
Status of Working Families in Indiana, 2012



Measuring Indiana's Economy by the Economic Health of Working Families



TheJoyceFoundation

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About the Indiana Institute for Working Families – The Indiana Institute for Working Families (Institute) is a program of the Indiana Community Action Association, Inc. (IN-CAA). The Institute was founded in 2004. The Institute conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies, and programs impacting low-income working families with education and outreach. The Institute achieves its work by focusing its activities in the following areas: Public Policy: Research and Analysis; Education and Outreach; and National, Statewide, and Community Partnerships. To learn more about the Institute, please visit: www.incap.org/iwvf.html.

About the Indiana Community Action Association (IN-CAA) – The Indiana Community Action Association, Inc. (IN-CAA) is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA's members are comprised of Indiana's 23 Community Action Agencies (CAAs), which serve all of Indiana's 92 counties. IN-CAA envisions 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. IN-CAA serves as an advocate and facilitator of policy, planning and programs to create solutions and share responsibility as leaders in the War Against Poverty. IN-CAA's mission is to help the state's CAAs address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase network capacity. For more information about IN-CAA, please visit IN-CAA's web site at: www.incap.org.

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Table of Contents

Introduction	1
Executive Summary	2
Chapter 1: Poverty on the Rise	3
Poverty Rates.....	3
Economic Self Sufficiency	5
Alternative Poverty Measures	6
Policy Recommendations	6
Chapter 2: Declining Opportunities.....	8
Long Term Unemployment and Part Time Work.....	9
Labor Force Participation	11
Industry Analysis.....	12
Manufacturing Sector.....	13
Indiana’s Auto Industry Resurgence	13
Jobs Deficit.....	13
Policy Recommendations	16
Chapter 3: Working Harder for Less.....	17
Median Household and Median Family Incomes.....	18
Wage Inequality.....	19
Income Inequality	19
Minimum Wage	20
Indiana’s Regressive Tax System	20
Policy Recommendations	22
Chapter 4: Skilling-Up the Hoosier Workforce.....	23
Wages by Educational Attainment	24
Policy Recommendations	25
Citations.....	26
Appendix: A Toolbox for the Economic Health of Working Families...28	

Introduction

The *Status of Working Families in Indiana, 2012* is an update to the *Status of Working Families in Indiana, 2011* report (2011 Report). The report analyzes the general state of Indiana's economy as it relates to working families by examining data on poverty, workforce, wages and post-secondary educational attainment. The analysis guides our research and subsequent policy recommendations that follow each chapter. Measuring the economic health of Hoosier families is a central function of the Institute's mission: *to research and promote public policy that provides Hoosier families the ability to achieve and maintain economic self-sufficiency.*

While the national economy has shown some signs of recovery, the fact remains that for working families, who have been treading water for decades, the impact of the Great Recession is still a lingering reality. Since the 2011 Report: the number of Hoosiers living in poverty reached more than one million; unemployment in Indiana has remained above the national average for nearly a year; low wage jobs and income inequality are both on the rise, and; post-secondary educational attainment continues to present challenges to high-growth job creation.

December of 2012 marked a half-decade since the Great Recession began, and nearly three-and-a-half years since the recovery began. The Institute's 2011 Report began by reporting on the length of the Great Recession compared to previous recessions since World War II.¹ Preemptively, however, it's now worth noting that during the same time period, economic expansions have generally lasted 58 months on average – which is April of 2014. Economic expansions since the 1990's have, however, been longer, lasting 95 months on average – which is June 2015.²

In order to better prepare Indiana's working families for a more secure economic future, state policies and investments that reflect the economic reality of low- and middle-income Hoosiers are more critical than ever. Policy makers should begin to provide a toolbox for families to restore the promise of economic mobility. This toolbox should: reward hard working Hoosiers by ensuring they share in economic growth; strengthen work support programs for our most vulnerable citizens and ultimately; equip all Hoosiers with the opportunity to obtain the skills necessary in order to attract high-paying, quality jobs that are necessary for a family's economic self-sufficiency.

The full report can be found online at <http://www.incap.org/statusshare2012.html#.UdGW7Dmera4>

Executive Summary

Chapter 1: Poverty On the Rise

- Indiana was 1 of 17 states to see statistically significant increases in poverty rates from 2010 to 2011.
- There are now a record-breaking 1,011,017 Hoosiers living in poverty and 2.24 million living below 200 percent of the Federal Poverty Guideline – a level generally required for self-sufficiency.
- Since the 2011 Report, poverty rates have increased for Hoosier children under 18 years of age and for children under 5 years of age, and 45.9 percent of Hoosier children are low-income – also an increase and a larger percentage share than neighbor states.
- Only five states in the U.S. (none of which are Indiana neighbor states) have seen larger percentage increases in low-income individuals since the recession began in 2007.

Chapter 2: Declining Opportunities

- Indiana’s unemployment rate has been above the national average for 11 straight months.
- Unemployment among African Americans increased substantially from 15.5 percent in 2011 to 19.8 percent in 2012.
- Unemployment among 16-19 year olds also increased from 19.6 percent in 2011 to 21.9 percent in 2012.
- As of 2011 in Indiana, 71 percent of all jobs were in occupations that pay less than what is required for economic self-sufficiency and 24 percent were in occupations that pay wages below the poverty line – an increase since 2010.
- Underscoring the low-wage recovery, the leisure and hospitality industry has seen the strongest growth over the past year in Indiana.
- Indiana’s jobs deficit, or the difference between the numbers of jobs Indiana currently has, and the number of jobs it needs to regain for pre-recession employment (2,987,200 jobs) is 173,600 jobs.

Chapter 3: Working Harder for Less

- At \$15.24, the median hourly wage in Indiana is less than all neighboring states (excluding Kentucky).
- Since the recession began, median hourly wages in Indiana have not recovered for both the 50th and 10th percentiles – still down 7 and 8 percent, respectively, while those in the 90th percentile have seen a 1 percent increase.
- If gains in productivity had been matched with gains in wages, median compensation would be just under \$29 per hour. Likewise, if the minimum wage had kept up with productivity, it would be near \$18.75 today.

Chapter 4: Skilling Up the Hoosier Workforce

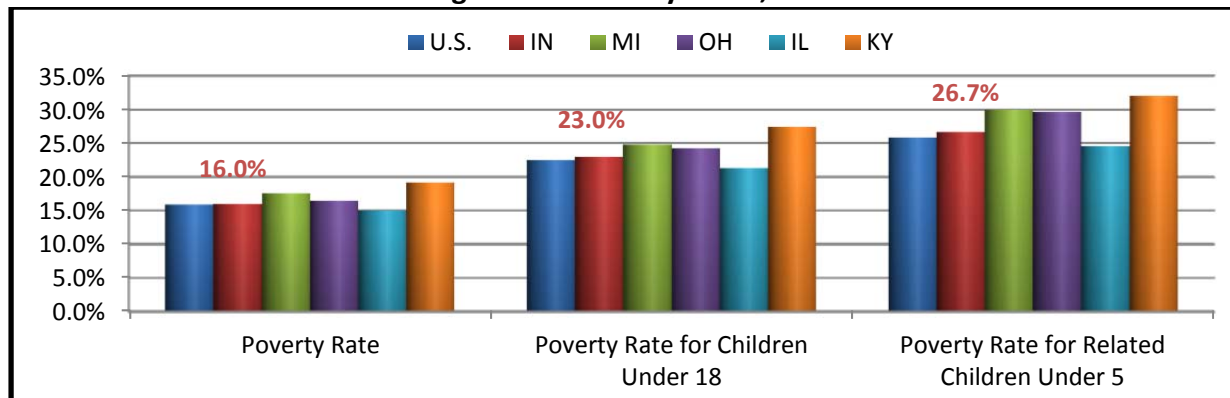
- A majority (54 percent) of all jobs in Indiana are still middle-skill jobs—requiring more than a high school diploma, but less than a four-year degree, while only 47 percent of Hoosier workers have the appropriate skills and credentials.
- Just 23 percent of Hoosiers over the age of 25 have a bachelor’s degree (44th in the nation).

Chapter 1: Poverty on the Rise

In the last decade, poverty in Indiana increased at a faster clip than in all but 5 states. Showing no signs of slowing, Indiana was one of 17 states to see statistically significant increases in overall poverty rates from 2010 to 2011. There are now a record-breaking 1,011,017 Hoosiers living in poverty and 2.24 million are low income; that is, living below 200 percent of the Federal Poverty Guidelines (FPG) – a level generally required for economic self-sufficiency.^a While the latter represents a slight drop from the 2011 Report (less than 10,000 Hoosiers), the 2011 U.S. Census data suggest that, from 2010 to 2011, a large share of Hoosiers who moved out of the range of 100 to 200 percent of the FPG fell deeper into poverty—below 100 percent. Each year that poverty increases, economic mobility becomes more of a statistical oddity for the affected families and future generations.

Figure 1.1 represents poverty rates for all individuals and children in Indiana. Indiana’s poverty rate (16 percent) is slightly above the national average. More than 172,000 children (23 percent) under the age of 18 live in poverty, and of children in Indiana under the age of five, more than a quarter live in poverty (130,691), 50 percent (262,256) are low-income and, 11.7 percent (64,000) live in extreme poverty.

Figure 1.1: Poverty Rates, 2011

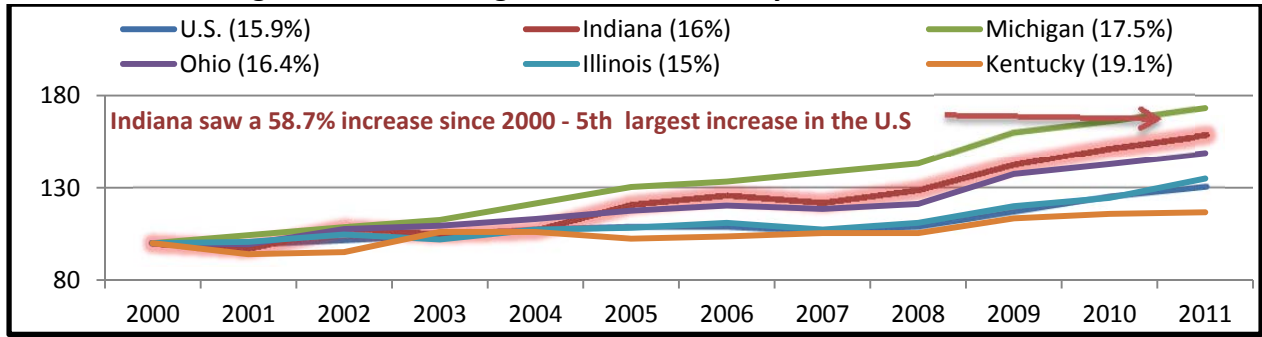


Source: U.S. Census Data, American Community Survey, ACS 1-Year 2011 Estimates

While Indiana’s poverty rates are on par with the national average, there is serious concern regarding the sharp increase of poverty in the last decade. From 2000 through 2011, the poverty rate has increased by 58.7 percent — the 5th highest increase in the nation. Since the recession began in 2007, Indiana saw a 30 percent increase in poverty rates — 11th largest increase in the nation. Among neighboring states – as illustrated in **Figure 1.2** and **Figure 1.3** – Indiana leads the pack in terms of poverty growth since the recession began – and just behind Michigan since 2000. Current poverty rates are listed in the legend of Figure 1.3.

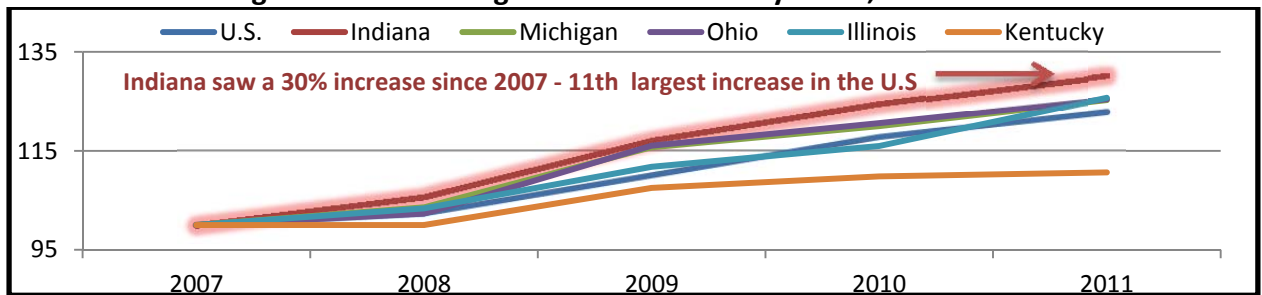
^a The Federal Poverty Guidelines (FPG) measures the number of people in poverty. If families are earning less than the poverty threshold, they are considered “poor” and those earning incomes above the threshold are considered “not poor.” In reality, financial well-being is not so clear-cut. There are many families earning incomes above the FPG, but are still unable to meet their family’s basic needs. Self Sufficiency is defined as the amount of income needed for a family of a certain composition in a given place to adequately meet their most basic needs – without public support.

