The Status of Working Families in Indiana

2015 REPORT

A report presented by

Indiana Institute for Working Families
Research and Public Policy

A Program of NCAA Community Action Network

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The Status of Working Families in Indiana

2015 REPORT

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ABOUT AND ACKNOWLEDGMENTS

ABOUT THE INDIANA INSTITUTE FOR WORKING FAMILIES
The Indiana Institute for Working Families – a program of the Indiana Community Action Association (IN-CAA) – 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. The Institute achieves its work through advocacy and education, and through national, statewide, and community partnerships. The Institute was founded in 2004. To learn more about the Institute, please visit: www.incap.org/iiwf.html

ABOUT THE INDIANA COMMUNITY ACTION ASSOCIATION (IN-CAA)
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: www.incap.org

ABOUT THE AUTHOR
Derek Thomas is a Senior Policy Analyst with the Indiana Institute for Working Families. Since joining the Institute in 2011, Derek has authored: Work Sharing: A Win-Win-Win Strategy to Avoid Job Loss; The Status of Working Families Report, 2011 and 2012 reports; The Cliff Effect: How Policy Design is a Disincentive for Economic Mobility, and; several policy briefs and blog posts. Derek serves on D.C.-based CFED’s Asset and Opportunity Network’s Federal Policy Working Group in order to advance the action items on the Network’s Federal Policy Agenda to expand the reach and deepen the impact of asset-based strategies. Derek’s research and analysis has been cited by local and national media and the U.S. Government, including a Reuter’s series on Income Inequality in Indiana for his Cliff Effect research and the U.S. Department of Labor for his Work Sharing research. Derek received his Master’s in Public Affairs/Policy Analysis at the School of Public and Environmental Affairs (SPEA) at Indiana University Purdue University Indianapolis (IUPUI).

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• Indiana Institute for Working Families Advisory Committee for their time and valuable feedback on this report.
• Indiana Community Action Association’s Board of Directors and Staff, who provide support for the Institute and its work.
• Corie Communications for the report design.
THE STATUS OF WORKING FAMILIES is a biennial report that analyzes the general state of Indiana’s economy as it relates to working families by examining data on poverty, labor force and wages, followed by working-family friendly policy options. This year, our report will offer access to the data, online and interactively, for users who wish to share or further explore our findings. This 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.

Despite an improving unemployment rate, the number of impoverished and low-income Hoosiers is still on the rise, median household income is still declining and income inequality in Indiana is growing. Whether these economic measures are examined from the beginning of the recession, the start of the official recovery or from the beginning of the century, Hoosier families have steadily lost ground, too often at clips greater than the nation and even our neighbors. The data make it clear that Hoosier families are not the fiscal envy of the nation.

This disproportionate decline is largely explained by the loss of good-paying manufacturing jobs. Growth in low-wage jobs far and away outnumbered growth in middle- and high-wage jobs since the Great Recession started, assisting in exacerbating the loss of an enormous amount of good-paying jobs that took place during the first part of the century. This job swap – measured from 2000 to 2013 – not only resulted in a deterioration of family-sustaining wages, but benefits, job quality, consistency and certainty were also lost in this exchange. Work is the key to economic self-sufficiency, but simply having a job is not enough; Hoosier families and communities need quality jobs that pay well enough to meet a family’s most basic needs, such as childcare, housing, food and transportation.

Public policy decisions can help to restore prosperity. This can be accomplished by repurposing a state-designed social safety net that has left too many Hoosiers behind by hampering participation, denying support altogether or leaving benefit levels to erode with inflation. They can also reverse deteriorating job quality, stagnating wages and job inconsistency by strengthening or implementing a number of workplace policies. Likewise, state tax policy can be constructed based on the principle of fairness. Regressive tax policy that requires low- to middle-income families to pay a larger share of their income than wealthy Hoosiers shifts the responsibility of funding government services toward those with little to give, diminishing pocketbooks and a quality of life.

If policymakers are to stop the full decade-and-a-half of losses for lower- and middle-income families in its tracks, our state will need to prioritize a toolbox of policies that have a measurably positive impact for working Hoosier families. 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.
### MEDIAN HOUSEHOLD INCOME IN INDIANA

**IN 2000:** $55,182  
**IN 2013:** $47,529

Median household income in Indiana has been on the decline since the beginning of the century—down by nearly $8,000 per year (about 14%) since 2000, and still declining as of last count.

Of the half-million jobs in the top three industries, 74 percent pay below $13.00 per hour.

### THE 21st CENTURY JOBS SWAP

During the recession and recovery (2007-2013), the state lost high numbers of jobs in mid- and high-wage industries. Jobs in low-wage industries, however, became more plentiful.

<table>
<thead>
<tr>
<th>Category</th>
<th>2007-2013 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-wage jobs</td>
<td>14,726 more</td>
</tr>
<tr>
<td>Mid-wage jobs</td>
<td>35,814 fewer</td>
</tr>
<tr>
<td>High-wage jobs</td>
<td>23,369 fewer</td>
</tr>
</tbody>
</table>

### LOCAL GOVERNMENT IS CUTTING BUDGETS, JOBS

87.8% of public-sector jobs lost during the recession and recovery were local government jobs. 47% were local education.

<table>
<thead>
<tr>
<th>Category</th>
<th>Jobs Lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,254 Total Local Jobs</td>
<td>10.254</td>
</tr>
<tr>
<td>4,776 Local non-education</td>
<td>1,424</td>
</tr>
<tr>
<td>5,478 Local education-related jobs</td>
<td>1,424</td>
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</tbody>
</table>

### POVERTY vs. PROGRAMS

**INDIANA’S SOCIAL SAFETY NET PROGRAMS ARE NOT KEEPING UP WITH GROWING POVERTY**

<table>
<thead>
<tr>
<th>Program</th>
<th>2013 Assistance</th>
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<tr>
<td>SNAP</td>
<td>926,694</td>
</tr>
<tr>
<td>TANF</td>
<td>124,276</td>
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</tbody>
</table>

### THE STATUS OF WORKING FAMILIES IN INDIANA: 2015

- **1,015,127** Hoosiers were living in poverty in 2013.
- **1,260,419** Hoosiers live on the edge of poverty.
- **2,275,546** Low-income Hoosiers.

### SINCE 2007

- **29.3%** increase in poverty rate in Indiana since 2007.
- **20%** increase in poverty rate in the U.S. since 2007.

#### Hoosiers vs. Americans

- **20.7%** increase in low-income Hoosiers since 2007.
- **8.7%** decrease in middle- to high-income Hoosiers since 2007.

#### Local Government

- **47%** of public-sector jobs lost during the recession and recovery were local government jobs.

#### Jobs Swap

- **14,726 more** low-wage jobs.
- **35,814 fewer** mid-wage jobs.
- **23,369 fewer** high-wage jobs.

#### Indiana’s Social Safety Net Programs

- 926,694 Hoosiers received assistance via SNAP.
- 124,276 Hoosiers received assistance via TANF.
1. **POVERTY (STILL) ON THE RISE**

There are currently a record-breaking **1,015,127** Hoosiers in poverty.

**Poverty**

More than six years after the beginning of the Great Recession, and five years of recovery, poverty in Indiana is still on the rise.\(^1\) While the total number of impoverished Hoosiers dropped in 2012, the respite was short lived and there are now a record-breaking **1,015,127** Hoosiers in poverty (**FIGURE 1-1**). At 15.9 percent, Indiana’s poverty rate is slightly above the national average, but below all neighbor states, except Illinois (14.7 percent). Poverty rates were only exacerbated by the recession, following upward trends since the beginning of the century. Since 2000, poverty increased nationally by nearly 30 percent while Indiana saw a 57 percent increase. Among neighboring states, as a comparison, only Michigan saw a larger increase, while our increase was nearly double the increase in poverty in Illinois in the same time period.

