

THE STATUS OF WORKING FAMILIES IN INDIANA

2018 REPORT



How to return Indiana to its place as a leader
in jobs, wages, and the economy
in the Midwest and the U.S.

A REPORT PRESENTED BY



The Status of Working Families in Indiana, 2018:

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About and Acknowledgements

ABOUT THE INDIANA INSTITUTE FOR WORKING FAMILIES

The Indiana Institute for Working Families – a program of the Indiana Community Action Association (IN-CAA) – conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies, and programs impacting low-income working families. The Institute achieves its work through advocacy and education, and through national, statewide, and community partnerships. The Institute was founded in 2004. To learn more about the Institute, please visit: www.incap.org/iwvf.html

ABOUT THE INDIANA COMMUNITY ACTION ASSOCIATION (IN-CAA)

IN-CAA is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA's members are comprised of Indiana's 22 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 on Poverty. IN-CAA's mission is to help the state's CAAs address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase network capacity. For more information about IN-CAA, please visit: www.incap.org

ABOUT THE AUTHOR

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Introduction and Executive Summary

At the turn of the 21st century, Indiana stood as a leader in the Midwest, ranking at least average or better than the region as a whole in family incomes, poverty, prime age employment rates, union coverage, and more. At the time, Indiana was nearing the crest of an upswing that started in the 1990s and that made the state competitive with others in the region and across the nation for economic outcomes for working families.

But after 2004, wages began to decline alongside policy choices that cut job quality standards and worker voice, weakened the safety net, and limited economic opportunities for middle- and low-income families. By the time the Great Recession hit in December 2007, Indiana was already falling behind the Midwest, and damage to Indiana's highest-paying industries was exacerbated by a diminished capacity to serve the hundreds of thousands of Hoosiers forced out of a job or into underemployed without a policy structure to help them through tough times. In 2009, median Hoosier household wages fell below the average of the South's, where they've remained virtually tied at best. In recent years, Indiana has gained the dubious distinction of having the highest rate of poverty wage jobs and low-income working families in the Midwest. Even accounting for cost of living, the state's per capita personal income is now second-lowest in the region. The lasting damage has left scars on working families and the next generation coming into the workforce, with Indiana now in the bottom third of the Midwest in labor force participation, particularly among women and Hoosiers of color. These trends are expected to continue with state projections that by 2026, 7 in 10 of Indiana's jobs will be in low-wage occupations for a family of three.

Indiana has historically been tightly allied with the Midwest, so falling to lower wage and job standards and quality of life shouldn't be taken lightly. Indiana's history and identity is inextricable from the Midwest and indeed the North, starting with the creation of the [Indiana Territory](#) from the Old Northwest; to Hoosiers following Indiana-raised Abe Lincoln's lead in the Civil War with the second-highest rate of enlistment in the [Union Army](#); even to the state's involvement in founding the Midwest-centered [Big Ten](#) Conference. And although the South has wonderful, hard-working families with a rich culture of their own, its states have a history of policies resulting in lower wages and higher poverty rates that most Hoosiers hadn't previously been accustomed to. But with outcomes including wages, poverty, and labor standards that now make Indiana appear as the northernmost digital indicator of the South, Indiana's loss of a Midwestern quality of life represents a fundamental challenge to the state's history, character, and pride.

Indiana is fundamentally different since these policy changes began in the mid-2000s, with outcomes that are apparent for working Hoosier families. Indiana now resembles a Southern state as much as or more than our Midwestern neighbors when it comes to child poverty, low income families, rates of adults with a postsecondary degree, and more. Indiana now has the lowest union coverage and highest rates of uninsured residents of any neighbor, including Kentucky. Meanwhile, basic costs for working families have gone up 31.9% since 2009, but incomes have only increased 6.3%. The brunt of changes to Indiana's economy have especially been felt by low-income families, women, children, and Hoosiers of color. But the widening gap between basic costs and stagnant incomes is felt by families throughout the state, from the most urban to the most rural. And while Indiana's neighbors have all faced similar economic challenges, Hoosiers have been left further behind the national recovery due to the state's choices that further exacerbate inequality.