Figure 1.2: Percentage Increase in Poverty Rates, 2000 - 2011



Source: Economic Policy Institute Analysis of American Community Survey Data (Indexed, January 2007=100)

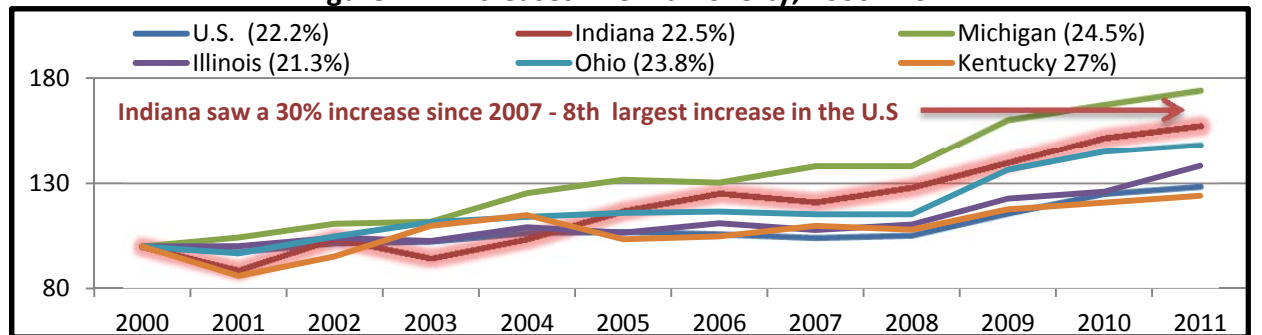
Figure 1.3: Percentage Increase in Poverty Rates, 2007 - 2011



Source: Economic Policy Institute Analysis of American Community Survey Data (Indexed, January 2007=100)

Children raised in poverty face tremendous challenges to their long-term economic and social well-being, manifest in adulthood with decreased lifetime earnings, worse educational outcomes, and higher incarceration rates. Consequently, the rapid growth in child poverty shown in **Figure 1.4** is a concern not only for those immediately affected – Hoosier children under 18 years of age – but for the entire state. Policy choices that fail to prioritize strong educational opportunities, proper nutrition, and access to medical care for Hoosier children will cost the state, and taxpayers, in the long-run. The poverty rate for Hoosier children now stands at 23 percent for children under 18 years of age and more than a quarter (26.5) under the age of 5 live in poverty. Representing a larger percentage share than all neighbor states, 45.9 percent of children are low-income. Each aforementioned measure is an increase from the 2011 Report. Current child poverty rates are listed in the key of Figure 1.4.

Figure 1.4: Increases in Child Poverty, 2000 - 2011

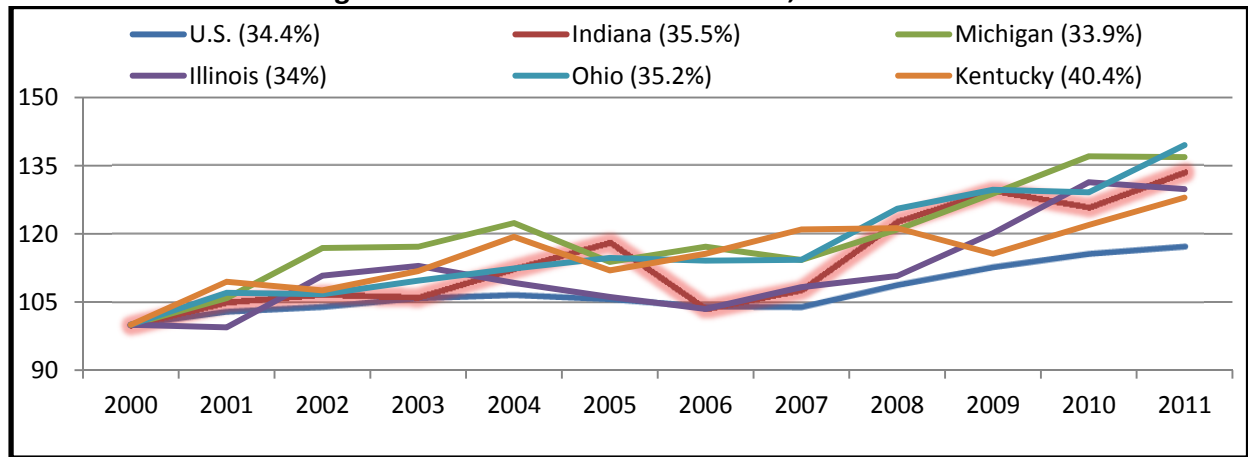


Source: Economic Policy Institute Analysis of American Community Survey Data (Indexed, January 2000=100)

Economic Self-Sufficiency

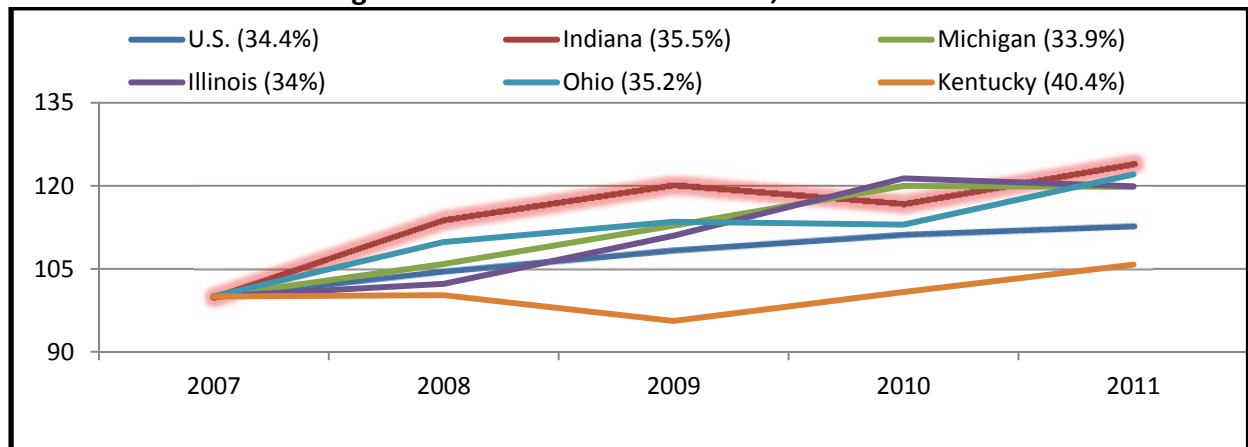
Self-sufficiency is defined as the amount of income needed for a family of a certain composition in a given place to adequately meet their most basic needs – without public or private support. Given the official poverty measure’s inability to capture the economic reality families are facing, the Institute is concerned not only with the 1,011,017 Hoosiers living below the official poverty line, but also with the 2.24 million Hoosiers that are not officially “in poverty” but are still low-income – defined as having incomes between 100 and 200 percent of the Federal Poverty Guidelines (FPG). Income above 200 percent of the poverty line is a level generally accepted as necessary for economic self-sufficiency. Only five states in the U.S. (none of which are Indiana neighbor states) have seen larger percentage increase in low-income individuals since the recession began in 2007 (see **Figure 1.6**), and only five states in the U.S. (including Michigan and Ohio) have seen larger percentage increase in low-income individuals since 2000 (see **Figure 1.5**).

Figure 1.5: Increases in 200% of FPG, 2000 - 2011



Source: Economic Policy Institute Analysis of Current Population Survey Data (Indexed, January 2000=100)

Figure 1.6: Increases in 200% FPG, 2007 - 2011



Source: Economic Policy Institute Analysis of Current Population Survey Data (Indexed, January 2007=100)

Alternative Measures of Poverty^{bc}

If lawmakers are to begin putting more Hoosiers on the path to economic self-sufficiency, they should consider more accurate measures of poverty to reflect the economic realities of Hoosier families. The Federal Poverty Guideline (FPG) is widely considered to be an insufficient measure of economic well-being, which is why many of the work support programs eligibility levels are set beyond 100 percent FPG. The following alternatives are offered:

- 1) Asset poverty affects 23 percent of Hoosiers. This measure takes into account a family's financial vulnerability to economic shocks, such as if one's income were suddenly cut off due to unemployment, a medical emergency or divorce. Creating a financial environment that fosters the ability to earn, save, and invest—especially for low-income families—is imperative for reducing the numbers of households who are asset-poor. Adequate tools, incentives and public policies can help foster, preserve and protect this environment for families. In addition, when families can rely on their own wealth and savings to weather economic downturns, they are less likely to utilize public assistance, saving taxpayer dollars in the long-run.^d
- 2) The Self-Sufficiency Standard is an updated, more accurate reflection of the real income needed to pay for a working family's expenses in today's economy. It is an alternative to the FPG, which was developed in the 1960s and is based solely on an outdated estimate of an individual or family's basic food costs. The Standard instead measures how much income a family of a certain composition in a given place needs to adequately meet their basic needs—without relying on public or private assistance.^e

Chapter 1 Conclusion & Policy Recommendations

Only when policymakers begin to prioritize the economic health of working families in tandem with economic development policy, and poverty rates begin to decline, will Indiana truly be a model of economic recovery. As highlighted in the 2011 Report, certain programs, such as the Earned Income Tax Credit, have proven to be successful in mitigating the effects of the recession.³ While other important programs (such as SNAP and TANF), are structured in a way that has the perverse effect of discouraging asset building. The following are a few recommendations policymakers in Indiana should consider in order to strengthen the social safety net for our most vulnerable citizens (while simultaneously preparing for future economic downturns) by providing Hoosiers with the right tools to assist themselves in achieving and maintaining economic self-sufficiency.

^bAdditional measures can also be considered, such as Relative Poverty Measure and Consumption Based Measurement.

^cAccording to the 2013 Federal Poverty Guidelines: a family of one is in poverty below \$11,490; a family of two is in poverty below \$15,510; a family of three is in poverty below \$19,530 and; a family of 4 is in poverty below \$23,550.

^dSee the Corporation for Enterprise Development's Indiana Asset and Opportunity Scorecard here <http://scorecard.assetsandopportunity.org/2013/state/in>

^eSee the Institute's Self Sufficiency Standard Report here: <http://www.incap.org/selfsufficiencystandardshare.html> and the Self Sufficiency Standard Calculator here: <http://www.indianaselfsufficiencystandard.org/>

- ✓ ***Increase Investments in Individual Development Accounts***—The Indiana Individual Development Account (IDA) Program is an asset development program for low-income individuals. IDAs are individual savings accounts, matched with public and sometimes private dollars that assist low- to moderate-income individuals in saving money and building financial assets for the specified purposes of higher education; small business capitalization; home purchase; and asset preservation through rehabilitation, such as homeowner occupied rehabilitation. The match, similar to that of an employer match for 401(k) contributions, offers a minimum 3:1 match, which means, for every one dollar saved by an IDA participant, they will receive at least a three dollar match on their deposit up to \$800 a year for up to four years. Since 2001, Hoosiers have saved nearly \$3.4 million and IDA accounts have been matched over 10,000 times.^f

- ✓ ***Expand IDA Uses, as Defined in Indiana Code, to Include Additional Needs Such as Automobile Purchase for Work or Education Purposes***—Indiana’s IDA program currently does not allow their use for vehicle purchases. Allowing a vehicle asset purchase for the purpose of transportation to school or work would unlock access to work and post-secondary education that helps Hoosier workers gain the skills they need to compete to fill the skills gap.

- ✓ ***Increase Asset Limits for the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance to Needy Families (TANF) Program***—Indiana has extremely low asset limits for both SNAP (formerly the Food Stamp Program) and TANF. For example, if a family has savings in excess of \$1,000, they are ineligible for TANF cash assistance in Indiana. Once eligible, a family may accumulate up to \$1,500 in assets. These asset limits discourage families from establishing and accumulating sufficient assets, which could not only be used to transition them off of public assistance, but also lift the family out of asset poverty.

- ✓ ***Raise the SNAP Gross Income Limit***: An increase from 130 percent of the FPG to 200 percent of the FPG would help to smooth out Indiana’s ‘benefit cliff’. For a single mother with two children, a \$0.50 increase in hourly wages can lead to a loss of more than \$2,500 – representing an annual income loss of nearly 10 percent.^{g,h}

- ✓ ***Expand Medicaid*** – An expansion would not only go a long way to help 400,000 low-income families reach economic self-sufficiency by tackling medical costs, but insured Hoosier families (who have seen some of the largest declines in employer-sponsored health coverage in the nation) will see meaningful relief through savings on uncompensated care costs.

