adult population is in the labor force, compared to 66 percent nationally. This has remained steady over the past seven years (2000 to 2006), and has consistently exceeded the United States percentage.

Employment rates are also above the national rate; 64.3 percent of Hoosiers were employed in 2006 compared to 63.1 percent of all U.S. workers. However, both Indiana and the nation as a whole have experienced a statistically significant drop in employment rates from their 2000 levels.

The employment rates in Table 2.2 show some variation depending on gender, age, ethnicity and education level. Employment rates for men have dropped by nearly four percentage points since 2000, although they remain relatively high at 71 percent. African Americans also saw a statistically significant decrease in employment rates, down by nearly seven percentage points. Workers with only a high school education also saw their employment rates drop by two percentage points over the same time period.

On the other hand, workers age 55 and older have seen their employment rates increase significantly by five percentage points, the only age group to experience an increase. Recent evidence points to the increasing pressures placed on older workers, including more grandparents raising grandchildren, that are forcing older workers to remain in the labor market.¹ Asian Americans also saw a very large increase in employment rates. The other group to experience a significant increase were workers with a bachelor's degree or higher. Their employment rates went up by three percentage points. The overall picture shows a slight decrease in employment rates, but this varies by demographic group as shown in Table 2.2.

¹ Center for Retirement Research, Boston College. <http://ccr.bc.edu/>.

Table 2.2
Employment Rates by Demographic, 2000 and 2006

	<u>2000</u>	<u>2006</u>	<u>Percentage point change</u>
ALL	65.7%	64.3%	-2.1%
Gender			
Male	74.4%	71.5%	-3.9%
Female	57.5%	57.4%	-0.2%
Age			
16-24 yrs	64.5%	55.8%	-13.5%
25-54 yrs	83.0%	79.2%	-4.6%
55 yrs and older	34.5%	39.6%	14.8%
Race / Ethnicity			
White	65.9%	64.5%	-2.1%
African-American	63.3%	59.1%	-6.6%
Hispanic	70.3%	69.7%	-0.9%
Asian/Pacific Islander	49.4%	72.0%	45.7%
Education			
Less than high school	41.2%	40.4%	-1.9%
High school	65.7%	62.4%	-5.0%
Some college	74.2%	72.0%	-3.0%
Bachelor's or higher	77.1%	79.5%	3.1%

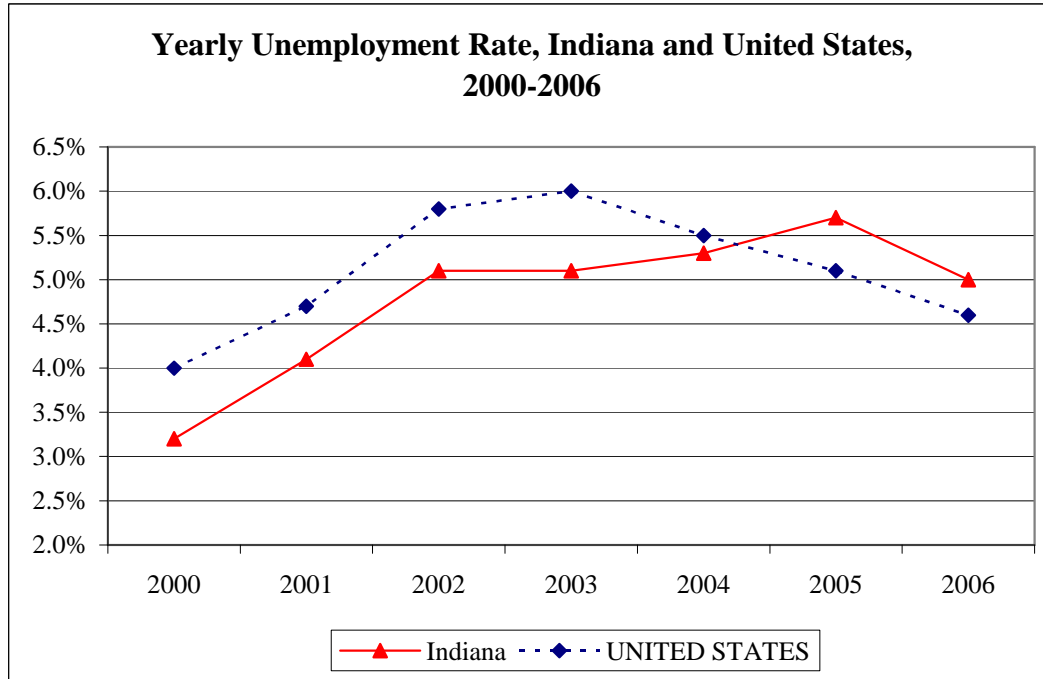
Source: Economic Policy Institute analysis of Current Population Survey data

The relatively high labor force participation rate shows that Hoosier workers are working or looking for work. However, the drop in employment rate means that more are looking for work rather than actually working.

Unemployment

In 2006, Indiana's unemployment rate decreased to five percent, placing it at the lowest average annual rate since 2001, but still higher than the national rate of 4.6 percent. Unemployment rates in the state have tended to be lower than the national average, but in 2005 and 2006, Indiana's unemployment rate rose above the national rate. (See Chart 2.1)

Chart 2.1



Source: Economic Policy Institute analysis of Current Population Survey data

Long-term unemployment remained relatively high in 2006. Indiana's long-term unemployment rate, those workers who have been seeking employment for six months or longer, rose slightly in 2006. The state rate of 21.1 percent is higher than both the national percentage of 17.6 and the 19.6 percent long-term unemployment rate for the East North Central region. This means more than one in five unemployed workers in Indiana has been out of work for more than six months. There may be fewer unemployed workers in Indiana, but a higher portion is staying unemployed for longer periods of time.

Underemployment increased significantly above 2000 levels. Over eight percent of Hoosier workers in 2006 were underemployed, meaning they experience more sporadic employment or work part-time but would prefer full-time work. Indiana's underemployment rate decreased by one percentage point to 8.1 percent in 2006 and is about the same as the national rate and is the same or below all states in the East North Central region (See Table 2.3). However, the 2006 rate rose nearly three percentage points above the 2000 rate, a statistically significant difference. This increase means more workers who want full-time employment are unable to secure jobs that fit that need.

Table 2.3

Underemployment Rates, Indiana, East North Central States and U.S: 2000 and 2006		
	2000	2006
UNITED STATES	7.0%	8.2%
<i>East North Central</i>	6.6%	9.4%
Ohio	6.8%	9.7%
Indiana	5.6%	8.1%
Illinois	7.2%	8.1%
Michigan	6.3%	12.2%
Wisconsin	6.4%	8.1%

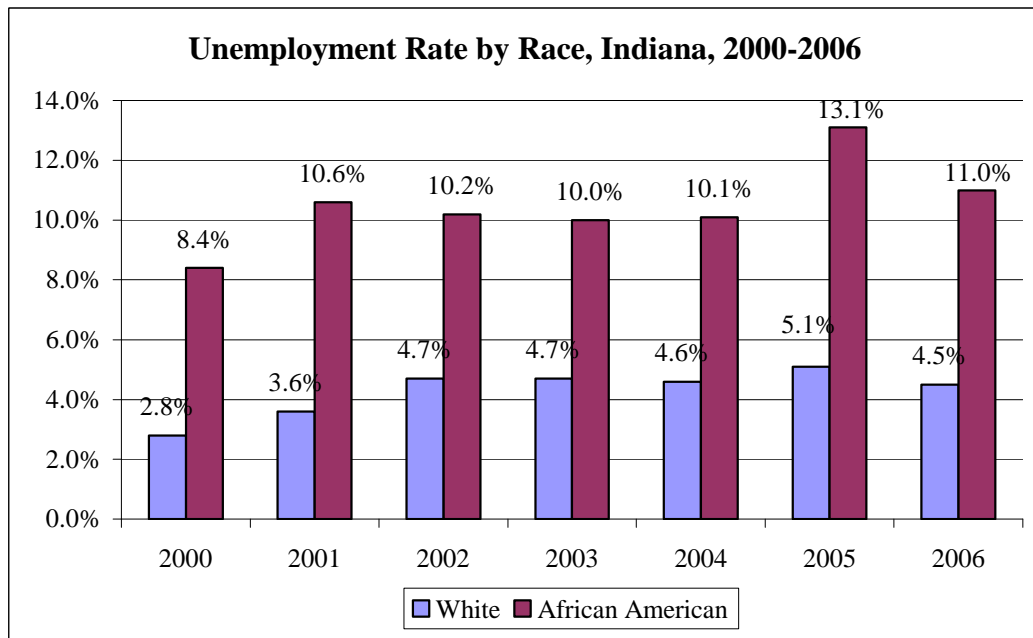
Source: Economic Policy Institute analysis of Current Population Survey data

These labor force statistics show a conflicting employment picture. Hoosiers remain strongly attached to the labor force, yet fewer are actually working. It is taking longer for the unemployed to find a job as indicated by higher long-term unemployment rates. More working Hoosiers are in jobs that are sporadic in nature or offer fewer hours than they would prefer. As discussed in the next section, certain demographic groups are experiencing an even tougher employment market.

Employment Picture Not the Same for All Demographic Groups

African Americans continue to struggle. The employment picture is different for minorities in the state. African Americans experience higher unemployment and underemployment rates than their White counterparts. Both rates are more than double the rate for Whites as shown in Chart 2.2. On the other hand, a higher percentage of Hispanics and Asians are in the labor force compared to Whites and African Americans. While African Americans struggle to make economic gains in the state, other minorities appear to be faring much better. It is clear the labor market experience is not the same for all groups.