Indiana now faces a choice of whether to continue down a southward-leading path of low-road policies, or to rebuild its economy for Hoosier families. By adopting a policy agenda for working families that improves Indiana's jobs with higher wage and labor standards; strengthens protections for Hoosier families including repairing the safety net and crafting consumer and job safeguards; and increases economic mobility through improved access to education, rebalancing the state's regressive tax and budget structure, and focusing economic development on strengthening Hoosier families and communities, Indiana can reclaim its place as a leader in the Midwest and in the nation.

THE STATUS OF WORKING FAMILIES IN INDIANA

• A SUMMARY OF KEY FINDINGS IN THE 2018 REPORT •

INDIANA'S JOBS, EMPLOYMENT AND LABOR FORCE ARE HEADED TOWARD A LOW-WAGE FUTURE

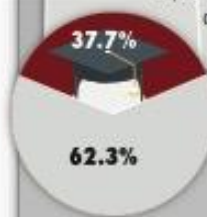


7 IN 10 HOOSIER JOBS in 2026 are projected to be **low-income** for a family of three.

PROJECTIONS SHOW AN INCREASING RATE OF LOW-WAGE JOBS, BUT EMPLOYERS DEMAND HIGHER-SKILLED WORKERS

LAST PLACE

Indiana is 12th out of 12 Midwest states for the percentage of adults with a post-secondary credential.



Only 37.7% of Hoosier adults hold a post-secondary degree or credential (2016)

INDIANA'S WAGES, INCOME AND COST OF LIVING ARE OUT-OF-SYNC

MEDIAN HOUSEHOLD INCOME ↓ **\$4,544** SINCE 2009
Now 2nd-to-last in the Midwest and tied with the South

Since 2009, the average Hoosier working 40 hours a week has **LOST \$16,099 IN ANNUAL WAGES**

CHILD CARE for a toddler is more expensive in Indiana than in any other Midwest state.



INEQUALITY BETWEEN THE TOP 1% AND THE BOTTOM 99% CONTINUES TO GROW



EFFECTS OF STATE TAX CHANGES SINCE 2012

The **TOP 1%** saw a **TAX CUT** of **\$2,446**

The **BOTTOM 60%** of middle class and working families saw an average **TAX HIKE** of **\$36**

The state has awarded **MORE THAN \$8 BILLION TO CORPORATIONS** in more than 9,935 economic development deals since 2000, but **WAGES FOR THE BOTTOM HALF OF HOOSIERS HAVE DECLINED** in that time.

POVERTY AND RATES OF LOW-INCOME HOOSIERS HAVE GROWN. SAFETY NET POLICIES MUST RISE TO THE CHALLENGE



WORST OF ALL MIDWEST STATES FOR **POVERTY WAGES** and **LOW-INCOME WORKING FAMILIES**

THIRD-WORST OF ALL MIDWEST STATES FOR

POVERTY, CHILD POVERTY and **LOW-INCOME RESIDENTS**



Indiana must reclaim a place of leadership for both businesses and working families, so that Indiana is a 'state that works' for ALL Hoosiers.

Indiana Institute for Working Families
Research and Public Policy

A Snapshot of the Status of Working Families in Indiana, 2018:

Indiana's Jobs, Employment, & Labor Force Headed Toward a Low-Wage, Low-Skill Future: Over a decade since the beginning of the Great Recession, Indiana's labor force is not fully recovered, and the status of Indiana's jobs reflects a weak recovery that is also evident in the state's relative standing compared to all 12 Midwestern states. While there are some areas where the state has done well, there are many more where Indiana doesn't measure up, some attributed to policy decisions resulting in poor access to the job market, low-wage, low-quality jobs, loosened labor standards, and a weakened safety net. Most troubling is an increasing reliance on low-wage occupations, with 7 in 10 jobs by 2026 projected to be low-income for a family of 3.