^f See the Institute’s 2013 policy brief on IDA’s: <http://bit.ly/16KuHiX>

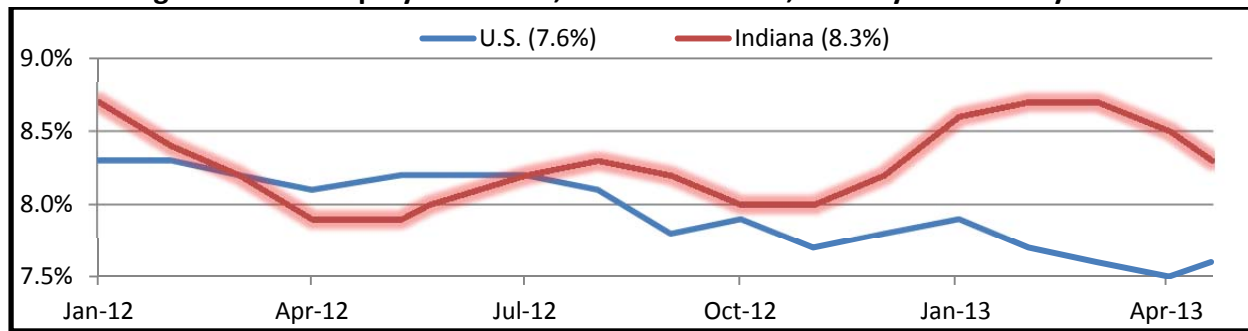
^g See the Institute’s 2011 policy brief on SNAP: <http://bit.ly/10QtHF1>

^h See the Institute’s report, The Cliff Effect: One Step Forward, Two Steps Back: <http://bit.ly/10Z57ig>

Chapter 2: Declining Opportunities

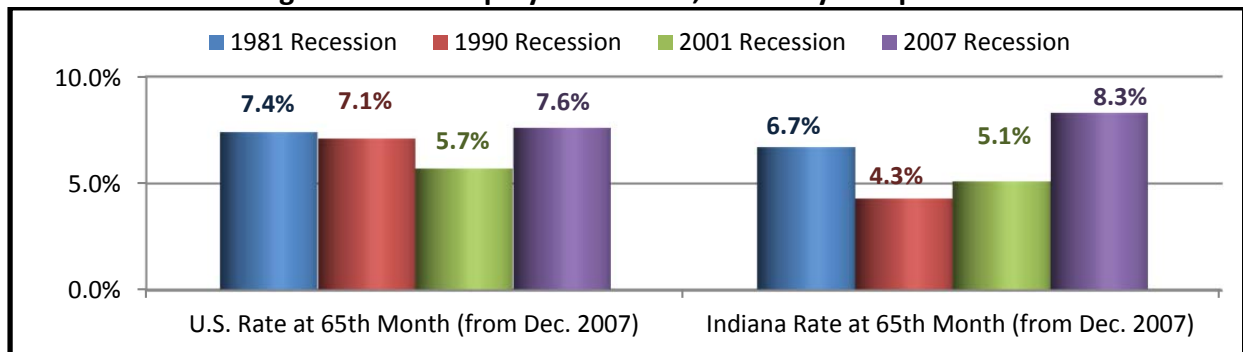
Because work is the key to economic self-sufficiency, policymakers should be commended for ensuring that Indiana is a business-friendly environment. To date though – as the data illustrates – neither job quantity nor quality have been overwhelming characteristics of the state’s labor market recovery. Instead, unemployment rates have been above the national average for just under a year (see **Figure 1.1**), the labor force is shrinking, and low-wage job growth continues to be defining attributes of Indiana’s recovery – not entirely unlike the national recovery. However, as of 2011, less than 30 percent of all Hoosier jobs were in occupations that pay more than what is required for economic self-sufficiency (or 200 percent of the FPG). This is a smaller share than all neighboring states (excluding Kentucky), and the U.S. average. Moreover, 24 percent of Indiana jobs were in occupations that pay wages below the poverty line – more than all neighboring states, and an increase from 2010. Reworking these low-road growth strategies into transformational strategies to improve the economic health of working families will be, perhaps, the greatest challenge for policymakers. Compared to previous recoveries, in which Indiana has typically fared better than the national average, **Figure 2.2** illustrates just how far off the mark Indiana is when it comes to getting Hoosier families back to work.

Figure 2.1: Unemployment Rate, Indiana and U.S., January 2012 – May 2013



Source: Economic Policy Institute Analysis of Local Area Unemployment Statistics May 2013

Figure 2.2: Unemployment Rates, Recovery Comparisonⁱ



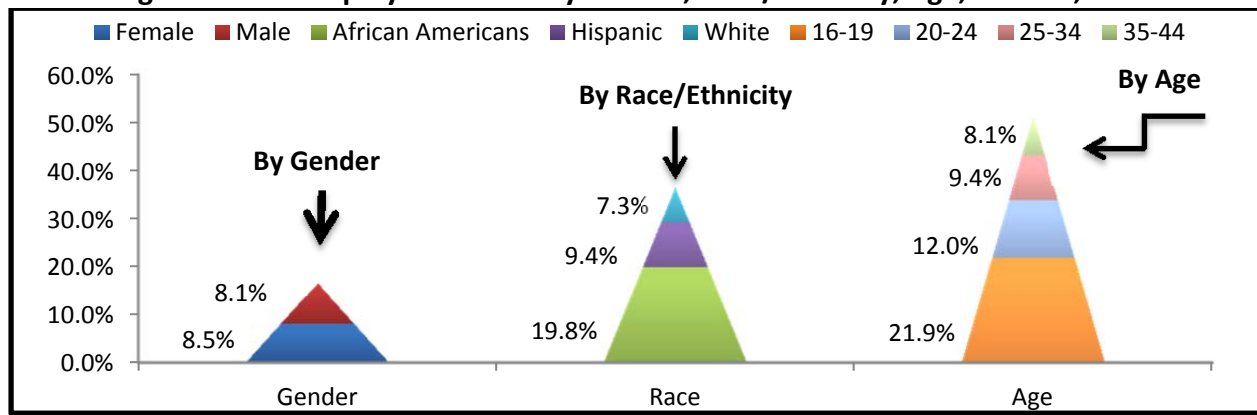
Source: Economic Policy Institute Analysis of Local Area Unemployment Statistics May 2013

ⁱ**Unemployment Rate:** measures the total labor force or workers who are currently not employed for full-time work, but want to be. It does not count people who are not actively seeking work.

As seen in **Figure 2.3**, unemployment trends are not equal in their distribution, particularly among African Americans. With an unemployment rate nearly double that of whites; the rate has increased substantially since the 2011 Report – from 15.5 percent in 2011 to 19.8 percent in 2012. Meanwhile, the unemployment rate among Hispanics has decreased by more than two percentage points since the 2011 Report. Of the 261,000 unemployed Hoosiers, 207,000 are white, 50,000 are black or African American and 14,000 are of Hispanic or Latino ethnicity.

It is also worth noting that the nation’s future generations of workforce leaders, those ages 20 to 34 years old, were hit harder than all other age groups. Since the 2011 Report, all age groups have experienced a decline in unemployment rates – except 16-19 year olds who have seen more than a 2 percent increase. Unable to begin earning valuable work experiences, unemployed teens stand to lose significant lifetime earnings and are more susceptible to higher unemployment in the future. These trends are likely explained, in part, by the continued expansion of low-wage jobs, and the fact that older Hoosiers, facing limited options, now work in industries that would have typically employed teens.

Figure 2.3: Unemployment Rate by Gender, Race/Ethnicity, Age, Indiana, 2012

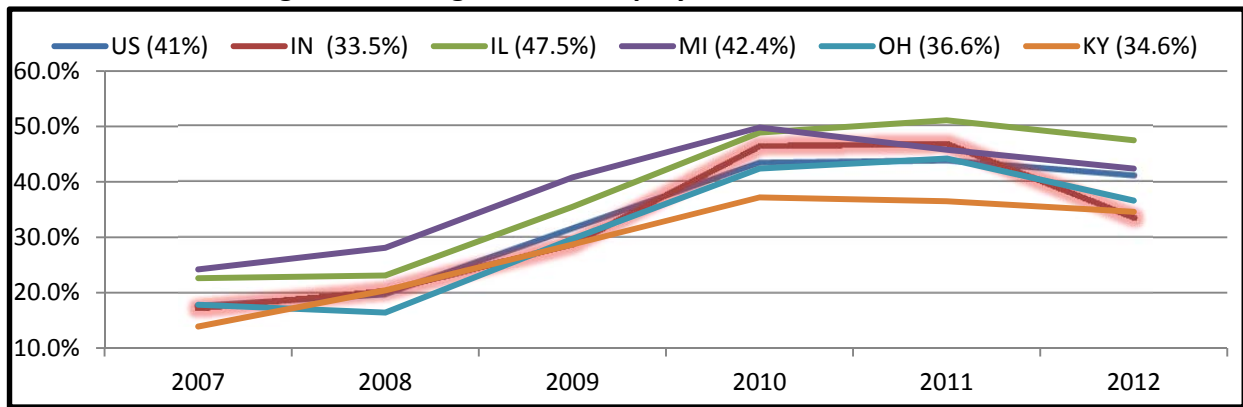


Source: Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, 2012 Annual Averages

Long-Term Unemployment, Underemployment and Part-Time Work

Figure 2.4 represents those hardest hit by the recession. Of the 261,000 unemployed Hoosiers, a third of them have been unemployed for over 26 weeks.⁴ This represents a dramatic decrease from the 2011 Report, where long-term unemployment share of the unemployed was 46.8 percent. While this decrease would typically be a positive indicator, the rising unemployment rates and the ever shrinking labor force (see Figure 2.6), along with the shortening of the period of federally extended unemployment benefits, suggests that more Hoosiers have given up looking for work altogether. To make matters worse, as of the last quarter in 2012, 67 percent of unemployed Hoosiers were not receiving unemployment benefits.⁵ Meanwhile, in Washington D.C., austerity measures known as sequestration cut further into what is typically the last remaining lifeline for working families – also predicted to contribute to slower economic growth and additional job loss.⁶

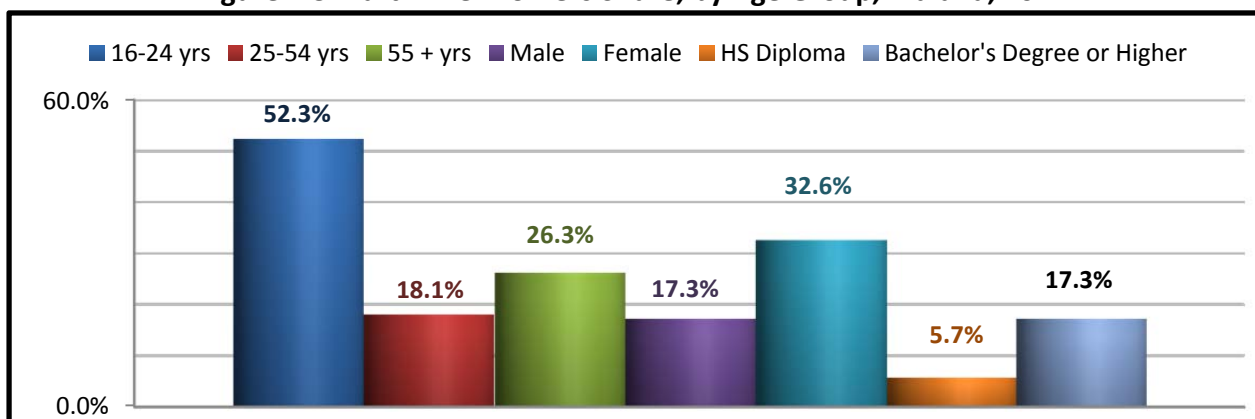
Figure 2.4: Long-Term Unemployment Share, 2007-2012^j



Source: Economic Policy Institute Analysis of Current Population Survey Data 2013

Compared to the 2011 Report, part-time work in Indiana has either remained consistent or increased for all demographics shown in **Figure 2.5**.^k Across the U.S., the number of part-time workers has increased by nearly three million since the beginning of the recession, exacerbating the existing low-wage recovery. Ordinarily, a pickup in part-time work might signal an eventual increase in full-time unemployment. However, the types of jobs created suggest a new reality that provides families with limited options for economic self-sufficiency. Some have also suggested that the Affordable Care Act (ACA)—which requires employers with fifty or more full-time employees (defined as working thirty hours or more) to offer health insurance or face a tax penalty—is encouraging businesses to hire more part-time workers in lieu of full-time staff. According to the Minneapolis Federal Reserve, however, only 4 percent of employers have made this decision thus far.⁷ The fact also remains that – over the last decade – employer sponsored health insurance coverage for Hoosiers below 200 percent FPG has been on the decline at a faster rate than all U.S. states.⁸

Figure 2.5: Part Time Workers Share, by Age Group, Indiana, 2012



Source: Economic Policy Institute Analysis of Current Population Survey Data 2013

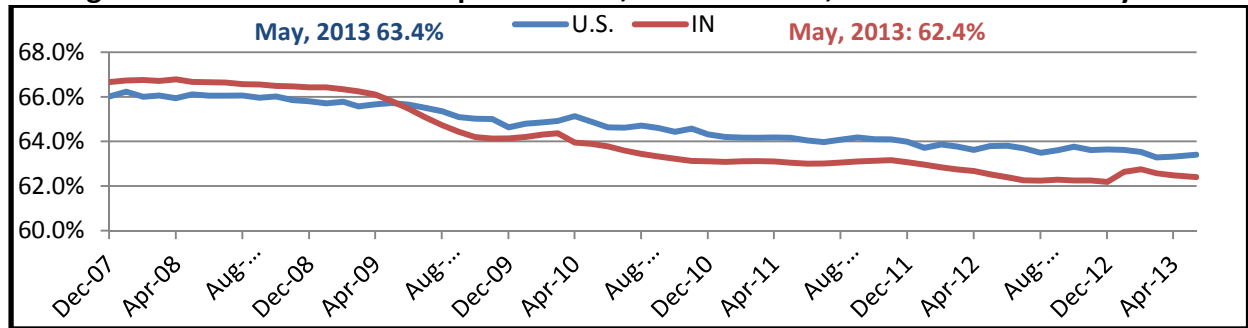
^j See our blog on the effects of sequestration on Hoosier families: <http://bit.ly/11SY252>

^k Underemployment combines the unemployed, the marginally attached, and those who are working part-time for economic reasons divided by the civilian labor force plus the marginally attached workers.