These changes in poverty rates among neighbor states with similar characteristics of economic-decline during the recession help to gauge, at least in part, the

**FIGURE 1-1: Changes in Poverty Rates, 2007-2013** (current rate in parentheses)\(^2\)

- U.S. (15.8)
- Indiana (15.9)
- Illinois (14.7)
- Ohio (16.0)
- Michigan (17.0)
- Kentucky (18.8)

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

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2. 2007 Poverty Rates: U.S. 13.0% | IL, 11.9% | IN, 12.3% | KY, 17.3% | MI, 14.0% | OH, 13.1%
effectiveness of our state's safety-net for the most vulnerable Hoosiers. Since 2007, poverty increased by more than 29 percent in Indiana – that's the 11th largest increase in the nation, more than all neighbors and more than the national average increase of 20 percent. Since last year, poverty rates for senior citizens increased from 7.2 to 7.9 percent in 2013. Poverty rates for Hoosier families increased from 11.3 to 11.9 percent.

**CHILD POVERTY**

According to UNICEF's Innocenti Report Card 12, Children in the Developed World report, in which nations' response to child poverty are contrasted to illustrate that the increases were not inevitable, from 2006 – 2011, one-third of all newly poor children in the developed world lived in the U.S.¹ Indiana's rate increased 29 percent in that time period, compared to the national rate increase of 21 percent.

The current poverty rate for Hoosier children (22.9 percent) is equal to the national average, and below all neighbor states, excluding Illinois (20.7 percent) (FIGURE 1-2). Child poverty has been flat for the last several years, refusing to budge. These rates have been trending upward since the beginning of the century. Since 2000, Indiana saw the 10th largest increase in child poverty in the nation. Among neighbors, only Michigan saw greater increases.

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3 2007 Child Poverty Rates: U.S., 18.0% | IL, 16.6% | IN, 17.3% | KY, 23.9% | MI, 19.4% | OH, 18.5%

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Changes in poverty rates among neighbors during the recession help to gauge, at least in part, the effectiveness of our state’s safety net for the most vulnerable Hoosiers.
While lawmakers take incremental steps to ensure that all Hoosier children are offered strong educational opportunities, the current gap between enrichment resources (books, computers, high-quality child care, summer camps, and private schools) is obscene; research shows that high-income families spend seven times as much as low-income families.ii Educational inequalities introduced to these children at the starting line will confront them for a lifetime.iii

**SELF-SUFFICIENCY OUT OF REACH FOR MORE HOOSIERS**

When the measure of poverty was first created in the 1960’s, it assumed food to be one-third of the cost of a family’s most basic needs. That, of course, is no longer relevant as the arrangement of basic needs and their costs have changed – i.e., for low-income families, childcare can be up to 40 percent of a family’s budget, which happens to be double the amount families spend on food.iv Acknowledging this, government agencies often use ratios of poverty to determine need, such as 185 percent of the Federal Poverty Level (FPL) for Women, Infants and Children (WIC) to determine benefit eligibility.

To account for differences (geography, family size, etc.), the Institute’s Self-Sufficiency Calculator measures the cost of a family’s most basic needs for 70 different family types in all 92 counties to determine the required (living) wage.v As a general rule, the income-level required for economic self-sufficiency – the ability for a family to pay for their most basic needs without public or private assistance – is 200 percent FPL ($39,580 annually for a family of three). Below 200 percent FPL is considered low-income.

Like poverty, the number of low-income Hoosiers is still rising (FIGURE 1–3). There are now 2,275,546 (35.7 percent) low-income Hoosiers (that’s 1,015,127 below 100 percent FPL plus 1,260,419 between 100 and 199 percent FPL).

A closer examination of income groups within the income group below 200 percent FPL finds that the number of Hoosiers between 100 and 199 percent of FPL increased by 14.5 percent (also growing at greater clips than all neighbors and U.S. average) (FIGURE 1–4). The ratio of Hoosiers above the 200 percent measure saw an 8.7 percent decline (greater declines than neighbors and U.S.). Even accounting for 5.4 percent population growth since the beginning of the recession, these trends are also consistent in absolute terms, suggesting that most Hoosiers are still losing economic ground.

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4 See the Institute’s Self Sufficiency Standard Report here: [http://www.incap.org/selfsufficiencystandardshare.html](http://www.incap.org/selfsufficiencystandardshare.html) and the Self Sufficiency Standard Calculator here: [http://www.indianaselfsufficiencystandard.org](http://www.indianaselfsufficiencystandard.org)

5 2007 Below 200% FPL Rates: U.S., 30.7% | IL, 28.3% | IN, 29.6% | KY, 37.4% | MI, 30.8% | OH, 30.4%

6 2007 Ratio of Income to Poverty: Less than 99% FPL, 15.9% | 100 - 199% FPL, 19.8% | More than 200% FPL, 64.3%
FIGURE 1-3: Change in Rate of Low-income Individuals (below 200% FPL), 2007-2013 (current rate in parentheses)\(^6\)

- U.S. (34.8)
- Indiana (35.7)
- Illinois (31.9)
- Ohio (34.4)
- Michigan (35.6)
- Kentucky (39.1)

Source: American Community Survey (indexed, January 2007=100)

20.7% increase in Indiana

FIGURE 1-4: Changes in Ratio of Income to Poverty Level, 2007-2013 (current rate in parentheses)\(^6\)

<0.99

1.00 - 1.99

2.00 - 5.00

Source: American Community Survey (indexed, January 2007=100)
ASSET POVERTY
Beyond the 35 percent (2.275 million) Hoosiers that are low-income, 43 percent of Hoosiers are one crisis away – such as unemployment or a health emergency – from hardship (TABLE 1-5).\(^7\) Nationally, the Federal Reserve’s Economic Well-Being of U.S. Households in 2013 survey found that more than 60 percent of adults 18 - 59 years of age did not have savings that would cover them for 3 months, and that among 30 – 59 years olds, 45 percent or more couldn’t cover three months of expenses by “borrowing money, using savings, selling assets, or borrowing from friends/family.”\(^v\) Adequate tools, incentives and public policies can help foster, preserve and protect families. When families can rely on their own wealth and savings to weather economic downturns, they are less likely to resort to public assistance.

<table>
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<th>TABLE 1-5: Financial Assets(^8)</th>
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<td>Asset Poverty by Family Structure</td>
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<td>Liquid Asset Poverty Rate(^10)</td>
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<tr>
<td>Net Worth</td>
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</tbody>
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Source: CFED, Asset and Opportunity Scorecard, 2013

Indiana’s Social Safety Net Design – “Shooing People off the Rolls”

Even as poverty increases, Indiana’s tradition of designing public programs that discourage participation continues. Examples include asset limits, strict lifetime limits for cash welfare, letting benefits erode with inflation, onerous work requirements and denying support to so-called “able-bodied” adults.\(^vi\) But the data make it clear that even before the Great Recession, and nearly a half-decade into the recovery, a greater share of Hoosiers are being left behind than most of the U.S. FIGURE 1-6 illustrates the response of two social safety-net programs – that are considerably different in design – to rising poverty. Well-intended national

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\(^7\) Explore local data at Assets and Opportunity Local Data Center: [http://localdata.assetsandopportunity.org/map](http://localdata.assetsandopportunity.org/map)

\(^8\) See more on our partnership with IACED and LISC Indianapolis to expand asset-building opportunities for families in Indiana through Indiana’s Asset and Opportunity Network: [http://indianaopportunity.net/](http://indianaopportunity.net/)

\(^9\) CFED Definition: “Percentage of households without sufficient net worth to subsist at the poverty level for three months in the absence of income, 2011.”

\(^10\) CFED Definition: “Percentage of households without sufficient liquid assets to subsist at the poverty level for three months in the absence of income, 2011.”
conversations centering around the War on Poverty suggest that states do not have flexibility to combat poverty. Yet, there are numerous ways that the state can immediately strengthen, and in some cases, simultaneously bring efficiency to its programs. Indeed, it is often the rules, not the programs that trap families in poverty.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)

SNAP is the new name for The Food Stamp Program. SNAP benefits are funded entirely by the federal government and states are responsible only for paying half of the administrative costs. The hundreds-of-thousands of Hoosier families affected by the recession were able to rely on the counter-cyclical design of SNAP; as the economy declines, SNAP participation increases, and vice-versa. Like most public assistance programs, the American Recovery and Investment Act (AARA) helped to strengthen SNAP during the downturn by increasing monthly benefits.