- 6th-lowest in Midwest for unemployment rate at (3.6%, three-way tie), 2017
- 3rd-lowest in Midwest for prime-age employment to population ratio (80.4%), 2017
- 3rd-widest gender gap in the Midwest for employment-to-population ratio at 10.2% (67% for men, 56.8% for women), 2017
- 9th-highest in Midwest for labor force participation for African-American (60.4%) & White (63.8%), & 10th-highest for Latinx (70.4%) Hoosiers, 2017
- Last among neighbors for union coverage (11.4%) 2017, down from 17.2% in 2000
- Highest in Midwest for workers earning below poverty wages (25.9%, tied with MO) 2016, up from #8 in 2000 at 21.7%
- Highest in Midwest for low-income working families below 200% of the poverty line (31.8%) 2016, up from #5 in 2007 at 27.5%
- Increasing rate of jobs in low-wage occupations - In 2000: 62.2% (74.3% in Top 20 occupations); In 2017: 63.3% (78% in Top 20); By 2026: 69.1% (88.7% in Top 20) via state & federal projections

Educational Attainment & Skills-Building for Hoosier Adults: As Indiana's policymakers grapple with the reality of state projections of a low-wage future, but also employer demand for an increasingly-skilled labor supply, there is a short-term policy response that can bring long-term benefits to working families and the economy. By focusing policies on clearing non-academic barriers to educational attainment and skills training for low-income adults and underserved populations, Indiana has its best opportunity to quickly fulfill employer demand while making up ground on Midwestern neighbors in wages, labor force participation, and other employment standards for working families.

- Lowest in Midwest for adults with a post-secondary degree or credential (37.7%), 2016
- But nearly half of all jobs in 2026 (49.1%) will be 'middle skill', providing Indiana an opportunity to fill demand by raising skill levels and job quality standards together
- These projections for 691,410 open 'middle skill' jobs through 2026 can be filled most quickly by upskilling low-income, adult, and underserved Hoosier populations.

Wages, Income, and Cost of Living: After rising in the 1990s to compete with the Midwest average, Indiana's median hourly wages hit their last peak of \$17.70 in 2004 (in 2017 dollars) and have now fallen to \$17.03, below the average of the U.S., Midwest, and even the South as whole. Indiana's family and household incomes have also fallen in the 21st century, and now resemble the South more than the Midwest. Even accounting for cost of living, Indiana has the second-to-last per capita income in the Midwest. And worse, basic costs for working families, such as housing and childcare, have increased five times as fast as incomes since 2009.

- 2nd-lowest in median hourly wages in Midwest at \$17.03, below the U.S., Midwest, and Southern averages, 2017

- The average Southerner made nearly \$1,000 more per year in wages, and the average Midwesterner made \$2,100 more than the average Hoosier in 2017 at \$35,422 (at 40 hours a week)
- The typical Hoosier worker has lost \$16,099 in wages since 2009 at if wages had stayed at that level vs. 2017 wages (at 40 hours a week)
- Hoosiers' median household income at \$52,314 is \$4,544 less than in 2000, now 2nd-lowest in the Midwest, virtually tied with the South, 2016
- The bottom half of earners saw negative wage growth from 2000-2017, while the wealthiest 20% of Hoosiers have captured 87% of wage growth in the 21st century
- Including regional price parities accounting for cost of living differences, Indiana's real per capita personal income of \$43,180 is 2nd-lowest in the Midwest (2016)
- Basic costs for working families rose by 31.9% from 2009-2016 compared to median household incomes, which increased only 6.3% over that time
- Indiana is least affordable in the Midwest for center-based child care for toddlers at \$10,885 annually, the highest cost for working families
- At \$15.17, Indiana is 8th-highest housing wage needed to rent for a 3-person family in the Midwest, more than 40% of Hoosiers earn

Poverty and Rates of Low-Income Hoosiers Have Grown, Safety Net Policies Must Rise to the Challenge:

While Indiana began the 21st century as a leader among neighbors and the nation in providing paths to economic security, Indiana's rates of poverty, and lack of self-sufficiency, now exceed most neighbors and resembles the South as much as the Midwest. These changes started well before the Great Recession and are tied to policy choices that made families less resilient to economic shocks, including weakened safety net programs, with results that continue to affect Hoosiers' well-being nine years after the recession's end.

- 3rd-highest in poverty in the Midwest at 14.1% 2016, 44% higher than when it was #9 at 10.1% in 2001.
- 3rd-highest child poverty rate in Midwest at 19.5% in 2016 (vs. #5 at 14.3% in 2000)
- 3rd-highest in low-income residents below 200% FPL in Midwest at 32.4% (vs. #4 at 29.8% in 2005)
- Highest rate of uninsured residents among neighbors at 8.1%, 2016
- 1st-highest rate of uninsured low-income children in Midwest at 3.4%, 2016

Inequality, Taxes, and Economic Policy: As Hoosiers' productivity has increased and profits have outpaced those of the Midwest and U.S. average, compensation lags behind the national rate. Inequality has grown the top 1% has captured a larger share of incomes than the Midwest or the U.S. as a whole. The state's tax structure has only exacerbated the income inequalities working families experience. Economic development policy should now focus on benefitting working Hoosiers, not corporations.