Labor Force Participation

As seen in **Figure 2.6**, the national labor force participation rate (LFPR) has been in slow decline since the end of the recession, and generally, as illustrated in the 2011 Report, over the past few decades. Since the 2011 Report, the LFPR in Indiana continues to trend downward. A high LFPR typically indicates the presence and/or availability of good-paying jobs, leading more people to work or seek work. Today's declining labor force suggests just the opposite; a weakening jobs market and a lack of opportunities for working families.⁹ Among genders, the LFPR is 57 and 68.7 percent, for women and men, respectively. The LFPR for the U.S. is 63.4 percent, and for neighboring states: Illinois (65.7 percent); Ohio (63.5 percent); Michigan (59.8 percent); and Kentucky (61.7 percent).

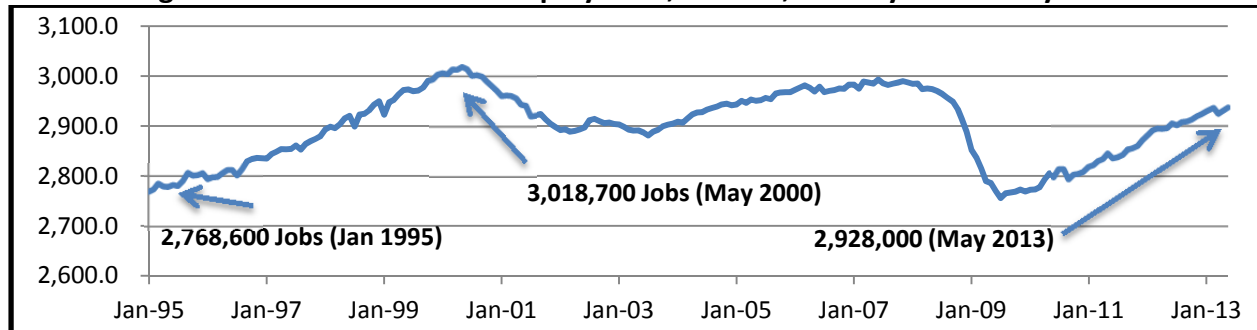
Figure 2.6: Labor Force Participation Ratio, Indiana & U.S., December 2007 - May 2013



Source: Economic Policy Institute Analysis of Local Area Unemployment Statistics May 2013

For context, **Figure 2.7** is a snapshot of non-farm employment from January 1995 through May 2013. Indiana's most robust job growth occurred from January 1995 through May of 2000—at which point Indiana hit its highest rate of total non-farm employment (3,018,700). To highlight the impact of a declining labor force, Indiana's unemployment was 4 percent in January 1995 and 3 percent in May of 2000. In May of 2013, there were over 2.9 million total non-farm jobs, with an unemployment rate of 8.3 percent. As noted in the 2011 Report, these losses are a result of technological improvements and global competition, as well as public policy decisions, including increased trade deficits and currency manipulation.

Figure 2.7: Total Non-Farm Employment, Indiana, January 1995 - May 2013¹



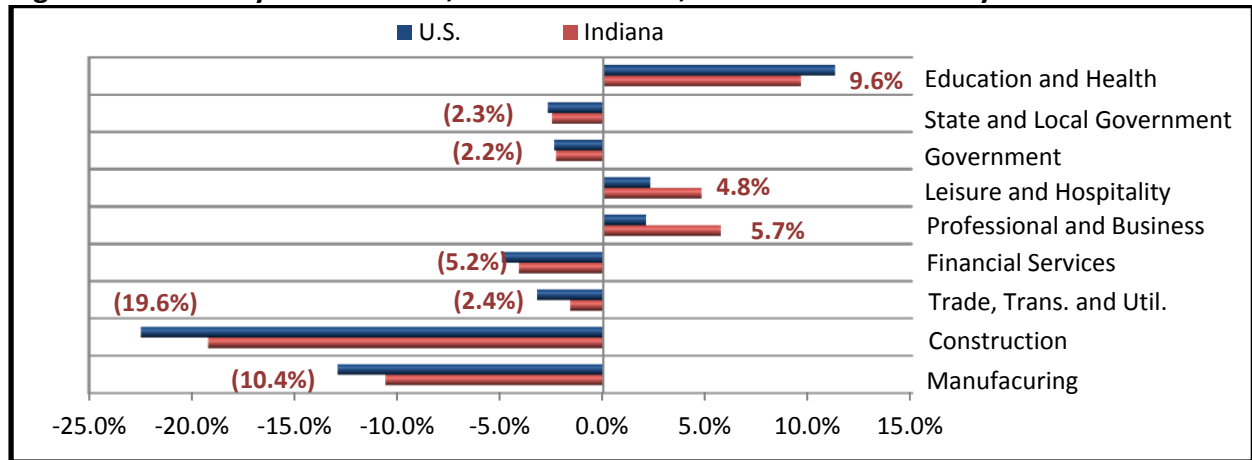
Source: Economic Policy Institute Analysis of Current Establishment Survey, May 2013

¹The non-farm business sector is a subset of the domestic economy and excludes the economic activities of the following: general government, private households, nonprofit organizations serving individuals, and farms.

Industry Analysis

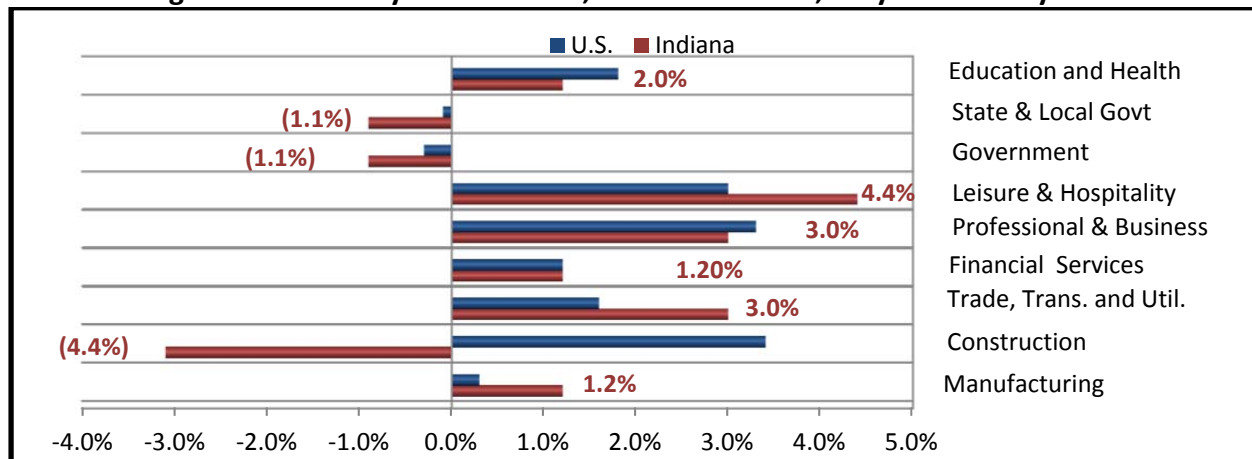
A weakening job market is not only defined by the *number* of jobs available, but also by the *type* of jobs created. **Figure 2.8 and Figure 2.9** examine industry performance since the beginning of the Great Recession and over the past year, respectively. As illustrated in Figure 2.8, only three industries have experienced full recovery and growth since the recession began in December of 2007. As shown in figure 2.9, in the past year, the leisure and hospitality industry has grown by 4.4 percent – more than all other industries. Equally concerning is the disparity in construction industry growth; nineteen states have seen decreases, including Indiana (7th largest loss in nation) and our neighbors. Finally, over the course of the recession, nearly half of the states in the U.S. have recovered in terms of public sector job losses. Indiana and its neighbors are among the states that have not recovered. As noted in the 2011 Report, the loss of critical public sector jobs, such as firefighters, first responders and teachers were not spared (as they were during 1981 recession). Further, this acts as a drag on economic activity; estimated to be equal to 0.7 private sector jobs lost for each public sector job lost.¹⁰

Figure 2.8: Industry Performance, Indiana and U.S., December 2007 – May 2013



Source: Economic Policy Institute Analysis of Current Establishment Survey, May 2013

Figure 2.9: Industry Performance, Indiana and U.S., May 2012 – May 2013

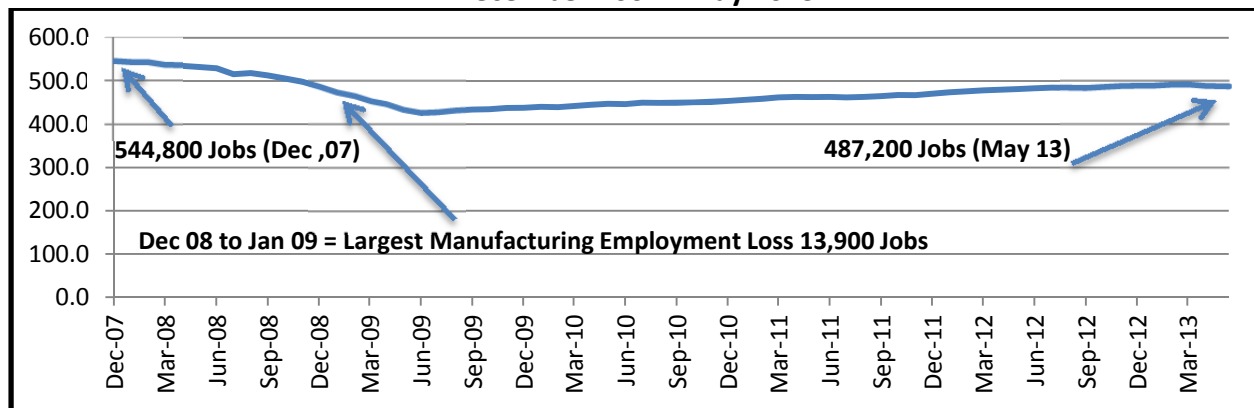


Source: Economic Policy Institute Analysis of Current Establishment Survey, May 2013

Manufacturing Sector

One of the most impressive rebounds has been in the manufacturing industry – the largest component of Indiana’s economy, accounting for more than 16 percent of Indiana’s workforce (the largest share in the nation). **Figure 2.10** illustrates the trends in manufacturing employment in Indiana since the beginning of the recession. In December 2007, Indiana had 544,800 manufacturing jobs. At 61,100 jobs gained, Indiana has experienced the second largest increase in manufacturing employment in the U.S. since the recession ended in June 2009 – just behind Michigan (113,500 jobs) and just ahead of Ohio (53,800 jobs). Still, this leaves Indiana with 57,600 jobs fewer manufacturing jobs than when the recession began.

Figure 2.10: Manufacturing Employment (In Thousands), Indiana, December 2007 - May 2013



Source: Economic Policy Institute Analysis of Current Establishment Survey, May 2013

While not all of the manufacturing jobs are coming back, the Brookings Institution has argued that the decline in manufacturing is the result of policy choices and that “public policy is needed to help strengthen manufacturing and promote a high-wage innovative export-intensive and environmentally sustainable manufacturing base.” The report goes on to state that American manufacturing needs strengthening in four areas: “research and development; lifelong training of workers at all levels; improved access to finance; and an increased role for workers and communities in creating and sharing in the gains from improved manufacturing.”¹¹

Indiana’s Auto Industry Resurgence – A Public Policy Success

Within the manufacturing industry, the auto industry restructuring has been a significant factor in Indiana’s manufacturing growth – and job growth in general. The 2011 Report noted that Indiana was one of five states to experience statistically significant decreases (greater than 1.0 percent) in annual unemployment rates from 2010 to 2011. We noted that this decrease was driven largely by the counties that saw the largest decreases in the unemployment rates, and subsequently, those counties that directly benefited from the auto industry restructuring. An updated **Figure 2.11** shows that between 2010 and 2012, 25,900 Hoosier jobs were created in the automotive industry due to changes in U.S. production and sales of motor vehicles. This also represents more than half of all manufacturing jobs, and 17 percent of total nonfarm employment gains in the same time period – not including the indirect or induced economic impact (or the multiplier effects), that occurred as a result of these changes.

