



THE STATUS OF WORKING FAMILIES IN INDIANA: 2005 UPDATE

By
Charles R. Warren

September 2005



Indiana Coalition on Housing and Homeless Issues

INDIANA
INSTITUTE FOR
WORKING FAMILIES



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Indiana Institute for Working Families, ICHHI

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

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

Public Policy: Research and Analysis

The Institute's research focuses on a range of policy issues affecting low-wage workers, including work support programs such as the Earned Income Tax Credit, Food Stamps, child care, health insurance programs, and the unemployment insurance system. In addition, the Institute is interested in policies and programs that involve job placement, retention, and advancement for low-income workers and is currently conducting research within these areas.

Advocacy, Education, and Information

The Institute engages in a range of activities that inform our constituents about pressing issues and assists with our advocacy efforts. The Institute publishes a monthly newsletter, *The Networker*, which focuses on pressing federal and state legislation and policies that impact low-income workers and highlights research relating to low-wage workers in Indiana. In addition, the Institute has founded *Invest In Hoosiers*, a statewide, grassroots advocacy campaign comprised of organizations and citizens who are concerned about issues affecting low-income working Hoosier families and Indiana's most vulnerable citizens. The Institute also issues periodic *Action Alerts* to inform Hoosier advocates of pending federal and state legislative issues and actions that need to be taken. Individuals can subscribe to both publications on our website at www.ichhi.org. The Institute also hosts multiple conferences and seminars across the state as well as giving presentations through its Speaker's Bureau.

National, Statewide, and Community Partnerships

ICHHI is seen as a statewide leader on public policy and poverty issues. This has allowed the Institute to build upon existing partnerships as well as develop new partnerships with workforce service providers, national research and advocacy organizations, and local service providers and advocates. Some of our partners include Center on Budget & Policy Priorities, Economic Policy Institute, National Employment Law Project, The Hatcher Group, Food Research and Action Center, Wider Opportunities for Women, and the Indiana Coalition for Human Services.

About the Author

CHARLES R. WARREN is currently Research Manager of the Indiana Institute for Working Families. Dr. Warren's work focuses on public policy, economic development, and workforce issues that impact low-income working families. He is the author of "Is There a Job Gap in Indiana," and the report "Pathways to a Livable Wage," an analysis of good-paying jobs that do not require a college degree and career advancement strategies.

HIGHLIGHTS

The Status of Working Families in Indiana: 2005 Update



Employment

- From May 2000 to January 2002, Indiana lost 122,000 jobs due to the national economic slowdown and recession. Since September 2003, Indiana has been on the road to recovery but, as of July 2005, it was still 46,000 jobs below the level reached five years ago.
- While Indiana remains the number one manufacturing state, in terms of percent of employment, it has lost almost 95,000 manufacturing jobs since 2000.
- Two sectors have shown some strength in job creation since the recession: professional and business services and health and educational services. These two sectors alone have added 52,000 jobs since 2000.
- Indiana's unemployment over the past six years has been consistently below the U.S. rate, yet, in July 2005, Indiana's rate of 5.4 percent exceeded the national unemployment rate of 5.0 percent.
- Hoosiers are strongly attached to the labor force, as can be seen in its higher rates of labor force participation and an employment-to-population ratio that has continued to be greater than the U.S. ratio since at least 1999.

Wages

- Indiana wages have been stagnant for the past several years and have not kept pace with average wages in the U.S. By 2004, the average annual wage in Indiana had fallen to just over 88 percent of the U.S.
- As high paying manufacturing jobs have disappeared, wages overall have declined. The average earnings per job in manufacturing was \$64,898 compared to \$38,060 for all jobs.
- The median wages of Indiana workers ranked 23rd among the 50 states, yet were much lower than the U.S. median wage (\$13.62 per hour compared to \$13.99 for the U.S.).
- Low-wage workers in Indiana appear to fare slightly better than U.S. workers in terms of their hourly wages. However, Indiana workers at the median and in all decile categories above the 50th percentile earn less than U.S. workers.
- Indiana lacks high-wage jobs due to the increasing dominance of service sector industries in its economy and also because of the relatively low educational attainment of its adult workforce.

Incomes

- Economic conditions for Hoosier families have worsened as evidenced by a sharp rise in the state's poverty rate and a continued decline in household incomes.
- Based on two-year averages, Indiana's Median Household Income has declined steadily since 1998-1999, when it was \$46,136. By 2003-2004, it had fallen to \$42,946.

Poverty Rates

- Poverty data released by the U.S. Census Bureau on August 30, 2005 estimated Indiana's poverty rate for 2003-2004 at 10.6 percent, while still lower than the U.S. rate of 12.6 percent, it is a substantial increase over Indiana 1999 single year poverty rate of 6.7 percent.
- The 2004 single year poverty rate estimate for Indiana is 11.6 percent which means that over 700,000 Hoosiers were living in poverty.
- The poverty rate for children in Indiana has jumped sharply in the past three years, from 10.5 percent in 2002 to 18.5 percent in 2004. Indiana's childhood poverty rate is now greater than the nation's (17.8 percent).
- In 2004, 333,000 of the 1.8 million children in Indiana were living in poverty.
- In 2004, almost 41 percent of Indiana's children were living in families with incomes that were less than 200 percent of the Federal Poverty Guidelines. This translates into 735,000 children who were below twice the poverty guidelines. It also means that 4 in 10 Hoosier children and their families had incomes below the Self-Sufficiency Standard that defines the amount needed to meet a family's basic budget needs.

Union Membership

- The percentage of Indiana workers who are union members has declined precipitously, falling from 16.2 percent in 1998 to only 11.4 percent in 2004.
- Once a heavily-unionized state, Indiana's union membership is now less than the nationwide percentage of 12.5.

Health Insurance

- There has been a fairly significant decrease in the percent of workers covered by private-sector, employer-provided health insurance: 64.2 percent covered in 1998-2000 and 59.8 percent in 2002-2004.
- Indiana's record in providing health insurance for low-income children is fairly good with only 16.6 percent without coverage compared to 19 percent in the U.S.
- Private sector health insurance coverage of all children in Indiana, however, has declined substantially from 79.5 percent in 1999 to 68.9 percent in 2004.
- For all people, over 14 percent of Indiana residents are without health insurance.
- The continuing decline in health insurance coverage for Hoosiers is especially troubling given the poor ratings the state has on important health indicators.

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INTRODUCTION

The Status of Working Families in Indiana: 2005 Update

In 2004, the Indiana Institute for Working Families published its first comprehensive report on the economic challenges facing low-income, working families in Indiana. That report, *The Status of Working Families in Indiana 2004*, provided the latest data on employment, wages, incomes and poverty for Indiana, and presented both a strategic and issue-specific policy agenda that could improve the status of working families.

In our initial report, we cautioned that: *There is no central, guiding set of goals and objectives within state government that addresses the needs of working families. In fact, many of the programs and policies of state government operate without regard to their impact on low-income families.* The state's regressive tax policies, budget cuts to programs designed expressly to help families make the transition from dependency to self-sufficiency, and the lack of assistance or emphasis on education and training needs of low-wage workers are just a few examples. Since the 2004 report, Indiana has a new Governor, Mitch Daniels, who has promised to pursue the goal of raising the incomes of Hoosier residents. The Governor's pursuit of that goal has led to a major reorganization of economic development agencies and programs, along with major, new incentives for the business community.

This report, *The Status of Working Families in Indiana: 2005 Update*, analyzes the key economic indicators for the state and its residents. The Daniels' Administration faces a daunting task in realizing its goal of increasing incomes. As we detail in the pages which follow, based on data just released from the U.S. Census Bureau and the Bureau of Labor Statistics, household incomes have fallen in every two-year period since 1998-1999, annual average wages continue to decline relative to the U.S., and the state's poverty rate has jumped dramatically to 11.6 percent for 2004. More alarming, the childhood poverty rate in Indiana has risen to a level higher than the nation's, and is approaching the point where nearly one in five Hoosier children are living in poverty. As we have detailed in the Institute's annual report on transitional support programs, *Is Indiana Getting Its Fair Share? 2005*, the number of Hoosiers who have participated in the Food Stamp program increased by 85 percent from 2000 to 2004. These facts and others detailed in the pages that follow should sound the alarm for state policymakers; immediate and urgent action is required to meet the basic needs of our residents and, most important, assist families in achieving and maintaining economic self-sufficiency.

The state government of Indiana, in partnership with private and non-profit sectors, has an important role to play in improving the conditions and opportunities of low-wage workers and their families. We believe strongly that work is key to achieving economic self-sufficiency. However, many families will need a hand up to overcome the challenges confronting them. As we said in our 2004 status report: *In its efforts to thrive in the 21st Century, Indiana cannot afford to leave low-income families behind. The true challenge is not whether Indiana can create a stronger economy; it's whether the state can create an economy that benefits each and every Hoosier.*