Nationally, 76% of SNAP households included a child, an elderly person, or a disabled person – they receive 83% of all SNAP benefits. An average SNAP household has only $333 in assets. The average monthly SNAP benefit per person is $133.85, or less than $1.50 per person, per meal. Only 57% of food insecure individuals are income-eligible for SNAP. It’s also important to remember that
while SNAP only serves those below 130 percent FPL, those above this level and below 200 percent FPL are generally not economically self-sufficient. According to the Working Poor Families Project, 39.1 percent of working families below 200 percent FPL in Indiana received SNAP in 2013 – that’s a less generous rate than all neighbors and the U.S. average.

Because the unemployment rate does not tell the whole story (i.e., underemployment and declining wages – see Chapter 2), more individuals were on SNAP as recently as August 2013 than in any time since the recession started, despite nearing prerecession employment rates. The expiration of AARA, and ongoing efforts to limit SNAP participation, whether federally or in Indiana, leaves no one surprised that food pantries are currently seeing record-level demand. In Indiana, food insecurity rose from about 10 percent in 2005-2007 to 14 percent in 2011-2013.\(^\text{vii}\) Not only does the return on investment in feeding our hungry families benefit our local economy ($1.73 for every dollar spent on SNAP)\(^\text{viii}\), research shows that providing children with SNAP benefits reduces obesity and high blood pressure in their adult lives.\(^\text{ix}\)

**UNEMPLOYMENT INSURANCE (UI)**

Like SNAP, unemployment insurance responds to economic conditions by supplanting lost wages with temporary income. Congress responded to unprecedentedly high unemployment by extending and increasing benefits, known as Emergency Unemployment Compensation (EUC), through ARRA, and extended them again during the Middle Class Taxpayer Relief Act of 2012. Congress let them expire in December 2013. According to the Center on Budget and Policy Priorities, 69,300 Hoosiers were scheduled to lose benefits in 2014.\(^\text{x}\) Currently, the maximum weekly benefit in Indiana is $390. While the share of the unemployed receiving benefits in Indiana was near the national average immediately following the recession, by the end of 2013 70 percent of unemployed Hoosiers were not receiving unemployment benefits – the 11th least generous rate in the nation.\(^\text{xi}\)

**TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)**

TANF is cash assistance and supportive services to needy families with children under the age of 18. To be eligible for TANF in Indiana, a family of three must not have an annual gross income above 36.3 percent FPL, or $7,104 annually, and may not possess more than $1,000 in assets. In 2008, it served just 10 percent of individuals in poverty, and as of 2013 it served less than 2 percent. Its abysmal response to swelling poverty isn’t exclusive to Indiana, yet, even an optimistic report from the Brookings Institution on the responsiveness of TANF during the recession found that only one state (Indiana) saw no increase at all, and expressed concern that our program, among a few others, didn’t respond to high unemployment.\(^\text{xii}\)

Without the $5 billion TANF Emergency Fund that Congress enacted under ARRA,
national participation might have declined as well. The Urban Institute cites “capped funding, state policies that discourage access, and increased welfare stigma” as potential explanations for TANF’s responsiveness, unlike its predecessor, Aid to Families with Dependent Children. \textsuperscript{xiii}

Making matters worse, TANF’s inadequate benefits have also been left to erode with inflation. For a single-parent family of three, the $288 monthly TANF benefit remains unchanged since 1996. This equals a decline of 32.7 percent of its value from 1996 to 2013. Seventeen states experienced similar declines – all left benefits untouched since before welfare reform.\textsuperscript{11} Just six U.S. states – all of which decreased benefit levels – saw greater declines in value.\textsuperscript{xiv} In 2012, 85 percent of all recipients in Indiana were children.

**Chapter Conclusion**

While not all of the increases in poverty levels are explained by our state’s social safety net characteristics, its mark is visible. After an entire decade of increasing poverty and stagnant wages, policymakers in Indiana can restore the rungs on the ladder of mobility that lead to the middle class so that the latter-part of the second decade of the 21\textsuperscript{st} century is one in which – to borrow the moniker used to describe our state budget surplus – Hoosier families’ finances are the fiscal envy of the nation.

\textsuperscript{11} According to the U.S. Census Bureau’s American Community Survey’s 2014 Public Assistance Report, only two states saw greater declines in public assistance income (cash payments to poor families or individuals through TANF and General Assistance (GA)) from 2011 to 2012. Indiana saw a 0.3% decline in public assistance income: [http://goo.gl/Q7aajU](http://goo.gl/Q7aajU)

\textsuperscript{12} See our research, infographic video and policy briefs on the benefit cliff at: [http://www.incap.org/cliffeffect.html](http://www.incap.org/cliffeffect.html)

\textsuperscript{13} As of October 2014: [http://www.in.gov/issaq.files/FactSheet.pdf](http://www.in.gov/issaq.files/FactSheet.pdf)


\textsuperscript{17} Center on Budget and Policy Priorities, TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode: [http://www.cbpp.org/cms/?fa=view&id=4222](http://www.cbpp.org/cms/?fa=view&id=4222)


11 According to the U.S. Census Bureau’s American Community Survey’s 2014 Public Assistance Report, only two states saw greater declines in public assistance income (cash payments to poor families or individuals through TANF and General Assistance (GA)) from 2011 to 2012. Indiana saw a 0.3% decline in public assistance income: [http://goo.gl/Q7aajU](http://goo.gl/Q7aajU)

12 See our research, infographic video and policy briefs on the benefit cliff at: [http://www.incap.org/cliffeffect.html](http://www.incap.org/cliffeffect.html)

13 As of October 2014: [http://www.in.gov/issaq.files/FactSheet.pdf](http://www.in.gov/issaq.files/FactSheet.pdf)


17 Center on Budget and Policy Priorities, TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode: [http://www.cbpp.org/cms/?fa=view&id=4222](http://www.cbpp.org/cms/?fa=view&id=4222)

Indiana’s Labor Market

More than four years from the official end of the recession, medium-term trends in the U.S. and Indiana are encouraging. As of October, the nation has seen nine straight months of private sector job gains above 200,000—the longest streak we’ve had since 1995. In Indiana, October 2014 also marked ten straight months in which the state unemployment rate has been lower than the national average. Other recent milestones in the Hoosier recovery include exceeding prerecession employment and surpassing the prerecession number of individuals participating in the labor force. Yet, a closer examination of the data reveals that several large pockets of weakness in the labor market persist. Moreover, working families trying to make up ground from the last decade-and-a-half of weak income growth are further hampered by the reality that today’s jobs are not what they used to be.

JOB GROWTH LAGS POPULATION GROWTH

As of October 2014, there were 10,600 more jobs than there were at the beginning of the recession. In fact, total non-farm employment is the highest it has been since September 2000. When the recession began in December 2007, Indiana had 2,993,100 million jobs. By July 2009—the peak of job loss—Indiana had 231,200 fewer jobs than it did before the recession began. However, when accounting for the 5.4 percent growth in population in the 82 months since the recession began—when the state should have been adding jobs to accommodate new individuals entering the labor force—Indiana has a ‘jobs deficit’ of 152,000 (TABLE 2-1). To regain its prerecession unemployment rate of 4.6

### TABLE 2-1: Jobs Deficit, Indiana, October 2014

<table>
<thead>
<tr>
<th>DETAILS</th>
<th>NUMBER OF JOBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2007: Start of the recession</td>
<td>A 2,993,100</td>
</tr>
<tr>
<td>July 2009: Labor market trough</td>
<td>B 2,761,900</td>
</tr>
<tr>
<td>Peak-to-trough job shortfall (A-B=C)</td>
<td>C -231,200</td>
</tr>
<tr>
<td>October 2014: Current month</td>
<td>D 3,003,700</td>
</tr>
<tr>
<td>Jobs gained since start of the recession</td>
<td>E 10,600</td>
</tr>
<tr>
<td>Population growth since the recession began</td>
<td>F 5.4%</td>
</tr>
<tr>
<td>Number of jobs needed to keep up with population growth (AxF=G)</td>
<td>G 161,600</td>
</tr>
<tr>
<td><strong>JOB DEFICIT (G-E=H)</strong></td>
<td>H 152,000</td>
</tr>
</tbody>
</table>

Source: EPI analysis of BLS data
percent, Indiana needs 6,000 new jobs each month over the next three years. Over the past year, the monthly average was 5,500 new jobs each month.

