

The Status of Working Families in Indiana, 2009



March 2010

By Sarah
Downing

INDIANA INSTITUTE FOR
WORKING FAMILIES

A Program of



INDIANA COMMUNITY
ACTION ASSOCIATION

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About the Indiana Community Action Association (IN-CAA)

The Indiana Community Action Association, Inc. (IN-CAA) is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA's members (Network) is comprised of Indiana's 24 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. Therefore, it is IN-CAA's mission is to help the state's Community Action Agencies address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase network capacity. For more information about IN-CAA, please visit IN-CAA's web site at www.incap.org.

About the Indiana Institute for Working Families

The Indiana Institute for Working Families, a program of the Indiana Community Action Association (IN-CAA), was founded in 2004. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies, and programs impacting low-income working families with education and outreach. The goal of the Institute is to help Hoosier families achieve and maintain economic self-sufficiency. The Institute achieves its work by focusing its activities in the following areas: public policy research and analysis; advocacy, education, and information; and national, statewide, and community partnerships.

The Institute has completed a number of research reports and has become a reliable source for information on low-income workers in Indiana. The Institute furthers the debate that sometimes work alone is not enough to support a family and that the educational and training needs of Indiana's workforce must be addressed in order for Indiana to compete in a global economy. For more information about the Institute, please visit the Indiana Institute for Working Families section on IN-CAA's web site at <http://www.incap.org/iwfw.html>.

About the Author

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EXECUTIVE SUMMARY

THE STATUS OF WORKING FAMILIES IN INDIANA 2009

The bursting of the housing bubble in 2006 followed by crash of the stock market robbed Americans of \$15 trillion in personal wealth in a matter of months.¹ This rapid loss of wealth set off a nationwide domino effect. Homeowners became trapped in homes with mortgages they could no longer afford to pay. Foreclosures became all too common as working families found themselves evicted with nowhere to go. The demand for consumer goods declined, the economy began to slow, and unemployment rates climbed throughout the nation. The Hoosier state suffered great devastation as the manufacturing industry came to a near grinding halt. Elkhart, Indiana became the epitome of the national recession as the failed RV industry caused unemployment rates to reach double digits while the nation watched in disbelief. This national recession or the “Great Recession” as it has come to be known is the worst economic downturn the U.S. has experienced since the Great Depression.

However, even before the national recession took hold in 2007, Hoosier families were struggling to meet their families’ basic needs due to the lingering effects of the 2001 recession. Economic growth in Indiana had slowed since 2000 and Hoosier wages remained stagnant for many years. Meanwhile, the cost of everyday items such as gasoline, food, and housing continued to rise. Indiana’s families became increasingly vulnerable living paycheck to paycheck. Many families, once accustomed to a middle-class lifestyle, found themselves foregoing luxury items and utilizing food pantries for the first time to make every dollar count. Families who were already struggling to make ends meet reached for Indiana’s safety net of work supports for help. However, Indiana’s safety net was not enough to keep many Hoosier families from dipping below the poverty threshold. During 2008, poverty rates for all people, families, and children increased.

¹ Pollack, Ethan. “Dire States.” Economic Policy Institute: Washington D.C. 11 November 2009.

This report provides a statistical analysis on the status of working families in Indiana in 2008 and the economic conditions they faced. The report is organized into five chapters and highlights data pertaining to Indiana's jobs, wages, poverty rate, safety net of work support programs, and policy recommendations to improve the quality of life for Indiana's working families. The Indiana Institute for Working Families seeks to use this data to support changes in public policy that will create paths towards economic self-sufficiency for Indiana's working families. Highlights of the report include:

HOOSIER JOBS

- In 2008, Indiana had 41,800 fewer jobs than it did in 2000.
- Indiana lost an average of 142,300 manufacturing jobs between 2000 and 2008 – accounting for 71 percent of the state's total job losses during that time period.
- Job growth occurred in the health services industry sector with the addition of 77,100 new jobs since 2000 – creating 48 percent of the state's job growth since 2000.

HOOSIER WAGES

- Hoosier workers earned less per hour in 2008 than they earned in 2000.
- Indiana's median wage of \$15.28 is less than the national median wage of \$15.74.
- African Americans earned a median hourly wage that was nearly \$2.00 less in 2007 than they did in 2003.²
- Those who have a Bachelor's Degree earned a median wage of \$23.10, which is \$8.66 more an hour than the median wage earned by someone with some college education and \$9.47 more than that of someone with a high school diploma.

HOOSIER INCOME

- Indiana's median household income of \$47,966 in 2008 was 6 percent lower than in 2000.
- In 2008, the gap between Indiana's median household income and the national median household income widened by 370 percent or \$4,063.
- In 2008, the median household income for female workers in Indiana was \$32,828 – \$13,188 less than the median household income for male workers at \$46,016. Hoosier women working full-time, year-round earned only 71 percent of what men working full-time year-round earned – 6 percentage points lower than the national average of 77 percent.

² Wage data was not available in 2000 or in 2008 for African Americans.

HOOSIER WORKFORCE

- In 2008, 66.5 percent of Indiana residents participated in the workforce, compared to the national rate of 66 percent.
- Workers age 55 years and older comprised a larger share of the workforce in 2008 than they have any time since 2000 – an increase from 15.8 to 18.8 percent.
- Nearly half of Indiana’s adult workers age 25 and older have not received education beyond high school, thus ranking Indiana 42nd in the nation for its share of Bachelor’s Degree holders.

UNEMPLOYMENT

- Younger workers experienced the highest levels of unemployment at 13.5 percent, far greater than unemployment rates for workers age 25-54 years and those 55 years and older, at 5.4 percent and 2.5 percent respectively.
- Unemployment was most prevalent among African American workers who experienced unemployment at a rate of 15.3 percent – nearly three times that of White workers. The average unemployment rate for White workers was 5.0 percent.
- Workers who possessed less than a high school diploma had the highest average unemployment rate at 13.5 percent. Bachelor’s Degree holders had the lowest rate at 1.8 percent – 650% less than those who had only a high school diploma.

POVERTY

- From 2000 to 2008, more than 39.1 million Americans were living in poverty – a 15.4 percent increase in the number of low-income people since 2000 and twice the growth rate of the population as a whole during this same time period.
- In 2008, Indiana's poverty rate climbed 30 percent to reach a rate of 13.1 percent, nearly matching the national poverty rate of 13.2 percent.
- Nearly 1 out of every 10 Hoosier families lived in poverty.
- Eighteen percent of Indiana’s children lived in poverty.
- Nearly one out of every three female-headed households are impoverished.
- In Indiana, 22 percent of all families were asset poor – that is not having the resources to subsist at the Federal Poverty Guidelines for three months if loss of income were to occur.

WORK SUPPORT PROGRAMS

- Nationally, a significant increase in participation in the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, took place between August 2008 and August 2009 with participation increasing by 24 percent.

- Approximately 39 percent of all unemployed Hoosier workers received unemployment insurance (UI) benefits.
- Forty-six percent of Hoosier workers who received UI exhausted their benefits in 2008.
- Over 38,000 unemployed Indiana workers became ineligible for unemployment insurance benefits in March 2010 because an extension of UI benefits was not passed by Congress. More than 160,000 unemployed Hoosiers will exhaust their regular state benefits by the end of June if UI benefits are not extended.
- Nationally, there are an estimated 10.5 million children under the age of 18 years old who live in families with an unemployed parent, putting them at risk of falling below the poverty threshold.³
- Nationally, the rate of those with employer sponsored health insurance dropped by nearly 5 percent in 2008.

As demonstrated by the data, Indiana must do more to help working Hoosier families. This report includes ten public policy recommendations that can help working families in Indiana reach financial stability. These ten policy recommendations are broken into three main areas:

- Improve Indiana’s Safety Net of Work Support Programs;
- Promote Financial Security for Indiana’s Working Families; and
- Invest in Indiana’s Adult Workers to Create a Workforce Equipped for the Demands of the 21st Century Economy.

³ Lovell, Phillip and Julia B. Issacs. *Families of the Recession: Unemployed Parents and Their Children*. First Focus Campaign for Children.

CHAPTER ONE

INDIANA’S ECONOMY AND INDUSTRIAL SECTORS

INTRODUCTION

The national recession officially began in December 2007, according to the National Bureau of Economic Research. It was precipitated by the bursting of the housing bubble and the crash of the stock market, which ultimately resulted in a loss of \$15 trillion in personal wealth in a matter of months.⁴ This rapid loss of wealth set off a nationwide domino effect. The demand for consumer goods declined, the economy began to slow, and unemployment rates climbed throughout the nation. The Hoosier state suffered great devastation as the manufacturing industry came to a near grinding halt. Elkhart, Indiana became the epitome of the national recession as the failed RV industry caused unemployment rates to reach double digits. This national recession or the “Great Recession” as it has come to be known is the worst economic downturn the U.S. has experienced since the Great Depression.

However, even before the national recession took hold in 2007, Indiana’s economy was struggling to regain its footing following the recession of 2001. The bursting of the housing bubble and the national recession only compounded Indiana’s problems by erasing all economic progress created since 2000. In addition, Hoosier wages have remained stagnant for many years. Meanwhile, the costs of everyday items such as gasoline, food, and housing continue to rise. Mounting unemployment and limited job opportunities have left many Hoosier workers with few options for improving their families’ financial stability.

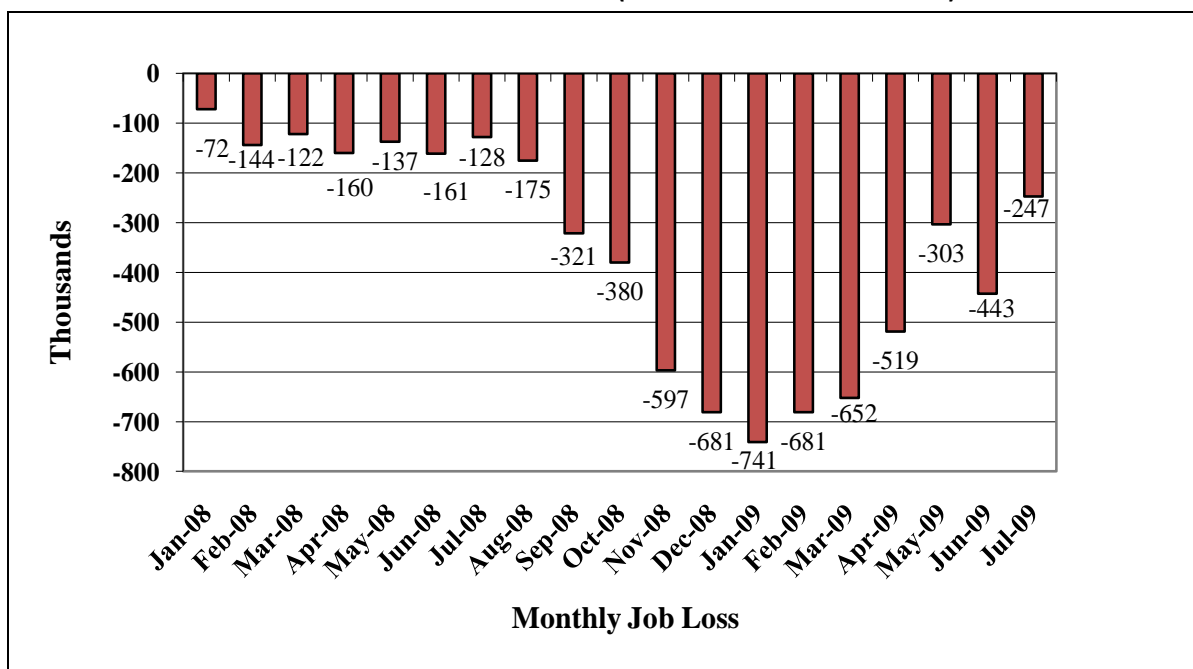
⁴ Pollack, Ethan. “Dire States.” Economic Policy Institute: Washington D.C. 11 November 2009.