- Hoosiers' productivity increased 66.6% since 1979, but compensation gained only 9.5%
- 4th-highest for profits as share of state GDP in Midwest at 43.7%, ahead of all neighbors and U.S. average, 2013
- The top 1% in Indiana earn 17.3 times the average income of the bottom 99%, nearly same level as in 1928.
- Inequality grew faster in Indiana than the Midwest or U.S. as a whole from 1973-2015, with the top 1% capturing 72.4% of all Hoosiers' income growth

- The top 1% received an extra \$2,446 from combined state income, corporate, and fuel tax changes since 2012, compared to the bottom 60% of middle class and working families, whose taxes *increased* an average \$36
- From the new federal tax law, the top 1% will receive an extra \$48,840 in 2019, compared to \$460 for the bottom 60% of Hoosier middle class and working families
- Since state personal and corporate tax cuts in 2013, Indiana’s cumulative growth rate of GDP at 17.0% and average incomes at 13.2% have been below the average of neighbors and the U.S. as a whole
- The state has awarded more than \$8 billion to corporations in over 9,935 state and local economic development deals since 2000, but wages for the bottom half of Hoosiers have declined over that same time

In order to improve the status of working Hoosier families, Indiana must “raise the bar” for wages, job quality and labor standards, including for the largest occupations that are projected to power Indiana’s economy into the future. This means a policy focus on increasing Hoosiers’ pay from the bottom and middle – up and modernizing Indiana’s labor standards to return to competitiveness and position the state for leadership. Policy recommendations include:

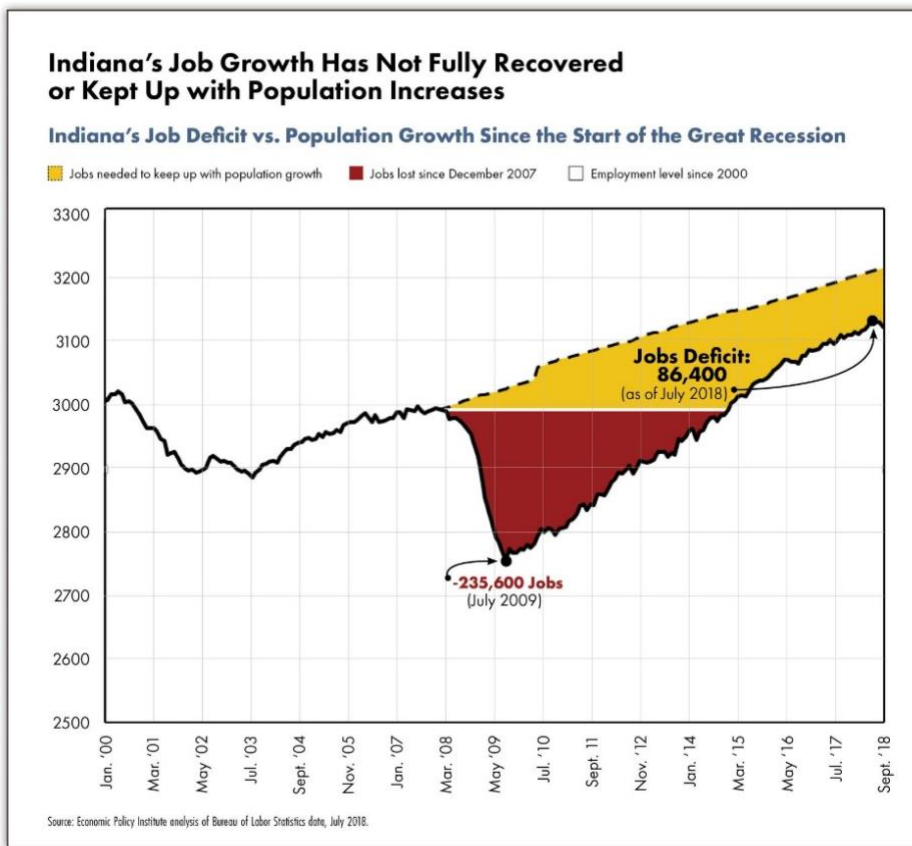
- **Improve jobs:** Raise Indiana’s minimum wage to \$12 by 2026, and improve job quality standards including the ability to earn paid sick days, paid family and medical leave, fair scheduling, & pregnancy accommodation; policies that will improve worker health and strengthen families. Restore worker voice by repealing the so-called ‘Right to Work’ law and bans on public sector collective bargaining.
- **Strengthen protections for Hoosier families:** Add consumer protections against predatory lending and add renter protections to prevent evictions and increase housing stability. Repair Indiana’s safety net and introduce work sharing to protect jobs in temporary downturns.
- **Increase economic mobility:** Remove non-academic barriers to adult student completion and labor force participation by expanding access to necessary services such as childcare, transportation, affordable housing, and internet. Rebalance regressive state tax policies and refocus economic development to incentivize good jobs and community revitalization.