Figure 2.11: Annual Change in Jobs due to Changes in Production and Sales^m

Industry Classification	Net '08	Net '09	Net '10	Net '11	Net '12
<i>Motor Vehicle Body and Trailer Manufacturing</i>	(13,000)	2,600	2,600	8,000	3,100
<i>Motor Vehicle Parts Manufacturing</i>	(10,200)	(2,700)	3,600	3,900	2,600
<i>Motor Vehicle Manufacturing</i>	2,200	(200)	800	600	700
Total Change in Automotive Industry	(21,000)	(300)	7,000	12,500	6,400

Source: Analysis of Bureau of Labor Statistics Automotive Industry: Employment, Earnings, and Hours, 2008 -2012

While the auto industry revival is a success story for Indiana’s economy, there is a danger in relying so heavily on one industry; according to Fitch Rating Agency: “an economy that remains considerably concentrated in manufacturing...exposes the state to economic downturns.”¹² By strengthening investment in infrastructure and education, Indiana will be able to attract more advanced industries into the state. In addition, the state’s existing manufacturing base and supply chains will be well-suited to developing even more advanced manufacturing and high-tech industries that pay well and are high-growth industries.

Indiana’s Remaining Job Deficit

When the recession began in December 2007, Indiana had 2,987,200 jobs. By July 2009 — the peak of job loss — Indiana had 231,600 fewer jobs than it did before the recession began. Currently, Indiana’s jobs deficit (illustrated in **Figure 2.12** and **Figure 2.13**), or the difference between the numbers of jobs Indiana currently has, and the number of jobs it needs to regain for pre-recession employment (2,987,200 jobs) is 173,600 jobs. This includes the 50,200 jobs Indiana lost in addition to the 123,400 jobs it needs to keep up with the 4.1 percent growth in population that Indiana has experienced in the 65 months since the recession began.¹³ Economists and analysts range in their forecasts of full job recovery (pre-recession employment)— but according to the Congressional Budget Office: “unemployment rates are expected to remain above 7.5 percent through 2014 – meaning that for the first time in 70 years, the U.S. will have experienced six straight years with unemployment rates above 7.5 percent”.^{14,n,o}

^m The automotive industry includes industries associated with the production, wholesaling, retailing, and maintenance of motor vehicles. This industry is not formally defined in the North American Industry Classification System (NAICS), but the Bureau of Labor Statistics is referring to a group of detailed industries as the “automotive industry” for purposes of analysis. This list is not exhaustive (and for Indiana specific data does not include/was not available for wholesale jobs) but includes industries that can be directly impacted by changes in U.S. production and sales of motor vehicles. The data is not seasonally adjusted.

ⁿ The Federal Reserve estimates a 6.0 – 6.8 percent unemployment rate by the end of 2015.

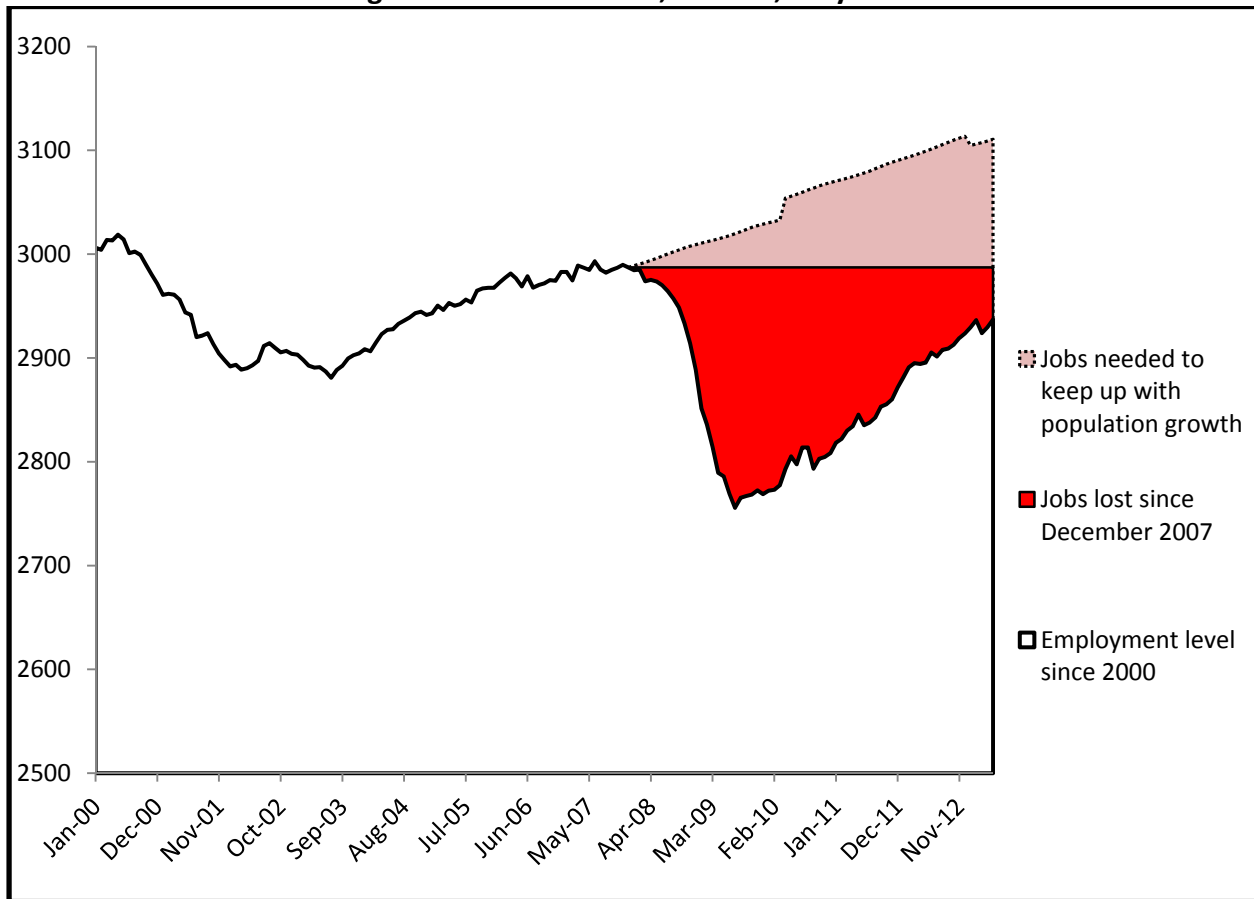
^o Moody’s Analytics projects ‘full-employment’ (5.8 percent) in 2016.

Figure 2.12: Jobs Deficit, Indiana, May 2013

Start of the recession	Dec-07
Number of jobs	2,987,200
Labor market trough	Jul-09
Number of jobs	2,755,600
Peak-to-trough job shortfall	-231,600
Current Month	Mar-13
Number of jobs	2,928,000
Jobs lost since the start of the recession	-50,200
Population growth since the recession began	4.1%
Number of jobs needed to keep up with population growth	123,400
Job Deficit	173,600

Source: Economic Policy Institute Analysis of Current Employment Statistics and Local Area Unemployment Statistics, May 2013

Figure 2.13: Jobs Deficit, Indiana, May 2013



Source: Economic Policy Institute Analysis of Current Employment Statistics and Local Area Unemployment Statistics May 2013

Chapter 2 Conclusion & Policy Recommendations

With exceptional emphasis given to building a toolbox for business in previous legislative sessions, policymakers should sharpen their focus to ensure that the output of these policy choices is meaningful employment. For working families, the road to recovery is long, so equal weight should be given to the types of jobs and labor market policies that matter for economic self-sufficiency. The following policies are recommended to assist those facing barriers to employment, and improve the economic health of Hoosier families:

- ✓ ***Establish a Work Sharing Program***—Work sharing is an unemployment insurance benefit that explicitly targets job preservation by allowing businesses to retain their skilled workforce during times of temporary decreased demand. Rather than laying-off workers, businesses can decrease workers' hours, and the government, rather than paying unemployment benefits, pays workers a portion of their wages lost from working fewer hours. Families will be able to avoid the well-documented and devastating effects associated with long term unemployment, earn higher wages than they would under traditional unemployment, and would retain health and retirement benefits. Additionally, work sharing prevents workers from experiencing a decline in their skills, thus allowing employers to keep a well-trained workforce at the ready for when business demand picks back up. In the global economy, where what happens on one side of the world affects the other, lawmakers should provide firms and Hoosier families with the flexibility that work sharing provides.^p

- ✓ ***Outreach to Employers on the Work Opportunity Tax Credit to Increase Employment Opportunities for Populations Who Face Significant Employment Barriers***—The Work Opportunity Tax Credit (WOTC) is a Federal tax credit for private-sector businesses for hiring individuals from nine target groups who have consistently faced significant barriers to employment.

- ✓ ***Expand Medicaid*** – In addition to savings for uninsured and insured Hoosiers, the Kaiser Foundation estimates that the expansion will also create over 30,000 jobs in Indiana – equal to more than half of the state's job deficit.¹⁵

- ✓ ***Invest in Indiana's Infrastructure for the State to Remain Economically Competitive***—Research continues to point to public investment as a way to increase private-sector productivity and GDP growth – not to mention the economic development, safety and health implications. According to the 2013 American Society of Civil Engineers, Indiana received a D- in its latest 'Infrastructure Report Card'.¹⁶

^p See the Institute's report on work sharing here (<http://bit.ly/1b9MCvV>), and public testimony here: <http://bit.ly/15P4tYt>

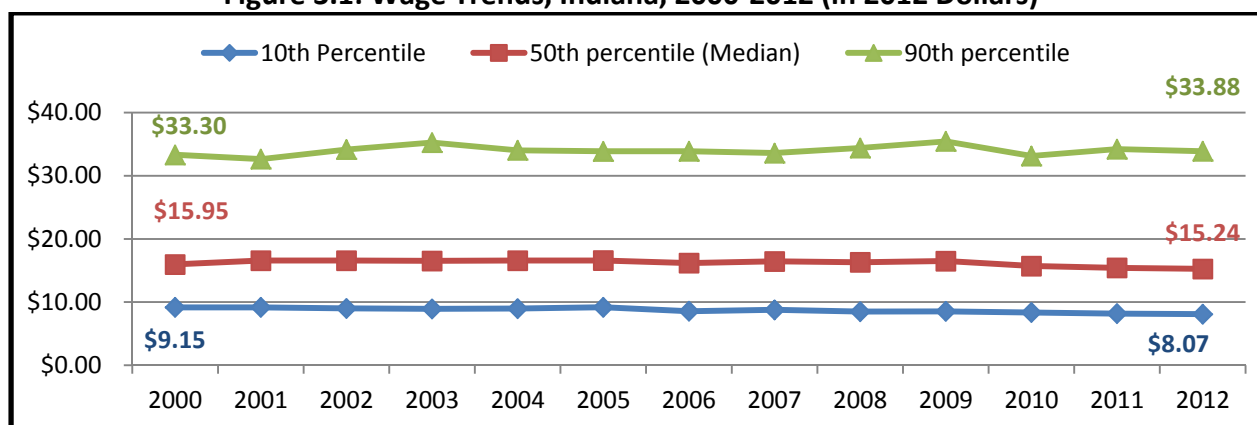
Chapter 3: Working Harder For Less

Work is the key to achieving economic self-sufficiency, but that work must be adequately compensated. Simply having a job is not enough; Hoosier families need quality jobs that pay well enough for them to meet the most basic needs for their family. As mentioned in the previous chapter, less than 30 percent of all jobs in Indiana are in occupations that pay less than what is required for economic self-sufficiency (or 200 percent of the FPG). In addition to an increase in low-wage jobs, Hoosiers below 200 percent FPG have seen employer sponsored health insurance decline at rates faster than all U.S. states.⁹ Ultimately, the state – via the taxpayer – is on the hook when the jobs created do not provide the wages and benefits necessary for economic self-sufficiency. Simply, an increase in low wage jobs equals increased participation in public programs.