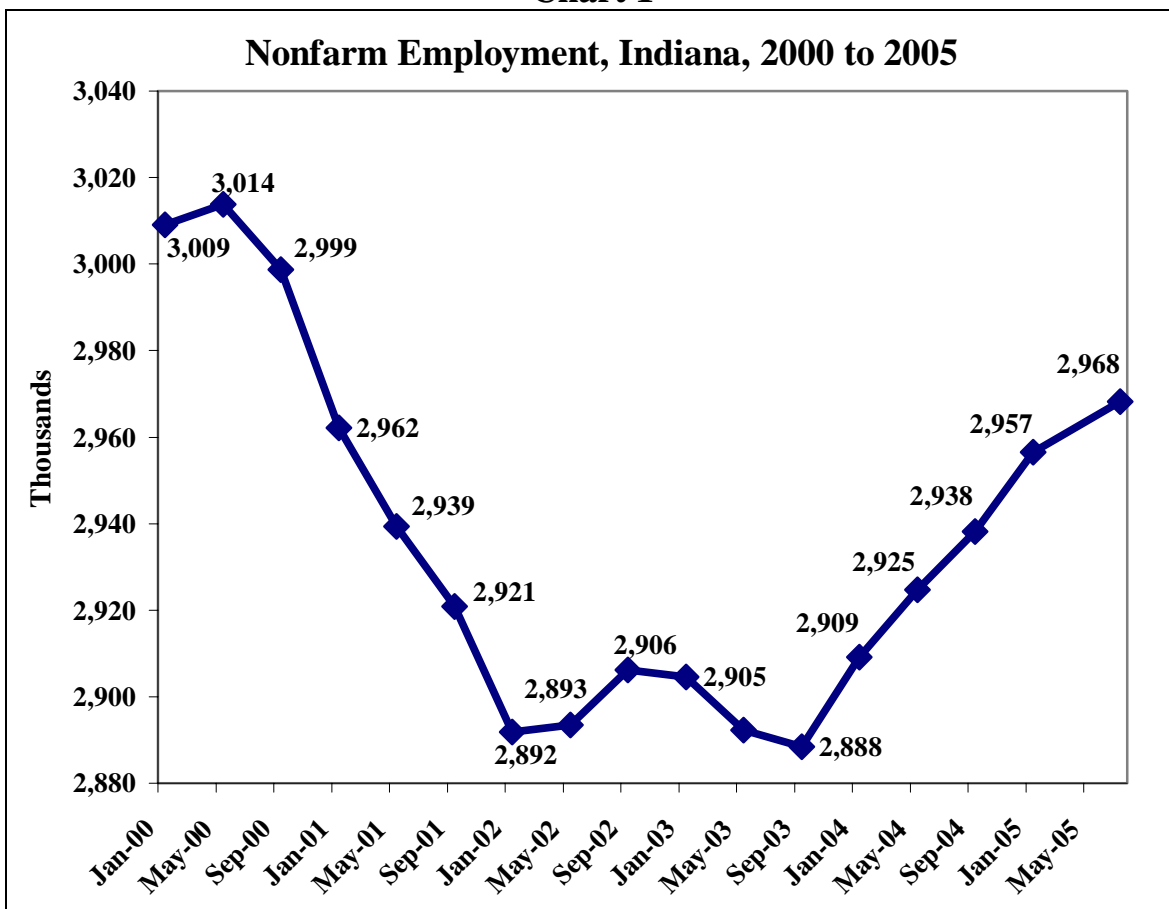
SECTION ONE

Indiana Jobs: The Road to Recovery



The Indiana economy is on the road to recovery. The national recession which began in March 2001 began almost 10 months earlier in Indiana, and, primarily due to the state's dependence on durable goods manufacturing, hit the state harder and lasted longer than the rest of the United States. Non-farm, industry employment reached its peak in Indiana at 3,013,800 in May 2000, but then employment losses began to accelerate reaching the bottom in January 2002, with a total loss at that point in time of 122,000 jobs.

Chart 1



Source: Covered Employment Statistics, Bureau of Labor Statistics

As shown in Chart 1, by July 2005, the total of non-farm jobs had climbed back to 2,968,000 – a gain of 80,000 since the all-time low in October 2003. Yet, employment statewide remained 46,000 jobs below the May 2000 level.

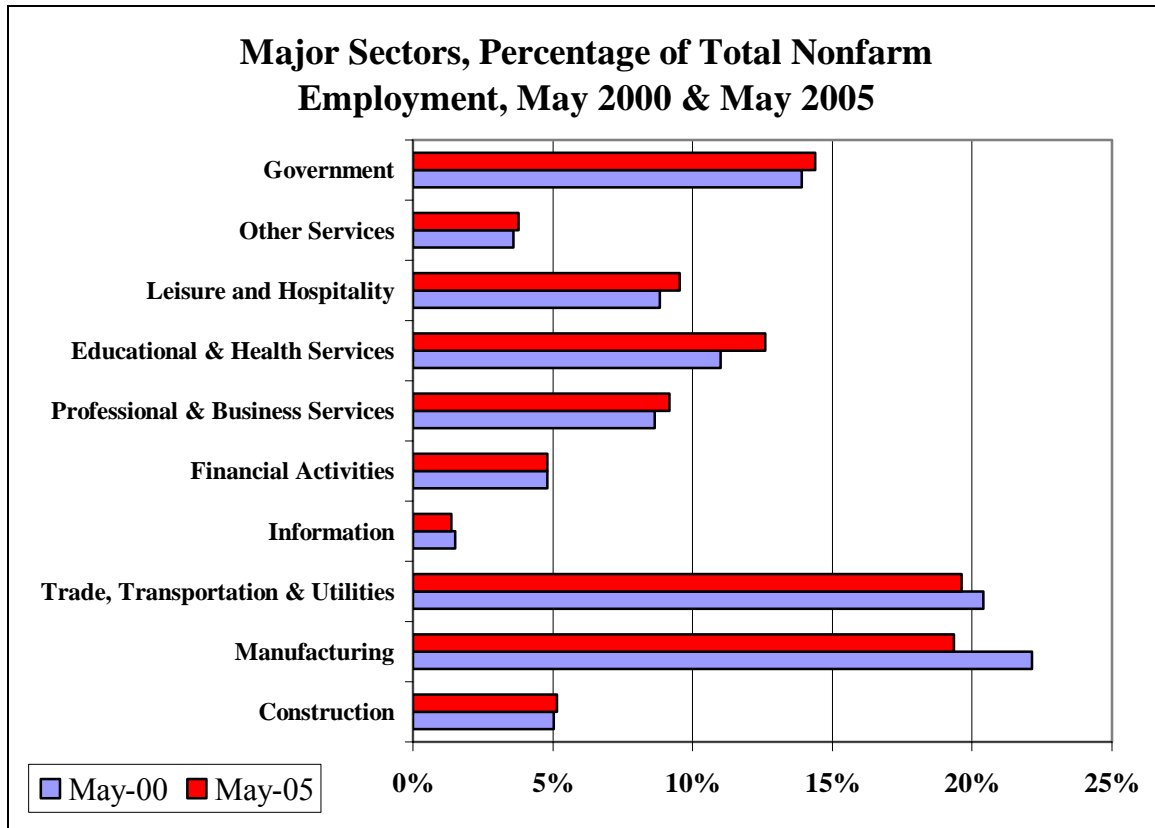
While the state's employment picture is clearly improving, the composition of its industrial base has changed dramatically in the past five years. The types of jobs that are now increasing are not a reflection of the jobs that were common and available at the beginning of the 21st Century.

Table 1

Employment by Major Sector, Indiana, May 2000 and May 2005				
	May 2000	May 2005	Number Change	Percent Change
Total NonFarm	3,013,800	2,961,300	-52,500	-1.7%
Construction	151,400	152,200	800	0.5%
Manufacturing	667,500	572,700	-94,800	-14.2%
Trade, Transportation, & Utilities	614,700	580,900	-33,800	-5.5%
Information	45,700	40,800	-4,900	-10.7%
Financial Activities	144,800	142,000	-2,800	-1.9%
Professional & Business Services	260,800	271,500	10,700	4.1%
Educational & Health Services	331,500	373,200	41,700	12.6%
Leisure & Hospitality	265,800	282,700	16,900	6.4%
Other Services	108,500	112,000	3,500	3.2%
Government	418,800	425,900	7,100	1.7%

Sources: Employment, Hours, & Earnings (CES), Bureau of Labor Statistics and Seasonally Adjusted NAICS Based Data

Chart 2



Source: Employment, Hours & Earnings (CES), Bureau of Labor Statistics

In the past five years, two industrial sectors – professional and business services and educational and health services – have shown considerable strength in job creation. These services industries added over 52,000 jobs from May 2000 to May 2005. Although the Indiana industrial base is shifting toward a services-based economy, manufacturing remains the largest single sector employer with about 573,000 jobs and almost 20 percent of total non-farm employment. Indiana still ranks number one among all states with the highest percentage of employment in the manufacturing sector.

SECTION TWO

Labor Force and Employment



In July 2005, the Indiana unemployment rate was 5.4 percent (preliminary estimate by Bureau of Labor Statistics) compared to a national unemployment rate of 5.0 percent. Unemployment in Indiana has been consistently low over the past five years, and generally has been lower than the U.S. as a whole and its neighboring states in the East Central region. Table 2 below provides the unemployment rates for these areas over the past five years (annual averages).

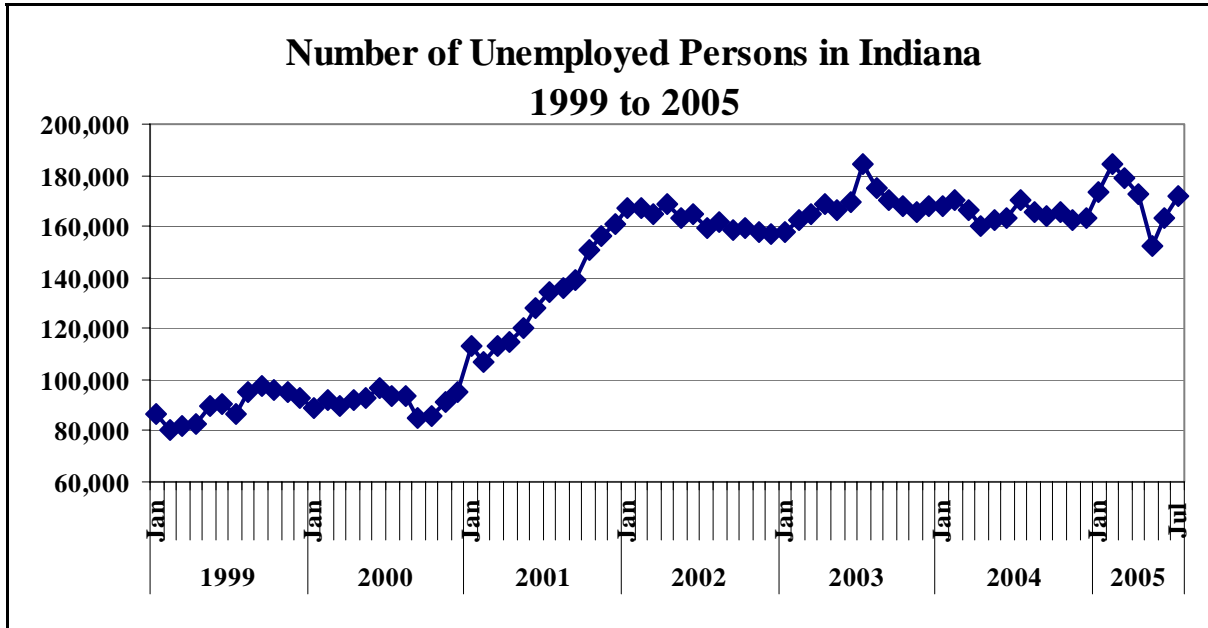
Table 2

Unemployment Rates, U.S. and East North Central States, 1999 to 2004						
	1999	2000	2001	2002	2003	2004
UNITED STATES	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%
<i>East North Central</i>	3.8%	3.8%	4.8%	5.9%	6.3%	6.1%
Ohio	4.3%	4.0%	4.2%	5.7%	6.1%	6.3%
Indiana	3.0%	3.2%	4.1%	5.1%	5.1%	5.3%
Illinois	4.3%	4.3%	5.4%	6.5%	6.7%	6.1%
Michigan	3.8%	3.5%	5.3%	6.2%	7.3%	7.0%
Wisconsin	3.0%	3.6%	4.6%	5.5%	5.6%	5.0%

Source: Economic Policy Institute (EPI) Analysis of Current Population Survey Data