As a result, more Hoosier families are falling behind in mortgage payments and are being forced to choose between buying food for their families or purchasing medications. As a result many Hoosier families are struggling to stay afloat.

THE RECESSION'S EFFECT ON INDIANA'S ECONOMY

National employment numbers began to fall in January 2008 and continued to decline throughout the year. By December 2008, the economy had shed over 3 million jobs and by July of 2009, a total of 6.6 million Americans were jobless.

CHART 1.1
CHANGE IN PAYROLL EMPLOYMENT, U.S.,
JANUARY 2008-JULY 2009 (SEASONALLY ADJUSTED)



Source: Current Employment Statistics, Bureau of Labor Statistics

Indiana lost approximately 50,400 jobs as a result of the recession in 2008. Over half of all Indiana's job losses sustained in 2008 were from the manufacturing sector. The construction industry sector also lost several thousand jobs in Indiana throughout 2008 – shrinking by 5 percent.

However, the job losses in the manufacturing and construction industry sectors were partially offset by the creation of 22,800 new jobs during the same time, which resulted in a net loss of 27,600 nonfarm jobs during 2008. Over 12,000 new jobs were created in the education and health services sectors, while another 8,800 were added to the government sector. The leisure and hospitality industry sector also expanded by 1,800 jobs. The net job losses in 2008 accounted

for less than a 1 percent change in the number of Hoosier jobs between 2007 and 2008, *Table 1.1*.

TABLE 1.1
INDIANA EMPLOYMENT BY INDUSTRY SECTOR, 2007 AND 2008

Indiana Industry Sector	(In Thousands)			Percent Change
	2007	2008	Difference in Number of Jobs	
Total Nonfarm Employment	2985.8	2958.2	-27.6	-0.9%
Natural Resources and Mining	7	6.8	-0.2	-2.9%
Construction	151.3	143.8	-7.5	-5.0%
Manufacturing	550.1	522.2	-27.9	-5.1%
Wholesale Trade	125.2	125.3	0.1	0.1%
Retail Trade	328.3	322.5	-5.8	-1.8%
Transportation and Utilities	133.5	132.6	-0.9	-0.7%
Information	40	39.7	-0.3	-0.7%
Financial Activities	138.6	135.8	-2.8	-2.0%
Professional and Business Services	289.5	284.6	-4.9	-1.7%
Education and Health Services	395.7	407.9	12.2	3.1%
Leisure and Hospitality	283.8	285.6	1.8	0.6%
Other Services	111.8	111.7	-0.1	-0.1%
Government	431.1	439.9	8.8	2.0%

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

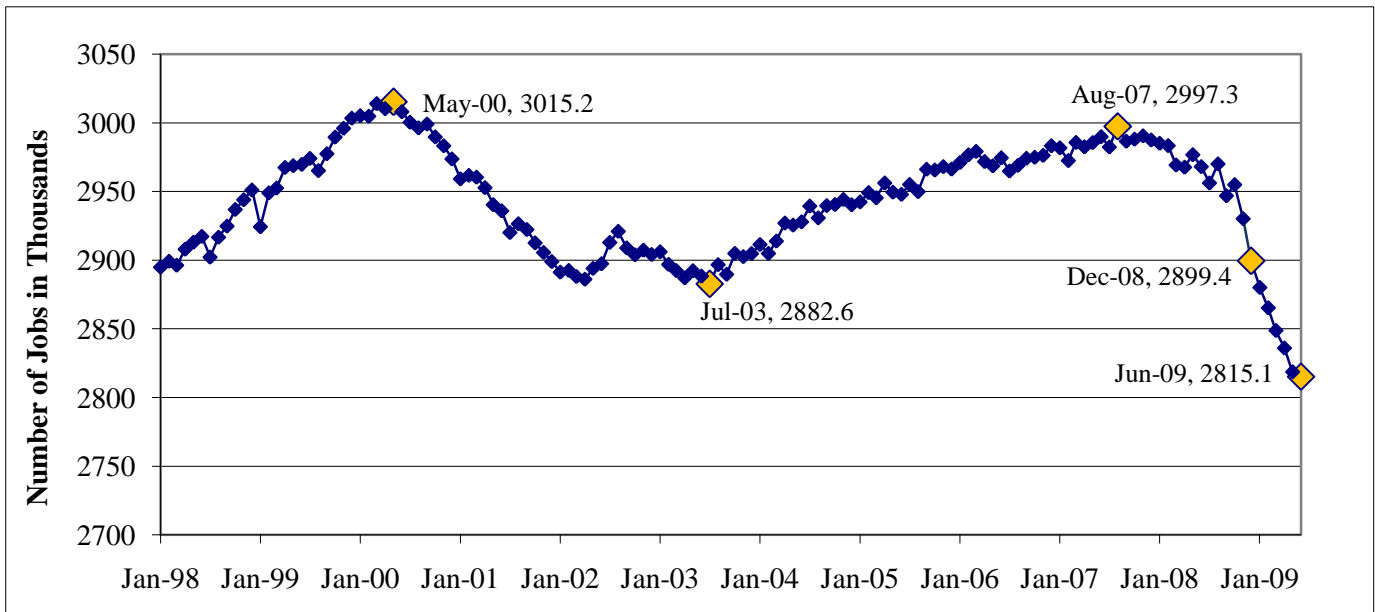
INDIANA'S ECONOMY PRIOR TO THE RECESSION

Before the national recession, Indiana's economy was still limping from the wounds it incurred during the recession of 2001. *Chart 1.2* illustrates the number of jobs in Indiana rose during the latter 1990s and eventually peaked in May 2000 at 3,015,200 jobs. Three years later, the number of jobs plummeted by 132,600 jobs in July 2003 to land at 2,882,600.

From July 2003 through August 2007, the number of Hoosier jobs continued to tick upwards, but it never reached the May 2000 benchmark. At its very best, in August 2007, the economy was 17,900 jobs away from making a full recovery to the May 2000 benchmark.

August 2007 marked the end of economic growth in Indiana. By December of that year, the nation was in recession. From December 2007 to December 2008, Indiana's economy shed 88,100 jobs, dropping the total number of Hoosier jobs to 2,899,400. The number of jobs in Indiana neared the July 2003 low of 2,882,600, erasing four years of economic growth. In 2009, the recession worsened and by June 2009, the number of jobs in Indiana plummeted to a new low of 2,815,100.

CHART 1.2
TOTAL NONFARM EMPLOYMENT, INDIANA, JANUARY 1998-JUNE 2009
(SEASONALLY ADJUSTED)



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

INDIANA'S SHIFTING ECONOMIC BASE

Over the past decade, Indiana's economic base has shifted away from its manufacturing base to a service and knowledge-based economy. The most significant job losses in Indiana's economy occurred in the manufacturing sector, but the construction, retail trade, information, and financial activities sectors also have sustained cutbacks. The retail trade industry declined by 36,200 jobs, followed by 9,200 lost jobs in the financial activities industry sector, and 6,400 jobs lost in both the construction and information sectors.

While Indiana lost approximately 201,100 jobs since 2000, it added 159,400 new jobs. However, the addition of jobs did not outweigh the loss of existing jobs, creating a net loss of approximately 41,800 Hoosier jobs since 2000.

The health services sector experienced the largest sector increase by adding 77,100 new jobs – 48 percent of all new jobs since 2000. Additionally, employment gains occurred in the government sector, swelling by 35,000 jobs, professional and business services sector increasing by 25,300, and leisure and hospitality sector adding 18,900 jobs. *Table 1.2* displays the change in Indiana's industry sectors between 2000 and 2008.

TABLE 1.2
INDIANA EMPLOYMENT BY INDUSTRY SECTOR, 2000 AND 2008

Indiana Industry Sector	(In Thousands)			Percent Change
	2000	2008	Difference in Number of Jobs	
Total Nonfarm Employment	3000	2958.2	-41.8	-1.4%
Natural Resources and Mining	6.7	6.8	0.1	1.5%
Construction	150.2	143.8	-6.4	-4.3%
Manufacturing	664.5	522.2	-142.3	-21.4%
Wholesale Trade	125.9	125.3	-0.6	-0.5%
Retail Trade	358.7	322.5	-36.2	-10.1%
Transportation and Utilities	132.4	132.6	0.2	0.2%
Information	46.1	39.7	-6.4	-13.9%
Financial Activities	145	135.8	-9.2	-6.3%
Professional and Business Services	259.3	284.6	25.3	9.8%
Education and Health Services	330.8	407.9	77.1	23.3%
Leisure and Hospitality	266.7	285.6	18.9	7.1%
Other Services	109	111.7	2.7	2.5%
Government	404.8	439.9	35.1	8.7%

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

INDIANA'S MANUFACTURING SECTOR

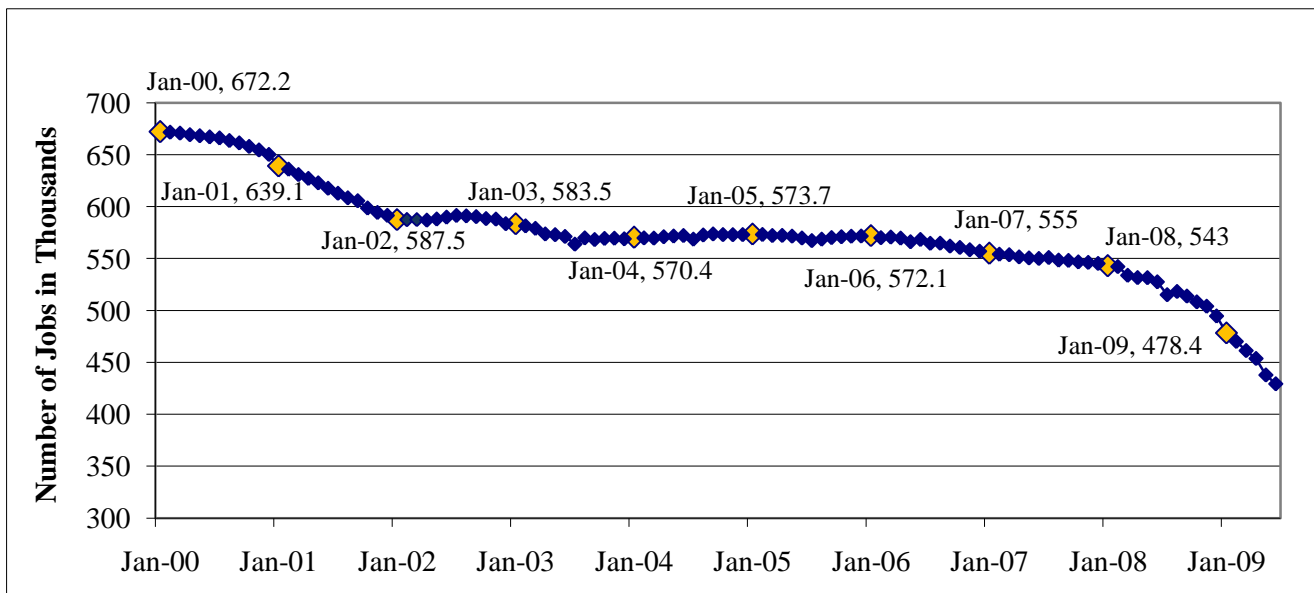
The manufacturing sector once provided a plethora of high wage jobs to workers with only a high school diploma. The minimal credential was sufficient to secure a job in the manufacturing industry where products ranging from automobiles, to aircraft parts, pharmaceuticals, and medical equipment are made.

In 2000, the manufacturing sector employed 22 percent of the Hoosier workforce. By 2008, manufacturing sector employment fell to 18 percent, but was still higher than the national average of 10 percent. However, the shift away from manufacturing to a service and knowledge-based economy took away many of Indiana's high paying jobs that required only minimal education.