Chapter I: Indiana's Jobs, Employment, & Labor Force Headed Toward a Low-Wage Future

Over a decade since the beginning of the Great Recession in December 2007, Indiana's labor force is not fully recovered, and the status of working Hoosier families reflects a weak recovery that is also evident in the state's relative standing compared to the rest of its Midwestern peers. While there are some areas where the state has done well, there are many labor metrics where Indiana doesn't measure up, some attributable to policy decisions resulting in low-wage, low-quality jobs, loosened labor standards, and a weakened safety net. The outcomes of these decisions have also been seen in increased volatility and economic swings that have left Hoosier families vulnerable to more prolonged damage whenever the next recession arrives.

Indiana's Employment Levels Haven't Fully Recovered

Despite an improved unemployment rate, Indiana still has a 'Jobs Deficit' and hasn't fully recovered from the recession. When the recession began in December 2007, Indiana had 2,993,300 jobs, after which the state experienced 28 months of job loss. Indiana's employment trough occurred in July 2009, with 235,600 fewer jobs than before the recession started. But Indiana's jobs deficit, or the difference between the number of jobs Indiana has and the number it needs to regain its pre-recession employment rate, was 91,400 as of July 2018, nine years after the lowest point of the job trough. That number takes into account the 130,600 jobs Indiana gained less the 222,000 jobs needed to keep up with the 7.4% growth in population that Indiana has experienced in the 127 months since the recession began. At the current rate of growth, Indiana would need to add 4,000 jobs per month, or 48,000 jobs per year over three years, to recapture its pre-recession employment rate.ⁱ