Chart 2.2



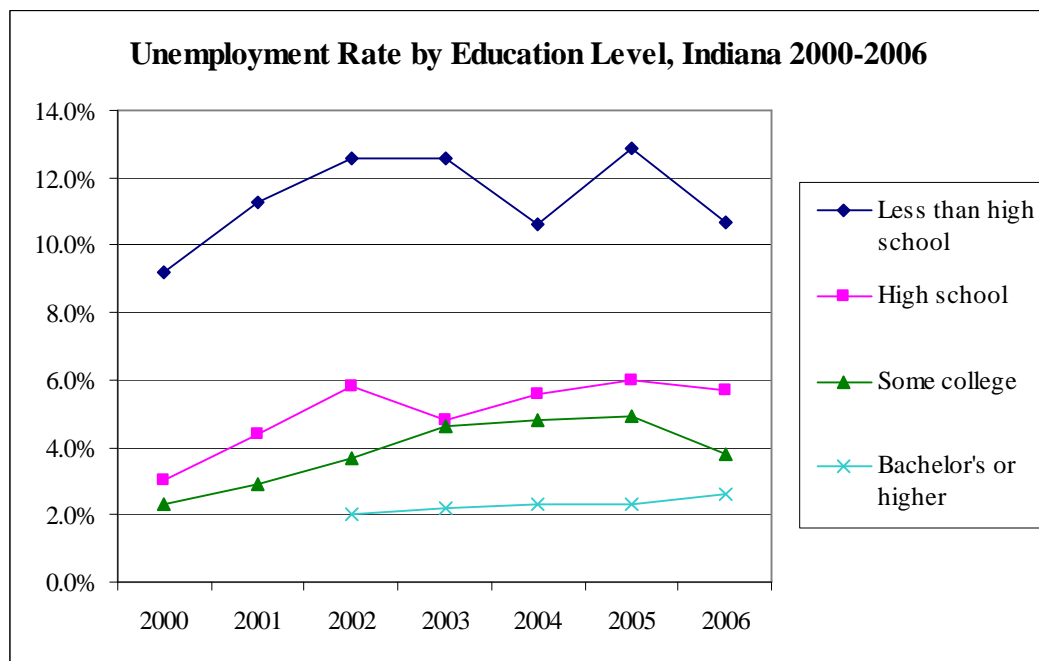
Source: Economic Policy Institute analysis of Current Population Survey data

Education makes a difference. Those without a high school degree are having the hardest time in the current economy. They are less likely to be working and experience unemployment rates double the state rate, 10.7 percent compared to five percent statewide. Nearly 17 percent of workers without a high school diploma are underemployed, meaning they are unable to find full-time or permanent jobs. This may be due in part to the challenge of finding an equal replacement for a manufacturing position.

For those with a high school degree, the indicators are not much better. They are also more likely to be unemployed, and they comprise one-quarter of all those who are unemployed for six months or longer. They are also more likely to be working part-time because they are unable to find jobs offering full-time hours.

Given that workers with a high school degree or less comprise nearly one-half of the state's labor force, these negative outcomes are even more alarming. The outcomes get increasingly better for workers with at least some college education. Unemployment rates are lower than the state average and those with postsecondary experience are less likely to be underemployed. It is clear that increasing education and skill levels pays off in the current economy.

Chart 2.3



Note: Data missing for Bachelor's or higher for 2000 and 2001 due to small sample size
 Source: Economic Policy Institute analysis of Current Population Survey data

Unemployment Insurance

Another indicator of labor market health is the number of workers receiving unemployment insurance (UI), and more specifically, the number who have exhausted their benefits due to prolonged periods of unemployment. Indiana workers can receive up to 26 weeks of unemployment benefits; however, not all unemployed workers are eligible for UI benefits. Only one-third of unemployed Hoosiers received UI benefits in 2006 compared to 35 percent of all US workers. Nearly forty percent of Hoosiers who received unemployment insurance in 2006 exhausted their UI benefits according to the U.S. Department of Labor. This is higher than the U.S. rate of 35.3 percent, but below the peak Indiana reached in 2003 of 44 percent. Unemployment insurance is an important safety net for workers. A

high rate of workers who use up their benefits illustrates the often lengthy time it takes to find employment.

In summary, Indiana's labor force remains a strong and vital contributor to the economy. Hoosiers are strongly attached to the labor force; however, the unemployed are finding themselves out of work for longer periods of time with many exhausting their unemployment insurance benefits. Only one-third of unemployed Hoosiers even access unemployment benefits. African Americans are more likely to be unemployed or underemployed. Their overall economic conditions are much less favorable than their White counterparts. The other main factor contributing to employment rates and participation in the labor force is education. Those with postsecondary experience are more likely to be employed. Workers lacking a high school diploma fare the worst in terms of employment.

SECTION THREE

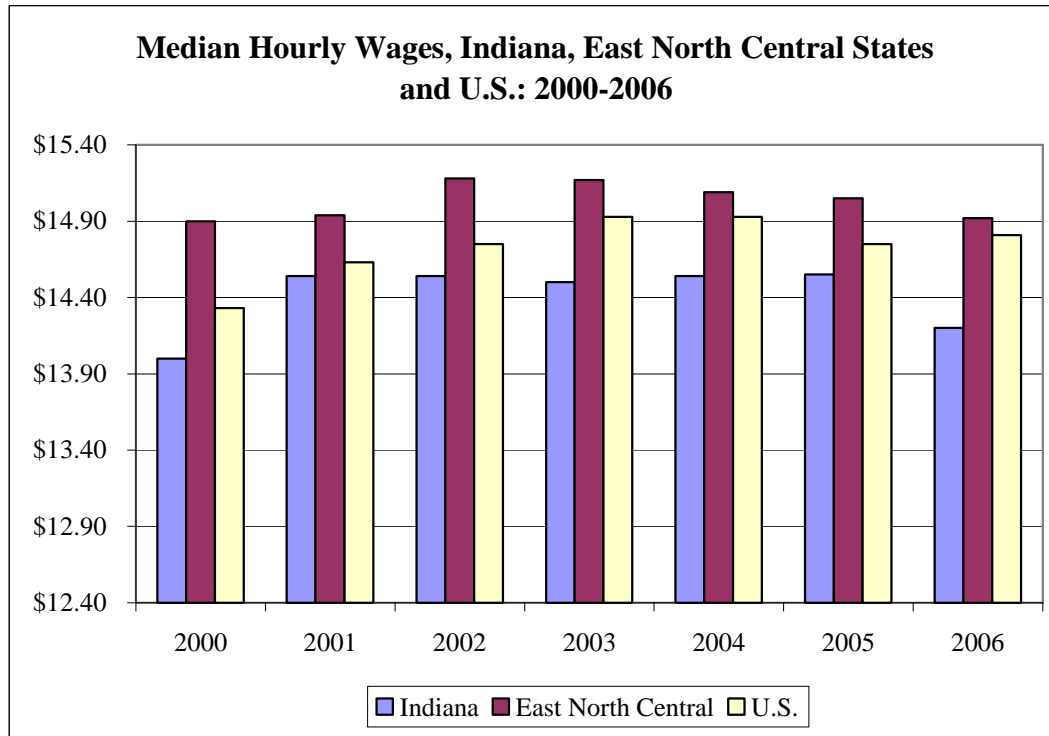
Wages



Wages are another important economic indicator. Understanding Indiana's wage situation as it relates to the region and the nation can put into perspective the importance of the recent economic changes. For Hoosiers, the wage data are not overly encouraging.

Real wages in Indiana have remained flat over the course of the last recession and recovery. Indiana wages have not kept pace with wages in the United States as a whole. In 2006, the median hourly wage (50th percentile) for Indiana workers was \$14.20 per hour, compared to \$14.81 per hour nationally. The median wage for Indiana was much lower than the U.S. median, and was also below the median for the East North Central states of Ohio, Illinois, Indiana, Michigan, and Wisconsin. (See Chart 3.1).

Chart 3.1



Source: EPI Analysis of Current Population Survey Data

Table 3.1 shows the median hourly wage for Indiana and the U.S. over the past seven years, 2000 to 2006. The stagnation of Indiana wages can be seen clearly in this table with a median wage that only increased by one cent from 2004 to 2005 and dropped by \$0.35 in 2006. (All dollar amounts are adjusted for inflation).

Table 3.1

Median Hourly Wages, Indiana and the United States, 2000 to 2006 (in 2006 dollars)		
	Indiana	United States
2000	\$14.00	\$14.33
2001	\$14.54	\$14.63
2002	\$14.54	\$14.75
2003	\$14.50	\$14.93
2004	\$14.54	\$14.93
2005	\$14.55	\$14.75
2006	\$14.20	\$14.81

Source: Economic Policy Institute analysis of Current Population Survey data

Wages by Demographic

Median hourly wages have remained flat since 2001 and experienced a slight drop in 2003. Using 2003 as the comparison year, which was the lowest median wage level during the recovery period, shows some disturbing facts. The 2006 wage for all workers dropped below the 2003 level.

Some demographic groups have experienced even larger decreases. African Americans saw real median wages drop by over \$2.00 per hour since 2003, a drop of nearly 15 percent. Workers without a high school diploma saw their median wages decline by nearly eight percent over the same timeframe. Their median wage in 2006 was \$9.23 per hour, which if working full-time year-round would not lift a family of four above the poverty threshold. Workers who have a high school degree but no postsecondary education also saw wages drop by nearly five percent. It is clear that workers without education beyond the high school level are losing ground in the new economy.

Union workers were the only group to experience an increase in real wages over the last four years. They saw wages go up by five percent since 2003 while their non-union counterparts experienced a 4.7 percent decrease. Union workers continue to experience wage gains when all other demographic groups are losing ground.