Indiana lost an average of 142,300 manufacturing jobs between 2000 and 2008 – a 21 percent loss in the number of Hoosier manufacturing jobs. The number of manufacturing jobs fell from an annual average of 664,500 in 2000 to 522,200 in 2008. These job losses accounted for 71 percent of the state's total job losses between 2000 and 2008.

The *Chart 1.3* illustrates monthly manufacturing employment data from January 2000 to January 2009.

CHART 1.3
INDIANA MANUFACTURING EMPLOYMENT, MONTHLY JANUARY 2000 – JUNE 2009
(SEASONALLY ADJUSTED)



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

The recession negatively impacted Indiana’s manufacturing industry. At the start of 2008, the manufacturing industry sector employed 543,000 workers, but as the recession worsened and the demand for manufactured goods decreased, employment dwindled. Manufacturing sector employment decreased by 64,600 jobs between January 2008 and January 2009. By December 2008, Indiana’s unemployment rate reached 7.8 percent, landing slightly above the national rate of 7.2 percent.

The failing auto industry is largely responsible for the sharp decline of Indiana’s manufacturing jobs during the recession. Backed by a decade of rising fuel prices, consumers began to opt for smaller, more fuel-efficient vehicles and forego the purchase of less fuel-efficient automobiles. Record high gas prices in 2008 tipped the scales even further in favor of fuel-efficient vehicles and away from pickup trucks, SUVs, and Recreational Vehicles (RVs). As consumer spending slowed, sales of new automobiles plunged to their lowest levels in the last decade and rattled the financial health of the Big Three (Chrysler, General Motors, and Ford) along with RV manufacturers. The effects rippled through related industry businesses destabilizing everyone from part suppliers to dealerships. Ultimately, the auto giants crumbled causing GM to file Chapter 11 bankruptcy and Chrysler to sell its assets to Italian automaker, Fiat. The RV industry also collapsed and this led to the closure of several manufacturing facilities in Indiana.

Elkhart, Indiana

The closings of RV and travel trailer businesses in northern Indiana devastated the Elkhart-Goshen area. The metro area made national headlines when the unemployment rate in this area skyrocketed to 16 percent in December 2008. This was due to RV manufacturers in the region cutting back hours, laying off workers, and completely closing their manufacturing facilities.

According to a Moody's Economy.com estimate (based on Bureau of Labor Statistics data for 2007) the Elkhart-Goshen metro area was the most over-reliant metro area in the nation on the manufacturing industry, with manufacturing jobs accounting for 48.3 percent of all jobs. The second most reliant area on manufacturing was Dalton, Georgia, a leading manufacturer of carpets, where 37.4 percent of its jobs are in manufacturing. See *Table 1.3*.

Still, Elkhart was not Indiana's only metro area to rank in the top 10 for its overdependence on the manufacturing industry. Columbus ranked 4th and Kokomo 6th in the nation for their share of jobs in the manufacturing sector. These manufacturing dependent economies suffered greatly in 2008 as their prize became their poison.

TABLE 1.3
TOP TEN METRO AREAS FOR CONCENTRATION OF
MANUFACTURING JOBS

Rank	Share of Jobs in Manufacturing	Metro Area
1	48.3	Elkhart-Goshen, IN
2	37.4	Dalton, GA
3	36	Sheboygan, WI
4	35	Columbus, IN
5	31	Holland-Grand Haven, MI
6	30.5	Hickory-Lenoir-Morganton, NC
6	30.5	Kokomo, IN
8	29.5	Morristown, TN
9	27.2	Pascagoula, MS
10	25.8	Oshkosh, WI

Source: Jobs from Moody's Economy.com estimate based on federal data for 2007

Kokomo, Indiana

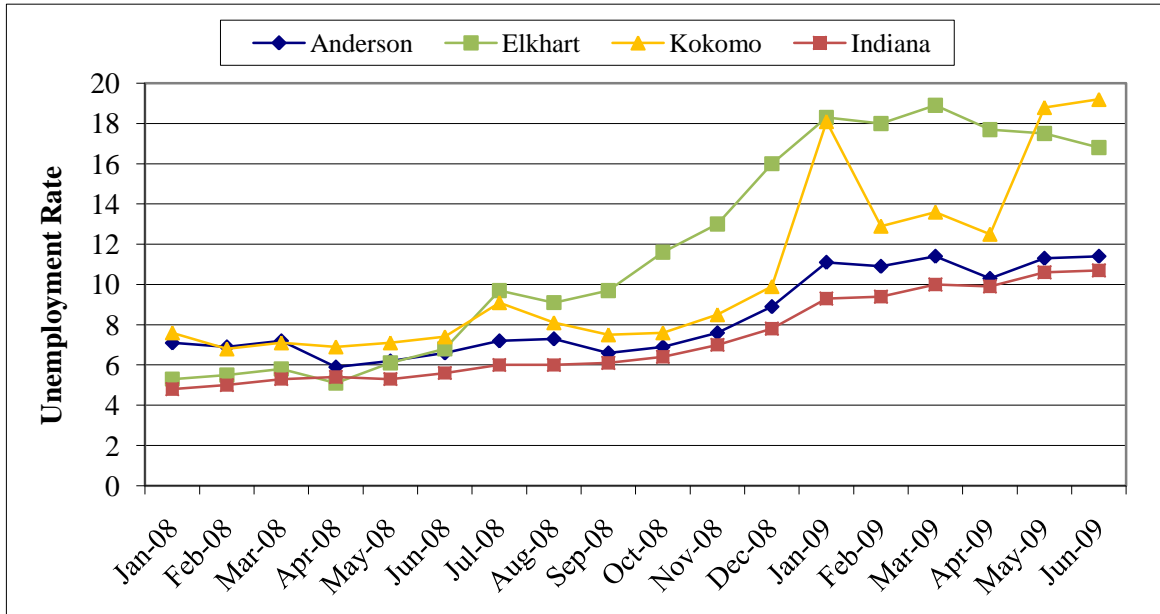
Just as the closings of RV manufacturers ravaged Elkhart, the failing auto industry devastated Kokomo, Indiana. Kokomo, once proudly calling itself Indiana's largest automotive city, in its prime was home to thousands of auto industry jobs thanks to employers Chrysler and Delphi Corporation. Kokomo is the world headquarters of Delphi Corporation and home to its Safety and Electronics Division. Together, Chrysler and Delphi composed more than 20 percent of Kokomo's total employment.⁵ The heavy layoffs came from Delphi in August, when it announced a reduction of 300 workers and again in October, when Chrysler announced a cutback to its national workforce by 25 percent beginning in November 2008.

However, Kokomo's economy was already hurting when the announcements from the automakers came in late 2008. Kokomo's unemployment rate of 7.6 percent in January 2008 far

⁵ VanAlstine, Jason. *Kokomo Forecast 2009*. Indiana Business Review.
<http://www.ibrc.indiana.edu/ibr/2008/outlook/kokomo.html#f1#f1>

exceeded the state's average rate of 4.8 percent. Unemployment levels ratcheted to 9.1 percent in July and topped out in December 2008 at 9.9 percent leaving 4,350 jobless. Unfortunately, 2009 unemployment rates only continued to climb in Kokomo. In June 2009, unemployment reached nearly 20 percent creating an unemployment roll of 8,400 workers.

CHART 1.4
SELECTED INDIANA MSA UNEMPLOYMENT RATES, MONTHLY, 2008



Source: Bureau of Labor Statistics

Anderson, Indiana

In addition to Elkhart and Kokomo, Anderson, Indiana also experienced elevated levels of unemployment and job loss throughout 2008. However, Anderson's economic wounds are not new, but decades old.

General Motors (GM) was once king in Anderson, employed nearly 46,000 workers at its peak in 1979. During that time, Anderson was second only to Flint, Michigan for its concentration of GM operations, having nearly two dozen factories there. GM brought with it an abundance of job opportunities with high wages. However, its prosperity quickly disappeared when in 1990, GM announced layoffs of 21,000 workers in Anderson.⁶ The last manufacturing plant closed in Anderson in 2006 signaling the end of an era.

It is easily argued that Anderson is still reeling from the economic destabilization caused by GM nearly two decades ago. Its unemployment rates have remained above the state average throughout 2008. Unemployment in Anderson reached 7.1 percent in January 2008 and climbed to a high of 8.9 percent in December. However, unemployment continued to grow in 2009, when

⁶ Posted on Indy.com from The Indianapolis Star, 1 June 2009. Available at: <http://www.indy.com/posts/timeline-of-general-motors-2>.

the unemployment rate reached double-digits.

Columbus, Indiana

Despite ranking as the 4th most highly concentrated area of manufacturing jobs in the nation, Columbus, Indiana fared relatively well throughout 2008. The unemployment level remained relatively low, averaging 4.6 percent. However, by December the effects of the recession became increasingly more apparent as the area's unemployment rate reached 6.3 percent and continued to tick upwards. By January 2009 the unemployment rate in Columbus climbed to 8.0 percent and by June had reached 9.9 percent. However, the full decline in the number of manufacturing jobs in Indiana and its metro areas are yet to be seen as the recession wears on.

CONCLUSION

Due to years of slow economic growth and the national recession, Indiana's economy is worse off than it was at the beginning of the millennium. In total, fewer jobs are available to Hoosier workers, as are jobs that require only a high school diploma. The next chapter will focus on Indiana's workforce and explore the relationship between educational attainment and employment, underemployment, unemployment, and personal wages.

CHAPTER TWO

INDIANA'S WORKFORCE

PARTICIPATION AND WAGES

INTRODUCTION

Indiana's workers are known for their productivity and strong work ethic. The term workforce refers to all persons 16 years old and older who are employed or meet the federal definition of unemployed. Members of Indiana's workforce produce goods and services that are consumed in the state, nation, and around the globe. In 2008, 66.5 percent of Indiana residents participated in the workforce, similar to the national rate of 66 percent. In 2008, Indiana's workforce participation rate was slightly higher than in 2007 when 65.8 percent of Hoosiers were actively engaged in the workforce.

Despite a strong work ethic, Hoosiers are struggling to find and maintain gainful employment. The recession and a shifting economic base have caused the state to lose thousands of jobs leaving Hoosier workers with few opportunities. The numbers of unemployed and underemployed workers has increased dramatically, but does not accurately capture the complete impact of the economic downturn as many Hoosier workers. Many workers have stopped actively searching for a job and no longer meet the definition of unemployed. Other unemployed workers have found themselves without the education necessary to pursue jobs in other industries. This chapter will examine Indiana's workforce and explore the relationship between educational attainment and employment, underemployment, unemployment, and personal wages.

Indiana's Workforce Participation

In this section, Indiana's workforce participation will be examined based on gender, race, age, and educational attainment level.

Gender

Both Hoosier men and women actively participate in Indiana's workforce. In Indiana, men participated in the workforce at a rate of 73 percent – equal to the national average. The workforce participation rate for Hoosier women at 60.5 percent is slightly above the national average rate of 59.5 percent. Indiana's female workforce participation rate has remained

relatively steady over the last eight years. Conversely, a smaller percentage of Indiana’s male workers participated in the workforce in 2008 than in 2000 – when males participated at a rate of 77 percent.

Race

The Hispanic population had the greatest workforce participation rate at 74.5 percent in 2008, followed by Whites at 66.5 percent and African Americans at 63.8 percent. The Asian/Pacific Islander demographic had the smallest percentage of workers engaged in Indiana’s workforce at 53.2 percent. Nationally, 66.8 percent of Asian/Pacific Islander workers participated in the workforce in 2008.