THE UNEMPLOYED
As of October 2014, Indiana’s unemployment rate – the share of potential workers that are unemployed and actively seeking work – was 5.6 percent, significantly improved from the 10.8 percent unemployment rate peak in June 2009. Yet the recovery has not been equal among all demographic groups. At last count, African American unemployment (17.3 percent) has declined from 2013, but remains more than twice as high as unemployment among whites, and well above its 2007 rate of 10.7 percent (FIGURE 2-2). And at 21.7 percent, the unemployment rate among 16 to 19 year olds remains well above its prerecession rate of 15.1 percent. The problem is costly; according to a 2014 report from Young Invincibles, the total costs of elevated unemployment among young adult (ages 18 to 34) to the state is $44,679,570 annually – largely in the form of lost tax revenue as a result of declining future earnings due to a lack of work experience.  

To regain its prerecession unemployment rate of 4.6 percent, Indiana needs 6,000 new jobs each month over the next three years.

FIGURE 2-2: Unemployment Rate, By Demographic, Indiana, 2013 Annual Average


19 According to a Washington Post analysis, Indiana has the 10th largest gap “between black and white unemployment between 2004 and 2013” – Ohio and Michigan are both in the top 5: [http://goo.gl/J2v7Dq](http://goo.gl/J2v7Dq)

20 While unemployment rates have fallen substantially since 2013, these annual averages are the most approximate measure for determining the difference in unemployment rates among demographics. Because of larger sample sizes, this data permits measurement of groups not available in monthly reports.
Long-term unemployment in Indiana – those unemployed for more than six weeks – as a share of the total unemployed is 29.1 percent, lower than all neighboring states and the national average of 37.6 percent (FIGURE 2–3). That’s down measurably from its peak of 47 percent in 2011, but still well above its 2007 level of 17.3 percent. Persistent high levels of long-term unemployment should be a cause of serious concern as research shows the longer the unemployment spell, the less likely workers are to return to the work force. A report from the Brookings Institution found that “only 11 percent of those who were long-term unemployed in a given month returned to full-time, steady employment a year later.”

LABOR FORCE PARTICIPATION
The labor force participation rate (LFPR) measures those working or looking for work as a percentage of the population 16 years and older. Nationally, the September 2014 jobs report showed a U.S. labor force participation rate at 62.7 percent – the lowest share in almost a quarter-century. In October, it ticked up to 62.9 (TABLE 2–4). There is some debate as to what extent the share of this decade’s long decline in labor force participation is a result of structural factors (such as retiring baby boomers) versus cyclical factors (namely, a lack of choices due to a weak job market). If it’s largely due to the former, then the labor market may be relatively tight, or more competitive, because workers who exited the labor

FIGURE 2-3: Long-term Unemployment Share, By Demographic, Indiana, 2013

Long term unemployment is still 68 percent higher than it was before the recession started in 2007.
force are not coming back. If it’s simply weak job options that are keeping potential workers on the sidelines no longer searching for jobs, then the labor market has more slack than the official unemployment rate suggests. This slack in the labor market puts downward pressure on wages, and holds back growth in household incomes. The outcome of this debate is important in determining how the Federal Reserve manages monetary policy—raising or lowering interest rates, which affects businesses decisions around borrowing, spending, and hiring. It also influences how we should measure the health of Indiana’s labor market.

As of October 2014, the total number counted in the official labor force in Indiana reached 3,245,900 – 9,000 more than it was at the official start of the recession (December 2007), but 5,400 less than it was as of January 2009. Indiana’s labor force participation rate (LFPR) has leveled off recently, and even ticked up over the past year (FIGURE 2–5). In that year, among neighbors, only Indiana and Michigan saw a net positive gain of workers reentering the labor force. Indiana’s LFPR also increased comparatively well. However, for historical perspective, Indiana’s LFPR peaked in 1995 at 71 percent and has been on a gradual decline since. The historically low share of individuals participating in the labor force means there is more to the unemployment rate than meets the eye.

For example, the employment rate for 25- to 54-year-olds is more than 2 percentage points below 2007 – again leading to less tax revenue for the state and heavier reliance on safety net programs.**

### TABLE 2-4: Change from October 2013 to October 2014, Indiana (current rate in parentheses)

<table>
<thead>
<tr>
<th></th>
<th>UNEMPLOYMENT RATE CHANGE (OCTOBER RATE)</th>
<th>LABOR FORCE PARTICIPATION RATE (LFPR) CHANGE (OCTOBER LFPR)</th>
<th>LABOR FORCE CHANGE</th>
<th>NEW JOBS</th>
<th>% INCREASE IN JOBS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S.</strong></td>
<td>-19.4% (5.8)</td>
<td>0.14% (62.85)</td>
<td>1,653,000</td>
<td>2,643,000</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Illinois</strong></td>
<td>-27.5% (6.6)</td>
<td>-0.59% (64.77)</td>
<td>-6,870</td>
<td>39,400</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Indiana</strong></td>
<td>-19.7% (5.7)</td>
<td>1.23% (63.41)</td>
<td>65,302</td>
<td>49,600</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Kentucky</strong></td>
<td>-24.4% (6.2)</td>
<td>-3.25% (58.22)</td>
<td>-55,240</td>
<td>37,900</td>
<td>2.1%</td>
</tr>
<tr>
<td><strong>Michigan</strong></td>
<td>-17.4% (7.1)</td>
<td>0.35% (60.27)</td>
<td>38,331</td>
<td>26,300</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Ohio</strong></td>
<td>-28.4% (5.3)</td>
<td>-0.96% (62.91)</td>
<td>-25,001</td>
<td>37,600</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

Source: EPI analysis of BLS data

The employment rate for 25- to 54-year-olds is more than 2 percentage points below 2007 – again leading to less tax revenue for the state and heavier reliance on safety net programs.
WHAT ABOUT THOSE NOT COUNTED IN THE LABOR FORCE?²⁰

The U-3 unemployment rate is the official name for the unemployment rate that is reported in the media – it is equal to the number of unemployed workers divided by the total labor force. But it is often criticized for underestimating slack in the labor market.³⁰ There are a number of alternative measures of unemployment, but the most comprehensive is a measure known as the U-6 rate. Along with the unemployed (those who have looked for work in the past four weeks), it includes involuntarily working part-time workers and those who are marginally attached (those who haven’t looked for work in the past 4 weeks, but have in the past year). Included in the marginally attached are discouraged workers (those who haven’t looked at all in the past year) and ‘others’ (those who cite certain costs, such as transportation and childcare, as prohibitive to them seeking work).³¹

Nationally, and in Indiana, the U-6 rate is nearly double the standard U-3 measure (TABLE 2–6). These alternative measures of unemployment have been declining in tandem with the U-3 (FIGURE 2–7).³³ Yet, the growing population of ‘others’ –

²⁰ Bureau of Labor Statistics: The marginally attached are persons not in the labor force who want and are available for work, and who have looked for a job sometime in the prior 12 months (or since the end of their last job if they held one within the past 12 months), but were not counted as unemployed because they had not searched for work in the 4 weeks preceding the survey. Discouraged workers are not currently looking for work for one of the following types of reasons: they believe no job is available to them in their line of work or area; they had previously been unable to find work; they lack the necessary schooling, training, skills, or experience; employers think they are too young or too old, or; they face some other type of discrimination. Involuntary part-time are individuals who were working part time because of slack work or business conditions, or because they were unable to find a full-time job. http://www.bls.gov/cps/cps_htgm.htm