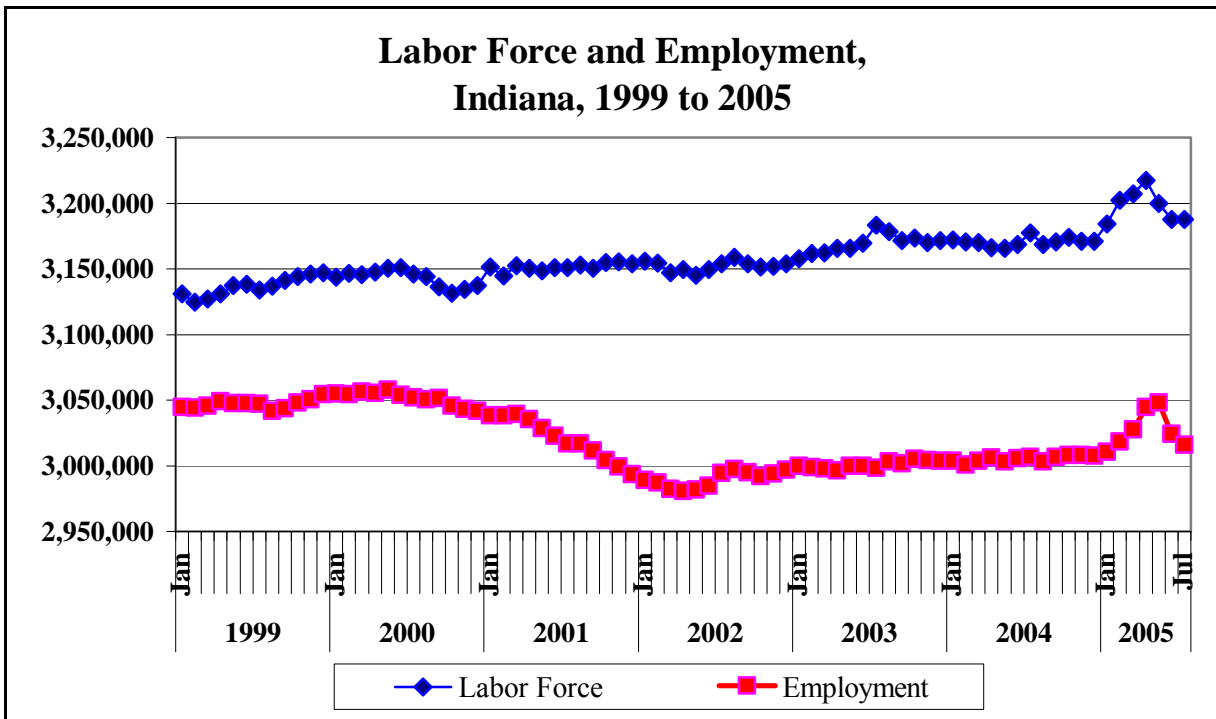
Among the states in the East Central region, only Wisconsin experienced unemployment rates that were lower than Indiana's. Despite the relatively benign unemployment rates that Indiana has had, the number of unemployed persons has doubled from approximately 80,000 in 1999 to about 171,000 in 2005. (See Chart 3.) Indiana has also seen very strong growth in its labor force with an increase of about 56,000 persons from January 1999 to July 2005. (See Chart 4.)

Chart 3



Source: LAUS, Current Population Survey, Bureau of Labor Statistics

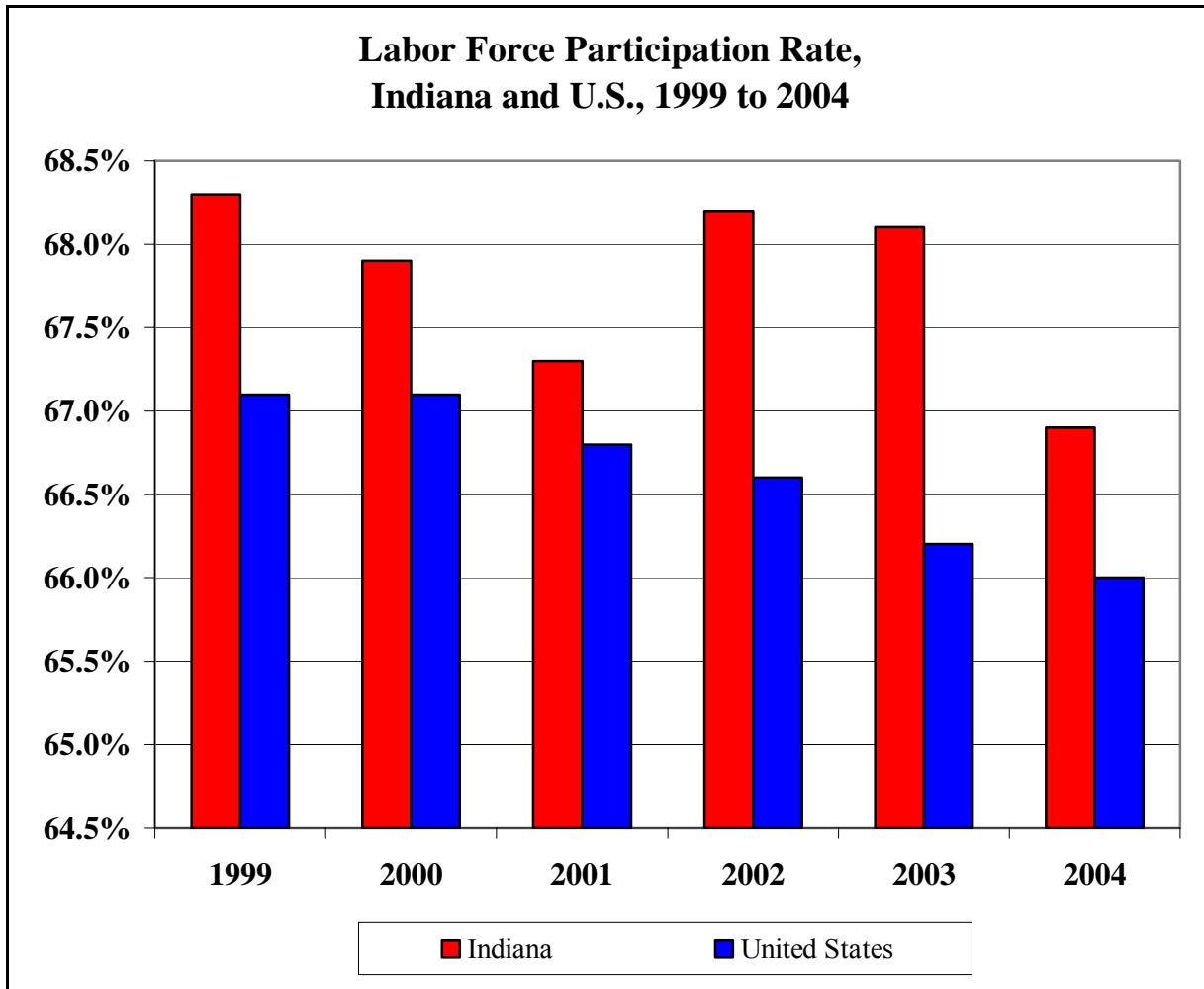
Chart 4



Source: LAUS, Current Population Survey, Bureau of Labor Statistics

Hoosiers are strongly attached to the labor force, as can be seen in Chart 5. For the past six years (1999 to 2004), the percentage of adults in the labor force has exceeded the U.S. percentage.

Chart 5

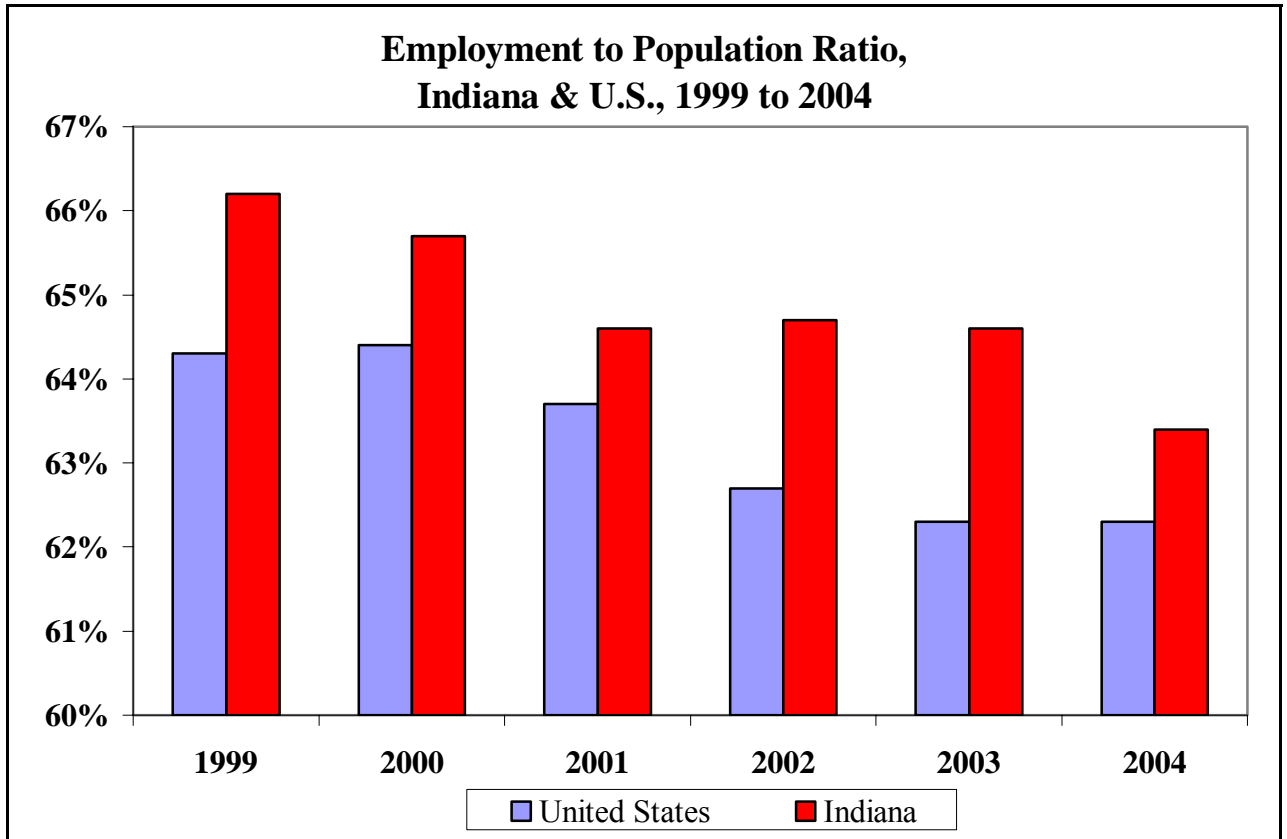


Source: Economic Policy Institute Analysis of Current Population Survey Data

The strong attachment of Indiana workers to the workplace can also be seen in a comparable statistic, the employment to population ratio (i.e., the number of employed persons divided by the total population). As shown in Chart 6, the Indiana percentage of employed persons has exceeded the U.S. percentage in each of the past six years.