TABLE 2.1
WORKFORCE PARTICIPATION RATES, INDIANA AND U.S., 2008

	White	African American	Hispanic	Asian/ Pacific Islander
Indiana	66.5%	63.8%	74.5%	53.2%
U.S.	65.9%	63.6%	68.5%	66.8%

Source: Economic Policy Institute analysis of Current Population Survey Data

Age

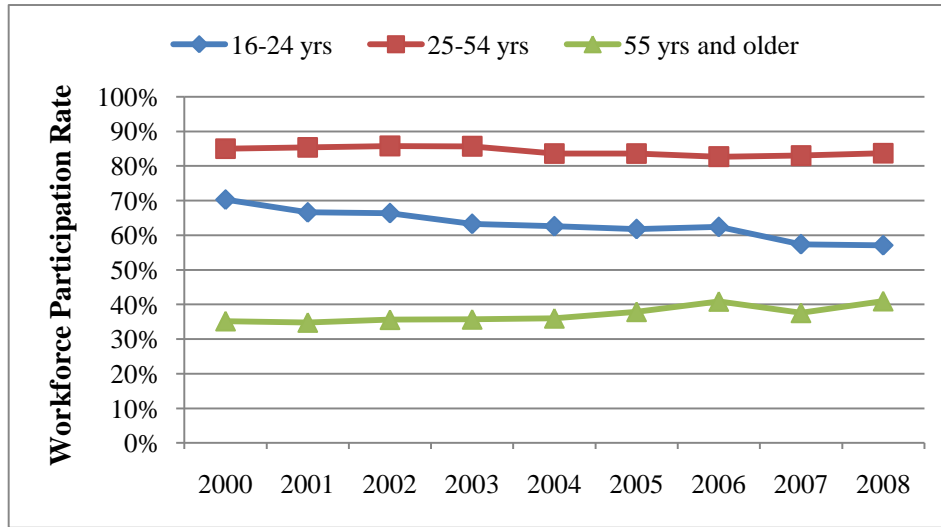
Indiana’s workforce is divided into three age groups: workers who are between the ages of 16-24 years old; 25-54 years old; and 55 years old and older. The age group of workers age 25-54 years old has the highest workforce participation rate. In 2008, nearly 84 percent of people within this age group were engaged in the workforce – down slightly from 85 percent in 2000.

The group of workers age 55 years old and older is the only group that has increased its workforce participation rate since 2000. From 2000 through 2008, the workforce participation rate for this group increased by 5.8 percent from 35 to 41 percent.

Conversely, the workforce participation rates of young workers age 16-24 years old decreased substantially – by 13.2 percentage points –from 70.3 percent in 2000 to 57.1 percent in 2008. *Chart 2.1* displays the increasing workforce participation rates of older workers with the simultaneous decrease in workforce participation by younger workers. Meanwhile, the workforce participation rate for workers age 25-54 years old remained relatively stable.

Examining the share of Indiana’s workforce by age reveals workers age 55 years old and older comprised a larger share of the workforce in 2008 – greater than any time since 2000 – increasing by 19 percent between 2000 and 2008. This increase caused a slight decrease of 3 percent in the share of workers age 25-54 years old. It appears more workers are staying engaged in the workforce after turning 55 years old than ever before. Workers age 25-54 years old still comprise the lion’s share of the workforce at 68 percent (see *Table 2.2*).

CHART 2.1
WORKFORCE PARTICIPATION RATE BY AGE, INDIANA, 2000-2008



Source: Economic Policy Institute analysis of Current Population Survey Data

TABLE 2.2
SHARE OF WORKFORCE BY AGE

Age	2000	2002	2004	2006	2008
16-24 years old	14.4%	15.1%	14.5%	14.9%	13.6%
25-54 years old	69.8%	69.8%	70.3%	68.1%	67.6%
55 years old and older	15.8%	15.2%	15.3%	17.0%	18.8%

Source: Economic Policy Institute analysis of Current Population Survey Data

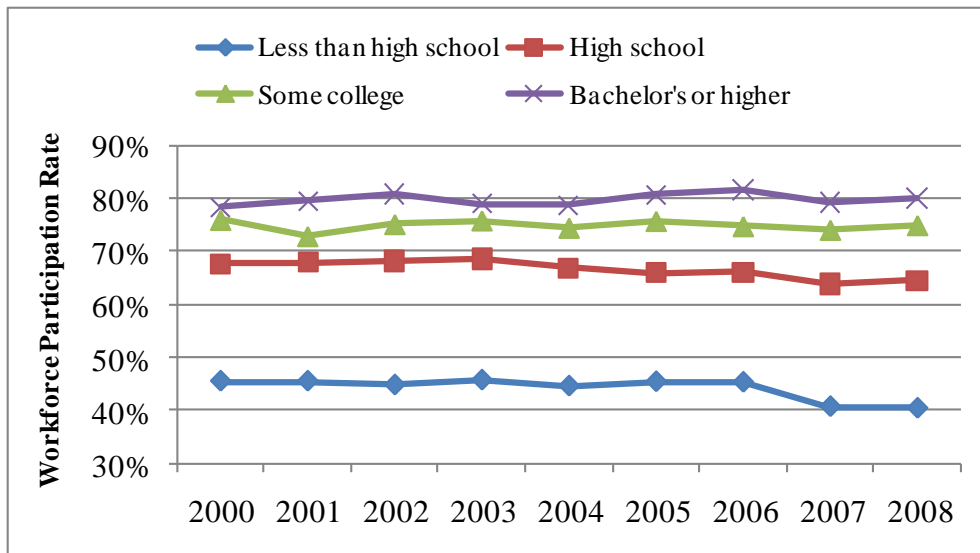
Educational Attainment

Examining Indiana’s workforce by educational attainment gives insight to the knowledge and talent of its workforce. Workers are divided by their individual educational attainment levels into the categories of: less than high school diploma; a high school diploma; some college; or a Bachelor’s Degree or higher.

Those with less than a high school diploma were the least likely to be working at 40.4 percent, while 64.5 percent of those with a high school diploma were actively working – emphasizing that even a high school diploma significantly increases an individual’s employment opportunities. *Chart 2.2* displays the workforce participation rate by educational attainment.

In 2008, workers with some college experience participated in Indiana’s workforce at a rate of 75 percent – higher than the workforce participation rates for those with a high school diploma or less. However, workers who had no college experience have seen their workforce participation rates steadily decrease since 2000, while the workforce participation rates for workers with a Bachelor’s Degree or higher have increased. In 2008, the majority – 80 percent – of Hoosiers with a Bachelor’s Degree or higher were employed.

CHART 2.2
WORKFORCE PARTICIPATION RATE BY EDUCATIONAL ATTAINMENT LEVEL,
INDIANA, 2000-2008



Source: Economic Policy Institute analysis of Current Population Survey Data

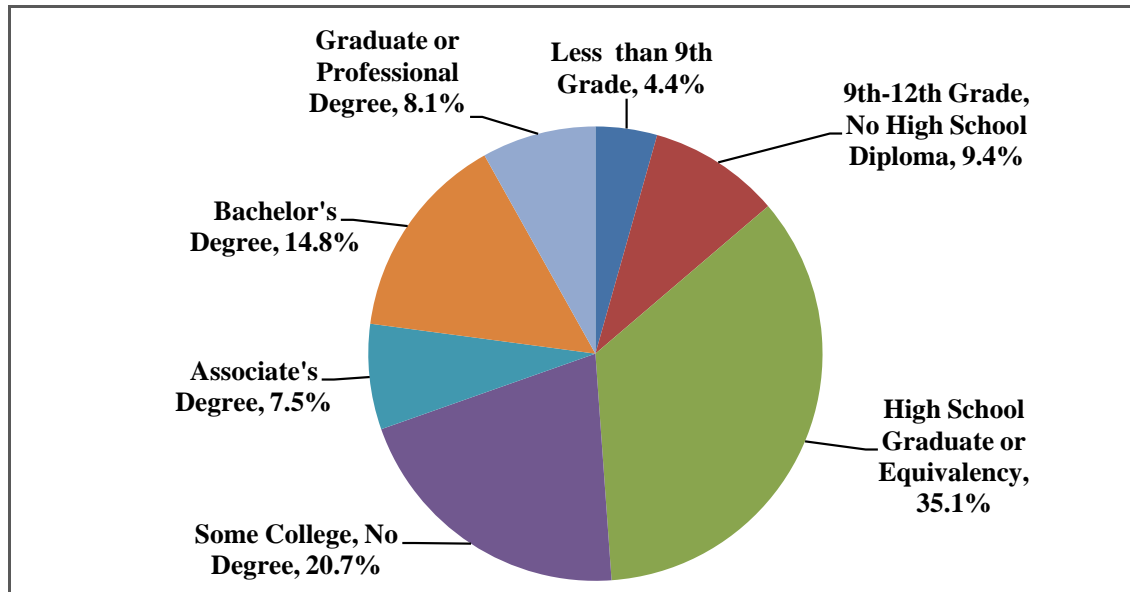
Historically, Indiana has remained economically competitive – despite having a workforce with lower levels of educational attainment. However, in the 21st Century, a high school diploma is no longer a sufficient credential to find and maintain a job that pays a self-sufficient wage.

Chart 2.3 displays the educational attainment levels of Indiana’s workforce. Nearly one-half (48.9%) of Indiana’s workforce has a high school diploma or less as their highest level of educational attainment. The other half of Indiana’s workforce has an educational attainment level that ranges from some college experience to a Graduate or Professional Degree. In 2008, a high school diploma or equivalent is the highest degree of educational attainment for 35 percent of Indiana’s workforce. Overall, 86 percent of Hoosiers possess at least a high school diploma, ranking Indiana 29th in the nation for its percentage of workers age 25 years old and older who possess a high school diploma. Wyoming ranks first in the U.S. where nearly 92 percent of those 25 years old and older have a high school diploma or equivalent.

Indiana lags the nation in the attainment of Bachelor’s Degrees and Graduate or Professional Degrees, ranking Indiana 42nd. Only 22 percent of all Hoosier workers possess a Bachelor’s Degree. The District of Columbia has the highest concentration of Bachelor’s Degree holders at 48 percent. In Indiana, a Bachelor’s Degree is the highest level of educational attainment for approximately 15 percent of the population.

Indiana ranks 37th in the nation for its share of workers who possess a graduate or professional degree. Eight percent of Hoosiers have an advanced degree – outweighing the percentage of Hoosiers with an Associate’s Degree at 7.5 percent.

CHART 2.3
EDUCATIONAL ATTAINMENT LEVELS OF INDIANA'S WORKFORCE,
INDIANA, 2008



Source: U.S. Census Bureau, 2008 American Community Survey

Table 2.3 displays Indiana's educational attainment levels for the years 2002 – when Census data first became available for educational attainment in Indiana – and 2008. However, by comparing 2002 and 2008 data, it can be determined that postsecondary educational attainment levels for Indiana's workforce have increased.

Compared to 2002, the percent of the population in Indiana who possessed some college experience, an Associate's Degree, a Bachelor's Degree, or a Graduate or Professional Degree increased in 2008. Additionally, the percent of the population – for which a high school diploma was their highest level of educational attainment – has decreased since 2002. Because the percent of the population who possessed less than a 9th grade education and those with only a 9th to 12th grade education was lower in 2008 than in 2002, accompanied by the fact that more people attended college in 2008 than in 2002, it is assumed that a decrease in the percent of the population claiming a high school diploma as their highest level of educational attainment is a sign of increasing educational attainment by Indiana's workforce.

TABLE 2.3
EDUCATIONAL ATTAINMENT, PERSONS 25 YEARS OLD AND OLDER,
INDIANA, 2002 AND 2008

	2002 Estimate		2008 Estimate	
Population 25 years old and older	3,853,005	100%	4,177,420	100 %
EDUCATIONAL ATTAINMENT LEVEL				
Less Than 9 th Grade	215,955	5.6%	183,233	4.4%
9 th to 12 th Grade, No High School Diploma	479,511	12.4%	391,502	9.4%
High School Diploma or Equivalency	1,417,833	36.8%	1,466,600	35.1%
Some College, No Degree	725,926	18.8%	866,304	20.7%
Associate's Degree	219,712	5.7%	313,410	7.5%
Bachelor's Degree	497,397	12.9%	617,092	14.8%
Graduate or Professional Degree	296,671	7.7%	339,279	8.1%

Source: U.S. Census Bureau, 2008 American Community Survey

UNEMPLOYMENT

In this section, unemployment rates will be examined by demographics such as gender, age, and race as well as by education attainment level.