³¹ Prohibitive costs to work – such as childcare – are well documented here: http://goo.gl/NQVCxi
TABLE 2-6: Alternative Measures of Labor Underutilization, 4th Quarter 2013 - 3rd Quarter 2014 Averages

| Source: BLS, Local Area Unemployment Statistics |

<table>
<thead>
<tr>
<th></th>
<th>U-1</th>
<th>U-2</th>
<th>U-3</th>
<th>U-4</th>
<th>U-5</th>
<th>U-6</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>3.3</td>
<td>3.3</td>
<td>6.5</td>
<td>6.9</td>
<td>7.8</td>
<td>12.5</td>
</tr>
<tr>
<td>Illinois</td>
<td>4.3</td>
<td>4.3</td>
<td>7.7</td>
<td>8.1</td>
<td>8.9</td>
<td>13.7</td>
</tr>
<tr>
<td>Indiana</td>
<td>2.7</td>
<td>3.3</td>
<td>6.1</td>
<td>6.6</td>
<td>7.4</td>
<td>11.5</td>
</tr>
<tr>
<td>Kentucky</td>
<td>3.4</td>
<td>3.7</td>
<td>7.2</td>
<td>7.5</td>
<td>8.6</td>
<td>12.9</td>
</tr>
<tr>
<td>Michigan</td>
<td>3.9</td>
<td>3.9</td>
<td>7.8</td>
<td>8.3</td>
<td>9.2</td>
<td>14.2</td>
</tr>
<tr>
<td>Ohio</td>
<td>3.2</td>
<td>3.1</td>
<td>6.2</td>
<td>6.6</td>
<td>7.4</td>
<td>11.8</td>
</tr>
</tbody>
</table>

According to the BLS: "U-1, persons unemployed 15 weeks or longer, as a percent of the civilian labor force; U-2, job losers and persons who completed temporary jobs, as a percent of the civilian labor force; U-3, total unemployed, as a percent of the civilian labor force (this is the definition used for the official unemployment rate); U-4, total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers; U-5, total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers; and U-6, total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers." [http://www.bls.gov/lau/stalt.htm](http://www.bls.gov/lau/stalt.htm)

The growing population of ‘others’ suggests that the rising cost to work should be of concern for policy makers.


Source: BLS, Local Area Unemployment Statistics

22 According to the BLS: “U-1, persons unemployed 15 weeks or longer, as a percent of the civilian labor force; U-2, job losers and persons who completed temporary jobs, as a percent of the civilian labor force; U-3, total unemployed, as a percent of the civilian labor force (this is the definition used for the official unemployment rate); U-4, total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers; U-5, total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers; and U-6, total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers.” [http://www.bls.gov/lau/stalt.htm](http://www.bls.gov/lau/stalt.htm)

23 Third quarter through second quarter of following year.
Persistently high numbers of Americans working part-time involuntarily raise concerns about the health of the labor market.\textsuperscript{24} According to the Federal Reserve Bank of Chicago, despite improvements nationally, higher-than-average percentages of involuntary part-time workers in Indiana indicate continued labor market slack.\textsuperscript{xxvi} In Indiana, part-time employment – as a percentage of the employed – has declined to prerecession levels, but the share of those that are working part-time involuntarily, or for economic reasons, has increased 36 percent during that same time period – now at 27.9 percent (\textbf{FIGURE 2-8}).\textsuperscript{25} The Federal Reserve’s research shows that less than half of these workers found full-time employment within a year – down from 61 percent in 2007.\textsuperscript{xxvii}

Part-time work is often short-term with unpredictable schedules and scarce benefits. A growing concern among part-time work in the U.S. is the practice of “just-in-time scheduling” – employers giving little-to-no notice of work schedules,
or adjusting to customer demand flows by changing employees’ hours on the fly.\textsuperscript{xviii} These practices make it extremely difficult for workers to budget or plan, as their potential income have change dramatically from week to week. In the United States, most workers are paid hourly.\textsuperscript{xxix} The University of Chicago found that 41 percent of early-career workers (26 to 32 years old) know their schedules no more than a week in advance—and that rate is even higher for minorities and working parents. With inadequate hours and often limited ability to budget or plan, it is perhaps not surprising that poverty rates are exceptionally high among part-time workers. Nationally, nearly 75 percent of children with at least one parent who works part-time are in poverty or are considered low-income.\textsuperscript{xxx, xxxi}

**WHAT TYPES OF JOBS ARE COMING BACK?**

Looking at supersectors with a birds-eye view, state and local government is still below prerecession levels, and it comes as no surprise that manufacturing, construction and trade and transportation and utility sectors all suffered (\textbf{FIGURE 2–9}). Employment levels for each are still below prerecession levels. For example, despite a relatively strong rebound, manufacturing employment is still down 4.5 percent, or nearly 25,000 jobs since the recession started. But due to technological improvements, global competition, and public policy decisions, enormous numbers of mid- to high-wage manufacturing jobs disappeared well before the recession started. Plainly illustrating this shifting arrangement is the fact that manufacturing is down 150,000 jobs since the year 2000, while total nonfarm employment is down by just 5,600.

\textbf{FIGURE 2-9: Net Change in Jobs by Industry Since the Beginning of the Recession (December 2007), Indiana}

- Manufacturing: -24,700
- Construction: -22,800
- Trade, Trans and Utilities: -12,000
- Financial Activities: -7,000
- Professional and Business Services: 23,800
- Education and Health: 42,300
- Leisure and Hospitality: 14,100
- State and Local Government: -2,800

Source: EPI analysis of BLS data
The 21st Century Jobs Swap

According to the National Employment Law Project, lower-wage occupations constituted 21 percent of job losses during the recession, but were 58 percent of job growth during the recovery, nationally.¹ We wanted to know what happened in Indiana, so we borrowed from their approach, but used a slightly different method to examine the swap, but with Indiana specific wages (see Appendix)²⁶, ²⁷

We classified low-wage industries as paying below $15.00 per hour/$600 per week/$31,200 annually. According to the Institute’s Self-Sufficiency Calculator, a single parent with an infant in Marion County is self-sufficient at $14.86 per hour. We classified mid-wage industries as those paying between $15 per hour and $26 per hour/$1,040 per week/$54,080 annually.

In Indiana, just 18 percent of private sector job losses during the recession were in industries that pay an average worker a low wage, while 45 percent were in industries that pay an average worker a mid-wage. The recovery, on the other hand, was more equal in its distribution – low-wage industries account for 33 percent of gains during the recovery and mid-wage industries account for 35 percent of recovery period gains (FIGURE 2–11). Of course, between the two time periods, that’s a net loss for mid-wage industries (FIGURE 2–12). But the true culprit for the dramatic job swap and the decade-and-a-half of economic decline that still persists to this day are the losses that preceded the Great Recession (FIGURE 2–10).

GROWTH PERIOD

From 2001 – 2007, Indiana saw a meager net gain of 18,000 private sector jobs, compared to population growth of individuals 26 years and older of more than 200,000 in the same time period – helping to explain the decades-long decline in labor force participation rates.

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²⁷ During our research, we noticed the IBRC produced a similar report – ‘Indiana Jobs: Recession, Recovery’. Our analysis uses a slightly different methodology for wages, but similar results are found.
Among low-, mid- and high-wage categories, only the low-wage category experienced a net gain during the growth period of 2001-2007 (97 percent of which pay less than $13.00 per hour) (FIGURE 2–10).\(^{28}\)

- Of all industries experiencing net growth in this period, 45 percent paid under $13.00 per hour (in 2013 dollars).\(^{28}\)
- Of all industries that experienced a net loss during this period, 64 percent paid over $20 per hour.
- Of the 118,000 private sector jobs that were lost in that period, just 20 percent paid below $13.00 an hour.
- Of the ten industries that saw the greatest declines, seven (76 percent) were in manufacturing and eight (or 83 percent) paid over $20 an hour.

**RECESSON**

**LOPSIDED LOSSES.** By the time the recession started, the damage had already been done, but the disproportionate loss of employment in mid and high-wage industries continued. Mid-wage industries made up the largest percent share – nearly 90,000 – of private sector job losses during 2007-2010, while about 89,000 were lost in high-wage industries. Though 50,000 jobs were lost in low-wage industries, they comprised only 18 percent of the total.