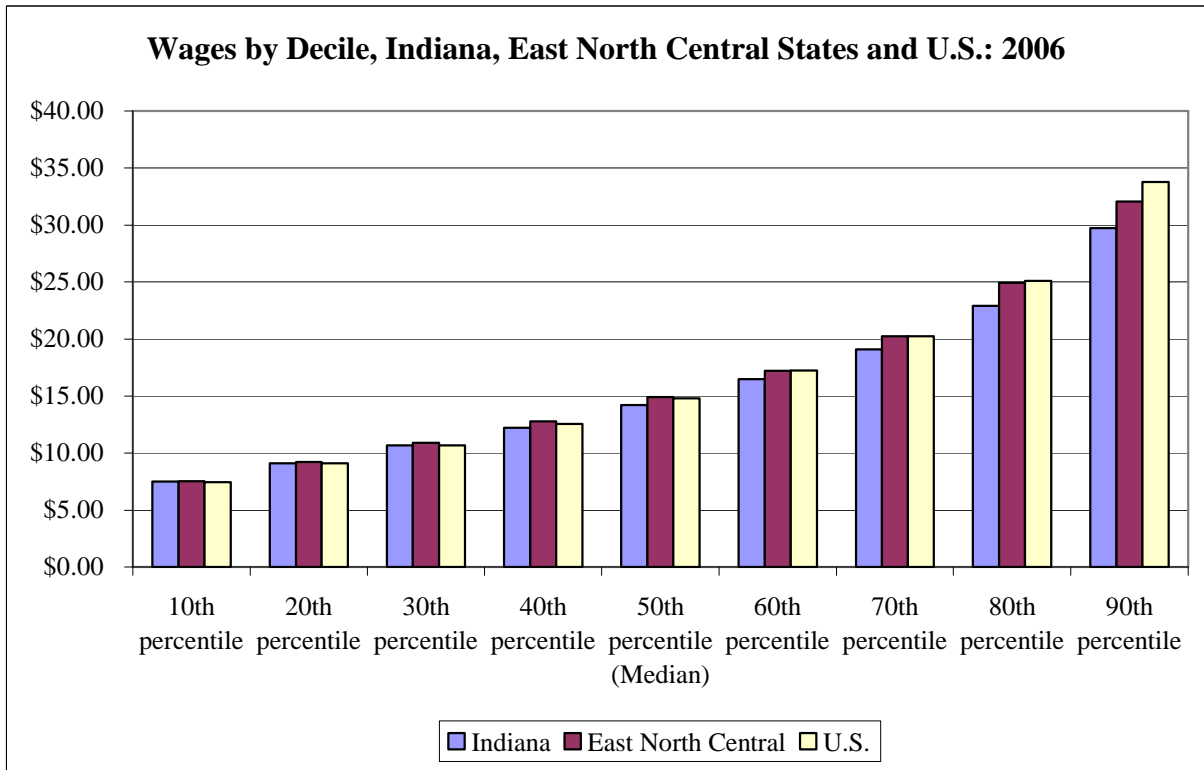
Table 3.2

Median Hourly Wages by Demographic, Indiana 2003 and 2006 (in 2006 dollars)			
	2003	2006	% change
ALL WORKERS	\$14.50	\$14.20	-2.1%
Male	16.56	16.11	-2.7%
Female	12.47	12.17	-2.4%
White	14.83	14.78	-0.3%
African American	14.10	12.08	-14.3%
Less than HS	10.01	9.23	-7.8%
High School	13.08	12.55	-4.8%
Some College	14.33	14.08	-1.7%
Bachelor's or higher	23.18	22.71	-2.0%
Union	17.85	18.80	5.3%
Non-union	14.09	13.43	-4.7%

Source: Economic Policy Institute analysis of Current Population Survey data

Indiana workers are losing ground. Chart 3.2 reveals a great deal about the Indiana economy and how its workforce and wages compare to the United States. This chart divides Indiana’s wage earners into ten equal groups and shows the average wage for each percentile, or one-tenth, of workers. Indiana’s low-wage workers, those in the 10th through the 30th percentiles, earn wages that are comparable to low-wage workers in the United States. Beginning at the 40th percentile and continuing for each decile thereafter, Indiana workers earn progressively less than their U.S. counterparts. In other words, low wage workers in Indiana do just as well as others in the country; however, Indiana’s median and higher wage workers lag well behind the rest of the United States.

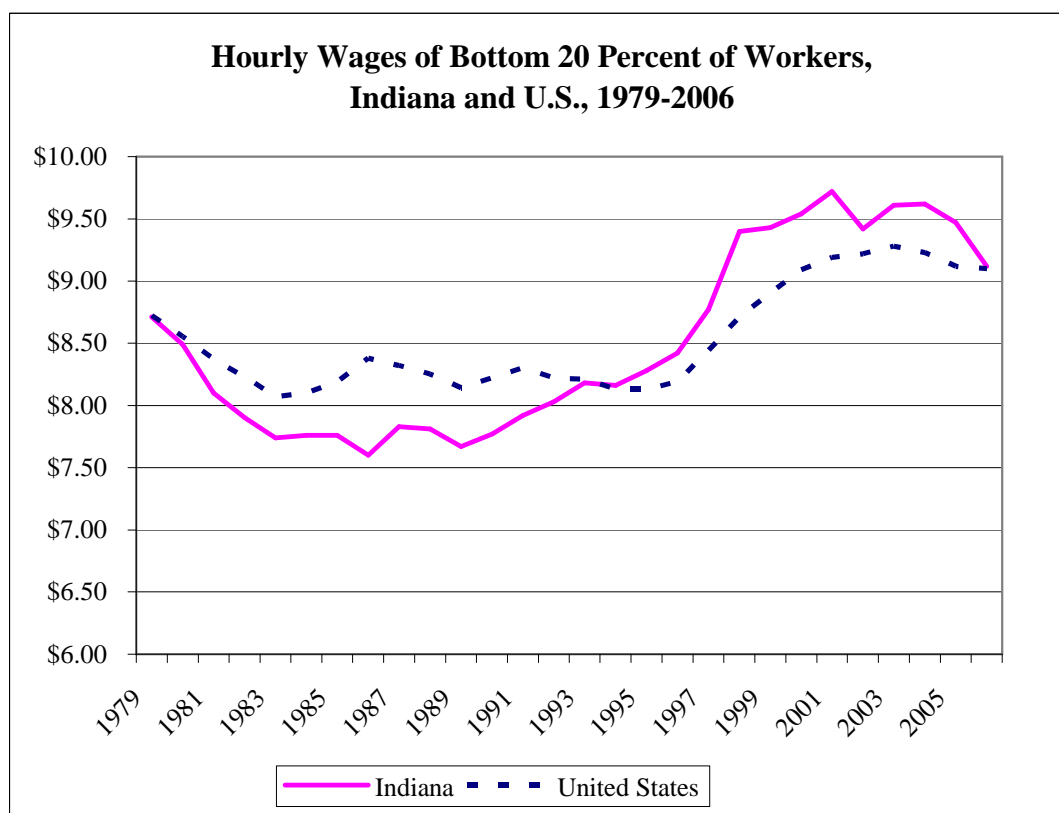
Chart 3.2



Source: EPI analysis of Current Population Survey data

Indiana’s low-wage workers were not always at the same level as the rest of the country. In fact, they have seen their comparable standing fall since 2005. As is shown in Chart 3.3, low-wage workers in Indiana have fared *better* than other low-wage workers in the country since 1994. However, low-wage workers have seen their relative standing decline and in 2006, low-wage workers in Indiana are no better off than their national counterparts.

Chart 3.3



Source: Economic Policy Institute analysis of Current Population Survey data

The bottom third of workers saw wages decline between four and six percent since 2000 while the top 10 percent saw wages increase by nearly two percent. While wage gains for the top are not overly large, the fact remains that lower wage earners are faring worse in the current economy. Workers in the top 90th percentile now earn nearly four times the amount of workers in the 10th percentile. In 1979, the ratio was 3.25. The data point to growing disparity between low wage earners and those at the high end of the wage scale. See Table 3.3.

Table 3.3
Hourly Wages by Percentile, Indiana 2000 and 2006 (in 2006 dollars)

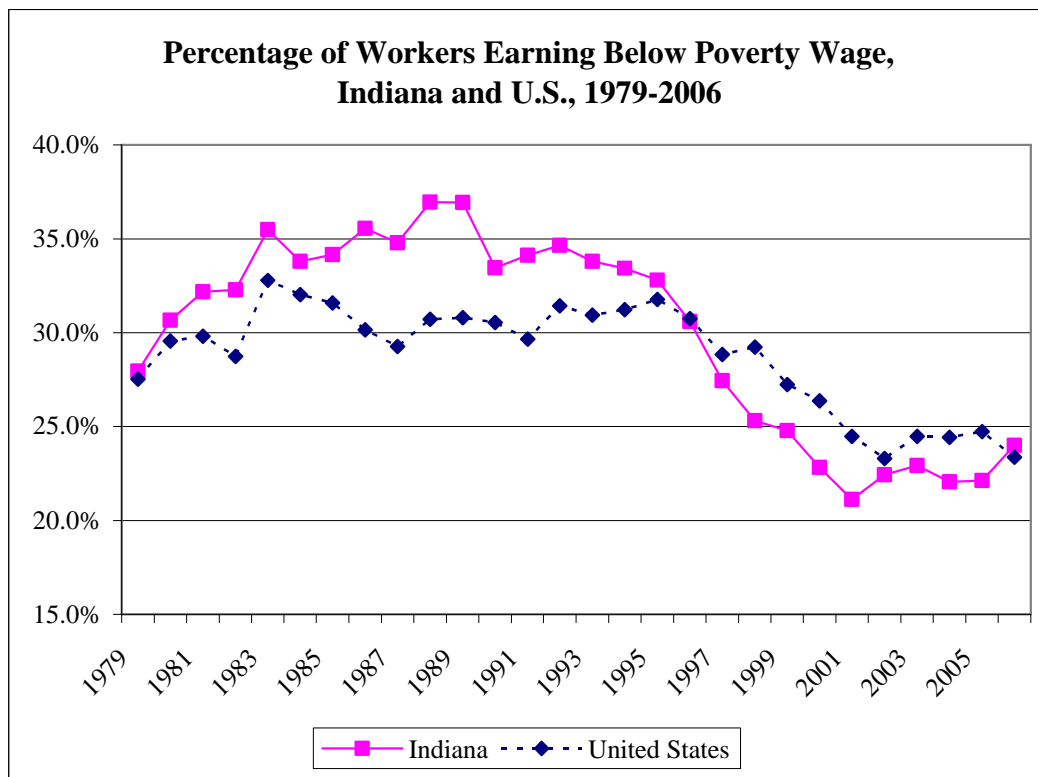
<u>Percentile</u>	<u>2000</u>	<u>2006</u>	<u>Percent change</u>
10 th	\$8.03	\$7.51	-6.5%
20 th	\$9.54	\$9.12	-4.4%
30 th	\$11.28	\$10.68	-5.3%
40 th	\$12.44	\$12.21	-1.8%
MEDIAN	\$14.00	\$14.20	1.4%
60 th	\$16.20	\$16.48	1.7%
70 th	\$19.31	\$19.09	-1.1%
80 th	\$23.26	\$22.91	-1.5%
90 th	\$29.24	\$29.75	1.7%