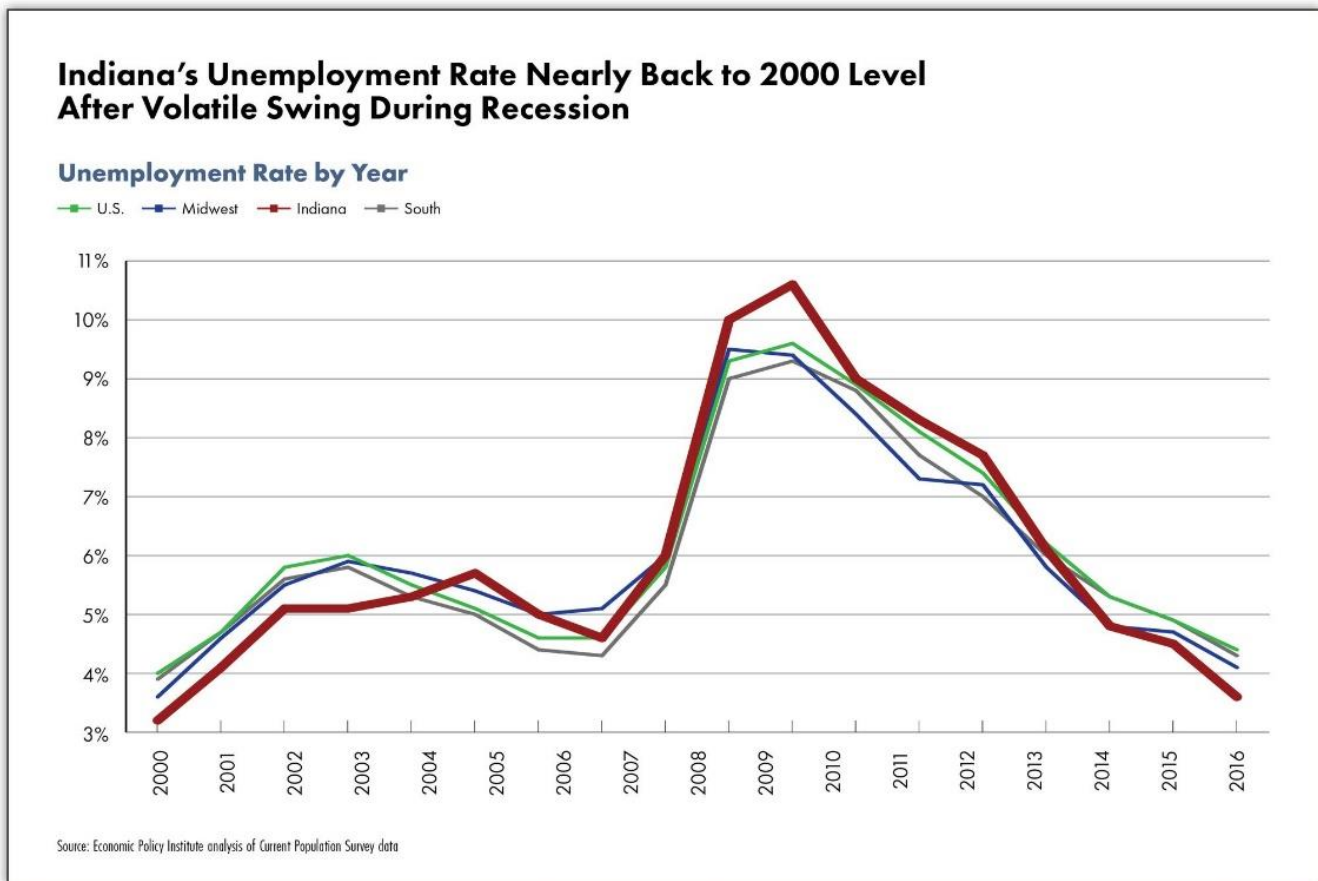


Since the bottom of the recession nine years ago, Indiana has seen some important improvement in unemployment and labor force measures. But despite those gains, Hoosiers remain worse off in terms of real (inflation-adjusted) wages and self-sufficiency compared to the majority of Midwestern states, particularly compared to where the state stood at the turn of the 21st century. And given the improvements in the labor market, poverty and wages should have improved more in Indiana relative to employment gains. Hoosiers have demonstrated a remarkable ability to work when a job is available to them, compared to the difficulties they faced during the recession. But volatility during the recession brought on by external economic factors

and exacerbated by the state’s policy choices regarding wages, the safety net, and labor standards subjected Hoosiers to unnecessary depths of unemployment and underemployment, and lower rates of union coverage than its Midwestern neighbors. But lasting economic damage during the latest economic downturn has meant that those Hoosiers still left out of the labor force face specific barriers and lack of financial resources that prevent them from entering education and skills training programs needed for current family-sustaining jobs. Most alarmingly, projections discussed later in this report show that without policy action now, an increasing proportion of Hoosier jobs, 7 in 10 by 2026, will be in occupations that pay less than what it needed for economic self-sufficiency for a family of three.