\(^{28}\) In Figure 2 – 12, 2001 wages aren’t adjusted for inflation for the purposes of the recession/recovery analysis, but $15.00 per hour in 2013 has the same buying power as $12.46 in 2000 according to BLS’s CPI Inflation Calculator.
By the time the recession started, the damage had already been done, but the disproportionate loss of employment in mid- and high-wage industries continued.

The recession. Of the jobs in mid-wage industries lost, 43 percent were in manufacturing and 38 percent were construction and contracting. Widening the divide, both industries topped off of the mid-wage category with an average hourly wage of around $25 an hour. Of the high-wage losses, half were ‘manufacturers of transportation equipment’ – also known as the auto industry.

As demand collapsed, employment in the high-wage industries of durable good wholesaling and manufacturing declined considerably. Both industries have only recovered about half of what they lost.

**RECOVERY**

**MID-WAGE.** The recovery has been more equal in the wages of the jobs that have come back, with mid-wage industries accounting for the largest share of job growth (35 percent). Of these, 35 percent are manufacturing. Other mid-wage gains were in ‘private education’, ‘hospitals’, ‘truck transportation’ and ‘warehousing and storage’. Construction and contracting jobs have gained just 20 percent of their total lost during the recession.

**HIGH-WAGE.** Of the nearly 50,000 jobs in high-wage industries gained during the recovery, half were ‘transportation manufacturers’. After shedding 36,000 jobs in the recession, Indiana’s auto industry has gained about half of its recession losses back during the recovery, while ‘ambulatory health care services’ (i.e., medical assistants and medical secretaries) accounted for 25 percent of high-wage recovery-period gains (having also increased by 6,400 during the recession).

**LOW-WAGE.** The largest gain in low-wage industries was in ‘administrative support services’ – (i.e., security guards, janitors and landscapers) – accounting for nearly 23,000 jobs (45 percent) of the low-wage recovery share. More than 31 percent of this growth was in ‘food service and drinking places’ (i.e., fast food, waiters and waitresses and cooks). There are almost a quarter-million total jobs in this industry, and they account for 25 percent of all low-wage jobs. Illustrating its resiliency, the nearly 16,000 jobs gained in this sector during the recovery doubled the losses it experienced during the recession. At the same time, this impressive job growth in food services also makes ensuring the quality of these jobs is all the more important.
Social services (i.e., childcare workers) and ‘nursing and residential care facilities’ (i.e., home health aides and licensed practical and licensed vocational nurses) saw recovery and recession growth.

**PUBLIC SECTOR JOBS**

Firefighters, policemen, first responders and teachers not only provide important services to communities, but they fit squarely in the mid-wage job category, and their recession – and recovery – losses dent the balanced growth in the private sector recovery (FIGURE 2-13). During the recession, state and local government employment declined by 0.3 percent and 0.9 percent, respectively. Both saw the largest losses in public administration – including ‘executive, legislative and general government’ in local government and ‘justice, public order, and safety activities’ and ‘administration of economic programs’ in state government.

Local Government (FIGURE 2-14) makes up 75 percent of state and local government together, and more than half of local government is local educational services. The large majority (87 percent) of the nearly nine-thousand jobs lost between state and local government during the recovery were local government jobs. Of the 7,361 that were local government, 65 percent were local education and 30 percent were ‘executive, legislative and general government’. Job losses in state government were shared by ‘community and housing program administration’ and ‘justice, public order, and safety activities’.

Ultimately, the largest losses to both state and local government occurred during the recovery, as the state and local governments dealt with budget deficits by shedding public sector jobs. While such decisions might lead to balanced budgets in the short term, they can be incredibly short-sighted, leading to lower future growth. xxiii

**Chapter Conclusion**

Hoosier workers were especially vulnerable to the shift in jobs that accompanied the decline in family-sustaining manufacturing jobs during the first part of the 21st century. Not only are wages lower, but many of the new jobs lack benefits,
security and the stability of consistent work. Researchers at Brandeis describe these once-common job features as employment capital, finding that they – like income – play an often-overlooked role in a family’s economic security. Unfortunately for Hoosier families, the same sectors with inequalities in employment-capital are the same that dominated the 21st century job swap.

Even as Hoosiers have stepped up to work following the recession and the state’s unemployment rate has fallen in response, the number of impoverished and low-income Hoosiers continues to grow. On top of deteriorating job quality and stagnating wages, job inconsistency and income uncertainty make planning for basic needs like groceries and childcare even more difficult for a growing number of Hoosier families.

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**POLICY OPTIONS**

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

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29 According to the Federal Reserve’s *Report on the Economic Well-Being of U.S. Households in 2015*, more than 20 percent of surveyed “experience months with unusually high or low incomes.” Of those, 42 percent reported that it was due to irregular work schedule: [http://goo.gl/MocZJp](http://goo.gl/MocZJp)

30 More than a half-million Hoosiers lost employer-sponsored health insurance during the first decade of the 21st century -greatest decline in U.S. [http://goo.gl/nQo4W7](http://goo.gl/nQo4W7)

31 The Federal Reserve’s Economic Well-Being of U.S. Households in 2015 survey found that 21 percent said that they experience month-to-month variance, and 42 percent of those reported that it was due to an irregular work schedule.

32 See our research, fact sheets and public testimony on works sharing: [http://www.incap.org/worksharesage.html](http://www.incap.org/worksharesage.html)


34 Indiana Department of Workforce Development for more info: [http://www.in.gov/dwd/wotc.htm](http://www.in.gov/dwd/wotc.htm)

35 American Society of Civil Engineers gave Indiana a D+: [http://www.infrastructurereportcard.org/g disp/state-facts/indiana](http://www.infrastructurereportcard.org/g disp/state-facts/indiana)


37 45 percent of all private sector workers in Indiana do not have access to a single day of paid sick leave. The Institute worked with the Institute for Women’s Policy Research and graduate students at IUPUI SPEA to perform an access analysis and cost-benefit analysis of a minimum paid sick day standard in Indiana. The full report “consisted of a review of existing literature and secondary data, key informant interviews, and surveys. Among those surveyed were 2,000 small businesses and 92 local public health officers.” See abbreviated results in our guest blog post – Cough Cough, Who’s There? High Flu Season and Inadequate Access to Paid Sick Leave: [http://goo.gl/PSH6g](http://goo.gl/PSH6g) or contact us for the full report.
WORK IS THE KEY TO ACHIEVING ECONOMIC SELF-SUFFICIENCY, but even as employment has grown, so have the ranks of impoverished and low-income Hoosier families. Simply having a job is not enough; Hoosier families and communities need quality jobs that pay well enough to meet a family’s most basic needs, such as childcare, housing, food, transportation.

TOP THREE INDUSTRIES
The shift from mid-wage jobs to low-wage jobs is partially illustrated by the changing arrangement of the largest three industries, by total employment, where ‘administrative and support services’—a typically lower-paying industry—replaced ‘transportation equipment manufacturing’—a typically higher-paying industry—as number two (TABLE 3–1). At the same time, many of the manufacturing jobs pay less than they did in the past, as do the low-wage jobs (FIGURE 3–2). Of the half-million jobs in the top three industries, 74 percent pay below $13.00 per hour.

FOOD SERVICES AND DRINKING PLACES INDUSTRY. Nationally, 40 percent of occupations within this industry are ‘food preparation and serving workers, including fast food.’ As of May 2013, Indiana had the 5th highest concentration of employment per thousand jobs in this occupation. The main reason why pay in this field is so low is because state and federal law allows tipped workers, such as waiters and waitresses, to be paid a sub-minimum wage of $2.13 per hour—a wage floor that hasn’t been raised in 24 years. This loophole for tipped workers leads to dramatically higher poverty rates among waiters, waitresses, and bartenders than workers in all other occupations.

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th># OF JOBS</th>
<th>AVG. HOURLY (2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food services and drinking places</td>
<td>219,267</td>
<td>$6.53</td>
</tr>
<tr>
<td>Administrative and support services</td>
<td>157,233</td>
<td>$12.95</td>
</tr>
<tr>
<td>Transportation equipment manufacturing</td>
<td>130,542</td>
<td>$28</td>
</tr>
</tbody>
</table>

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

Of the half-million jobs in the top three industries, 74 percent pay below $13.00 per hour.