Indiana also has a slightly lower percentage of part-time workers in its labor force than does the United States with 21.9 percent part-time in Indiana compared to 23.3 percent nationally (EPI).

Chart 6



Source: Economic Policy Institute analysis of Current Population Survey Data

Indiana's underemployment rate is much lower than the national rate, and is the lowest of the states in the East Central region. Underemployment in this instance includes not only those who are officially counted as unemployed, but also adds those workers who are marginally attached to the labor force and those who work part-time for economic reasons but would prefer full-time work.

Table 3

Underemployment Rates, United States and East North Central States, 2004	
UNITED STATES	9.6%
<i>East North Central</i>	10.4%
Ohio	10.6%
Indiana	8.9%
Illinois	10.2%
Michigan	12.1%
Wisconsin	9.0%

Source: Economic Policy Institute Analysis of Current Population Survey Data

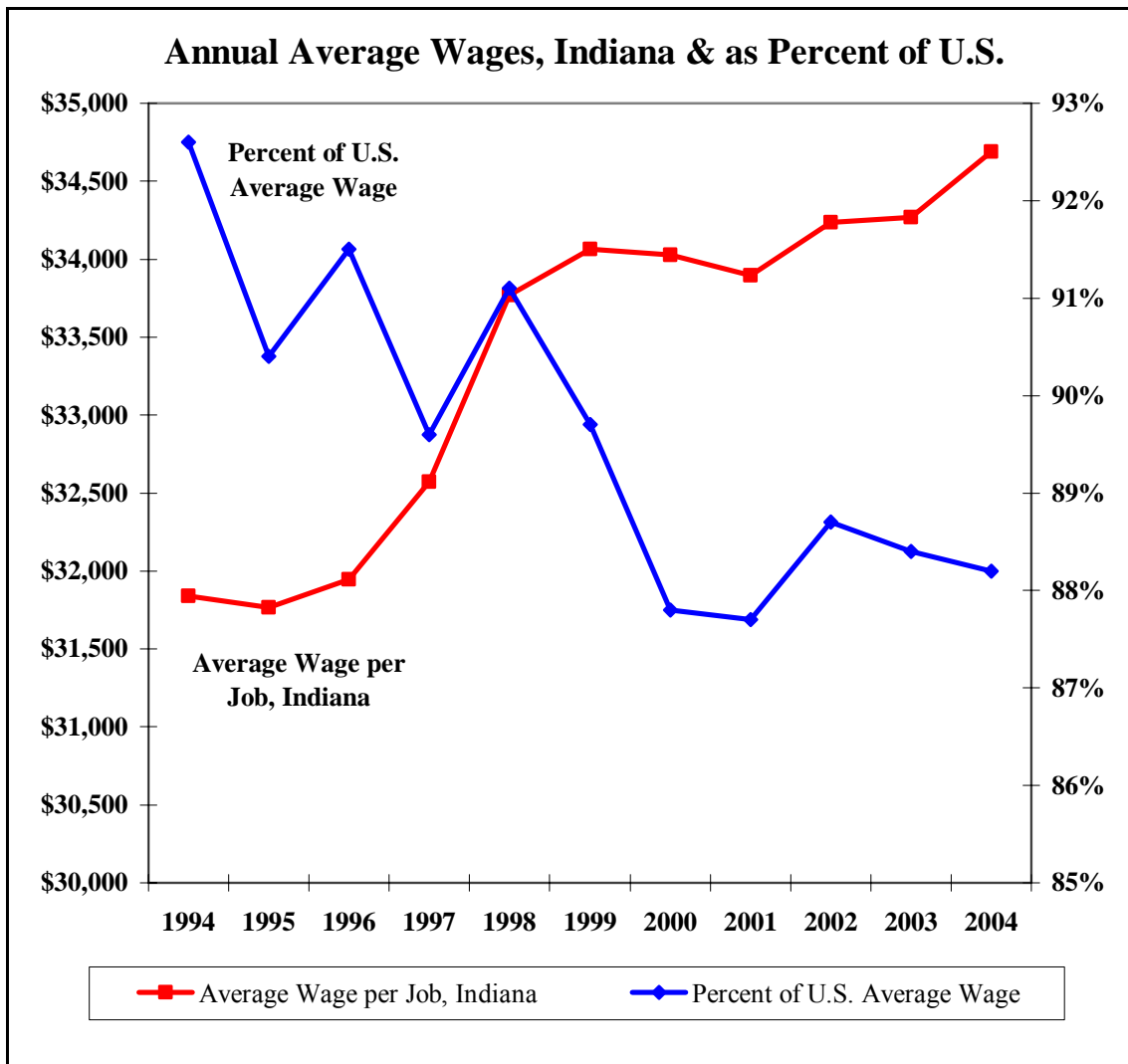
SECTION THREE

Wages



Indiana wages have been generally stagnant over the past several years, and have not kept pace with average wages in the United States as a whole. The mean annual wage listed for all occupations in Indiana in May 2004 based was \$33,550. The comparable U.S. wage was \$37,020. (Occupational Employment Survey (OES), Bureau of Labor Statistics). Since 1994, the average annual wage for Indiana workers covered by unemployment insurance has fallen from 92.6 percent of the U.S. average to 88.2 percent in 2004.

Chart 7

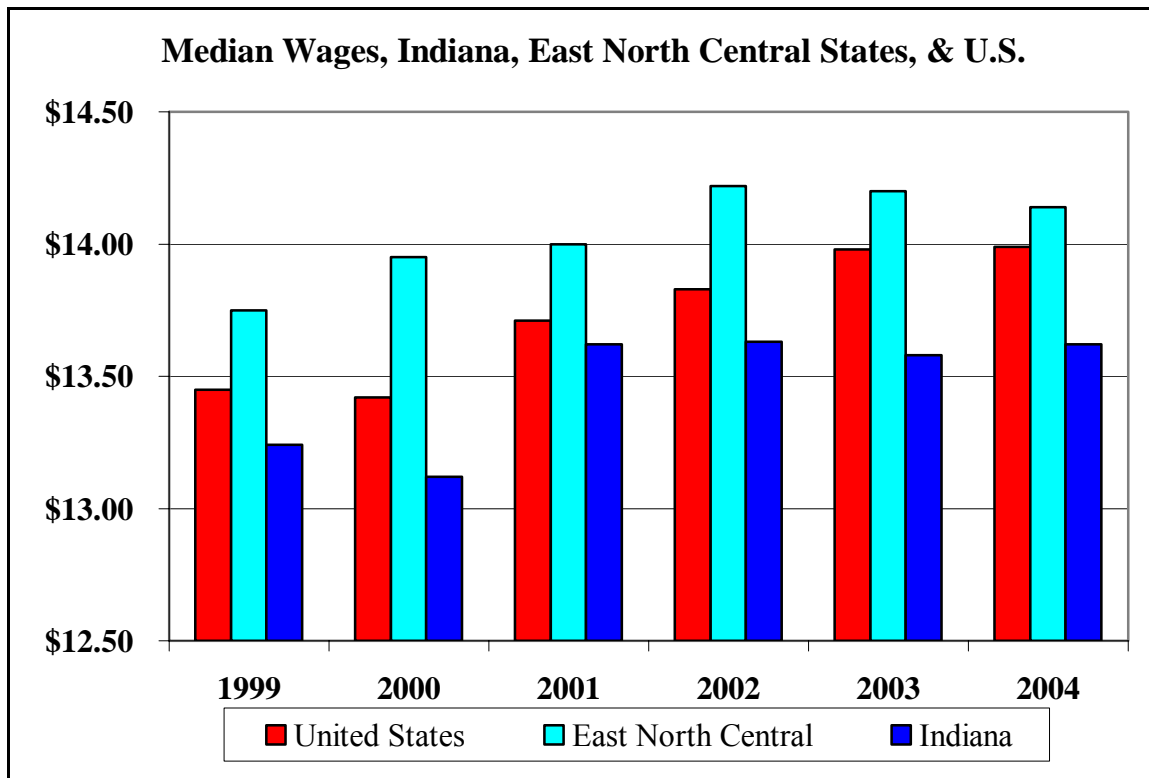


Source: Covered Employment and Wages, Bureau of Labor Statistics

The poor earnings performance of Indiana workers can be attributed in large measure to the dramatic loss of manufacturing jobs in recent years. As noted earlier, Indiana lost almost 95,000 jobs in the manufacturing sector since 2000. In 2003, manufacturing accounted for 16.3 percent of total employment, but produced 27.8 percent of total earnings. The average earnings per job in manufacturing was \$64,898 compared to \$38,060 for all jobs (Bureau of Economic Analysis, 2003). As high-paying jobs have disappeared, wages overall have declined statewide.

Median Wage. In 2004, the median wage (50th percentile) of Indiana workers ranked 23rd among the 50 states. The Indiana median wage was \$13.62 per hour, compared to \$13.99 per hour nationally. Still, the median wage for Indiana was not only significantly lower than the U.S. median, but was also below the median for the East North Central States (Ohio, Illinois, Indiana, Michigan, Wisconsin) (EPI).

Chart 8



Source: EPI Analysis of Current Population Survey Data

Table 4 shows the median wage amount for Indiana and the U.S. over the past five years, 2000 to 2004. The stagnation of Indiana wages can be seen clearly in this table with a median wage of \$13.62 in 2001 and the same amount for 2004. (Dollar amounts are adjusted for inflation.)