Source: Economic Policy Institute analysis of Current Population Survey data

Many are working but remain poor. The percentage of workers earning below poverty wages (assuming full-time, year-round work earning \$9.91 per hour or \$20,615 annually) has increased by a statistically significant margin since 2005, up by nearly two percentage points. Nearly 24 percent of all Hoosier workers earn wages below the poverty level. Nationally, 23 percent of workers earn poverty wages or below.

The share of workers earning poverty wages had been steadily decreasing since its peak in 1988 at 37 percent to the lowest point in 2001 of 21 percent of workers. Since 2001, the rate has been gradually moving upward, reaching its current rate of 24 percent. Indiana now has a larger share of workers earning poverty wages than the national average. Indiana has not exceeded the national rate in this category since 1995. This is a disturbing statistic that will need to be monitored. (See Chart 3.4).

Chart 3.4



Source: Economic Policy Institute analysis of Current Population Survey data

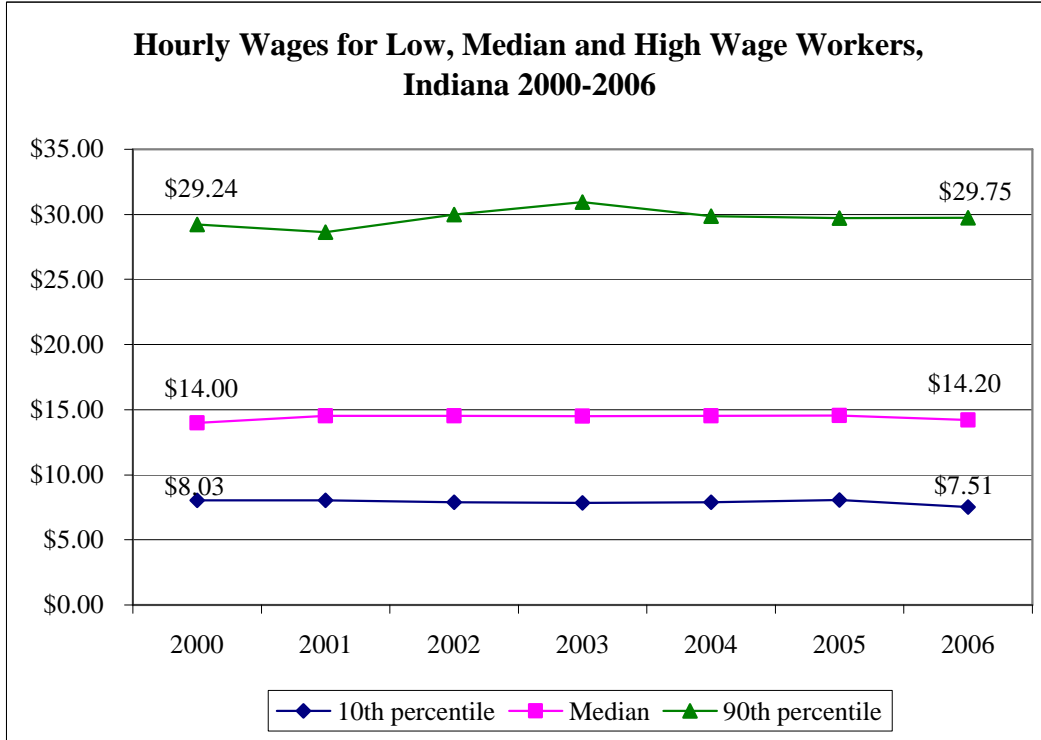
Wage Inequality

The growing disparity between the haves and have-nots has been receiving more attention on the national level as the gap between high-wage and low-wage earners widens. The Economic Policy Institute points to three elements of wage inequality: 1) the gap between the low wage (10th percentile) earners and median wage (50th percentile) earners; 2) the gap between top wage earners (90th percentile) versus median wage earners; and 3) the growth of wages at the very top. Examining these three elements within the Indiana economy shows that the difference between earnings groups has widened, but not as much as the national gap.

In 1979, low wage worker wages equaled 31 percent of those in the top 10 percent of earners. In 2006, the bottom ten percent of workers earned just one-fourth the wages of the highest wage earners. Part of the reason for the widening gap is the increase in wages at the top while wages have remained flat for those in the bottom 10 percent. Since 1979, wages dropped by nearly two percent for the bottom 10 percent of workers while wages for the top 10 percent have increased by nearly 20 percent.

While the gap between high wage and low wage worker earnings has grown over time, the last recovery period shows that since 2000 wages have remained flat for all three groups: low-wage, median-wage and high-wage earners. The unfortunate fact is that all wage groups are stagnating at about the same rate. Not even the 90th percentile wage earners saw wages increase much more than their low-wage counterparts.

Chart 3.5

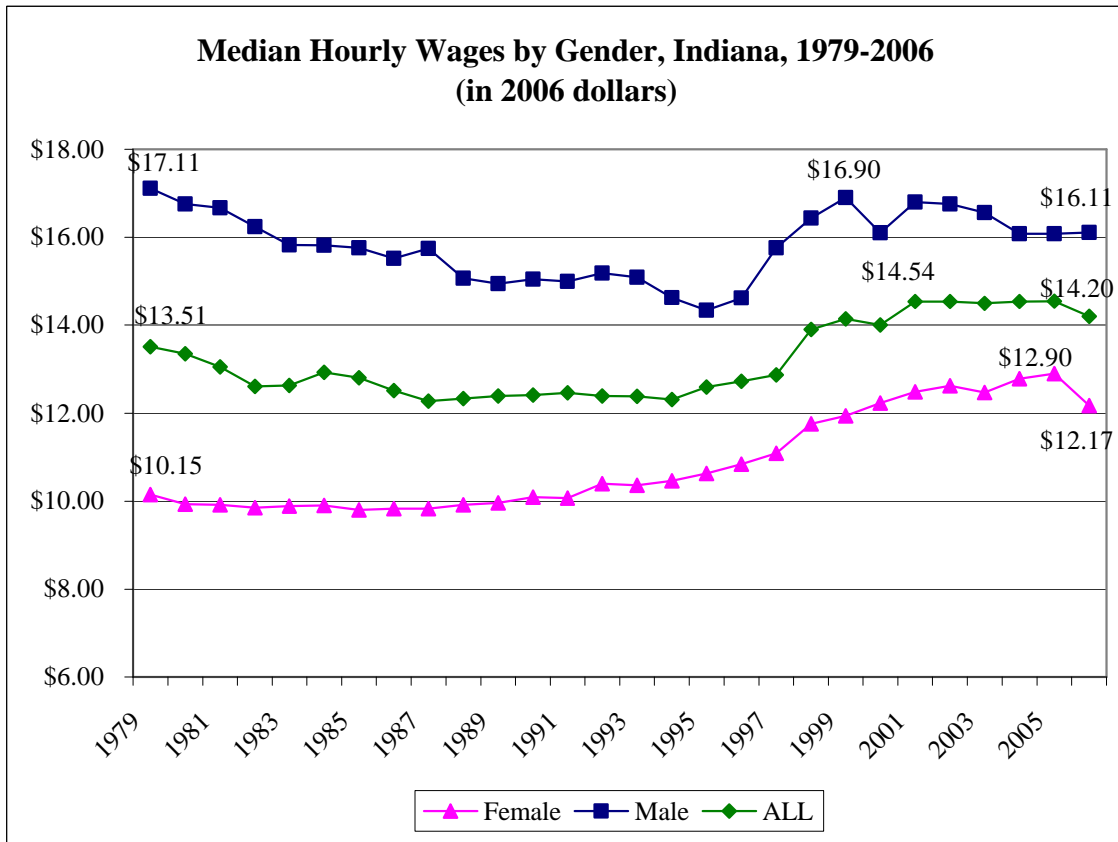


Source: Economic Policy Institute analysis of Current Population Survey data

Gender gap

Women continue to earn much less than their male counterparts, although this gender gap is narrowing. Women have seen their median wages increase during the 1990s through 2005, although wages dropped in 2006. Hoosier women have made progress in closing the wage gap, but remain considerably below their male counterparts.