Educational Attainment

Examining unemployment rates by educational attainment further supports the argument that higher levels of educational attainment leads to higher rates of employment. The unemployment rate is the share of jobless people in the workforce who have actively sought work in the past four weeks. It is the most common measure used to evaluate the strength of the job market just as rising unemployment is a signal of declining jobs. As a result of the national recession, unemployment levels in Indiana were well above average throughout 2008.

Table 2.4 shows that those with the highest level of educational attainment weathered the economic recession better than those with lower levels of educational attainment. During 2008, the unemployment rate increased for all workers – except for the group with a Bachelor’s Degree or higher. The unemployment rate for workers with a Bachelor’s Degree or higher was 1.8 percent or 650 percent less than the unemployment rate for workers without a high school diploma in 2008.

TABLE 2.4
UNEMPLOYMENT RATE BY EDUCATION ATTAINMENT, INDIANA, 2000-2008

Educational Attainment Level	2000	2002	2004	2006	2008
Less than High School Diploma	9.2%	12.6%	10.6%	10.7%	13.5%
High School Diploma	3.0%	5.8%	5.6%	5.7%	7.6%
Some College	2.3%	3.7%	4.8%	3.8%	5.0%
Bachelor’s Degree or Higher	(a)	2.0%	2.3%	2.6%	1.8%

(a) - Data not available

Source: Economic Policy Institute analysis of Current Population Survey Data

Workers with some college education fared better than those with lower levels of educational attainment. In 2008, those with some college education experience had an average unemployment rate of 5.0 percent - 170 percent less than a worker without a high school diploma. The unemployment rate for workers with the least amount of education was the highest at 13.5 percent in 2008.

Demographics

The economic recession caused widespread – but not equal – damage in 2008 as certain demographic groups experienced higher levels of unemployment than others. In 2008, males were more likely to be unemployed than females similar to the last recession (2001-2003) when males also experienced higher rates of unemployment than women. In 2008, males experienced unemployment at a rate of 6.5 percent compared to 5.3 percent for females.

The youngest population of workers, those age 16-24 years old, were more likely to experience unemployment than older workers. Historically, younger workers have substantially higher

unemployment rates in comparison to older workers. The unemployment rate for workers 16-24 years old was 13.5 percent, far greater than the rates for workers 25-54 years old and those 55 years old and older, at 5.4 percent and 2.5 percent respectively.

White workers experienced the lowest rates of unemployment, while African American workers experienced the highest rates – at nearly three times that of White workers. In 2008, 15.3 percent of African American workers were jobless compared to 5.0 percent of White workers. The unemployment rate for workers of Asian/Pacific Islander ethnicity fell between that of White and African American workers at 9.1 percent.

TABLE 2.5
UNEMPLOYMENT RATE BY DEMOGRAPHIC,
INDIANA, 2000-2008

	2000	2002	2004	2006	2008
All	3.2%	5.1%	5.3%	5.0%	6.0%
GENDER					
Male	3.1%	5.5%	5.2%	4.5%	6.5%
Female	3.3%	4.7%	5.4%	5.6%	5.3%
AGE					
16-24 years old	8.3%	10.8%	11.4%	10.5%	13.5%
25-54 years old	2.4%	4.5%	4.3%	4.3%	5.4%
55 years old and older	(a)	2.5%	3.8%	3.2%	2.5%
RACE					
White	2.8%	4.7%	4.6%	4.5%	5.0%
African American	8.4%	10.2%	10.1%	11.0%	15.3%
Hispanic	(a)	(a)	9.2%	(a)	9.1%
Asian/Pacific Islander	(a)	(a)	(a)	(a)	(a)

(a) - Data not available

Source: Economic Policy Institute analysis of Current Population Survey Data

UNDEREMPLOYMENT

Underemployment is an additional measure used to determine the strength of the economy. It includes three categories of workers: those who are unemployed; workers employed part-time for economic reasons; and workers who are marginally attached to the workforce – those who want to participate in the workforce but are unable to because of some barrier. Barriers include discouragement, conditional interest, or inability to work due to issues such as child care or transportation. Discouraged workers are those who have worked in the past 12 months but stopped actively looking for a job because they believe work is no longer available. *Table 2.6* indicates underemployment increased for all workers in 2008, but remained relatively stable for workers with a Bachelor’s Degree.

Since 2000, underemployment has increased for all workers. However, underemployment rates are highest for workers with the least amount of education. The rate of underemployment for workers who possessed less than a high school degree increased by 50 percent between 2000 and 2008. For workers with a high school diploma, underemployment increased over 150 percent

since 2000. This data supports the argument that a high school diploma is no longer a sufficient level of educational achievement in today’s global economy. Workers with some college experience had an underemployment rate nearly 5 percentage points lower than those with a high school diploma, illustrating that even some college experience is beneficial to a worker. A Bachelor’s Degree is the most beneficial as it has been tied to the lowest rates of underemployment since 2000.

TABLE 2.6
UNDEREMPLOYMENT RATE BY EDUCATIONAL ATTAINMENT,
INDIANA, 2000-2008

Educational Attainment Level	2000	2002	2004	2006	2008
Less than High School Diploma	14.9%	18.7%	17.8%	16.7%	22.4%
High School Diploma	5.3%	9.6%	9.4%	9.7%	13.4%
Some College	4.5%	6.3%	7.9%	6.2%	8.5%
Bachelor’s Degree or Higher	2.5%	3.1%	4.4%	3.6%	4.0%

Source: Economic Policy Institute analysis of Current Population Survey Data

WAGES

Even before the national recession, Indiana’s working families were struggling to pay for basic needs. Between 2001 and 2005 wages remained stagnant. As a result, in 2008 Indiana’s working families actually earned less than they did in 2000. At the same time, the costs of basic goods increased putting further strain on families’ incomes.

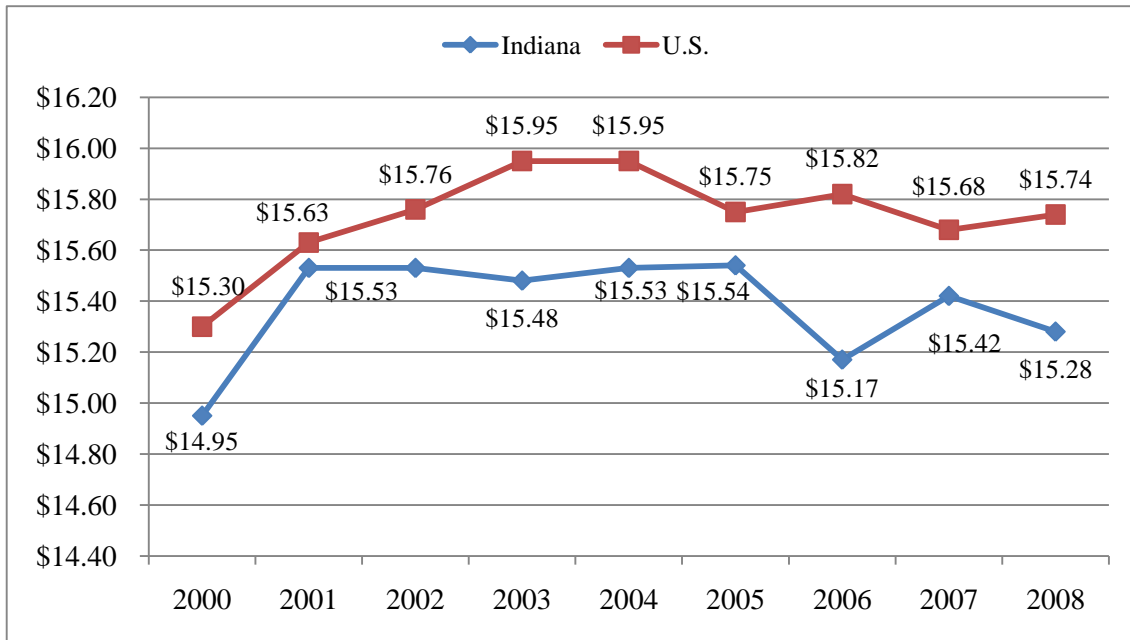
Median Wage

Chart 2.4 shows the median hourly wage for Indiana and the nation from 2000 and 2008. Since 2000, Indiana’s median wage has remained below the national average. However, the gap between Indiana’s median wage and the national median wage continues to grow. In 2008, Hoosiers earned a median wage that was 3 percent lower than the national median wage. The most recent available data indicates that in 2007, 27 percent of Hoosier workers earned wages below the Federal Poverty Guidelines, up from 23 percent in 2000. It can be expected that an even larger percentage of Hoosier workers are earning wages below the poverty threshold as the median wage fell slightly since 2007.

While Hoosier workers earn a median wage significantly lower than the national average, Hoosier workers still earned a higher median wage than workers in Kentucky, Missouri, and Ohio. Workers in Michigan and Illinois earned higher median wages at \$15.74 and \$15.83 respectively.

Lower wages in Indiana may also be a result of declining union membership. On average, union workers earn higher wages and are more likely to have health insurance, pension coverage, and paid leave benefits. In 2007, 12 percent of Indiana’s workforce belonged to unions – down from 15.6 percent in 2000.

CHART 2.4
MEDIAN WAGE, INDIANA AND U.S., 2000 - 2008

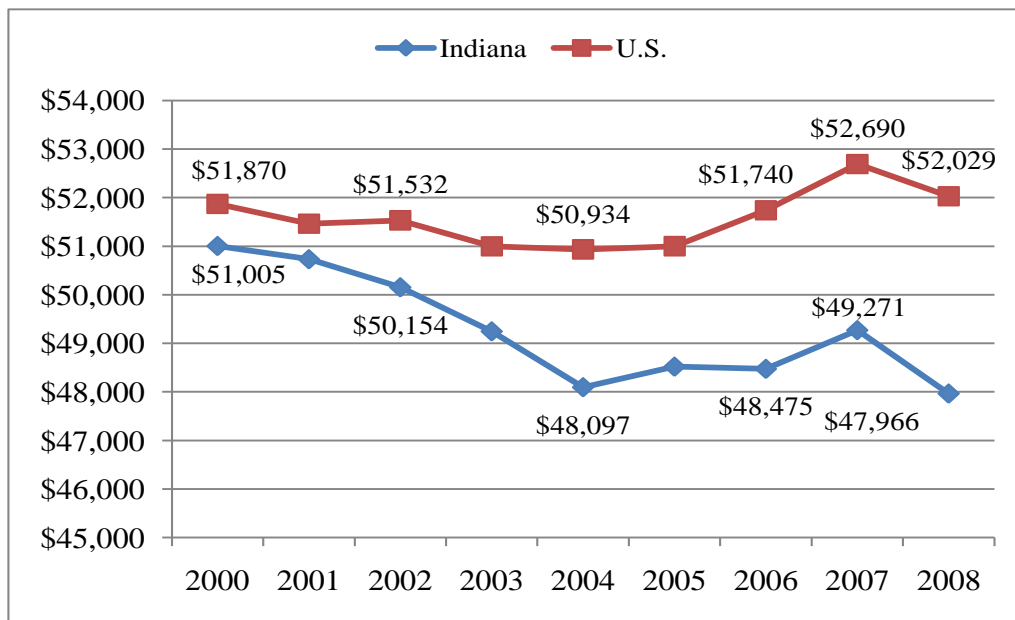


Source: U.S. Census Bureau, 2008 American Community Survey

Median Household Income

The result of declining wages equals declining incomes. Indiana's median household income has remained below the national median household income since 2000. Then, the gap between Indiana's and the national median household income was \$865. In 2008, the gap between Indiana's median household income and the national median household income widened by 370 percent or \$4,063.