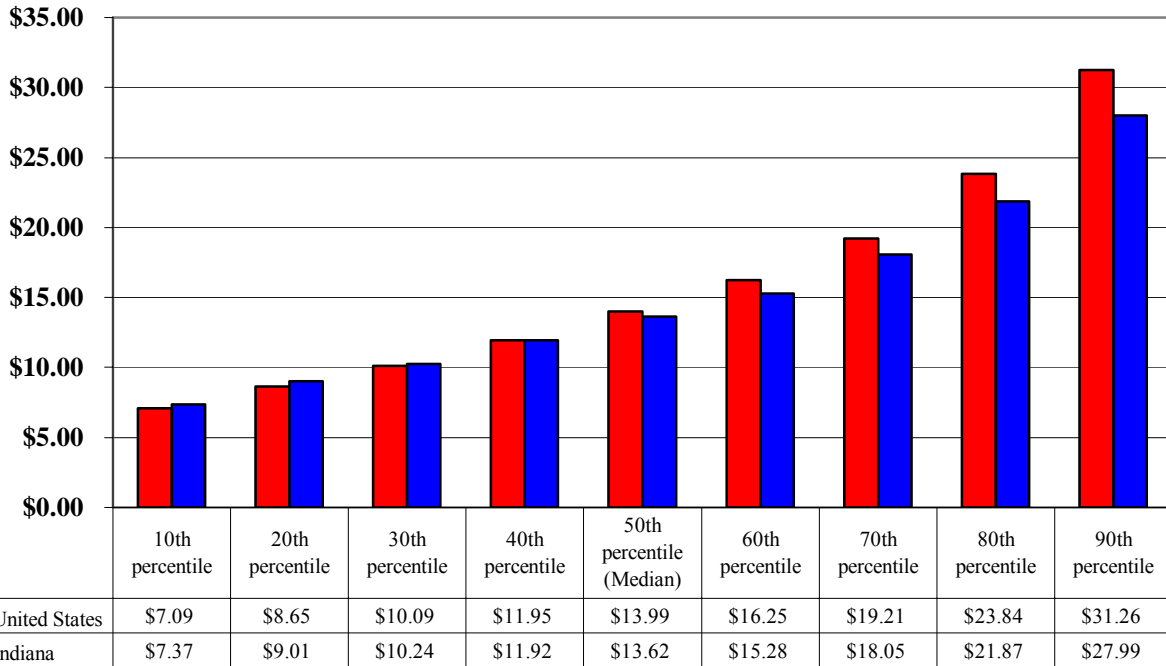
Table 4

Median Wages, Indiana and the United States, 2000 to 2004		
	Indiana	United States
2000	\$13.12	\$13.42
2001	\$13.62	\$13.71
2002	\$13.42	\$13.83
2003	\$13.71	\$13.98
2004	\$13.62	\$13.99

Source: EPI Analysis of Current Population Survey Data

Chart 9

**Wages by Decile, Indiana & United States,
2004 in Real Dollars**



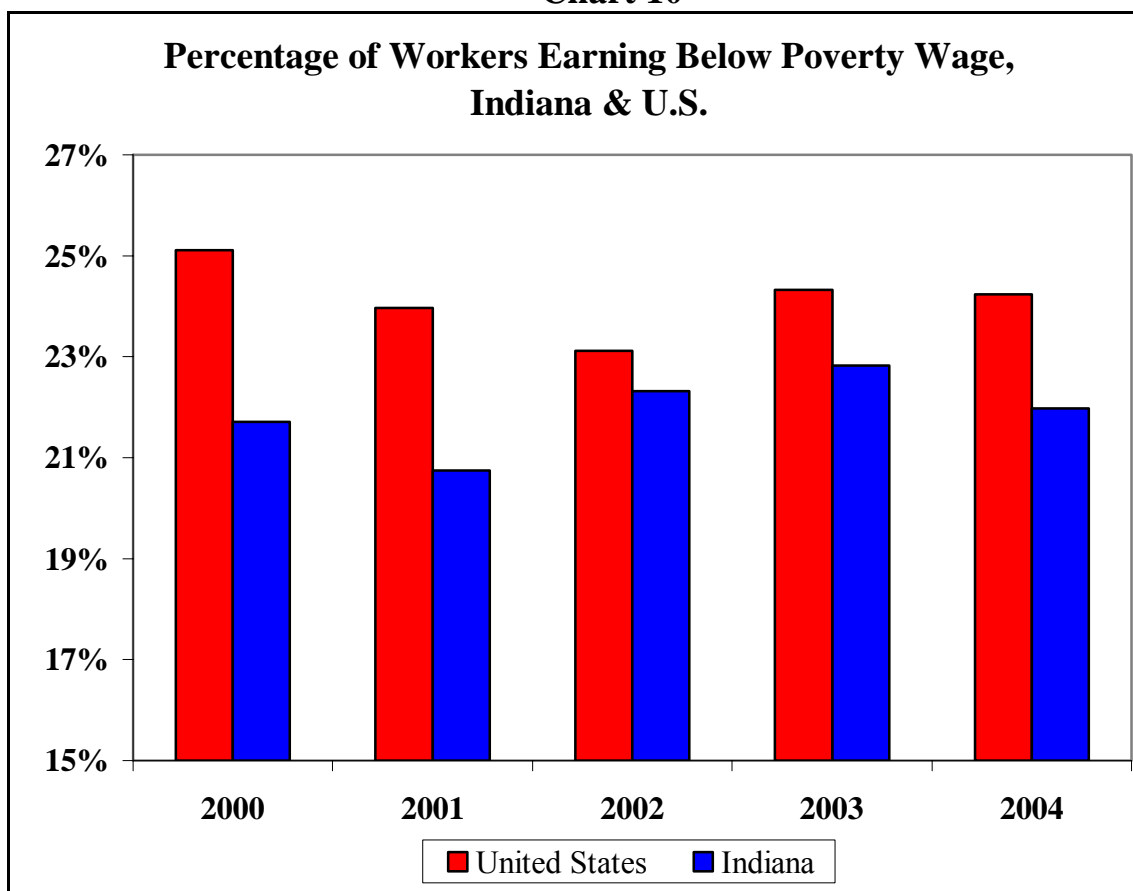
Source: EPI Analysis of Current Population Survey Data

The chart above reveals a great deal about the Indiana economy and how its workforce and its wages compare to the United States. Chart 9 divides Indiana’s wage earners into ten equal groups and shows the average wage for each decile or tenth of workers. Indiana’s low-wage workers, those in the 10th through the 30th decile, earn wages that are higher than comparable low-wage workers in the United States. At the 40th percentile, Indiana and U.S. wages are almost comparable. Beginning at the 50th percentile and continuing for each decile thereafter, Indiana workers earn progressively less than their U.S. counterparts. In other words, low wage workers in Indiana are doing relatively well. Indiana’s median and higher wage workers lag well behind the rest of the United States.

The reasons for this wage distribution pattern are partly due to: (1) the dominance of manufacturing in Indiana which provides above average compensation for blue-collar workers, (2) the lack of large corporate employers and headquarters and fewer executive and managerial positions, and (3) the lower levels of educational attainment that characterize the Hoosier workers.

The fact that low-wage workers are relatively better off in Indiana is also supported by another statistic: the percent of workers earning below poverty wage. In 2004, according to analysis by EPI, 24.2 percent of U.S. workers earned wages that were less than the Federal Poverty Guidelines; only 22 percent of Indiana workers earned wages that were below poverty. (See Chart 10.)

Chart 10



Source: EPI Analysis of Current Population Survey Data

Indiana’s wage distribution, more favorable at the low end and below the U.S. at the higher paid levels, is related closely to the educational attainment profile of Hoosier workers. As Table 5 below shows, Indiana has significantly more high school graduates (38 percent compared to 30 percent in the U.S.) and substantially fewer residents with bachelor’s degrees or higher (22 percent in Indiana versus 29 percent in the U.S.).

Table 5

Educational Attainment of Labor Force, Indiana and United States, 2004		
	Indiana	United States
Less than High School	12.3%	12.5%
High School Graduates	37.7%	30.2%
Some College	28.0%	28.5%
Bachelor’s Degree or Higher	22.0%	28.8%

Source: EPI Analysis of Current Population Survey Data

There is probably no more direct relationship than that found between levels of education and levels of earnings.

SECTION FOUR

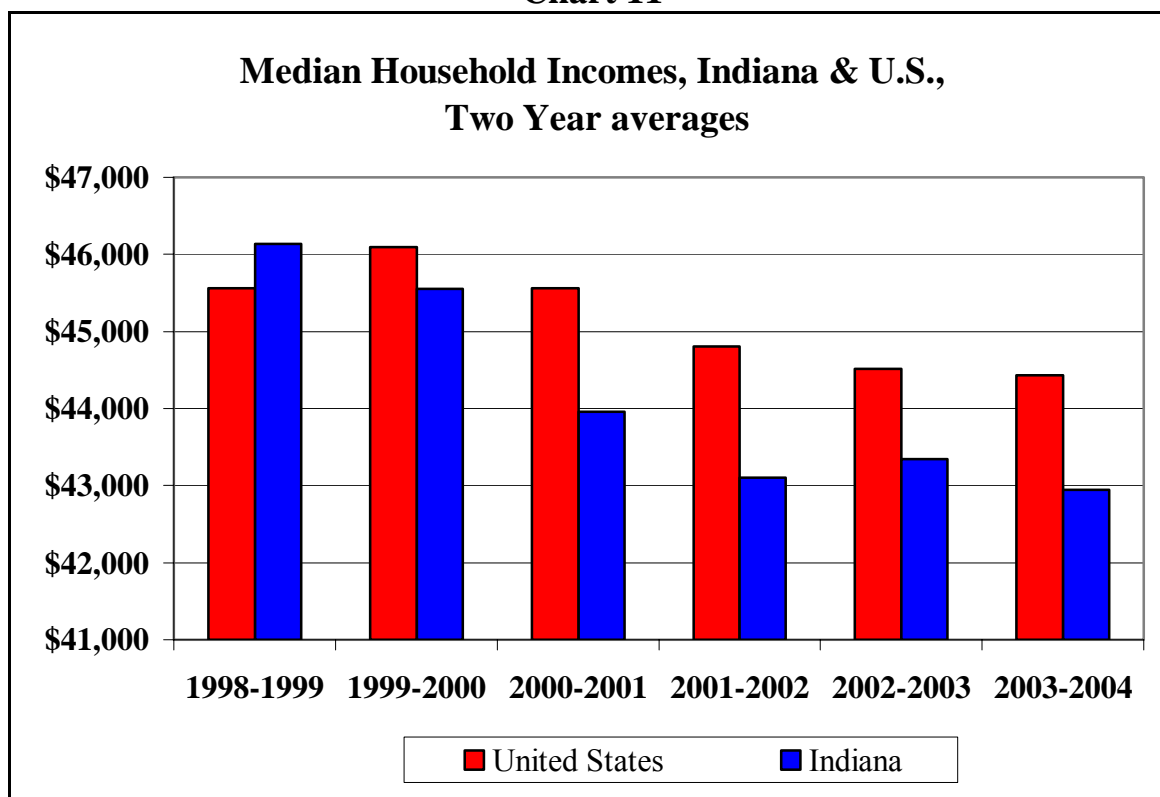
Incomes



In our report, *The Status of Working Families in Indiana 2004*, we concluded that “Indiana’s families are fortunate, especially when compared to those in most other states.” While this statement remains factual, the incomes of Hoosier families and households have deteriorated since those words were written. Indiana’s unemployment rate remains below the national average – although the number of employed have doubled in the past four years, our poverty rate remains below that of the U.S, but it has risen sharply in the past three years, and our incomes are the lowest in the East Central region. Economic conditions for Hoosier families have worsened and there are few reasons for optimism.