Chart 3.6

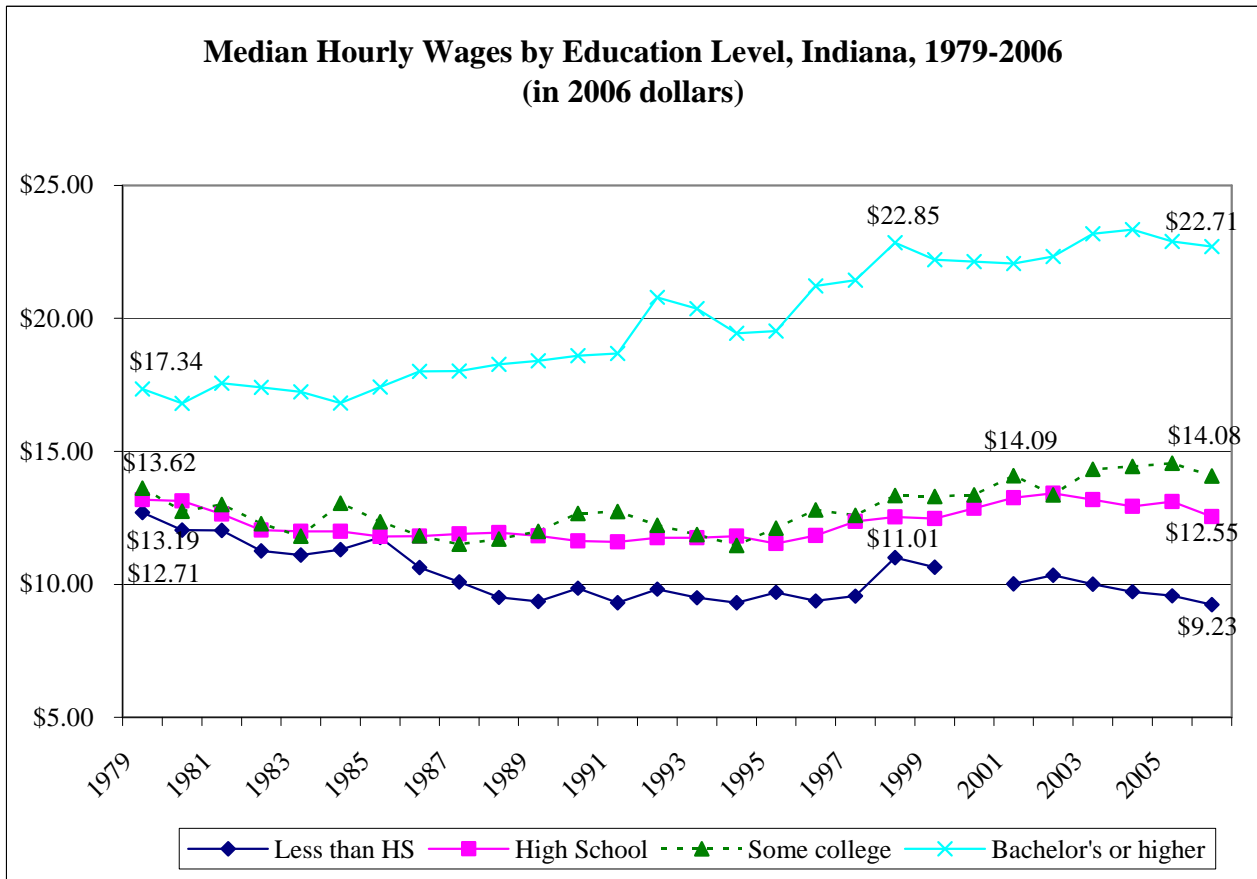


Source: Economic Policy Institute analysis of Current Population Survey data

Education gap

Higher levels of education are also associated with higher wages. Those with less than a high school education have experienced the greatest decrease in wages over time. Their median hourly wage in 2006 would not lift a family of four above the poverty threshold. On the other hand, those with a bachelor's degree or higher saw wages go up by 16 percent since 1995, but have seen wages flatten out over the last three years. Workers with some college experience, but no degree, saw the largest wage gains since 2000. Median wages for workers with some college increased by five percent over this period, while wages for college degree holders went up by 2.6 percent.

Chart 3.7



Source: Economic Policy Institute analysis of Current Population Survey data

Overall, Indiana has experienced no real wage growth over the last seven years. Wages have not fully recovered from the economic downturn that started in 2001. Data show overall stagnation for all wage groups. Low wage workers, who used to enjoy higher status compared to low-wage earners in other states, have lost ground. The startlingly large drop in wages for African Americans deserves further investigation. More workers are earning poverty-level wages. Those with only a high school education experienced substantial wage losses. These statistics are cause for concern if these trends continue. Indiana will need to focus on generating jobs in the state that pay higher wages, and to help the current workforce attain the skills needed to gain access to higher paying jobs.

SECTION FOUR

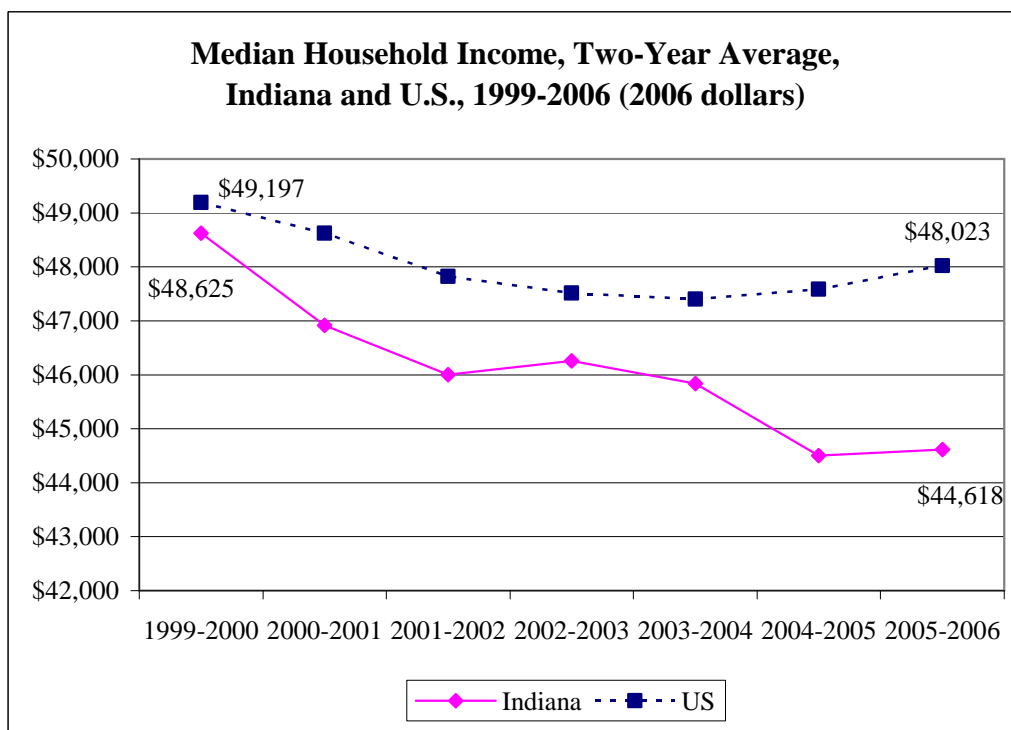
Incomes



This section goes beyond wages earned through employment and examines median incomes for households and families in Indiana. Median household income includes all pre-tax money received, including wages and salary plus any other cash income received such as unemployment insurance, disability payments or child support. A household consists of all persons in a housing unit, including families with related members, two or more unrelated persons, or single individuals. Family median income levels will be discussed later in this section and will describe only those households with two or more related family members.

The Median Household Income (MHI) in Indiana for 2005-2006 (2-year average) was \$44,618, ranking the state 35th in the nation. This is an increase of only \$113 over the 2004-2005 level and over \$4,000 below the 1999-2000 value. Chart 4.1 illustrates the growing gap in median household income; Indiana's median was nearly 99 percent of the national median in 1999-2000. The 2005-2006 average has fallen to just 93 percent of the national level.² While the national median household income rose slightly in 2006 to \$48,023, it also remains below the 1999-2000. Current median incomes for Indiana and the nation are also below that of 2000-2001, the beginning of the recession.

Chart 4.1

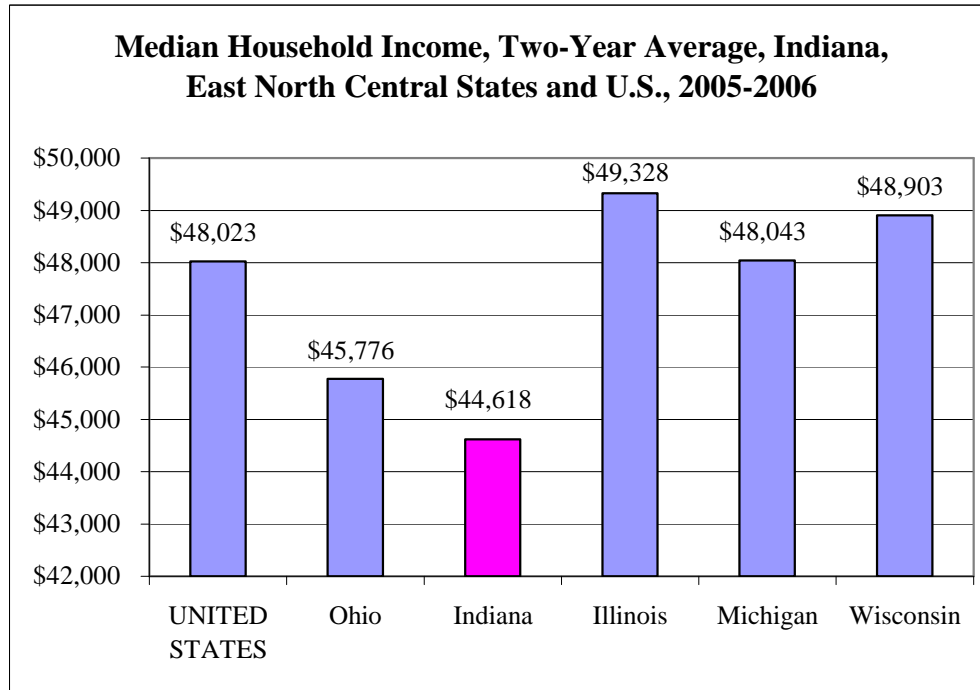


Source: U.S. Census Bureau, Current Population Survey 2006

² Source: <http://www.census.gov/hhes/www/income/histinc/h08a.html>.