CHART 2.5
MEDIAN HOUSEHOLD INCOME, INDIANA AND U.S., 2000 - 2008



Source: U.S. Census Bureau, 2008 American Community Survey

Educational Attainment

Indiana's median household income decreased significantly since 2000 – by 6 percent or \$3,039. Workers at all education levels experienced a loss in wages between 2007 and 2008. Those with a high school diploma earned 3 percent less while those with some college experience earned 5.5 percent less than they did in 2007. Bachelor's Degree holders experienced the smallest decrease earning 0.6 percent less in 2008.

When comparing 2000 and 2008, median wages for those with a high school diploma decreased by 0.7 percent, wages for a Bachelor's Degree holder decreased by 2 percent, and wages for those with some college experience actually experienced a slight increase of 1.2 percent.

Simply put, education pays. The median wage for Indiana's workers increased with educational attainment. Bachelor's Degree holders earned a median wage 59 percent higher than those with some college education and 69.5 percent higher than those with a high school diploma.

TABLE 2.7
MEDIAN WAGE BY EDUCATIONAL ATTAINMENT, INDIANA, 2000-2008

Educational Attainment Level	2000	2001	2002	2003	2004	2005	2006	2007	2008
Less than High School Diploma	(a)	\$10.70	\$11.06	\$10.69	\$10.37	\$10.22	\$9.85	\$10.20	(a)
High School Diploma	\$13.73	\$14.16	\$14.35	\$14.07	\$13.81	\$14.00	\$13.40	\$13.24	\$13.63
Some College	\$14.27	\$15.05	\$14.28	\$15.30	\$15.42	\$15.55	\$15.03	\$15.29	\$14.44
Bachelor's Degree or Higher	\$23.64	\$23.57	\$23.84	\$24.75	\$24.92	\$24.45	\$24.25	\$23.25	\$23.10

(a) - Data not available

Source: Economic Policy Institute analysis of Current Population Survey Data

Wage Inequality

In addition to declining wages, wage inequality is a serious problem in Indiana affecting non-white and female workers. In 2007, when data was last available, African American workers earned 20 percent less an hour than White workers. Since 2000, White workers experienced a 4.5 percent increase in pay. Conversely, between 2003 and 2007, African American workers experienced a 13 percent loss in wages when the median hourly wage fell from \$15.05 an hour to \$13.08 an hour. The wage inequality for Hispanics and Asian/Pacific Islanders could not even be determined as there is no data available.

TABLE 2.8
MEDIAN WAGE BY RACE, INDIANA, 2000-2008

Race	2000	2001	2002	2003	2004	2005	2006	2007	2008
White	\$15.19	\$15.75	\$15.80	\$15.83	\$15.83	\$16.31	\$15.78	\$15.75	\$15.88
African American	(a)	(a)	(a)	\$15.05	\$13.94	\$12.36	\$12.90	\$13.08	(a)

(a) - Data not available

Source: Economic Policy Institute analysis of Current Population Survey Data

Wage inequality is a problem in both America and in Indiana. In 2008, on average, Hoosier women working full-time, year-round earned only 71 percent of what men working full-time year-round earned – 6 percentage points lower than the national average of 77 percent. In 2008, the median household income for female workers in Indiana was \$32,828 – \$13,188 less than the median household income for male workers at \$46,016. Lower earnings for female workers result in higher rates of economic instability and poverty for women and their families.

CONCLUSION

Indiana faces a significant problem regarding the skills and educational attainment levels of its workforce. It is estimated in Indiana there are nearly one million Hoosiers who lack the basic educational skills necessary to become gainfully employed or advance to better paying jobs.⁷ Indiana can overcome its current educational crisis by investing in its adult workers devoting a larger percent of its financial aid dollars to adult workers and by removing policy barriers that prevent adult workers from accessing financial aid. The return on investment is clear. Educated workers have access to higher paying jobs and contribute more to the economy through spending and taxes. Additionally, they are less likely to experience unemployment, underemployment, and decreases in wages during times of economic recession.

The next chapter will further examine the effects of low-wages on Indiana’s working families including poverty, asset poverty, and utilization of Indiana’s work support programs.

⁷ The Indiana Chamber of Commerce. 2008. *Indiana’s Adult Education and Workforce Skills Performance Report: Preparing Adults for a Brighter Future*. Developed by National Center for Higher Education Management Systems (NCHEMS).

CHAPTER THREE

POVERTY AND INDIANA'S DISAPPEARING SAFETY NET

INTRODUCTION

From 2000 to 2008, the number of Americans living below the Federal Poverty Guidelines grew by 5.2 million people. As a result, more than 39.1 million Americans were living in poverty – a 15.4 percent increase in the number of low-income people since 2000 and twice the growth rate of the population as a whole during this same time period. Additionally, 91.6 million Americans – 30 percent of the nation's population were living below 200 percent of the Federal Poverty Guidelines (FPG).⁸

As unemployment continues to plague the country, these numbers will likely increase during 2010, especially for children. There are an estimated 10.5 million children under the age of 18 years old who live in families with an unemployed parent, putting them at risk of falling below the poverty threshold.⁹

There are a myriad of work support programs and tax credits, such as Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance to Needy Families (TANF), Unemployment Insurance (UI), Medicaid, and the Earned Income Tax Credit (EITC) that assist families in achieving economic self-sufficiency. These programs are often utilized by people during times of recession to keep families out of poverty. However, the safety net is failing to hold many of Indiana's vulnerable families above the poverty threshold.

POVERTY

The FPG measures the number of people in poverty. If families are earning less than the poverty threshold, they are considered “poor” and those earning incomes above the threshold are considered “not poor.” In reality, financial well-being is not so clear-cut. There are many families earning incomes above the FPG, but are still unable to meet their family's basic needs. In 2008, according to the FPG, a family of four was considered “poor” if their annual income was at or below \$21,200 a year.

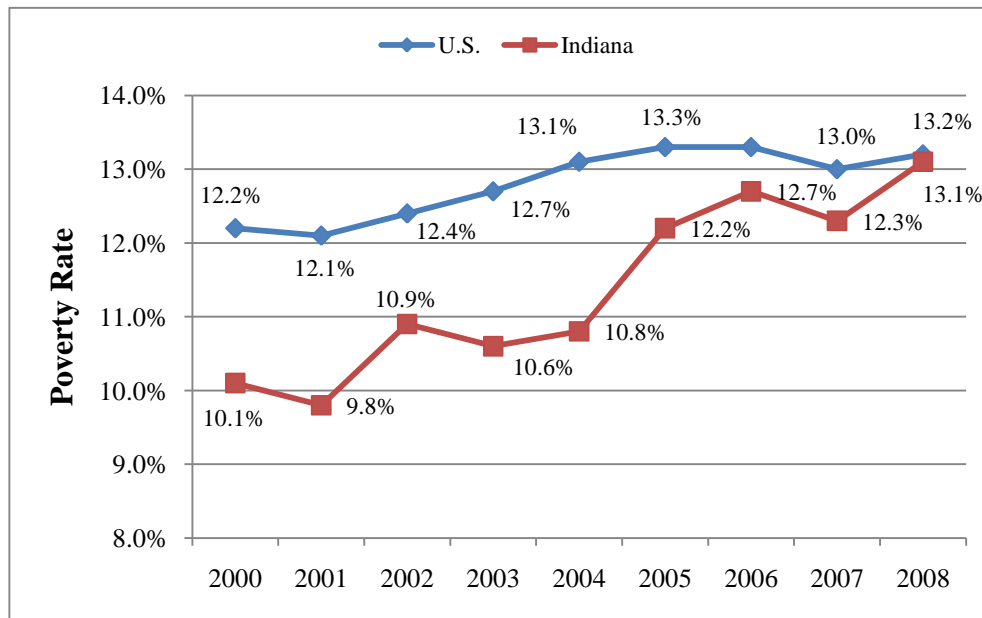
⁸ Kneebone, Elizabeth and Emily Garr. “The Suburbanization of Poverty: Trends in Metropolitan America 2000 to 2008.” Washington D.C.: Metropolitan Policy Program at Brookings. January 2010.

⁹ Ibid.

Generally, a family requires around 200 percent of the FPG to be economically self-sufficient.

Chart 3.1 displays the annual poverty rate – the percent of people living in poverty each year as measured by the U.S. Census Bureau. However, realizing that the measure of poverty used by the U.S. Census Bureau only accounts for those individuals and families living at or below minimal income thresholds. When in fact, there are many more families who are not considered to be in poverty, but cannot afford their family’s basic needs.

CHART 3.1
POVERTY RATE, INDIANA AND U.S., 2000 - 2008



Source: U.S. Census Bureau, 2008 American Community Survey

As illustrated in *Chart 3.1*, the percent of people living in poverty in the U.S. and Indiana increased since 2000. During that time, Indiana's poverty rate increased at a faster pace than the national poverty rate. In 2000, Indiana had a poverty rate that was 2.1 percentage points lower than the national rate. However, by 2008, Indiana's poverty rate climbed 30 percent to reach a rate of 13.1 percent, nearly matching the national poverty rate of 13.2 percent.

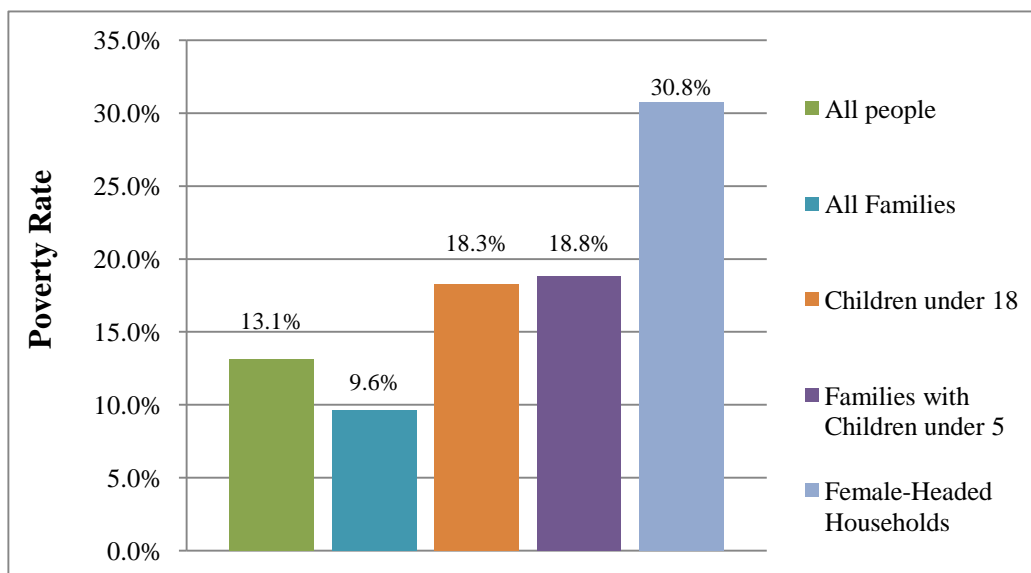
The biggest increase in poverty in Indiana occurred between 2004 and 2005 when Indiana's poverty rate jumped by 1.4 percentage points - from 10.8 percent to 12.2 percent. During that time, 88,703 people found themselves living in poverty. Indiana's poverty rate also increased significantly between 2007 and 2008, as the economic downturn worsened. By the end of 2008, nearly 50,000 more Hoosiers were living in poverty than in 2007. However, the 2008 American Community Survey data only captures the beginning of the national recession. As a result, it is expected that in 2009, there are even more people living in poverty than in 2008.

Indiana’s poverty rate of 13.1, ranked the state 24th in the nation for having the highest total poverty rate. Poverty was most widespread in Mississippi at 21.2 percent and limited in New Hampshire at 7.6 percent.