See our ‘Poverty Jobs on the Rise’ blog post: http://goo.gl/1OjxUQ

‘Ambulatory health care services’ and ‘hospitals’ are third and forth with 111,623 and 102,789 jobs, respectively, with wages between $26 and $27 per hour.
The auto industry, by and large, drove Indiana’s recovery, yet wages are not what they used to be.

ADMINISTRATIVE AND SUPPORT SERVICES INDUSTRY. Nationally, 30 percent of occupations within this industry are ‘janitors and cleaners, except maids and housekeeping cleaners’, and nationally, the median wages is $9.72; 30 percent are ‘security guards’ with a median wage of $10.97; and another 35 percent are ‘laborers and freight, stock, and material movers, hand’ and ‘landscaping and groundskeeping workers’ with median hourly wages of $9.58 and $11.43, respectively.\(^1\)

TRANSPORTATION EQUIPMENT MANUFACTURING. This industry, by and large, drove Indiana’s recovery, yet wages are not what they used to be. Nationally, the majority of occupations within this industry – and the manufacturing industry altogether - are ‘team assemblers’, or line workers. According to National Employment Law Project (NELP), the number of temporary workers in this occupation has increased three-fold, yet their wages are 29 percent lower than direct hires. At $16.78, this hourly wage is well under the average hourly wage of $28.00 for the sector as a whole. NELP also finds that as a member of the ten “auto alley” states, Indiana was among five states (Michigan and Ohio included) where “new hires at auto parts plants are paid roughly one-quarter less than the other auto parts workers in the state – a 27 percent decline in monthly earnings.”\(^{11}\)

FIGURE 3-2: Hourly Wages, By Percentile, Indiana, 2000-2013 (in 2013 Dollars)

FIGURE 3-3: Male/Female Hourly Wage Gap, by Percentile, Indiana, 2007-2013 (2013 Dollars)


HOURLY WAGES
Not only are 20th percentile wages lower than they were in 2007, but so are wages for the 50th percentile (median) – down more than 80 cents in 2013 dollars (FIGURE 3-2). With the exception of Illinois, which has seen growth in both median and 80th percentile hourly wages, Indiana’s and its neighbors’ hourly wages in all percentiles are still below 2007 wages.

GENDER WAGE GAP
Indiana’s gender wage gap – as measured by median earnings – is 73 cents paid to a woman for every dollar paid to a man. That’s a difference of $12,201 annually (equivalent to, say, the cost of childcare), and $1,000 more than the previous year. Among percentiles, the gap varies by dollar amount, but the ratio between male and female hourly wages is similar across percentiles, with earners at the 20th percentile experiencing a slightly smaller gap (FIGURE 3-3).

Both 20th and 50th percentile hourly wages are still below prerecession levels.
**MEDIAN HOUSEHOLD INCOME**

Median household income has been on the decline since the beginning of the century – down by nearly $8,000 since 2000, and still declining as of last count. Among neighbors, only Kentucky has experienced median income growth in the recovery, although all neighbor states are still below 2007 and 2000 levels (TABLE 3–4).

**MINIMUM WAGE**

Indiana’s minimum wage is $7.25 per hour, the same as the federal minimum wage – 6.2 percent of Indiana’s 1,731,000 hourly workers make at or below minimum wage. That’s an increase from last year’s 5.2% and a larger share than all neighbor states and the U.S. average of 4.3% (6.2% represents 61,000 at minimum wage and 47,000 below minimum wage). At $7.25 per hour, one person working full-time (40 hours per week, 52 weeks per year) would earn just over $15,000 per year – so little that with one child they would be below the federal poverty line (FIGURE 3–5). For the last 24 years, Indiana’s tipped employees (waiters and waitresses) have been paid a sub-minimum wage of $2.13 per hour.

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 2014 dollars, the 1968 minimum wage would equate to $10.96. If the minimum wage had risen along with rising productivity over the past 45 years – meaning that workers would be sharing in the gains of their ability to produce more from each hour of work, as had historically been the case until the 1970s – the minimum wage would be over $19 an hour. Measuring the ratio of the minimum wage to median wage is also useful in determining the strength of each state’s minimum wage. It’s currently 39 percent in Indiana. In 1979, it was 52 percent.

Contrary to common perception, most low-wage workers are not teenagers working part-time after school. Nationally, less than a quarter of workers earning the minimum wage or close to it are teens; 56 percent are women, 28 percent are men.

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**TABLE 3-4: Median Household Income, Indiana**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>$61,380</td>
<td>$56,210</td>
<td>-9%</td>
<td>-7.6%</td>
<td>-0.68%</td>
</tr>
<tr>
<td>Indiana</td>
<td>$55,182</td>
<td>$47,529</td>
<td>-14%</td>
<td>-10.8%</td>
<td>-0.28%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>$44,453</td>
<td>$43,399</td>
<td>-2%</td>
<td>-4.1%</td>
<td>1.39%</td>
</tr>
<tr>
<td>Michigan</td>
<td>$58,690</td>
<td>$48,273</td>
<td>-18%</td>
<td>-10.4%</td>
<td>-0.51%</td>
</tr>
<tr>
<td>Ohio</td>
<td>$53,763</td>
<td>$48,081</td>
<td>-11%</td>
<td>-8.2%</td>
<td>-0.19%</td>
</tr>
</tbody>
</table>

Source: EPI analysis of American Community Survey (ACS) data

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40 Household 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 non-family 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.

41 Values inflated using the Consumer Price Index for Urban Consumers (CPI-U).
raising families and 44 percent have at least some college education.\textsuperscript{xlvii} As higher paying jobs become less plentiful, more parents are working low-wage jobs, and because the value of the minimum wage has been left to erode due to inflation, more and more of them are earning poverty level wages.\textsuperscript{42}

\textbf{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 because it works against a growing middle class and a sustainable economy. According to the Census Bureau’s Household 2013 brief, the latest data available, only two other states saw larger increases in inequality over the previous year, as measured by the Gini Coefficient (a number used to represent income distribution).\textsuperscript{xlviii} Policy choices past and present, such as increasingly regressive tax policies and a lack of response to stagnating wages contribute to the loss of shared growth and equal opportunity for future generations.

\textsuperscript{42} See our updated blog post, 15 Reasons to Raise Indiana’s Minimum Wage in 2015: http://iiwf.blogspot.com/2015/01/15-reasons-to-raise-indiana-minimum.html
Chapter Conclusion

As explained in Chapter 1, the Indiana Institute for Working Families’ Self-Sufficiency Calculator measures the cost of the most basic needs for 70 different family types in all 92 counties. It was commissioned in 2009, meaning it reflects the cost of a family’s most basic needs at the start of the recession, still accurately reflecting the gap in wages and the cost of a family’s essential needs, and the variances between counties. For example, a single parent with one infant in Marion County requires a wage of $14.86 to provide the basic necessities such as housing, childcare, transportation, food, etc. That’s more than double the minimum wage.

What our current version doesn’t reflect is that while the cost of some of these needs – such as childcare – continue to rise, wages are stuck or in reverse. If we adjust this figure for inflation, the required wage is $16.36. Given these trends, and the dominant rise of low-wage work, it’s imperative that lawmakers respond in order to right the economic ship for millions of Hoosiers. 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.


4. FIVE WAYS TO IMPROVE INDIANA’S UPSIDE DOWN TAX SYSTEM

Even Adam Smith recognized the basic fairness of a progressive tax structure:

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

Adam Smith

FEATURES OF INDIANA’S REgressive TAX SYSTEM

Policymakers can level the playing field after a decade-and-a-half of decline for millions of Hoosiers by designing a fair state tax system that encourages work and lifts families and children out of poverty. In most states – and particularly in Indiana – the overall state and local tax structure is unfair, or regressive, meaning households with the lowest incomes are paying a much larger share of their income in taxes than households with the highest incomes. In other words, Hoosiers with the least ability to pay are asked to contribute the most, as a share of their income.