Indiana’s median household income is not only below the national level, but remains below neighboring states in the region. Chart 4.2 compares Indiana’s MHI with the U.S. and that of the other states in the East North Central region. As can be seen, Indiana has the lowest MHI of the states included in this region (in 2006 real dollars).

Chart 4.2



Source: EPI Analysis of Current Population Survey Data,
<http://www.census.gov/hhes/www/income/histinc/h08a.html>

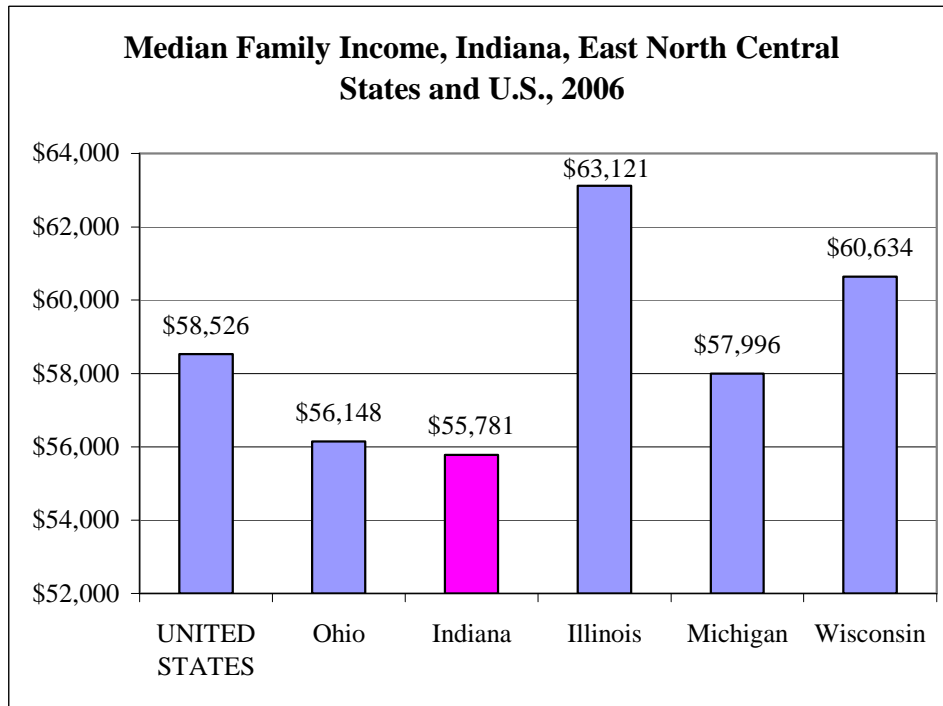
It is not surprising that Indiana’s median household incomes are below national and regional levels as a consequence of the flat wage rates and decline in the number of high-paying manufacturing jobs. Indiana is clearly falling behind given the widening gap between Indiana and the rest of the nation.

Median Family Income

The previous section focused on household income, which includes families, households of unrelated persons and single individuals. A family household includes two or more persons related through blood, marriage or adoption. This household type is examined separately in order to gauge how well families and children are faring in the state.

Chart 4.3 compares the median family incomes in Indiana to the national median family income and those of the East North Central region. Again, Indiana has a lower median family income than neighboring states and the nation.

Chart 4.3



Source: American Community Survey, 2006

The gap between Indiana's median family income is not as great as that of the household median when comparing to national and regional levels. Indiana's median family income stands at 95 percent of the national median and 99 percent of Ohio's median. However, the gap has grown over the last five years. In 2002, Indiana's median family income was at 98 percent of the national median and ranked 23rd among all states. Indiana ranked 30th in 2006 and the median family income is at 95 percent of the national level. Family incomes seem to be keeping up slightly better than overall household incomes, but the gap continues to widen. Indiana's families are losing ground as their median income rankings continue to drop.

Income levels are important to monitor alongside wage data and give a larger view of how households and families are faring economically. It is important to analyze family incomes separately given the outcomes for children associated with greater financial resources. Unfortunately, Indiana has seen wages and incomes remain flat or fall since the last recession. These are disturbing trends in the fifth year of an economic recovery.

SECTION FIVE

Poverty Rates

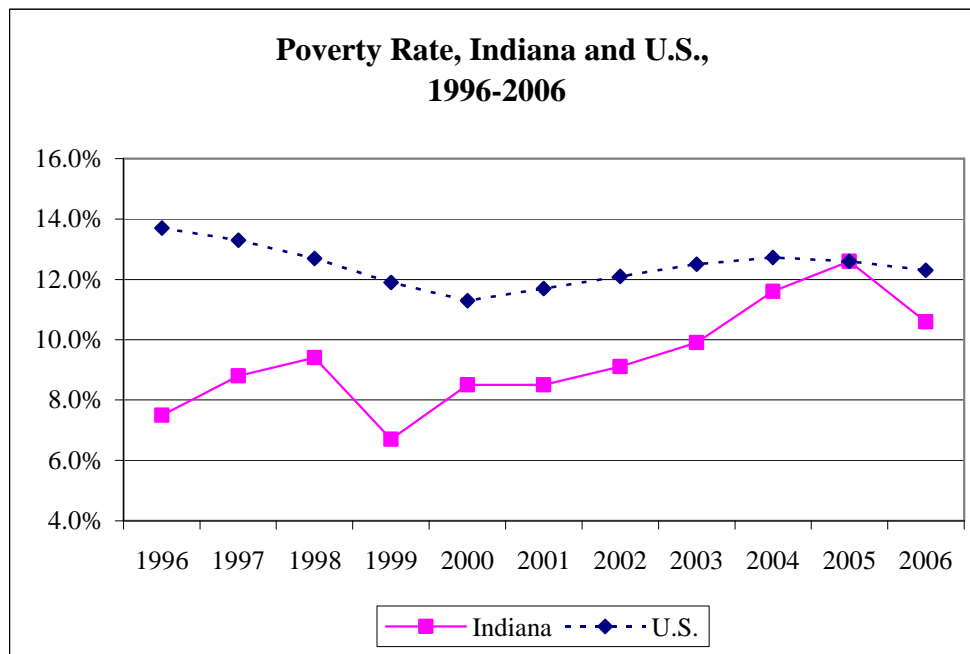


Another important indicator of economic well-being is the percentage of people living in poverty. For purposes of this report, the official definition used by the federal government is the benchmark. In 2006, the federal poverty level for a family of four is \$20,615.

On August 28, 2007, the U.S. Census Bureau released new data on national and state poverty rates. According to the Current Population Survey (CPS), the nation experienced a slight decline in poverty rates, down from 12.6 percent to 12.3 percent in 2006. Roughly 36.5 million Americans live in poverty.

Chart 5.1 shows the one-year poverty estimates over the past ten years, and compares Indiana's poverty rates to the United States. As can be seen in the chart, Indiana has had much lower rates of poverty than the United States, but its rate has been steadily increasing since 1999 when Indiana reached an all-time low of 6.7 percent.

Chart 5.1



Source: EPI Analysis of Current Population Survey Data

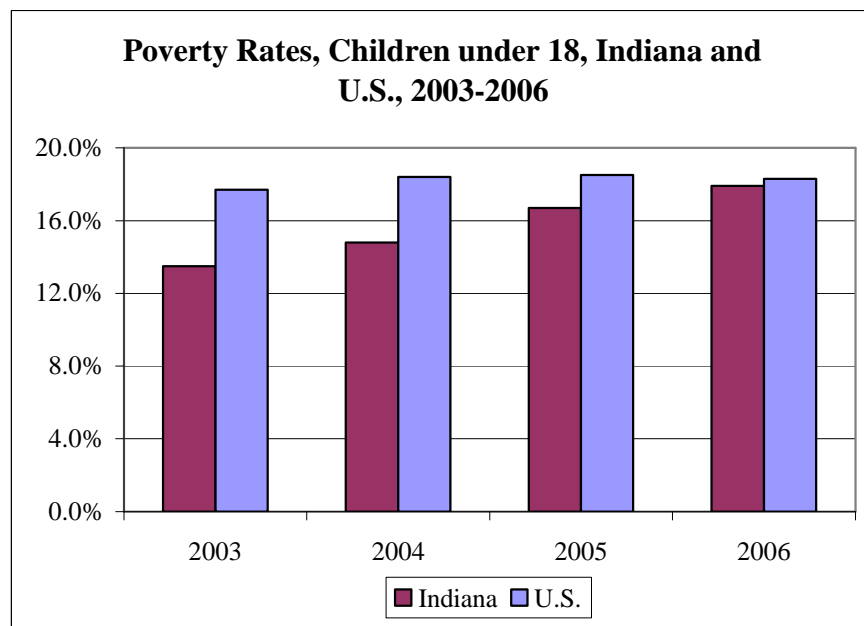
State poverty rates are best analyzed with data found in the American Community Survey (ACS) due to the survey's larger sample size. According to 2006 ACS data, Indiana's poverty rate was 12.7 percent in 2006, slightly above the 12.2 percent rate in 2005. Approximately 778,000 Hoosiers were living in poverty in 2006. Unlike the CPS data, the ACS shows the national poverty rate remained steady at 13.3 percent. Indiana remains below the national poverty rate but has narrowed the gap in recent years.