Chart 3.2 displays poverty rates by select demographics in Indiana. Alarming, nearly one in every three female-headed households are impoverished, compared to all Indiana families where one in ten lives in poverty. Poverty is prevalent among children and their families. In 2008, 18.3 percent of Indiana’s children lived in poverty. Families with children under the age of five experienced poverty at a similar rate of 18.8 percent.

According to the Brookings Institute, a simulation by economist Rebecca Blank estimates the national child poverty rate may rise by 2 percentage points in the next year, reaching a rate of 21 percent in 2009. This is concerning as children who fall into poverty are less likely to graduate from high school (15 percentage points) or college (20 percentage points) than those who are not poor.¹⁰ If so, this trend will only further perpetuate poverty in Indiana and the US and hinder economic recovery in the years to come.

CHART 3.2
POVERTY RATE, INDIANA, SELECT DEMOGRAPHICS, 2008



Source: US Census Bureau, 2008 American Community Survey

The poverty statistics released by the U.S. Census Bureau 2008 American Community Survey data are not reflective of the job losses and wage reductions incurred after 2008. Given the continued downturn of the economy throughout 2009, it is estimated that the number of people living in poverty is greater than the current date in this chapter reflects.

¹⁰ Lovell, Phillip and Julia B. Issacs. *Families of the Recession: Unemployed Parents and Their Children*. First Focus Campaign for Children.

ASSET POVERTY

A more comprehensive assessment of a family's financial stability can be gained by measuring their assets in addition to their income. Assets are essential to a family's economic well-being and their ability to weather times of economic hardship. A household is considered to be asset poor if it lacks the resources to subsist at the FPG for three months, if loss of income occurs.¹¹

For many families, one major incident such as temporary loss of employment, a medical emergency, or even divorce can cause a family to slip into poverty if they do not have assets to leverage. Short-term assets are those that can easily yield money without significantly affecting the day-to-day well being of the household.¹² These include highly liquid assets (e.g., money in the bank, stocks, bonds, and mutual funds) as well as less liquid assets that could be utilized in an effort to meet basic needs (equity in retirement accounts such as a 401K, IRA, and Keogh, as well as equity in businesses, or other investments).¹³ This also includes equity in real estate – including one's own home.¹⁴

Examining a family's assets can confirm the vulnerability of many U.S. households. Even middle-income families experience asset poverty. In 2006 (when data was last available) 19 percent of households earning \$44,801-\$68,800 were asset poor. However, families with lower incomes were more likely to be asset poor. For families earning below \$24,800, over half were asset poor. In Indiana nearly 22 percent of all families were asset poor. Asset poverty exceeds income poverty in all 50 states and the District of Columbia.

Comparable to poverty, asset poverty also varies by race and gender. According to the CFED Scorecard, minority households are more likely to be asset poor than Whites. In 2006, minority households had an asset poverty rate of 37.2 percent – more than double the rate of asset poverty of 16.4 percent for Whites. U.S. women were also more likely to be asset poor than U.S. men. Females had an asset poverty rate of 24 percent compared to 20 percent for men (see **Chart 3.3**).

In addition to asset poverty, extreme asset poverty offers another measure of financial stability. Extreme asset poverty is the measure of households that have zero or negative net worth. A negative net worth indicates a household's debt exceeds its assets. This measure proves many households are struggling to "just get by" and are far away from achieving financial stability in terms of income and assets. In 2006, 14.3 percent of all households and 23.8 percent of minority households experienced extreme asset poverty.

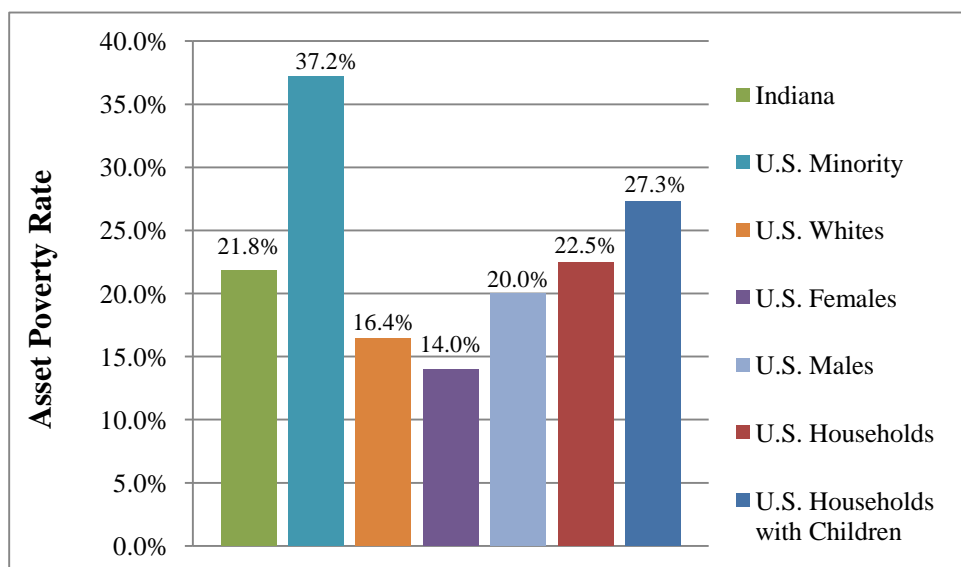
¹¹ Asset policy initiative of California, LAPI Methodology, January 2006, p.6.

¹² Ibid.

¹³ Asset policy initiative of California, LAPI Methodology, January 2006, p.6.

¹⁴ Ibid.

CHART 3.3
ASSET POVERTY RATE, BY SELECT DEMOGRAPHICS, 2006



Source: CFED, 2009-2010 Asset & Opportunity Scorecard

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)

For American families who have fallen on tough financial times, a safety net of work support programs are in place to catch them before they fall deep into poverty. Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program, is the broadest federal work support program providing assistance to low-income families and individuals. SNAP provides nutrition assistance to millions of American families each year to protect them from hunger and malnutrition. Eligibility for SNAP is limited to families earning gross incomes at or below 130 percent of poverty – \$27,560 for a family of four in 2008 – and with no more than \$2,000 in their bank account.¹⁵ Due to the declining economic conditions in 2008, an increasing number of households relied on SNAP benefits as a first line of defense against poverty.

Since 2000, the number of households receiving SNAP benefits increased by over 99,000 or 78 percent. A significant increase occurred between August 2008 and August 2009 when the number of SNAP recipients swelled from 29.5 million to 36.5 million – an increase of 24 percent.¹⁶

¹⁵ A household may not exceed \$2,000 in countable resources, such as a bank account, or \$3,000 in countable resources if at least one person is age 60 or older, or is disabled to be eligible for SNAP. The resources of people who receive Supplemental Security Income (SSI) or Temporary Assistance for Needy Families (TANF) are not accounted towards the asset limit. Most retirement (pension) plans are also excluded.

¹⁶ Isaacs, Julie. *The Effects of the Recession on Child Poverty, Poverty Statistics for 2008 and Growth in Need during 2009*. The Brookings Institute and First Focus. January 2009.

UNEMPLOYMENT INSURANCE (UI)

The average unemployment rate in Indiana increased 3 percentage points from 4.8 percent in January 2008 to 7.8 percent in December 2008. However, areas such as Elkhart, Kokomo, and Anderson saw much higher monthly unemployment levels. Unemployment Insurance (UI) benefits became a necessity for unemployed workers to soften the loss of earned income and bridge the gap until new employment could be found.

In Indiana, unemployed workers are eligible to receive up to 26 weeks of UI benefits from the state. In 2008, 45.9 percent of Hoosier workers exhausted their UI benefits, compared to the national exhaustion rate of 41.5 percent. Both numbers signify the harshness of the recession as nearly half of Hoosier workers and 40 percent of national workers did not find employment within the first six months of losing their jobs. The federal government passed extended UI benefits for workers who exhausted the first 26 weeks. Additional benefits of 20 and later 13 weeks were given for a total of 59 weeks of unemployment benefits in 2008.

Throughout 2008, approximately 39 percent of all unemployed Hoosier workers received UI benefits. Indiana's reciprocity rate was higher than the national average of 37.5 percent. However, at this rate, the majority of unemployed Hoosiers were not eligible to receive UI benefits even though they had been previously employed.

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)

The U.S. government responded to the overwhelming number of families and individuals in need of aid after the Great Depression by creating the Aid to Families with Dependent Children welfare program. The program provided cash assistance to families with little or no income. Temporary Assistance for Needy Families, (TANF) replaced the former welfare system in 1996 with one that imposed stricter time limits and promoted work over welfare.

The number of eligible family members and a family's total income determines eligibility for the program. In addition to the income eligibility guidelines, there is an asset limit of \$1,000 in value excluding a house that is used as their primary residence. The income levels allowed for initial eligibility in Indiana are well below the FPG as shown in *Table 3.1*.

TABLE 3.1
INCOME STANDARD FOR TANF BENEFITS, INDIANA, 2008-2009

Family Size	Gross Income Limit	Maximum Monthly Benefit
1	\$286.75	\$139.00
2	\$471.75	\$229.00
3	\$592.00	\$288.00
4	\$712.25	\$346.00
5	\$832.50	\$405.00
6	\$952.75	\$463.00
7	\$1,073.00	\$522.00
8	\$1,193.25	\$580.00
9	\$1,313.50	\$639.00
10	\$1,433.75	\$697.00

Source: Indiana Family and Social Services Administration

Families remain eligible to receive TANF benefits until their countable income exceeds 100 percent of the FPG. Indiana recipients of TANF benefits must adhere to work requirements and are limited to two years of eligibility.

Both the total number of cases and the total number of recipients decreased 11 percent between Fiscal Year (FY) 2006 and 2009. During the same time period, the total number of children receiving TANF benefits decreased by nearly 13 percent. From FY 2008 to 2009, the TANF caseload declined by nearly 3 percent and the number recipients decreased by nearly 2 percent. It is uncertain why the number of TANF beneficiaries has decreased, given the current economic downturn. However, it does bring to question if of Indiana’s most vulnerable families have access to Indiana’s safety net.

HEALTH INSURANCE

Health Insurance is a vital asset to Indiana’s families. It can aid families in the event of a major accident or illness while also providing assistance in maintaining overall health. However, Employer Sponsored Health Insurance has eroded since 2000 when 80.8 percent of all workers were covered by employer sponsored health insurance. In 2007-2008, the rate for those with employer sponsored health insurance dropped to 76.8 percent, a change of 4.0 percent.

In August 2009, the U.S. Census Bureau's Small Area Health Insurance Estimates (SAHIE) released 2006 estimates of health insurance coverage. This data provides insurance rates by county. Indiana counties with the highest rates of uninsured persons are listed in *Table 3.2* and are predominantly rural counties. Monroe County had the highest rate of uninsured at 54.4 percent followed by Hamilton County at 52.6 percent.

TABLE 3.1
COUNTIES WITH HIGHEST UNINSURED RATES, INDIANA, 2006

County	Uninsured Rate
Monroe	24.2%
Tippecanoe	23.2%
Brown	19.0%
Benton	17.9%
Noble	17.4%
Crawford	17.0%
Marshall	17.0%

Source: U.S. Census Bureau, Small Area Health Insurance Estimate, 2009

The high cost of health insurance has lead to a decline of those who are insured. For families earning less than 200 percent of FPG, many cannot afford health insurance and are more likely to be uninsured and more vulnerable if an accident or major illness were to occur. As job losses and the number of long-term unemployed are likely to increase as the recession wears on, so are the number of uninsured Hoosiers.

CONCLUSION

The Great Recession created a tumultuous year for Indiana’s working families in 2008. Record unemployment levels, increased underemployment levels, and decreased earnings created a class of “the newly poor” – those who had never needed public assistance before, but found themselves unable to make ends meet on their own. The recession also pushed Indiana’s most vulnerable families deeper into poverty.