The U.S. Census Bureau released its annual report on income and poverty on August 30, 2005, as this report was being compiled. The Median Household Income (MHI) for Indiana for 2003-2004 (2-year average) was \$42,946. This is a decline of \$394 from the 2002-2003 MHI of \$43,341.¹

Chart 11



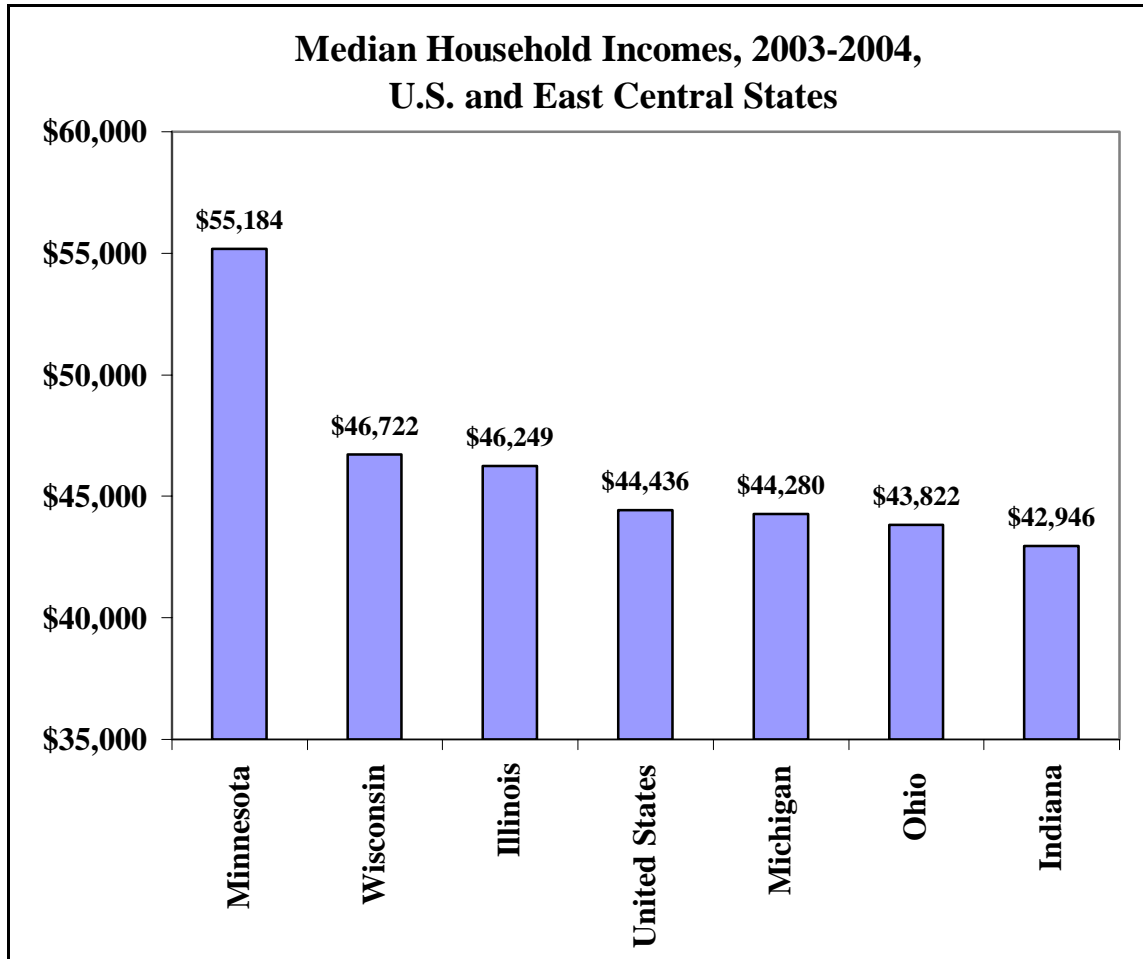
Source: U.S. Census Bureau

¹ U.S. Census Bureau, Table 9, Income, Poverty, and Health Insurance Coverage in the United States: 2004.

Chart 11 compares Median Household Incomes in the U.S. and Indiana since 1998-1999 to 2003-2004 based on the most recent estimates by the U.S. Census Bureau (Amounts adjusted for inflation in 2004 dollars). In 1998-1999, Indiana's MHI was \$46,136 and exceeded the U.S. MHI of \$45,566. Since those years, incomes in Indiana have declined significantly. The most recent estimate puts Indiana's MHI at 96.6 percent of the U.S.

Chart 12 below compares Indiana's MHI with the U.S. and that of the other states in the East Central region. As can be seen, Indiana has the lowest MHI of the states included in this region.

Chart 12



Source: EPI Analysis of Current Population Survey Data

The Center on Budget and Policy Priorities has found the recent Census report to be very troubling in terms of the prospects for American workers and their families:

Despite the fact that 2004 represented the third full year of economic recovery, the Census data released today show that poverty increased again last year and median income failed to rise. The new data are particularly troubling for workers, showing backward movement for American workers.

The data show that the current recovery has been slow to help low- and middle-income families. Four million more people were poor in 2004 than in 2001, when the economy hit bottom, and 4.6 million more were uninsured. This three-year poverty trend is worse than in all previous recoveries over the last 45 years, except for downturn of the early 1990s. Median income is about equal to its level in 2001, but remains significantly below pre-recession levels. Income growth between 2001 and 2004 was slower than during all previous recessions over the last 45 years, again with the exception of the downturn of the early 1990s.

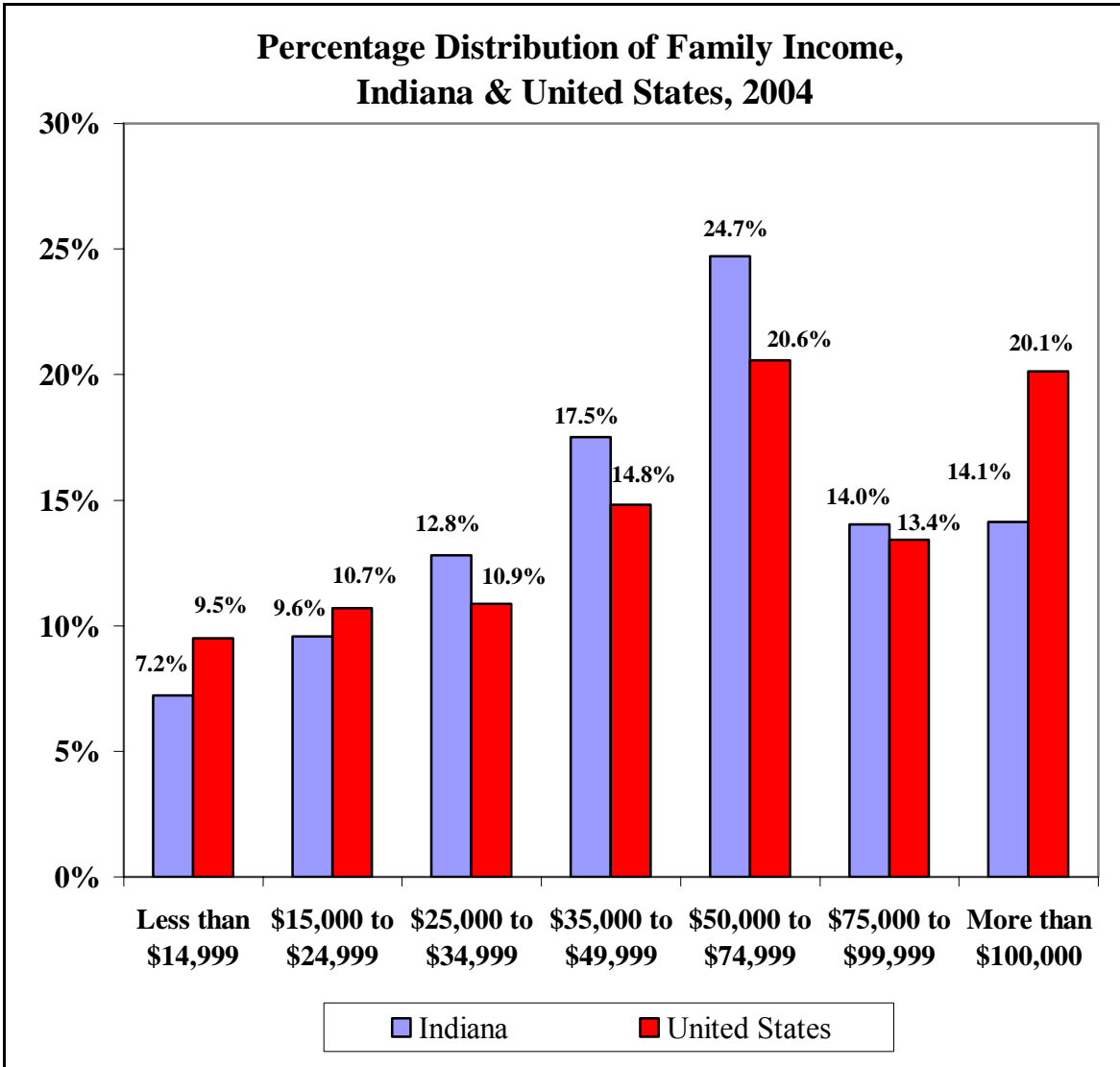
In short, the Census data provide new evidence that, as in 2002 and 2003, the recovery in 2004 was neither robust nor broad-based. Developments in early 2005 point toward continued problems, with real wages failing to improve according to the data currently available.²

Indiana seems to be faring worst than both the nation and its surrounding states. Once again, job growth in the state has been anemic and employment growth has been seen primarily in the lower-wage sectors.

Recent results from the annual American Community Survey (August 30, 2005) provide a detailed picture of the distribution of family incomes in the United States. Chart 13 on the next page compares the percentage distribution of family incomes in Indiana across seven income classes. Overall, the picture is that of a state whose families are predominately middle-income with relatively fewer families in the lowest income classes and a substantially smaller percentage of families with high incomes (That is, above the level of \$100,000). In the highest income category shown, only 14.1 percent of Hoosier families earn both \$100,000 or more compared to one in five or 20 percent of all U.S. families. Almost 17 percent of Indiana families fall within the income categories below \$25,000, this compares to 20 percent in the U.S. Chart 13 clearly shows the concentration of Hoosier families with incomes between \$35,000 and \$75,000 – about 42 percent.