Elderly poverty rates remain well below the national average. In 2006, Indiana had the seventh lowest poverty rate for persons over the age of 65 at 7.8 percent. This compares to 9.9 percent for the nation. The national decline in poverty has been attributed in part to the lower elderly poverty rates.

Child Poverty

Indiana saw child poverty edge up slightly in 2006 to 17.9 percent from 16.7 percent in 2005. This is the third consecutive year of increases according to ACS data, which goes back to 2003. The current child poverty rate is significantly higher than the 2003 rate of 13.5 percent. The state ranked 21st in child poverty in 2006, compared to a much more favorable ranking of 36th in 2003. While still below the national child poverty rate, Indiana has been edging closer to the national rate. The United States rate went down slightly to 18.3 percent in 2006 compared to 18.5 percent in 2005.

Chart 5.2



Source: U.S. Census Bureau, American Community Survey

The data indicate that poverty remains a challenge for many families in Indiana. The poverty rates continue to edge upward despite five years of economic recovery. Child poverty continues to grow. This growth in poverty makes sense given the flat wages and falling income levels in the state, but these are indeed troubling statistics.

Alternative Measure of Poverty

The 2006 federal poverty threshold as defined by the federal government for a family of four is an income of \$20,615 or less. Researchers have argued that the federal definition is outdated and does not adequately measure what it takes to support a family. Self-sufficiency standards are gaining more attention due to their regional focus and breakdown of a bare bones budget for different family types. Self-sufficiency standards examine the major aspects of family budgeting, to include housing costs, taxes, health insurance, child care and food.³ For many families, self-sufficiency levels equate to roughly 200 percent of the federal poverty threshold, or \$41,230 for a family of four. Given this fact,

³ For Indiana's self-sufficiency standards by county and family size, please see the report, *The Self-Sufficiency Standard for Indiana: Where Economic Independence Begins*, Indiana Institute for Working Families, 2005. See also the Self-Sufficiency Calculator at <http://www.ichhi.org>.

the poverty rates understate the number of families that work hard and still struggle to meet basic needs.

Over 1.7 million Hoosiers fall below 200 percent of the poverty threshold, or 27.6 percent of the population in 2006. Nearly 34 percent of children were living in families with incomes below 200 percent of poverty. This compares to 39 percent in the United States as a whole. These children and their families have incomes that are less than is required to meet the self-sufficiency standard for Indiana. According to the 2005 report, *The Indiana Self-Sufficiency Standard: Where Economic Independence Begins*, a family of four living in Marion County would need an annual income of \$42,850 to meet their basic budget needs.

Poverty rates remain higher than their pre-recession levels and only begin to tell the story of families who struggle to provide for their children. Indiana had historically lower levels of poverty than the rest of the nation. This is not the case in 2006 as overall poverty and child poverty rates continued to edge closer to the national rate. These data are not surprising given the falling wages at the low end of the spectrum and should be monitored carefully.

SECTION SIX

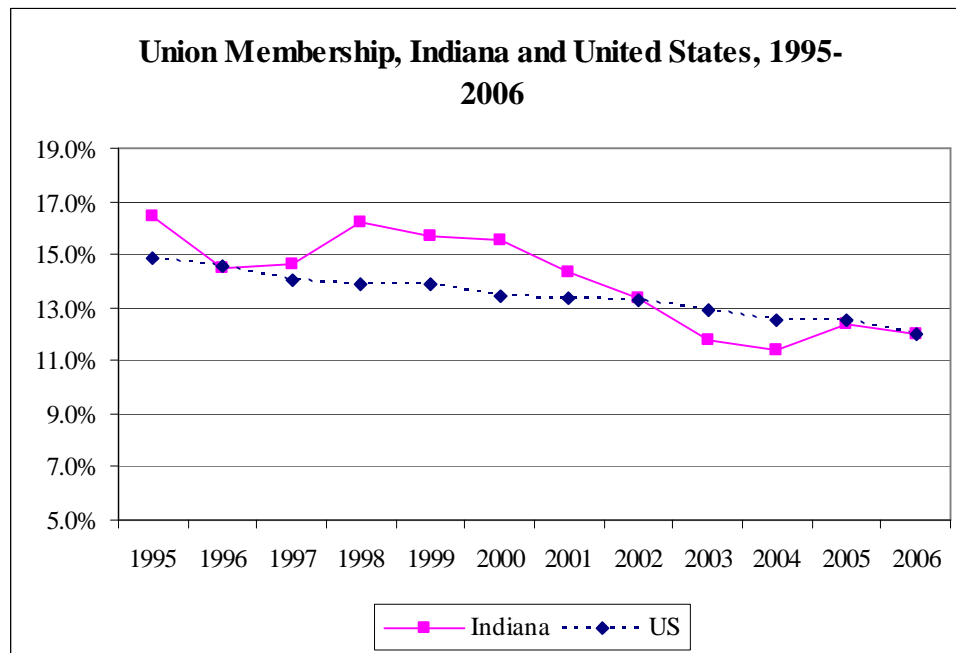
Union Membership



Unionized workers earn higher wages and are more likely to have health insurance, pension coverage and paid leave benefits. The median wage in 2006 for union workers is nearly forty percent higher than the median wage for non-union workers (\$18.83 per hour compared to \$13.43 per hour). The percentage of workers belonging to unions is an indicator of the quality of jobs in the state. Unfortunately, union membership in Indiana has been declining in recent years.

The percentage of workers belonging to unions in Indiana had long exceeded the national average. In 1989, over 20 percent of Hoosier workers belonged to unions compared to just over 16 percent in the United States. However, beginning in 2002, Indiana union membership declined and remained below the national average for the next three years. The percentage of labor union members in the United States remained steady from 2004 to 2005, but dropped by a half point in 2006 to 12 percent. (See Chart 6.1), Indiana saw a similar decline and is now at the same level as the national average.

Chart 6.1



Source: Economic Policy Institute, Bureau of Labor Statistics

The biggest drop in union membership has been in the private construction industry. In 2000, nearly one-third of construction employees belonged to unions. That figure dropped nearly 10 percentage points to 22.7 percent in 2006.⁴ The number of construction jobs increased over this timeframe, but the number of workers covered by unions decreased.

⁴ Unionstats.com. Union Membership, Coverage, Density, and Employment by State and Sector, 1983-2006. <http://www.unionstats.com/>

The loss of manufacturing jobs has decreased the number of union employees, but the percentage of manufacturing jobs covered by unions has not dropped significantly. The sector driving most of the state's drop in union membership is construction.

Belonging to a union usually means higher pay and more benefits. The decline in union membership may also be a contributing factor to stagnant wages and falling income levels. Unions are not the only avenue to ensure wages and benefits are in place, but employee bargaining power has historically played a strong role in maintaining job quality.

SECTION SEVEN

Health Insurance

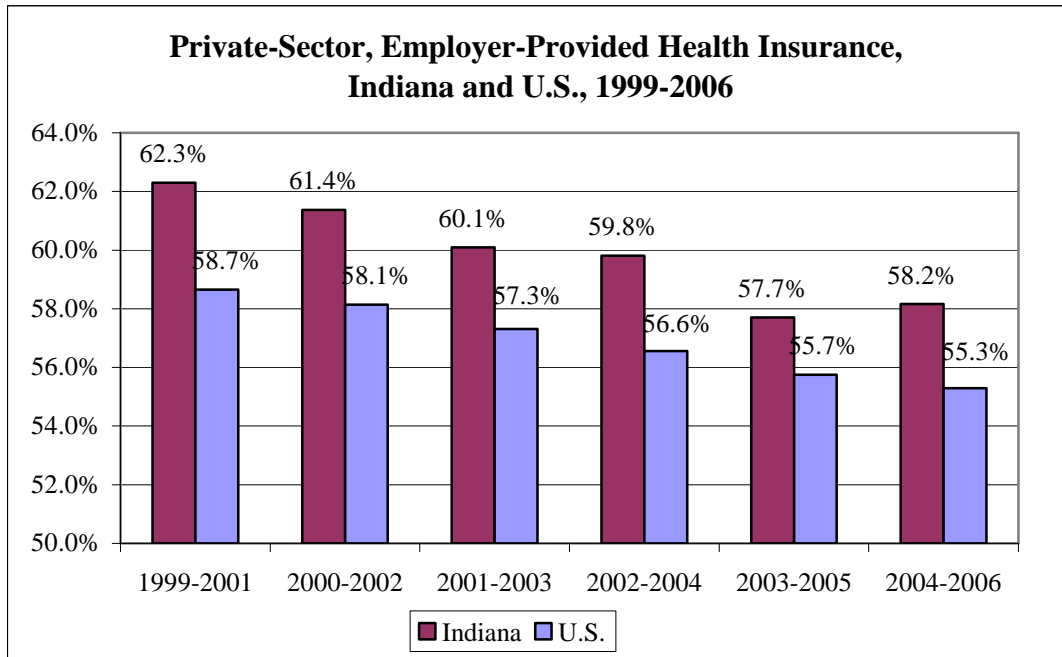


Private-sector, employer-provided health insurance is a coveted benefit for workers in today’s economy. Health care costs are rising and many employers are finding it difficult to keep up with the costs. As a result, the share of workers covered by employer-provided plans has been declining.

For the purposes of this report, the following federal definitions are used to distinguish between private and government health insurance. Private health insurance is a plan provided through an employer, union or purchased by an individual from a private company. Government health insurance includes the federal programs Medicare, Medicaid, and military health care; the State Children’s Health Insurance Program (SCHIP); and individual state health plans. People are considered “insured” if they were covered by any type of health insurance for part or all of the previous calendar year; uninsured if they were not covered by any type of health insurance at any time in that year.