According to the 2009 Self Sufficiency Standard, the average income for one adult, one preschooler and one school-age child (across all 92 counties) required to be economically self-sufficient is more than 175 percent of the FPG, or \$16.06 per hour (\$33,408 annually). The range for self-sufficiency is anywhere from 270 percent of FPG in Hamilton County to 144 percent of FPG in Vermillion County.¹⁷

Figure 3.1 illustrates hourly wages of Hoosier workers. Since the recession began in 2007, wages have not recovered for both the 50th and 10th percentiles, still down 7 and 8 percent, respectively, while those in the 90th percentile have seen a 1 percent increase. At a wage of \$15.24, the median hourly wage in Indiana is less than all neighboring states (excluding Kentucky). The income distribution also continues to be unequal between men and women, and by race. Ranked 39th in the nation, the typical woman in Indiana working full time, year round, was paid only \$0.75 to every dollar paid to a similarly educated man.¹⁸

Figure 3.1: Wage Trends, Indiana, 2000-2012 (in 2012 Dollars)^r



Source: Economic Policy Institute Analysis of Current Population Survey Data 2013

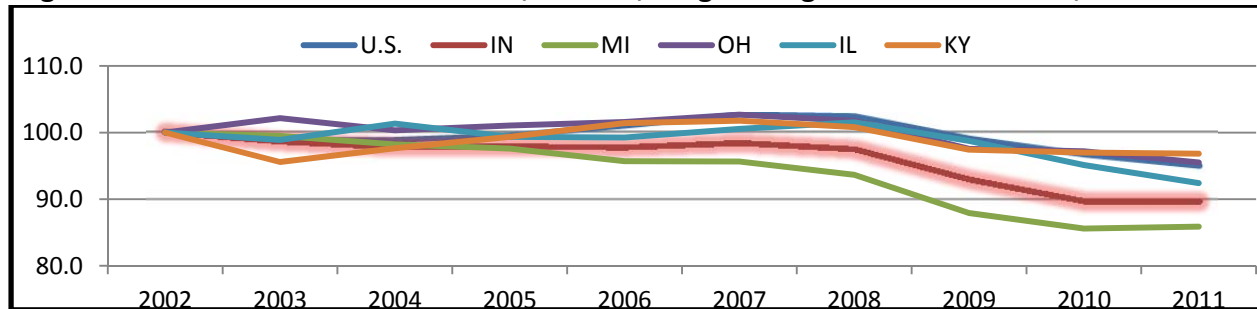
⁹ Since 2000, nearly 600,000 fewer Hoosiers receive employer provided healthcare.

^r Percentiles: At 10th percentile, 10 percent of the population earns below the stated wage and at 90th percentile, 90 percent of the population earns below the stated wage.

Median Household Income and Median Family Income

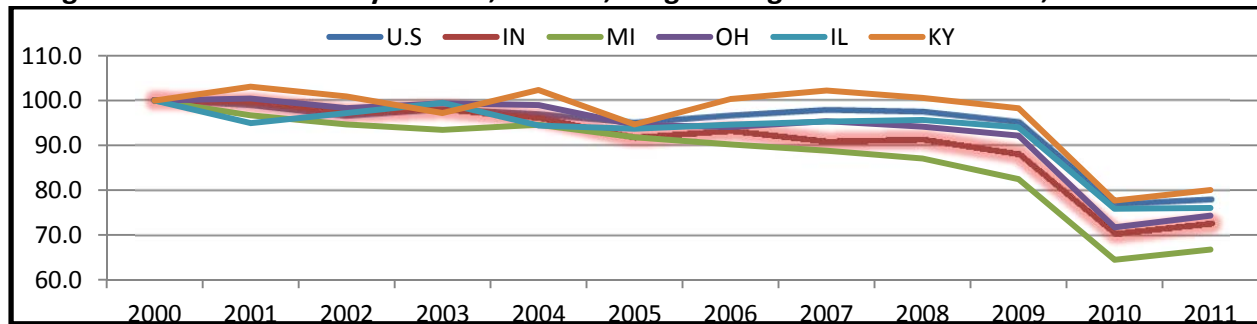
Figure 3.2 shows that Median Household Income (MHI) for Hoosiers (\$46,438) is down 12.9 percent from the beginning of the decade – that’s the 4th largest decline in the U.S. Although, Hoosiers have experienced a slight increase in MHI (from \$46,034 in 2010) over the past year. Among neighbor states, only Illinois has a higher MHI. **Figure 3.3** illustrates that, from 2000 to 2011, the Median Family Income (MFI) in Indiana fell by 10.23 percent (\$66,662 to \$57,148); representing the 3rd largest decrease in the nation. MFI in Indiana lags all neighbor states, with the exception of Kentucky. **NOTE CORRECTION IN FOOTNOTE⁵**

Figure 3.2: Median Household Income, Indiana, Neighboring States and the U.S., 2000 - 2011^t



Source: Economic Policy Institute Analysis of 2011 American Community Survey, and One Year Estimates (Indexed, January 2000=100%)

Figure 3.3: Median Family Income, Indiana, Neighboring States and the U.S., 2000 — 2011



Source: Economic Policy Institute Analysis of Current Population Survey Data U.S. Census Data, 2011 American Community Survey, and One-Year Estimates (Indexed, January 2000=100%)

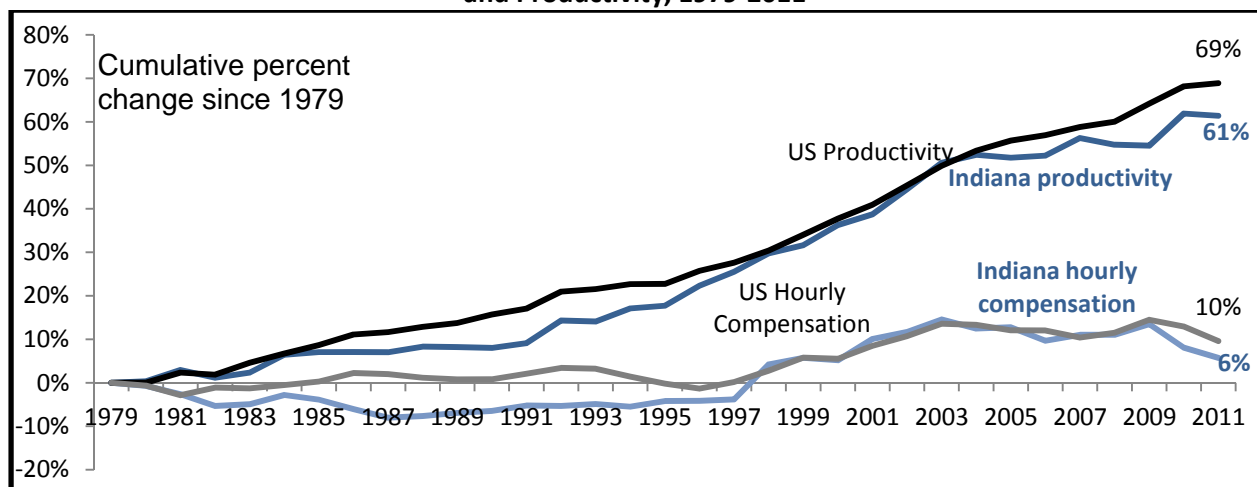
⁵ Originally, the report stated that MFI fell by 27.3 percent (from \$78,599 to \$57,148; representing the 2nd largest decline in the nation. This error was the result of “4 Person Median Family Income” data getting mixed in with “Median Family Income” (across all states). The decline, relative to the rest of the nation, is still accurate - but 3rd largest decline instead of 2nd largest decline. Also, note that between 2001 and 2002, US Census stopped using Current Population Survey data and started using American Community Survey data (the latter is more representative as the sample size is much larger – we always use ACS when possible). So, if we were to look at the data from 2000 to 2011, which would mean we would be using CPS for two years (2001 and 2002) and then to ACS for the rest (2003 – 2011), Indiana would have seen a 7% increase, but still, that would be the 10th smallest increase in the U.S., but using different samples wouldn’t be representative, so we used 2002 - 2011.

^tHousehold Income is the sum of money income received in the calendar year by all household members 15 years old and over, including household members not related to the householder, people living alone, and other nonfamily household members. Included in the total are amounts reported separately for wage or salary income; net self-employment income; interest, dividends, or net rental or royalty income or income from estates and trusts; Social Security or Railroad Retirement income; Supplemental Security Income (SSI); public assistance or welfare payments; retirement, survivor, or disability pensions; and all other income.

Wage Inequality^u

While productivity in Indiana has been increasing over the past few decades, median compensation (including wages and benefits) has not kept up.¹⁹ **Figure 3.4** illustrates that during this time period (including volatility during the Great Recession), worker productivity has increased by 69 percent while median compensation has increased by only 5.7 percent – only 14 states have seen smaller percentage increases. For comparison, if gains in productivity had been matched with gains in wages – as they had up until about the 1980’s – median compensation would be just under \$29 per hour. Likewise, if the minimum wage had kept up with productivity, it would be near \$18.75 today.²⁰ By not sharing in the increased revenues from productivity gains, Hoosiers are working harder for less.

Figure 3.4: Growth of Real Hourly Median Compensation for Production/Nonsupervisory Workers and Productivity, 1979-2011



Source: EPI analysis of unpublished total economy data from Bureau of Labor Statistics, Labor Productivity and costs program; employment data from Bureau of Labor Statistics, Local Area Unemployment Statistics; and Bureau of Economic Analysis, State/National Income and Product Accounts public data series.

Income Inequality

The growing divide between high-income earners and low- to middle-income earners in the U.S. continues to be of concern not only as a matter of basic fairness, but for a growing middle class and a sustainable economy. According to a recent study by the Economic Policy Institute, Indiana has seen the 6th greatest increase in income inequality from the 1990’s through mid-2000’s, when measuring the change in ratio of incomes of the top and bottom fifths of households.²¹ In Indiana, the dramatic increase in inequality was largely due to the poor getting poorer, as highlighted in Chapter 1. Unfortunately, policy choices, past and present (such as increasingly regressive tax policies, lack of response to stagnating wages and punitive measures designed to discourage the use of public assistance), contribute to the loss of equal opportunity for our future generations and an increasing number of families having to choose between the most basic necessities – such as rent, food, childcare or electricity – for their families.

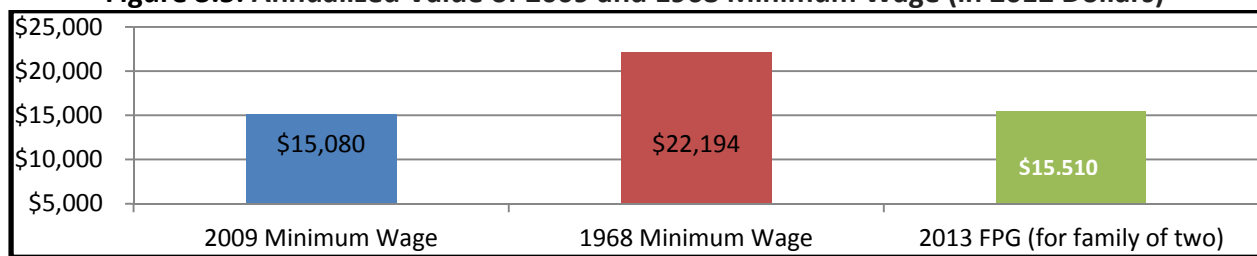
^u Also, see the Reuters series on inequality in America, ‘The Undeserving Poor’, for more on the rise in inequality, particularly in Indiana: <http://reut.rs/UHmC2Y>

Minimum Wage

Further adding to the declining economic health of working families is the erosion of the federal minimum wage – including for tipped employees. The current federal minimum wage is \$7.25 per hour (Indiana’s state minimum wage is the same as the federal minimum wage). At this rate of pay, one person working full-time (40 hours per week, 52 weeks per year) at this wage would earn just over \$15,000 per year – so little that with one child they would be below the federal poverty line. The minimum wage was not always this low. When comparing the value of the minimum wage today with the minimum wage in 1968, and inflating it to 2012 dollars, the 1968 minimum wage would equate to \$10.67.²² Because the value of the minimum wage has been left to erode due to inflation, more and more workers are earning poverty-level wages. In 2010, 26 percent of the country’s workforce, or 35 million Americans, earn less than \$10.55 an hour.²³ See **Figure 3.5**.

It is important to note that when wages are kept so low, public dollars have to be spent to protect workers that do not earn enough to get by. State and federal programs that protect the needy are vital protections against poverty, but they should not act as a subsidy to low-road employers who pay rock-bottom wages.