² Center on Budget and Policy Priorities, “Economic Recovery Failed To Benefit Much of the Populations in 2004,” August 30, 2005. Online. <http://www.cbpp.org/8-30-05pov.htm>

Chart 13



Source: American Community Survey, 2005

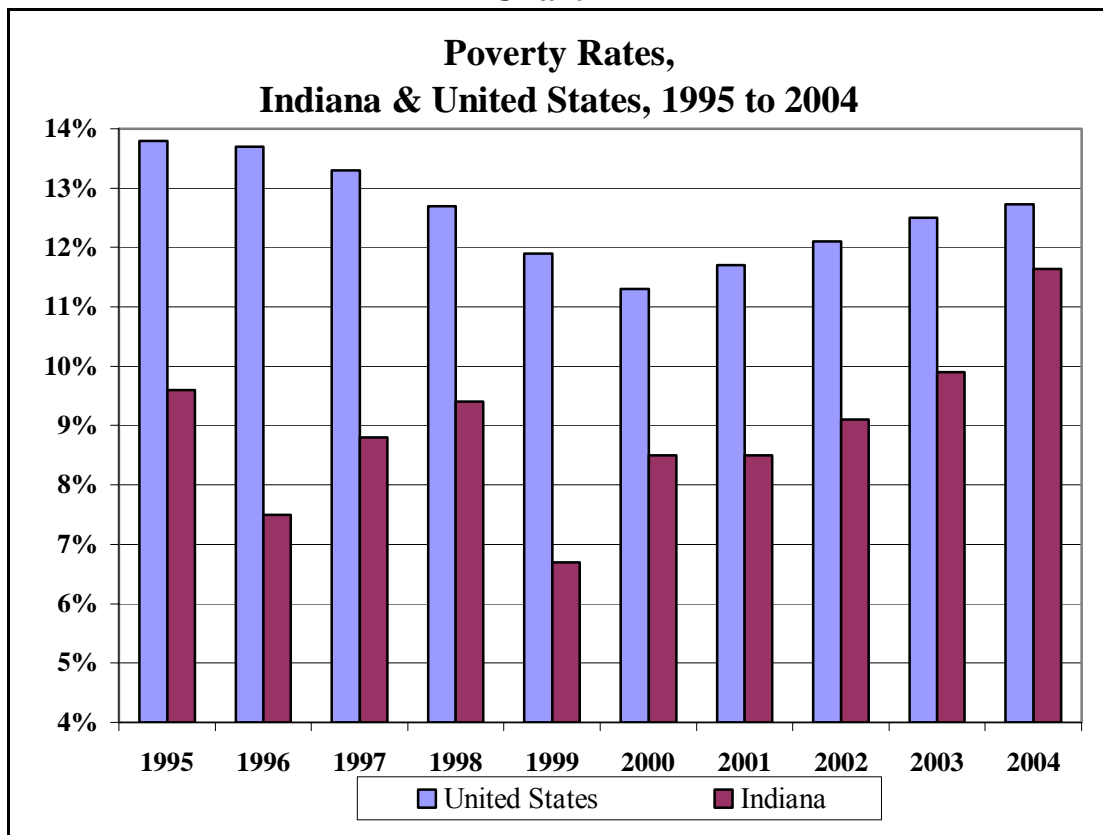
SECTION FIVE

Poverty Rates



On August 30, 2005, the U.S. Census Bureau released new data on national and state poverty rates. The 2003-2004, two year average, poverty rate for Indiana was estimated at 10.6 percent for Indiana and 12.6 percent for the United States. (U.S. Census Bureau, Current Population Survey). With a 2004 population estimated at 6,058,930 by the American Community Survey, the number of persons in poverty is approximately 642,247. Chart 14 below shows the one year poverty estimates over the past ten years, and compares Indiana's poverty rates to the United States. As can be seen in the chart, Indiana has had much lower rates of poverty than the U.S., but its rate has been steadily increasing since 1999 when it reached an all-time low of 6.7 percent. Indiana's 2004 (single year estimate) is now reported to be 11.6 percent, or 702,836 persons.

Chart 14



Source: EPI Analysis of Current Population Survey Data

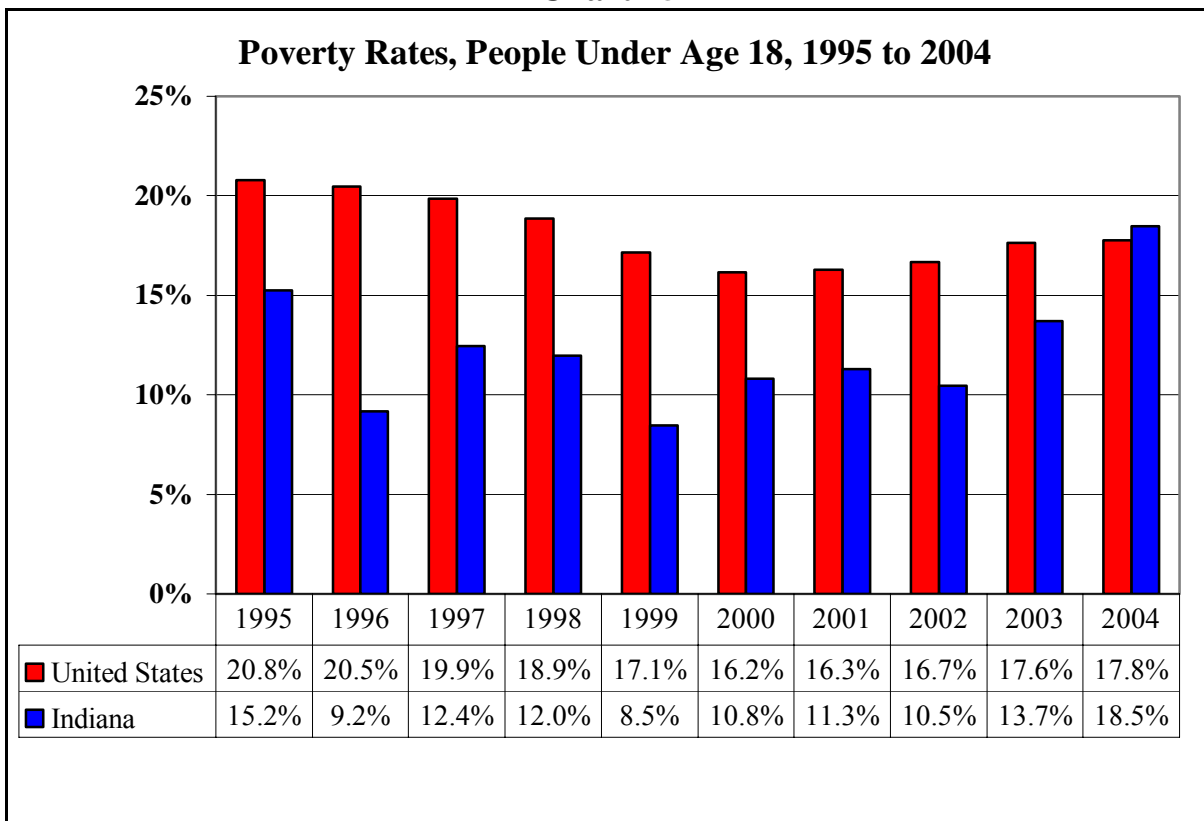
Although Indiana's poverty rate for all persons remains slightly below the U.S. average, the poverty rate for children (people under age 18) has jumped sharply in the past three years from 10.5 percent in 2002 to 18.5 percent in 2004 – a rate that exceeds the U.S. at 17.8 percent (EPI Analysis of Current Population Survey Data). Perhaps no other statistic is more alarming than that of childhood poverty, especially as Indiana approaches the

condition of having 1 in 5 children living in poverty. Chart 15 below shows the childhood poverty rate for Indiana and the U.S. over the past ten years.

As Chart 16 below shows the poverty rate for children in Indiana is second highest among the East Central States – only Michigan with a rate of 19.3 percent is higher.

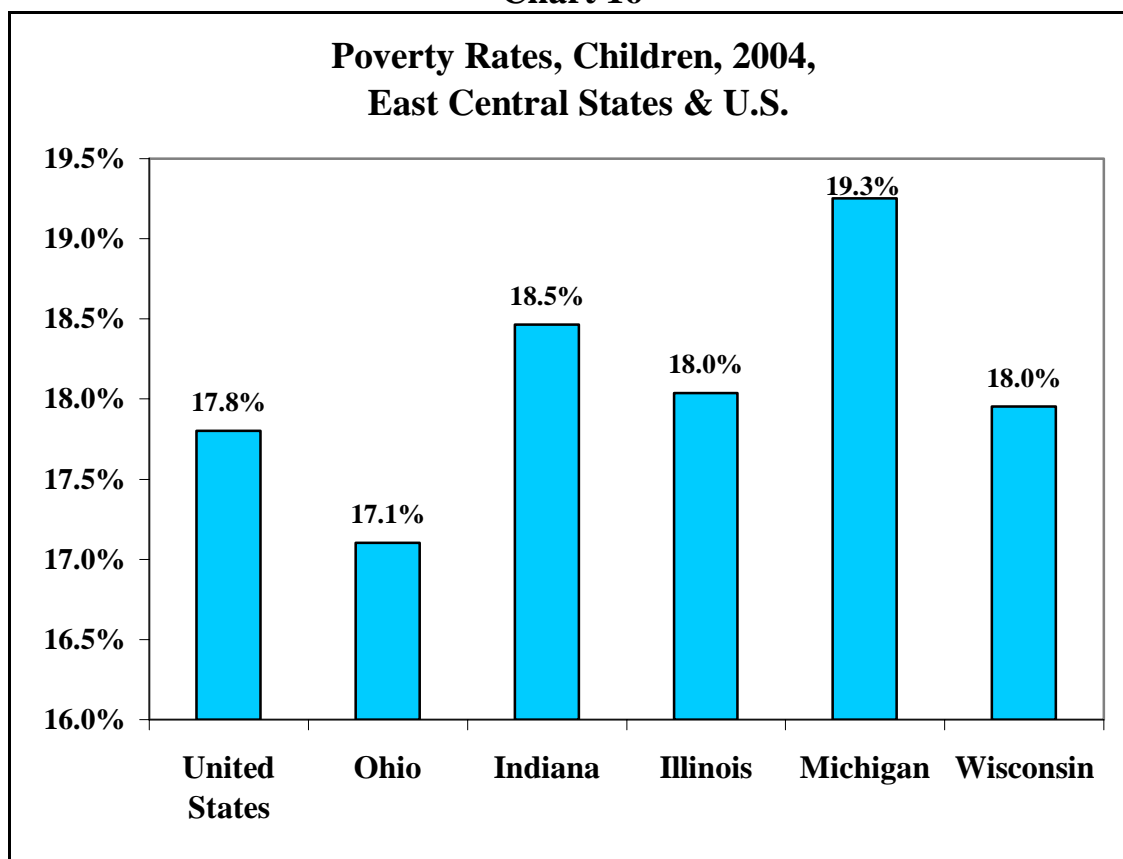
There are approximately 1.8 million children under age 18 in Indiana. With a childhood poverty rate of 18.5 percent, this means that 333,000 children are counted as poor. And, according to the Economic Policy Institute (Current Population Survey), 40.8 percent of Indiana children in 2004 were living in families with incomes below 200 percent of the Federal Poverty Guidelines. This compares to 39.2 percent in the United States as a whole. Once again, this translates into approximately 735,000 children in Indiana who are living below 200 percent of poverty.