As illustrated in Chart 7.1, the percentage of workers covered by employer-provided health insurance went up slightly in 2006 to 58.2 percent.⁵ It remains well below the 62 percent average in 1999-2001.⁶ The decline in employer-provided health insurance coverage likely reflects the growth in lower-wage service jobs. Fortunately, Indiana continues to remain above the United States on this important indicator of job quality.

Chart 7.1



Source: EPI Analysis of Current Population Survey Data

⁵ Private sector, employer-provided health insurance refers to private-sector wage and salary workers age 18-64, who worked at least 20 hours per week and 26 weeks per year.

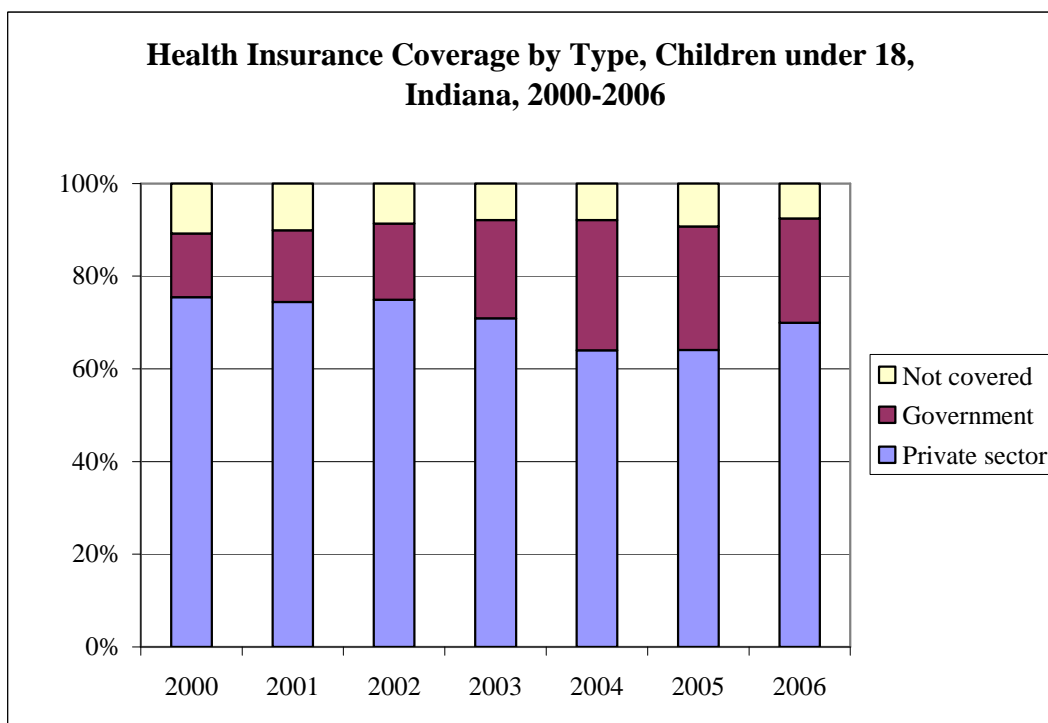
⁶ The data is from the Current Population Survey and is reported in three-year moving averages.

Children's Health Insurance

Indiana has a relatively good record in providing health insurance coverage to low-income children (those below 200 percent of the Federal Poverty Guidelines). For the years 2004-2006, 12.5 percent of low-income children in Indiana were without health insurance coverage in Indiana, compared to 18.1 percent in the United States. Overall, 72.5 percent of all Indiana children were covered by private sector health insurance in 2006, considerably higher than the national figure of 64.6 percent. While Indiana has a higher percentage of children covered by private sector insurance, the figure remains well below 1999 levels when 80 percent of children were covered by private plans. (U.S. Census Bureau).

As illustrated in Chart 7.2, the portion of children covered by government insurance has gone up in recent years. Twenty-three percent of children were covered by government plans in 2006 compared to just 14 percent in 2000. The type of coverage has changed during the last few years, but overall uninsured rates are significantly less; eight percent in 2006 compared to 11 percent in 2000.

Chart 7.2



Source: U.S. Census Bureau, <http://www.census.gov/hhes/www/hlthins/historic/hihist5.html>

Uninsured Rates

Nearly 12 percent of Indiana residents, or roughly 748,000 individuals, were without health insurance coverage in 2006. Indiana has consistently had lower uninsured rates than the rest of the country. In fact, the national rate increased slightly in 2006, while the state rate dropped by nearly two percentage points. Table 7.1 compares Indiana and the United States in the percentage of persons who lack health insurance coverage.

Table 7.1

Percent of Residents Not Covered by Health Insurance, Indiana and United States, 2000-2006			
	Indiana	United States	Percentage Point Difference
2000	10.8%	13.7%	-2.9%
2001	11.2%	14.1%	-2.9%
2002	12.3%	14.7%	-2.4%
2003	12.9%	15.1%	-2.2%
2004	13.8%	14.9%	-1.1%
2005	13.6%	15.3%	-1.7%
2006	11.8%	15.8%	-4.0%

Source: EPI Analysis of Current Population Survey Data

Compared to 2000, Indiana has seen an overall drop in private sector health insurance coverage and a slight increase in the percent of residents who are uninsured. The data have been improving over the last two years. Indiana's children have fared much better over the last seven years. The uninsured rate has gone down and is near the low reached in 1999, mostly due to higher rates of government coverage. Health insurance coverage of adults and children is important for overall economic and social well-being.

CONCLUSION

The Status of Working Families in Indiana: 2007 Update

Indiana's economy has changed since the last recession. Manufacturing is no longer the leading industry sector. The labor force is more diverse. More jobs are requiring postsecondary education and training. Median wages and incomes are not keeping pace with the national levels. African Americans are experiencing even higher unemployment rates and lower wages. Workers who lack postsecondary education are also falling behind. The trends are going in the wrong direction in terms of poverty rates, wages, incomes and union membership. Taken together, it is apparent that the economic recovery has not reached all Hoosiers.

The data underscore the importance of analyzing all aspects of the economy and not relying on one statistic as the sole indicator of economic health. The number of jobs alone does not give any information on the quality. The unemployment rate does not indicate how long people are unemployed, or how many may have become discouraged and dropped out of the labor force altogether. Median wages are also a poor indicator of economic well-being if taken out of context. Poverty rates only capture a portion of the families who struggle to meet basic needs. Additionally, not all demographic groups experience the same results. The full economic picture includes many moving parts.

Recommendations

The purpose of the report is to analyze various economic indicators in order to better understand how the Indiana economy affects working Hoosiers. The data in this report support the recommendations of an earlier study by the Institute, *Investing in Indiana's Working Families to Build a 21st Century Economy*, and highlights areas of concern. Some broad recommendations can be made to bolster economic outcomes for Hoosier workers. The following suggestions are not meant to be a comprehensive review of economic policy, but a starting point for further research and discussion around effective policies and programs.

Racial disparities deserve more attention. The data uncover some recurring gaps or disparities along racial lines. Across many indicators, African Americans fare much worse than their White counterparts. While the numbers do not indicate the cause, it is worth further research. The state cannot afford to leave behind this segment of its workforce. Workforce training programs and educational offerings must reach out and target resources to the African American community in order to reverse these trends.

Education and training programs are critical. Those with a high school education or less are seeing their economic standing continue to fall. The high-paying jobs that only required a high school diploma are disappearing. The need for more education in this new economy has been documented in various reports and cannot be understated.⁷ The state has fewer college-educated workers than the rest of the nation, and Indiana cannot wait for its youth to graduate and fill this need. It must step up to the plate and ensure its current workforce has access to educational opportunities that will result in positive economic gains.

⁷ A Demand-Side Strategy to Meet Indiana's Workforce Basic Skills Challenge, Prepared for the Indiana Chamber of Commerce Foundation, by Future Works, January 2005

Recent education and training initiatives targeted to working Hoosiers, such as the state Chamber of Commerce efforts to promote workplace literacy through its Ready Indiana project, can help bridge the education gap. Ivy Tech's College for Working Adults is yet another avenue to increasing the skill levels of working adults. The state Department of Workforce Development has restructured its WorkOne centers to be more efficient and effective at serving the needs of employees and businesses. All these efforts can help improve the economic standing of workers who lack postsecondary education.

Job quality must be the goal. The fact that nearly one-quarter of Hoosier workers earn wages that would not lift a family of four above the federal poverty threshold is a disturbing statistic. This goes against the American Dream and the intrinsic belief that hard work leads to success. This is no longer the case for many Hoosiers who work hard, yet continue to struggle meeting basic needs. The state must work to support job growth and an economy that provides family-supporting wages.

Meanwhile, as workers strive to reach higher rungs on the economic ladder, work supports such as tax credits, child care assistance, affordable health insurance and a safety net for unemployed workers are critical. The recent increase in the minimum wage should help low-wage workers increase their earnings. State efforts to offer health insurance to low-income families through its Healthy Indiana plan are another positive step. Providing these supports helps families stay on track and move forward. Without such assistance, many will continue to live paycheck to paycheck.

The overarching concern for Indiana is job quality, including adequate wages, health insurance benefits and general protection of worker rights. The data show some erosion in these areas over the last recession and recovery period. The state's strategic economic development plan, *Accelerating Growth*, articulates many policy objectives to improve the state's economic conditions. The public needs to hold the state accountable for its broad goals to meet the national average in annual wages by 2020 (p. 2) or to move every Hoosier up one level on the talent scale (p.13). The data will bear out the consequences of achieving these goals. It is clear that there is room for improvement in ensuring the economy works for all Hoosiers.

FOR MORE INFORMATION CONTACT:
INDIANA INSTITUTE
FOR WORKING FAMILIES, ICHHI
3737 N. Meridian St., Suite 404, Indianapolis, IN 46208
Phone: (317) 636-8819, Fax: (317) 324-1250
Email: info@ichhi.org Website: www.ichhi.org