Indiana’s safety net could not hold all of those who fell above the poverty threshold. UI benefits, intended to bridge a family’s income until new employment can be found were unavailable to many of Indiana’s unemployed workers. SNAP benefits provided assistance, but for many families it is not enough to make ends meet when work cannot be found. Rising unemployment also led to mounting numbers of workers who lost their health insurance.

Indiana’s safety net is not capable of catching all Hoosier families before they fall into poverty. To prevent poverty from further increasing in Indiana and creating a road toward economic recovery in the future, Indiana must improve the financial stability of its working families. Policy recommendations for improving the economic conditions for Indiana’s working families are presented in the next chapter.

CHAPTER FOUR

IMPROVING THE LIVES OF INDIANA'S WORKING FAMILIES: POLICY RECOMMENDATIONS

INTRODUCTION

The data in this report accentuates the economic woes of the Hoosier state during the last decade. Indiana's economy has changed significantly since 2000 from a manufacturing driven economy to a service and knowledge-based economy. More jobs than ever before require postsecondary education. However, the educational attainment levels of Indiana's workforce lags behind those of the nation's workforce. Workers with only a high school diploma are falling further behind.

Unemployment in 2008 reached record high levels when over 300,000 Hoosier workers lost their jobs due to the recession. Underemployment also increased and Hoosier workers took home less income than they did in 2000. Hoosier wages decreased for all workers, including Indiana's African American and female workers who continue to be increasingly underpaid and underemployed in Indiana's economy.

The combination of job losses, unemployment, and declining wages has caused an increase in the number of Hoosiers who earn incomes below the Federal Poverty Guidelines. Many of these families have reached for the state's work support programs for help, but Indiana's safety net is disappearing and not able to help all of those in need.

Work support programs such as SNAP, TANF, and tax credits such as the Earned Income Tax Credit (EITC) and Child Care Tax Credit are vital to preventing low-income families from falling into poverty and keeping impoverished families from deep poverty. However, without work, these programs only go so far. New job creation is needed to put Hoosiers back to work. Until then, extended UI benefits are necessary to bridge the gap between unemployment and work.

Indiana must strengthen its safety net to assist the growing number of families in financial need. In addition, Indiana must improve its existing

public policies to promote financial stability for working families. It must also realize that the future of its economy depends on having an educated workforce. Below are recommendations to promote economic self-sufficiency for Indiana's low-income working families and economic stimulus for Indiana.

POLICY RECOMMENDATIONS

The ten policy recommendations offered are broken into three main areas:

- Improve Indiana's Safety Net of Work Support Programs;
- Promote Financial Security for Indiana's Working Families; and
- Invest in Indiana's Adult Workers to Create a Workforce Equipped for the Demands of the 21st Century Economy.

Improve Indiana's Safety Net of Work Support Programs

1. **ENSURE INDIANA'S UNEMPLOYMENT INSURANCE TRUST FUND BENEFITS INDIANA'S UNEMPLOYED WORKERS BY ADOPTING THE UNEMPLOYMENT INSURANCE MODERNIZATION ACT (UIMA) PROVISIONS.**

Indiana's Unemployment Insurance (UI) program and UI benefits represent a first line of defense against wage loss and poverty for unemployed or dislocated Hoosier workers. In addition to providing income assistance to Hoosiers who are out of work, UI benefits also help to stabilize the economy. UI benefits are the most effective in stimulating the economy creating \$2.15 in return for every \$1.00 spent. However, only a small portion of Indiana's unemployed workers – 39 percent – are eligible to receive UI benefits. To further stimulate the economy, protect Hoosier families from poverty, and receive additional funding from the federal government to stabilize the state's UI trust fund, Indiana should enact an alternative base period and two additional policies to qualify for Unemployment Insurance Modernization Act (UIMA) funding.

The UIMA, as part of the American Recovery and Reinvestment Act of 2009, provides substantial financial incentives (\$7 billion total) for the states that close the major gaps in the unemployment program that deny benefits to large numbers of hard-working families.

To remedy the shortcomings in Indiana's unemployment program, Indiana should make the appropriate changes to its UI program including:

- **ADOPT AN ALTERNATIVE BASE PERIOD (ABP) FOR THE CALCULATION OF UI BENEFITS.** Indiana currently uses a traditional base period to calculate benefit eligibility that counts the first four of the last five quarters of wages. This process ignores the quarter in progress and the most recent quarter, which often results in many workers being denied eligibility. Adopting the ABP will expand eligibility and allow Indiana to receive \$49.5 million in federal funds through UIMA.

- **PROVIDE BENEFITS IN AT LEAST TWO OF THE FOLLOWING FOUR SITUATIONS:**
 - Part-time workers who are denied state benefits because they are required to seek full-time work;
 - Individuals who leave work for specific compelling family reasons, including domestic violence;
 - Workers with dependent family members who qualify for state benefits but whose benefits should be increased to help care for their dependents; or
 - Permanently laid-off workers who require extra unemployment benefits to participate in training.

By adopting a minimum of two of the four situations, Indiana will gain an additional \$99 million in federal incentives.

- **INDEX THE TAXABLE WAGE BASE.** The single best step to improve state UI trust fund solvency is to index the taxable wage bases to wage inflation. Indexing is the automatic adjustment of taxable wage bases (the amount of wages subject to payroll taxation) in conjunction with growth in wages. Indexing permits the financing of UI programs to keep pace with lost wages.
2. **ELIMINATE ASSET TESTS IN INDIANA’S TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) AND SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) PROGRAMS SO THAT FAMILIES CAN ACCESS NEEDED SUPPORT IN TIMES OF FINANCIAL CRISES.**

Many public benefit programs limit eligibility to those with few or no assets. If a family has assets exceeding the state’s asset limit, the family must first eliminate or “spend down” its savings in order to be eligible to receive public assistance. Asset limits, no matter how high, signal to low-income families that asset building should be avoided. However, the opposite is true. Personal savings and asset building are necessary for families to move off of work support programs towards economic self-sufficiency.

In addition, vehicles, which are vital for many to find and maintain employment, should be exempt from assets. States should also exempt Earned Income Tax Credit (EITC) refunds for at least a year to offer protection from emergencies and unexpected expenses.

Promote Financial Stability for Indiana Working Families

3. **INCREASE THE STATE’S PERSONAL INCOME TAX THRESHOLD.** Indiana is one of six states that taxes families earning less than 75 percent of the Federal Poverty Guidelines (FPG). This means a two-parent family of four earning less than three-quarters of the FPG in 2008 (\$16,513 for a family of four) pays more than \$200 a year in state income taxes in Indiana.

4. **CREATE A STATE CHILD CARE TAX CREDIT THAT IS REFUNDABLE.** Child and dependent care expenses can demand a significant amount of money from the budget of a working family. With few increases in state or federal funding, direct child care assistance is not available to every working family that needs help paying for child and dependent care. In Indiana, the waitlist for child care vouchers exceeded 10,000 in 2009.

The federal Child and Dependent Care Tax Credit and similar state tax credits and deductions can help eligible families offset their child care expenses. These tax provisions can lower the income taxes that families must pay and, in some cases, give cash refunds to families whose incomes are too low to owe taxes. Twenty-eight states (including the District of Columbia) have child and dependent care tax provisions. Thirteen of those states offer refundable credits.

5. **INCREASE THE STATE'S EARNED INCOME TAX CREDIT.** Indiana is one of 24 states that have their own state EITC to supplement the federal credit. State EITCs range from 3.5 percent to 33 percent. Indiana's state EITC is currently set at 9 percent of the federal credit. An additional increase would help to offset the regressive nature of Indiana's tax system while assisting more low-income working families in closing the gap between poverty and economic self-sufficiency.
6. **MAINTAIN CURRENT MATCH RATE OF STATE IDA PROGRAMS.** Individual Development Accounts (IDAs) are matched savings accounts that enable low- to moderate-income individuals to save money and build financial assets for the specified purposes of purchasing a home, paying for postsecondary education expenses, or starting a small business. Indiana's IDA program offers a minimum 3:1 match, meaning for every one dollar saved by an IDA participant, they will receive at least a three dollar match on their deposit. Additionally, all IDA participants must save for a minimum of six months before they may make their first withdrawal for a qualified asset purchase, which includes education expenses. IDA matching programs not only teach individuals about the importance of saving and money management, but are vital to assisting low-income working families in building assets and getting out of poverty. Maintaining the current match rate and increasing the public's awareness of the IDA program will help low-income families to plan and save toward their futures.

Invest in Indiana's Adult Workers to Create a Workforce Equipped for the Demands of a 21st Century Economy

7. **INCREASE THE ANNUAL ALLOCATION TO THE PART-TIME GRANT PROGRAM IN ORDER TO PROVIDE MORE FINANCIAL AID DOLLARS TO THE INCREASING NUMBER OF PART-TIME STUDENTS.** The Part-Time Grant Program is the only state grant program designed specifically for students attending a postsecondary institution less than full-time. Given the large percentage of adult students who attend college part-time, this grant program is a vital source of financial aid for adult students. However, there remains a distinct disconnect between the state's economic goals of elevating the skill and educational attainment levels of its workforce and the financial aid dollars allocated for the same population.

8. **INCREASE FUNDING FOR STATE FINANCIAL AID.** Additional funds are needed to fund financial aid programs for adult students, but not at the expense of detracting funds from traditional age students who are also vital to the success of Indiana's workforce. Therefore, the state financial aid budget as a whole should be increased to allow for more financial aid opportunities for adult students. The solution to producing a workforce that is prepared to compete in the 21st Century economy is dependent upon the state investing in education from kindergarten all the way through four-year postsecondary institutions.
9. **EXPAND THE NUMBER OF CERTIFICATE PROGRAMS ELIGIBLE TO RECEIVE STATE FINANCIAL AID DOLLARS.** Certificate programs are relatively inexpensive and short-term. Most certificate program coursework can also be transferred as credits toward an Associate's Degree. Students, who have a successful experience with a certificate program, and see a wage increase as a result of their certificate, are more likely to obtain more certificates or to earn an Associate's Degree. Therefore, funding certificate programs has a positive effect on access, affordability, and persistence for adult students.

There are many certificate programs at Ivy Tech Community College that correspond to jobs posted on the Indiana Department of Workforce Development's most recent listing of the *Hoosier Hot 50 Jobs*. These jobs are expected to grow in both demand and wages in Indiana in the coming years. For thirteen of the *Hoosier Hot 50 Jobs*, there are 28 corresponding certificates. However, only half of these certificate programs are eligible to provide financial aid to students. Allowing all certificate programs, including non-credit and third-party certification programs, to be eligible for financial aid is a step toward increasing postsecondary enrollment and the number of adult workers with postsecondary credentials.

10. **ELIMINATE INDIANA'S MARCH 10TH APPLICATION DEADLINE FOR FILING THE FAFSA.** Not meeting the March 10th application deadline disqualifies students from receiving financial aid until the next academic year. Twenty-three states and the District of Columbia have set FAFSA deadlines later than March 10th. Several other states have created secondary deadlines later in the year for first-time college students and community college students. Setting a new deadline later in the year will provide more time for students to determine if they will enroll in college and to file their tax returns before filing their FAFSA. This could improve the number of adult students who apply for and receive financial aid.

CONCLUSION

Investing in critical work support programs not only enhances the financial stability of Indiana's working families, but pours millions of dollars into the state's economy. By investing in work support programs, Indiana can decrease its poverty rate and put more money back into the pockets of working families.

Providing financial aid for Indiana's working adults benefits both workers and the state. Workers with postsecondary credentials are more likely to be employed and earn higher wages than

workers with only a high school education. A well-educated workforce also increases Indiana's economic competitiveness and its attractiveness to businesses looking to relocate or expand in Indiana. Even as the recession has decreased the state's budget, Indiana must realize the importance of investing in its workforce today to promote tomorrow's economic recovery.

INDIANA INSTITUTE FOR
WORKING FAMILIES

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