Figure 3.5: Annualized Value of 2009 and 1968 Minimum Wage (in 2012 Dollars)



Source: Author Calculations of Minimum Wage by 2080 Hours and U.S. Department of Health and Human Services, 2013 Federal Poverty Guidelines, Compared to 2013 Federal Poverty Guidelines

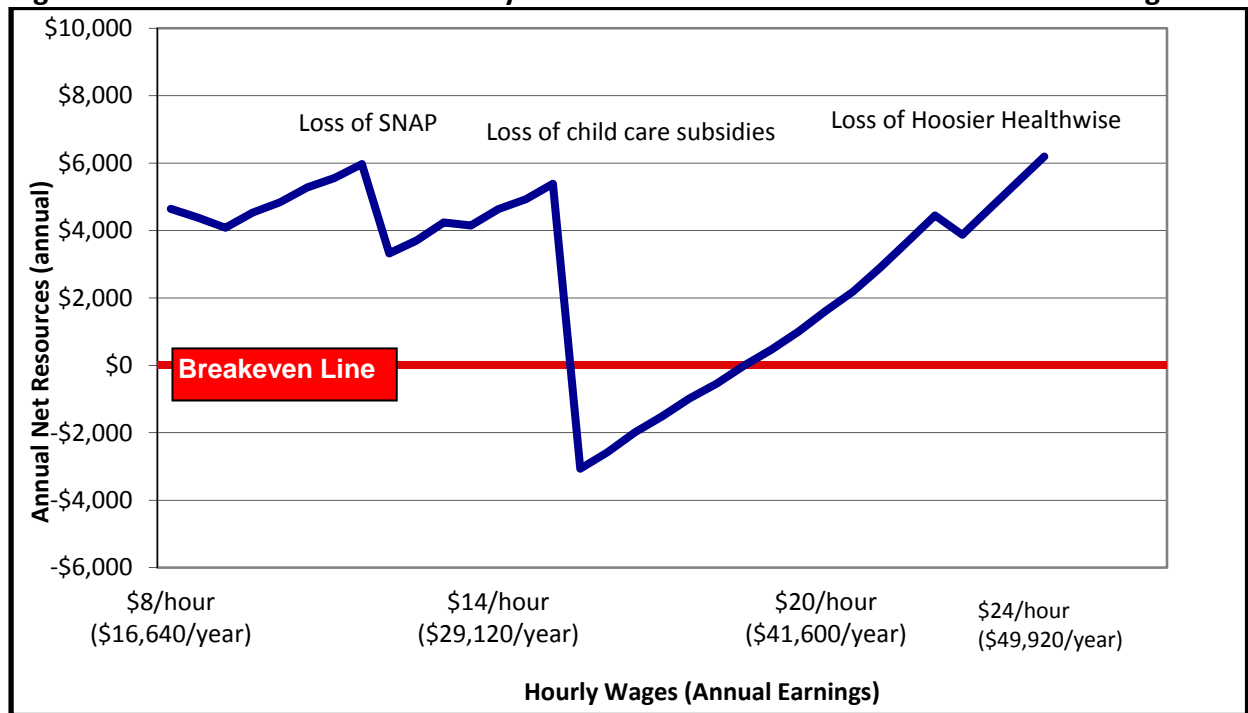
Indiana’s Regressive Tax System

As poverty has risen, and wages have tumbled, Indiana’s tax system has antithetically grown increasingly more regressive. A regressive tax system is one in which the share of family income devoted to taxes rises as income decreases. Altogether, this tax burden is measured by the percentage of income that an individual pays in income tax, payroll tax, sales tax, property tax, and other taxes. Whether a state tax system tends to be progressive or regressive depends on the type of taxes relied upon and the way those taxes are designed. Indiana’s tax system is regressive as it relies heavily on a state sales tax, set at a 7 percent rate, and a flat income tax set at 3.4 percent for taxpayers at all income levels. Reliance on other consumption taxes, “sin taxes” and gambling revenues also increase the burden on lower income taxpayers. Currently, Indiana ranks as the 9th most regressive tax system in the nation, with the 7th highest taxes on the poor, whereas the effective tax rates are 12.5 percent and 5.4 percent for low-income and the top one percent of Hoosiers, respectively. Unfortunately, the 2013 Indiana General Assembly further exasperated the unfairness of this tax system by enacting a flat cut on a flat tax – providing little relief to working families while disproportionately benefitting the wealthiest Hoosiers.²⁴

Barriers to Economic Mobility

At the same time that low-income Hoosiers are burdened by paying the highest effective tax rates, they also pay some of the highest effective marginal tax rates. This occurs when a small increase in income leads to a large loss of public resources – also known as the “cliff effect” phenomenon. As shown in **Figure 3.6**, at a wage of \$8 per hour, a single mother with one preschool age child and one school age child, with the support of federal and state tax credits, SNAP, public health insurance, and a child care subsidy is self-sufficient. The first significant loss in net resources occurs when the participant loses SNAP benefits between the wages of \$11.50 and \$12.00 per hour—a total annual net resource loss of \$2651—nearly 11 percent of annual income. Most dramatically though is the “cliff” that occurs as child care subsidies are lost between the wages of \$15.00 and \$15.50 per hour—a total net resource loss of \$8,454—a painful 25 percent loss in annual resources as a result of a \$0.50 raise. Finally, between the wages of \$22.00 per hour and \$22.50 per hour, when Hoosier Healthwise is lost, the total annual net resource loss is \$574. The unintended consequence of this design either leads to a disincentive towards economic mobility, or leads to a situation in which the parent or guardian is working harder, but is financially worse off – effectively trapping families into poverty. By smoothing out the “benefit cliff”, policymakers could begin restore a system that rewards hard work.^v

Figure 3.6: Cliff Effect - Marion County - One Adult One Preschooler and One School Age Child



Source: National Center for Children in Poverty's Family Resource Simulator, Indiana 2011. Budget numbers are from NCCP Basic Needs Budget Calculator and the Self Sufficiency Standard for Indiana.

^v See the Institute's report – The Cliff Effect: One Step Forward, Two Steps Back – and accompanying info graphic video for more on the benefit cliff in Indiana and policy recommendations to smooth the “benefit cliff”:

<http://www.incap.org/cliffeffectreport.html#.UZRPkCuY6fA>

Chapter 3 Conclusion & Policy Recommendations

As wages continue to stagnate, too many Hoosiers are facing economic insecurity – unable to afford the most basic necessities for their families. The following are policy proposals to not only reward Hoosiers for their hard work, ensuring they too are recipients of economic growth, but also to: decrease the high tax burden for low-income workers; reduce poverty rates and income inequality; decrease the number of Hoosier reliant on public assistance, and; work towards a more just and sustainable economy:

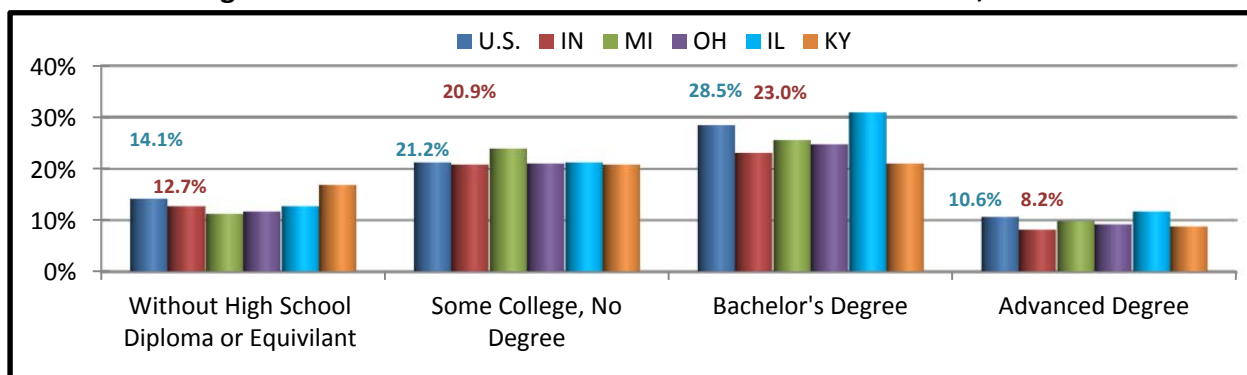
- ✓ ***Increase the State's Earned Income Tax Credit***—The Earned Income Tax Credit (EITC) is a federal tax credit for low- to moderate- income working individuals and families, to which the state EITC is indexed. The credit reduces the tax burden placed on workers by offsetting payroll and income taxes. The credit is also refundable –meaning that if the credit exceeds the amount of taxes owed, the difference is given back to the worker. Given the current status of working families, a stronger EITC may be more important to working families than ever before, particularly when low-income workers are taxed in a regressive system.
- ✓ ***Raise the State's Minimum Wage and Index to Inflation***—Currently 17 states have minimum wages (ranging from \$7.40 to \$9.04 an hour) that are higher than the federal minimum wage rate of \$7.25 an hour.²⁵ Moreover, 10 of these states have indexed their state minimum wages so that they increase each year to keep pace with the rising cost of living. Nine of these states have also guaranteed tipped workers 60 to 70 percent of the state minimum wage.
- ✓ ***Increase Indiana's Tax Threshold and Personal Exemptions***—Currently Indiana is one of 15 states that taxes below the Federal Poverty Guidelines (\$22,350 for a family of four in 2011). By enacting a \$25,000 no-tax floor, for example, families making below that amount owe no income taxes, but once income surpasses that level the tax is owed on all taxable income from one dollar up. 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 of \$1,000 substantially.
- ✓ ***Expand the Sales Tax Base to Services***—A less regressive way to increase state sales tax revenues in a more equitable manner would be to expand the sales tax base to include services, since low-income taxpayers pay more in sales taxes than those of higher incomes, who tend to purchase more services. For example, if an individual purchases cleaning supplies to clean their home, they pay sales tax. However, if the same individual hires a cleaning service, they do not pay any sales tax.

Chapter 4: Skilling-Up the Hoosier Workforce

An educated and properly skilled workforce is critical to attracting high-wage employers, and thus, improving the economic health of Hoosier families. For this reason, the Lumina Foundation has set a ‘big goal’ for 2025 – to have 60 percent of the workforce credited by 2025.²⁶ In order to ‘skill up’ workers to fill the middle-skills gap, Indiana will need to increase educational attainment for all age levels, particularly for adults already in the workforce. Because educational attainment is a powerful predictor of economic mobility, the Institute helped form and now co-chairs the broad-based Indiana Skills2Compete Coalition, which works to eliminate the state’s skills gap.^w In response to the growing skills-gap in Indiana, the Governor and legislators have recently steps in the right direction by establishing regional works councils to help connect education and industry needs.

While the state has lost jobs across all skill levels due to the economic downturn, this has not fundamentally changed the structure of Indiana’s labor market. An upcoming report by the Institute will show that a majority (54 percent) of all jobs are still middle-skill jobs—requiring more than a high school diploma, but less than a four-year degree, while only 47 percent of Hoosier workers have the appropriate skills and credentials. Additionally, many of the new jobs in health care, life sciences and the green-energy sectors will require middle-skill credentials.^x According to the most recent Lumina analysis on the status of higher education in Indiana, 33.8 percent of Hoosiers possess a two- or four-year degree – also a slight increase since 2010.²⁷ As shown in **Figure 4.1**, adults over the age of 25 in Indiana fare better than the national average in the attainment of a high school diploma or equivalent, but begin to taper down thereafter. Just 23 percent of Hoosiers over the age of 25 have a bachelor’s degree (44th in the nation) and; 8.1 percent possess an advanced degree (41st in the nation). In what may signal a turn for the better, all measures in Figure 4.1 increased, albeit by only 0.03 percentage points or less since the 2011 Report.

Figure 4.1: Educational Attainment for Adults 25 and Older, 2011



Source: U.S. Census Data, 2011 American Community Survey, One Year Estimates. *Includes Equivalency

^w Learn more about how the Indiana Skills2Compete Coalition is working to close the skills gap in Indiana here:

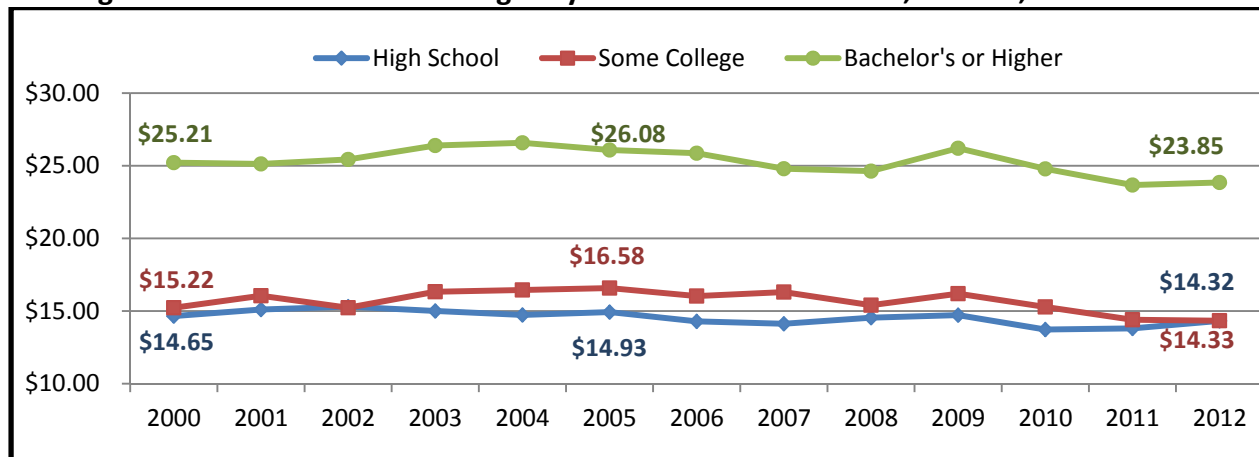
<http://www.incap.org/indianaskills2compete.html>

^x To see the report, Indiana’s Forgotten Middle Skill Jobs, please visit:

http://www.incap.org/documents/iwof/2010/Skills2Compete_ForgottenJobs_IN_PRINT.pdf

Equally concerning to levels of attainment is whether or not debt-laden students are rewarded with sustainable wages after graduation. **Figure 4.2** displays median wages by educational attainment level—high school diploma or equivalent, some college, and bachelor’s degree or higher, in 2012 dollars. Since the 2011 Report, wages have increased for all attainment levels. Hoosiers with a bachelor’s degree have seen a \$0.66 increase, while those with a high school degree or equivalent have seen the largest increase of \$0.75, and Hoosiers with ‘some college’ (but no degree) have seen a \$0.22 increase.