According to the Institute for Taxation and Economic Policy’s (ITEP) Tax Inequality Index, Indiana has the 10th most unfair state and local tax system in the country, with the 8th highest taxes on the poor. Combining all of the state and local income, property, sales and excise taxes, the average overall effective tax rates for Hoosiers, by income group are:

- 12.0 percent for the bottom 20 percent
- 10.7 percent for the middle 20 percent
- 4.9 percent for the top one percent (FIGURE 4-1).

The phrase “soaking the poor” is used to illustrate the diminishing returns of tax systems that collect a greater share of tax revenue from those without anything to give, as the wealthy few have gotten wealthier, and taxed comparatively less, ultimately exacerbating income inequality.

FLAT INCOME TAX. Because low-income families spend almost entirely what they earn on basic needs, the flat tax – everyone is taxed the same percentage – reduces the well being of low-income families relatively more than it does to high-
income earners. And because of this flat-tax structure, the flat cut on an already flat tax to 3.23 percent in 2013 (phased in by 2017) equated to a 10 percent cut for the top 1 percent and just 1 percent for the middle 20 percent. According to the ITEP, if the 3 percent cut had been in effect in 2012: the poorest 20 percent of Hoosiers would see an average tax cut of just $6 per year; the middle 20 percent of Hoosiers would receive a tax cut of $33 annually, and; the top 1 percent of taxpayers would see cuts averaging over $694 per year (FIGURE 4–2). As lawmakers were disproportionately cutting taxes for the wealthiest of Hoosiers, they (the top 1 percent) saw 26.3 percent income growth while the bottom 99 percent experienced 4.2 percent growth (between 2009 – 2012).

State and local taxes are the source for our quality of life – safe neighborhoods, education, clean water and air, public transportation. Having less money in an economy where costs for basic needs like food and health care continue to
rise makes it harder to make ends meet. At a time when poverty is still rising in Indiana, Hoosiers cannot afford a tax policy that shifts the responsibility of funding government services toward middle and low-income Hoosiers.

SALES TAX. At 7 percent, Indiana has the second highest sales tax in the nation – but falls to the middle of the pack when accounting for local sales tax burden. Despite excluding groceries, this tax is the most regressive in the state with the bottom 20 percent paying more than 7 times – and the middle 20 percent of Hoosiers paying more than 4 times – that of the top one percent (FIGURE 4-3). And while incomes haven’t grown, the sales tax was increased to 7 percent from 6 percent in 2008 to replace lost property tax revenue. As the service economy grows, the tax base for Indiana’s largest source of revenue (the sales tax) shrinks.

EARNED INCOME TAX CREDIT (EITC). Giving Indiana’s flat income tax a slightly progressive form is Indiana’s Earned Income Tax Credit. The EITC offsets families’ federal income taxes. Indiana’s is equal to 9 percent of the federal EITC. It’s also refundable, meaning that if the credit exceeds the amount of taxes owed, the difference is given back to the worker. For families with very low earnings, the value of the EITC increases with each additional dollar earned, up to a maximum benefit. This structure encourages folks earning the least to work more by letting them keep more of what they earn to cover their basic needs. Once working families

At a time when poverty is still rising in Indiana, Hoosiers cannot afford a tax policy that shifts the responsibility of funding government services toward middle and low-income Hoosiers.

**FIGURE 4-3: Sales and Excise Tax Share of Family Income**

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Sales Tax Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 20%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Less than $19,000</td>
<td></td>
</tr>
<tr>
<td>Second 20%</td>
<td>6.2%</td>
</tr>
<tr>
<td>$19,000 - $34,000</td>
<td></td>
</tr>
<tr>
<td>Middle 20%</td>
<td>4.9%</td>
</tr>
<tr>
<td>$34,000 - $56,000</td>
<td></td>
</tr>
<tr>
<td>Fourth 20%</td>
<td>4.2%</td>
</tr>
<tr>
<td>$56,000 - $85,000</td>
<td></td>
</tr>
<tr>
<td>Next 15%</td>
<td>3.1%</td>
</tr>
<tr>
<td>$85,000 - $154,000</td>
<td></td>
</tr>
<tr>
<td>Next 4%</td>
<td>1.9%</td>
</tr>
<tr>
<td>$154,000 - $356,000</td>
<td></td>
</tr>
<tr>
<td>Top 1%</td>
<td>1%</td>
</tr>
<tr>
<td>More than $356,000</td>
<td></td>
</tr>
</tbody>
</table>

Source: Institute on Taxation and Economic Policy
reach the maximum benefit, the credit value plateaus and eventually phases out for those with higher incomes.

The federal EITC is considered the nation’s most effective anti-poverty program for working families and children and lifted 101,000 Hoosiers, including 51,000 children, out of poverty each year between 2011 and 2013. In addition, young children in low-income families benefiting from the EITC are more likely to do better and go further in school and to work more and earn more as adults.

The state EITC, established in 2009, builds on this success and is a relatively small investment that can make a big difference in the lives of working families and their children.

**WORKING FAMILIES TAX CUT PACKAGE**

Of the five proposals on the previous page, lawmakers could adopt just a few to take the first steps toward a more fair tax system. For example, they can accomplish this by increasing

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the personal exemption to $2,000 (with a progressive feature that phases out the increase for high-income earners), conform the state EITC to the federal EITC, and increasing the EITC to 25%.

(TABLE 4-4 and TABLE 4-5). Unlike last year’s top-heavy tax cut, the distribution of this relief would benefit those who need it the most – low- to middle-income taxpayers.
1. POVERTY (STILL) ON THE RISE


2. INDIANA’S LABOR MARKET AND THE 21ST CENTURY JOBS SWAP


3. WORKING FOR A (BASIC) LIVING


4. FIVE WAYS TO IMPROVE INDIANA’S UPSIDE DOWN TAX SYSTEM


Recession/Recovery Jobs Analysis Methodology

Chapter 2: Indiana’s labor market and the 21st Century Jobs Swap

The approach used for this analysis is modeled largely off an April 2014 report by the National Employment Law Project (NELP), entitled “The Low-Wage Recovery: Industry Employment and Wages Four Years into the Recovery.” So that wage data are Indiana specific, differences in data availability required adjustments to make the analysis work on the state level – first replicated by Georgia Budget and Policy Institute.

IIWF collected data on industry employment and average weekly wages for 2001-2013 from the U.S. Bureau of Labor Statistics’ (BLS) Quarterly Census of Employment and Wages (QCEW) instead of using seasonally-adjusted monthly payroll employment data for private sector industries from the Current Employment Statistics (CES) survey. Jobs and wage data for 85 private sector industries in Indiana were arranged, and then reduced to 80 for the final analysis. Industries eliminated due to missing data were: Internet publishing and broadcasting; scenic and sightseeing transportation; postal service, and; rail and water transportation. The difference between total private sector employment in Indiana and the 80 industries used for this analysis is 1,265. For this analysis, we used the latter as the measure for total private employment. The 80 remaining industries were sorted from those with the highest median wage to those with the lowest, and then separated into three roughly equal groupings based on U.S. employment in 2013. The three groupings are meant to represent higher-wage, mid-wage and lower-wage industry classes.

We classified low-wage jobs as paying below $15.00 per hour/$600 per week/$31,200 annually. According to the Institute’s Self-Sufficiency Calculator, a single parent with an infant is self-sufficient at $14.86 per hour. As an alternative comparison, United Way’s Asset Limited, Income Constrained, Employed report (ALICE), the self-sufficient wage for a family of four in Marion County as $26 per hour. We classified mid-wage jobs as those paying between $15 per hour and $26 per hour/$1,040 per week/$54,080 annually. Additionally, sorting to equal levels of employment allows for more perfect comparisons. In our analysis, there were 817,733 low wage jobs, 861,913 middle wage jobs and 803,598 high wage jobs – a bell curve, with mid-wage jobs as the larger middle. Because QCEW jobs data are not seasonally-adjusted, annual comparisons are used to avoid misinterpretations. The last quarter of 2013 is the most recent data available for QCEW at the time of publishing. Because median wages are unavailable in the QCEW, and average wages don’t account for outliers, this analysis probably overestimates the wage of typical workers in some industries by a small amount. These data are publicly accessible at http://data.bls.gov/cgi-bin/dsrv?en
The Status of Working Families in Indiana

2015 REPORT

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