Chart 15



Source: EPI Analysis of Current Population Survey Data

Chart 16



Source: EPI Analysis of Current Population Survey Data

According to the 2005 Federal Poverty Guidelines published by the U.S. Department of Health and Human Services, a family of three is in poverty if their income is less than \$16,090, and is below 200 percent of poverty if their income is less than \$32,180. The comparable numbers for a family of four are \$19,350 and \$38,700, respectively.

The Census Bureau estimates that almost 41 percent of children are living below 200 percent of the poverty guidelines means that these 735,000 children and their families have incomes that are less than is required to meet the self-sufficiency standard for Indiana. According to our 2005 report, *The Indiana Self-Sufficiency Standard: Where Economic Independence Begins*, a family of four living in Marion County would need an annual income of \$42,850 to meet their basic budget needs. The self-sufficiency standard for a family of three in Marion County is \$37,835.

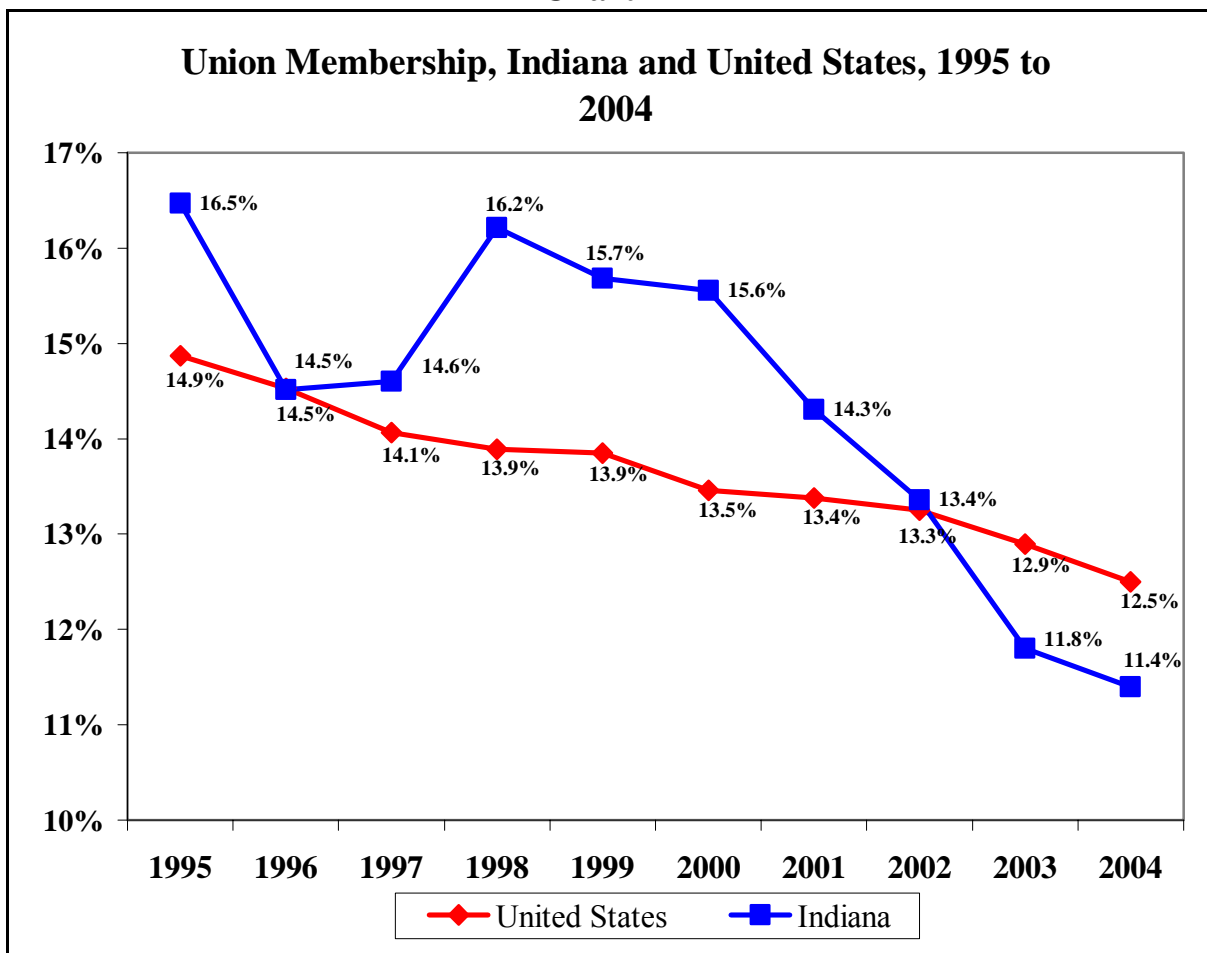
SECTION SIX

Union Membership



Concurrent with the stagnation of wages, the decline in incomes, and the increase in poverty, the percentage of workers who are members of labor unions have decreased precipitously. The percent of union members declined slightly from 1998 to 2000, dropping by less than a percentage point from 16.2 percent to 15.6 percent. However, since the year 2000, the percentage of union members has declined from 15.6 percent to only 11.4 percent in 2004. This time period, 2000 to 2004, also saw a drop in manufacturing employment of approximately 95,000 jobs. The manufacturing sector has been traditionally the industry that was most heavily unionized. Indiana's union membership has now fallen well below the national percentage of 12.5 percent. This occurrence is despite the fact that Indiana leads the nation in the percent of its workers who are employed in manufacturing. The declining strength and coverage of Indiana unions weakens the bargaining ability of workers with regard to wages, overtime pay, and, most importantly, benefits such as health insurance and pension coverage.

Chart 17



Source: Economic Policy Institute, Bureau of Labor Statistics

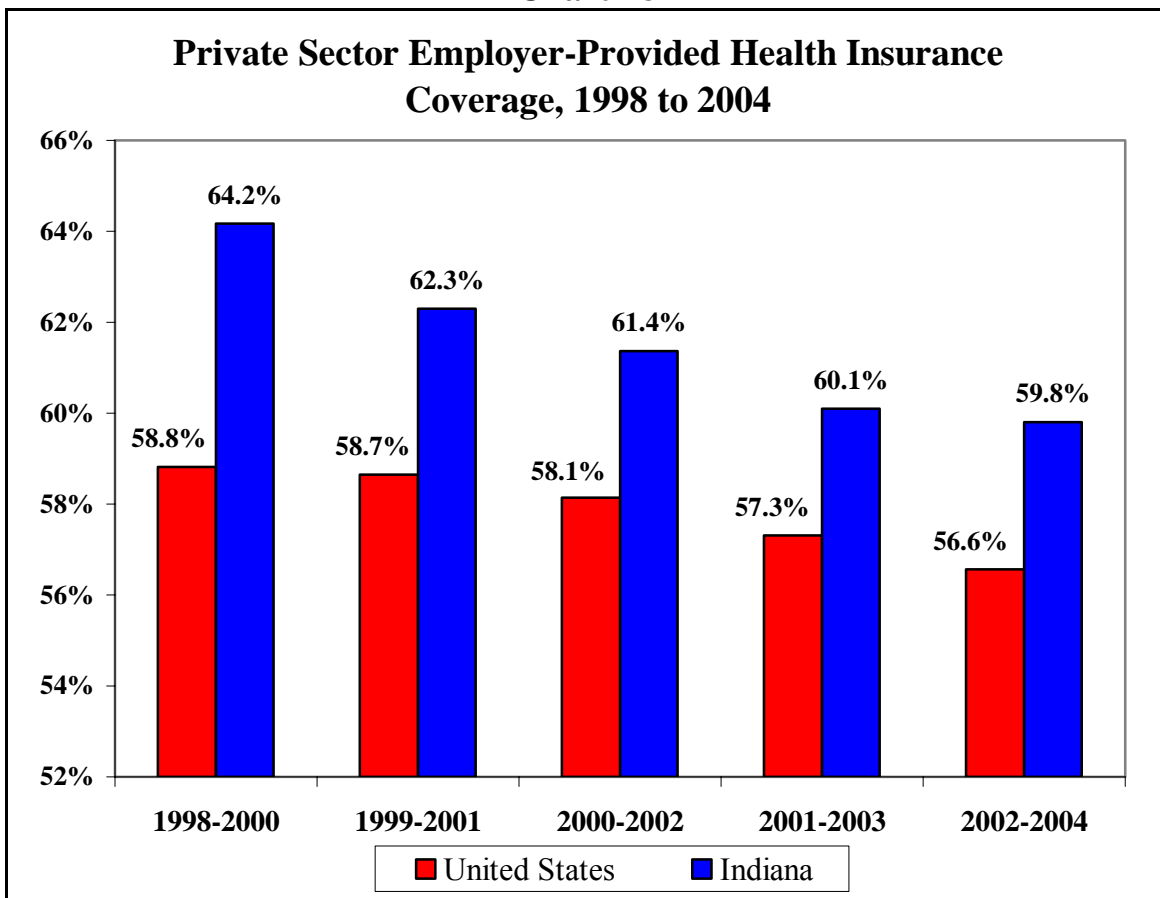
SECTION SEVEN

Health Insurance



Consistent with the trends reported above, there has been a fairly significant decrease in the percent of workers who are covered by private-sector, employer-provided health insurance. As can be seen in Chart 18 below, that percentage has decreased by five percentage points from 64.2 percent to 59.8 percent.³ We believe that this decline in health insurance coverage reflects not only the decrease in union membership, but also the shift in job growth to lower-wage sectors, such as the service industries and temporary employment agencies. Fortunately, Indiana continues to remain well above the United States on this important indicator of job quality.

Chart 18



Source: EPI Analysis of Current Population Survey Data

³ The data is from the Current Population Survey and is reported in three-year moving averages.

Indiana has a relatively good record in providing health insurance coverage to low-income children (those below 200 percent of the Federal Poverty Guidelines). For the years, 2002-2004, 16.6 percent of low-income children in Indiana were without health insurance coverage in Indiana compared to 19 percent in the United States. Overall, 68.9 percent of all Indiana children were covered by private sector health insurance in 2004, and while this is slightly higher than in the U.S. (65.6 percent), private sector coverage for children has declined substantially from the 79.5 percent that were covered in 1999 (U.S. Census Bureau).

For all people, just over 14 percent of Indiana residents are without health insurance coverage. The table below compares Indiana and the United States in the percentage of persons who lack health insurance coverage.

Table 6

Percent of Residents Not Covered by Health Insurance, Indiana and United States, 1999 and 2004		
	Indiana	United States
1999	11.2%	14.5%
2004	14.2%	15.7%

Source: EPI Analysis of Current Population Survey Data

The significant decline in health insurance coverage of Indiana residents, both adults and children, is especially worrisome, given the fact that on a number of important indicators, for example, obesity rate, deaths by heart disease and by strokes, Indiana rates exceed those of the United States (www.statehealthfacts.org).



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