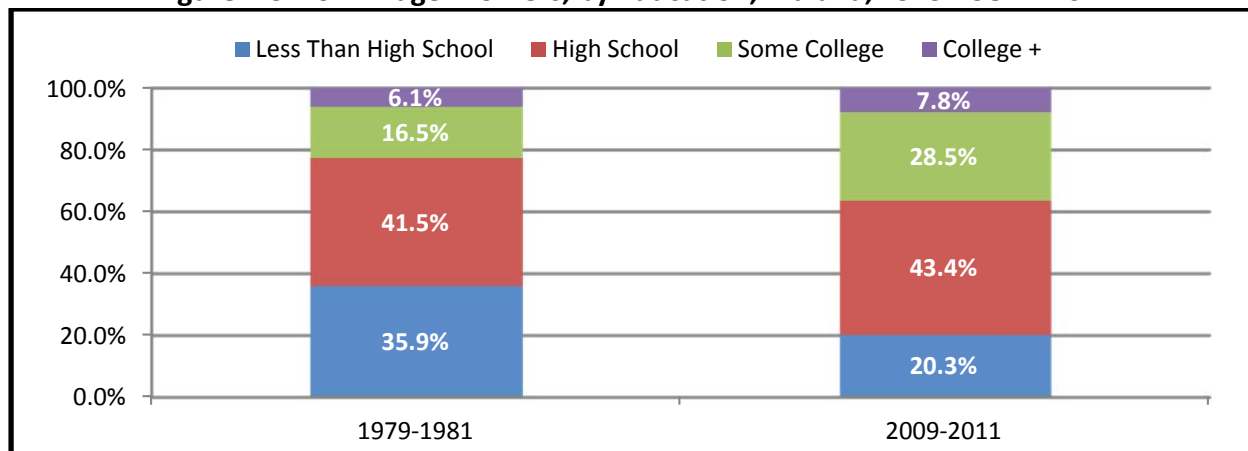
Figure 4.2: Nominal Median Wages by Educational Attainment, Indiana, 2000 – 2012



Source: Economic Policy Institute Analysis of Current Population Survey Data 2013

As shown in **Figure 4.3**, the educational attainment is increasingly of vital importance to high-wage job growth. Between 1979 through 1981, those with some college education made up 16.5 percent of the low-wage workforce. By 2011, this had increased to 28.5 percent. The share of low-wage workers with a high school education decreased in Indiana by 43 percent and nationally by 50 percent. The rise of low-wage workers with higher levels of education is happening simultaneously with the drop in the share of low-wage workers who are teenagers – from 26.0 percent in 1979 to 12.0 percent in 2011 – and the increase of low-wage work.

Figure 4.3: Low-Wage Workers, by Education, Indiana, 1979-1981 – 2011



Source: Economic Policy Institute Analysis of Current Population Survey Data

Chapter 4 Policy Recommendations

In order to make progress towards its workforce goals, Indiana must remove barriers that prevent education and skill development, and take proactive steps to increase educational attainment, including skill development and valuable credentials. By removing these barriers, Indiana can also increase its supply of skilled workers, who, with 1 to 4 years of training and far less cost, can earn as much as those with traditional post-secondary degrees.²⁸ Although Indiana has made significant investments in education and training for its workforce, those investments have not kept up with demand for middle-skill workers. As such, Indiana's low postsecondary educational attainment rates threaten a sustainable long-term recovery. Along with the legislative progress towards these goals, the following are additional policy recommendations to ensure the access to basic skills and post-secondary education opportunities that will increase employability and earnings for all Hoosiers:

- ✓ ***Expand the Number of Certificate Programs Eligible to Receive State Financial Aid Dollars***—For some adults, enrolling in a certificate program is a perfect introduction to the college process. Certificate programs are relatively inexpensive and short-term. Most certificate program coursework can also be transferred as credits toward an associate's degree. Students who have a successful experience with a certificate program, and see a wage increase as a result of their certificate, are more likely to obtain more certificates or go on to earn an associate's degree. Therefore, funding certificate programs has a positive effect on access and affordability.^y
- ✓ ***Implement Lifelong Learning Accounts (LiLAs) for Targeted Industrial Sectors***—Lifelong Learning Accounts (LiLAs) assist adult workers to achieve their career goals. LiLAs are employer-matched, portable, and employee-owned accounts used to finance education. LiLAs allow workers and employers to effectively leverage resources to increase productivity, improve recruitment and retention, and meet the changing needs of our economy.^z
- ✓ ***Increase Financial Aid for Part-Time College Students***—Of the adult students enrolled in Indiana's postsecondary institutions, 82 percent were part-time. Yet, only 2.1 percent of state grant expenditures were applied to adult students. The increased participation among part-time students is representative of the economy, and should be accompanied by additional financial support. Part-time students should have the same access to adequate financial aid that our full-time students enjoy.

^y To see the Institute's report, *Credentials of Opportunity – Better jobs, better employment & better outcomes for Indiana*, see: <http://bit.ly/112exti>

^zTo see the Institute's Policy Brief on LiLAs, please visit: <http://bit.ly/quMyVB>

Citations

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Appendix: A Toolbox for the Economic Health of Working Hoosier Families

Chapter 1 Recommendations:

- ✓ ***Increase Investments in Individual Development Accounts***—The Indiana Individual Development Account (IDA) Program is an asset development program for low-income individuals. IDAs are individual savings accounts, matched with public and sometimes private dollars that assist low- to moderate-income individuals in saving money and building financial assets for the specified purposes of higher education; small business capitalization; home purchase; and asset preservation through rehabilitation, such as homeowner occupied rehabilitation. The match, similar to that of an employer match for 401(k) contributions, offers a minimum 3:1 match, which means, for every one dollar saved by an IDA participant, they will receive at least a three dollar match on their deposit up to \$800 a year for up to four years. Since 2001, Hoosiers have saved nearly \$3.4 million and IDA accounts have been matched over 10,000 times.²⁸
- ✓ ***Expand IDA Uses, as Defined in Indiana Code, to Include Additional Needs Such as Automobile Purchase for Work or Education Purposes***—Indiana’s IDA program currently does not allow their use for vehicle purchases. Allowing a vehicle asset purchase for the purpose of transportation to school or work would unlock access to work and post-secondary education that helps Hoosier workers gain the skills they need to compete to fill the skills gap.
- ✓ ***Increase Asset Limits for the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance to Needy Families (TANF) Program***—Indiana has extremely low asset limits for both SNAP (formerly the Food Stamp Program) and TANF. For example, if a family has savings in excess of \$1,000, they are ineligible for TANF cash assistance in Indiana. Once eligible, a family may accumulate up to \$1,500 in assets. These asset limits discourage families from establishing and accumulating sufficient assets, which could not only be used to transition them off of public assistance, but also lift the family out of asset poverty.
- ✓ ***Raise the SNAP Gross Income Limit***: An increase from 130 percent of the FPG to 200 percent of the FPG would help to smooth out Indiana’s ‘benefit cliff’. For a single mother with two children, a \$0.50 increase in hourly wages can lead to a loss of more than \$2,500 – representing an annual income loss of nearly 10 percent.^{28,28}
- ✓ ***Expand Medicaid*** – An expansion would not only go a long way to help 400,000 low-income families reach economic self-sufficiency by tackling medical costs, but all insured Hoosiers (who have seen some of the largest declines in employer-sponsored health coverage in the nation) will see savings upwards of \$2,000 annually on uncompensated care costs.

Chapter 2 Recommendations

- ✓ ***Establish a Work Sharing Program***—Work sharing is an unemployment insurance benefit that explicitly targets job preservation by allowing businesses to retain their skilled workforce during times of temporary decreased demand. Rather than laying-off workers, businesses can decrease workers' hours, and the government, rather than paying unemployment benefits, pays workers a portion of their wages lost from working fewer hours. Families will be able to avoid the well-documented and devastating effects associated with long term unemployment, earn higher wages than they would under traditional unemployment, and would retain health and retirement benefits. Additionally, work sharing prevents workers from experiencing a decline in their skills, thus allowing employers to keep a well-trained workforce at the ready for when business demand picks back up. In the global economy, where what happens on one side of the world affects the other, lawmakers should provide firms and Hoosier families with the flexibility that work sharing provides.²⁸
- ✓ ***Outreach to Employers on the Work Opportunity Tax Credit to Increase Employment Opportunities for Populations Who Face Significant Employment Barriers***—The Work Opportunity Tax Credit (WOTC) is a Federal tax credit for private-sector businesses for hiring individuals from nine target groups who have consistently faced significant barriers to employment.
- ✓ ***Extend Unemployment Benefits to Part-Time Workers***— Indiana had 770,690 part-time workers in 2009 (26.8 percent of the labor force). The vast majority were female. The wages of part-time workers are subject to UI payroll and other employment taxes on the same basis as the wages of full-time employees.
- ✓ ***Expand Medicaid*** – In addition to savings for uninsured and insured Hoosiers, the Kaiser Foundation estimates that the expansion will also create over 30,000 jobs in Indiana – equal to more than half of the state's job deficit.²⁸
- ✓ ***Invest in Indiana's Infrastructure for the State to Remain Economically Competitive***—Research continues to point to public investment as a way to increase private-sector productivity and GDP growth – not to mention the economic development, safety and health implications. According to the 2013 American Society of Civil Engineers, Indiana received a D- in its latest 'Infrastructure Report Card'.²⁸

Chapter 3 Recommendations

- ✓ ***Increase the State's Earned Income Tax Credit***—The Earned Income Tax Credit (EITC) is a federal tax credit for low- to moderate- income working individuals and families, to which the state EITC is indexed. The credit reduces the tax burden placed on workers by offsetting payroll and income taxes. The credit is also refundable –meaning that if the credit exceeds the amount of taxes owed, the difference is given back to the worker. Given the current status of working families, a stronger EITC may be more

important to working families than ever before, particularly when low-income workers are taxed in a regressive system.

- ✓ ***Raise the State's Minimum Wage and Index to Inflation***—The Minimum wage would be \$10.67 if it had kept pace with inflation over the past 40 years. Raising the minimum wage would also help to combat the pay gap among women and minorities. Currently 17 states have minimum wages (ranging from \$7.40 to \$9.04 an hour) that are higher than the federal minimum wage rate of \$7.25 an hour.²⁸ Moreover, 10 of these states have indexed their state minimum wages so that they increase each year to keep pace with the rising cost of living. Nine of these states have also guaranteed tipped workers 60 to 70 percent of the state minimum wage.
- ✓ ***Increase Indiana's Tax Threshold and Personal Exemptions***—Currently Indiana is one of 15 states that taxes below the Federal Poverty Guidelines (\$22,350 for a family of four in 2011). By enacting a \$25,000 no-tax floor, for example, families making below that amount owe no income taxes, but once income surpasses that level the tax is owed on all taxable income from one dollar up. 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 of \$1,000 substantially.
- ✓ ***Expand the Sales Tax Base to Services***—A less regressive way to increase state sales tax revenues in a more equitable manner would be to expand the sales tax base to include services, since low-income taxpayers pay more in sales taxes than those of higher incomes, who tend to purchase more services. For example, if an individual purchases cleaning supplies to clean their home, they pay sales tax. However, if the same individual hires a cleaning service, they do not pay any sales tax.

Chapter 4 Policy Recommendations

- ✓ ***Expand the Number of Certificate Programs Eligible to Receive State Financial Aid Dollars***—For some adults, enrolling in a certificate program is a perfect introduction to the college process. Certificate programs are relatively inexpensive and short-term. Most certificate program coursework can also be transferred as credits toward an associate's degree. Students who have a successful experience with a certificate program, and see a wage increase as a result of their certificate, are more likely to obtain more certificates or go on to earn an associate's degree. Therefore, funding certificate programs has a positive effect on access and affordability.²⁸
- ✓ ***Implement Lifelong Learning Accounts (LiLAs) for Targeted Industrial Sectors***—Lifelong Learning Accounts (LiLAs) assist adult workers to achieve their career goals. LiLAs are employer-matched, portable, and employee-owned accounts used to finance education. LiLAs allow workers and employers to effectively leverage resources to increase productivity, improve recruitment and retention, and meet the changing needs of our economy.²⁸

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- ✓ ***Increase Financial Aid for Part-Time College Students***—Of the adult students enrolled in Indiana’s postsecondary institutions, 82 percent were part-time. Yet, only 2.1 percent of state grant expenditures were applied to adult students. The increased participation among part-time students is representative of the economy, and should be accompanied by additional financial support. Part-time students should have the same access to adequate financial aid that our full-time students enjoy.