Indiana’s Unemployment Has Improved, Now Stands in the Middle of the Midwest

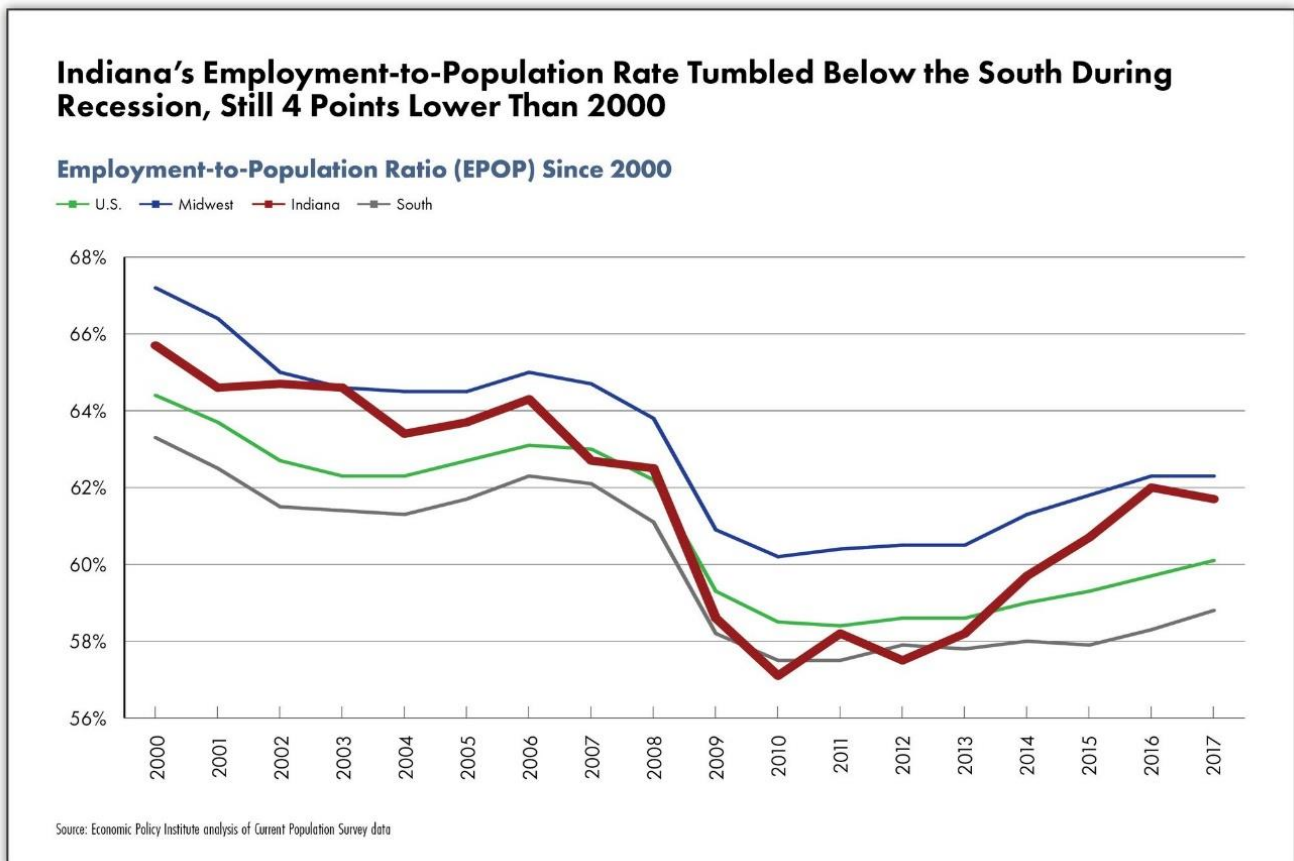
In 2000, Indiana’s unemployment rate at 3.2% was better than its neighbors, the Midwest overall, and the U.S. as a whole. However, pressures on the state’s manufacturing-heavy economy and policy choices that weakened the safety net and neglected to protect jobs during this economic downturn resulted in a volatile unemployment rate that spiked higher and at a faster rate than the Midwest, South, and the U.S. - peaking at 10.6% in 2010.ⁱⁱ By 2017, at 3.6% Indiana had nearly recovered its 2000-era unemployment rate.



Indiana’s neighbors experienced similarly high rates of unemployment during the peak of the recession. But while Indiana’s unemployment has recovered to a lower rate than its neighbors, the state’s employment rate of 3.6% was in a three-way tie with Kansas and South Dakota for the middle of the Midwest as of 2017.

Indiana's Employment to Population Ratio Below Midwestern Average

While the basic unemployment rate is the most commonly-discussed statistic, the employment-to-population rate (EPOP) is a more useful metric to gauge employment levels. Compared to the basic unemployment rate, which focuses on those currently employed vs. those currently looking for work, the EPOP takes a broader look at the number of employed people 16 or older divided by the entire population aged 16 or older, excluding institutionalized individuals and members of the military. Indiana's EPOP in 2000 of 65.7% was between the average of the U.S. at 64.4% and that of the Midwest at 67.2%, and third-highest among its neighbors. Even after a shock greater than some surrounding states and regions that drove Indiana's EPOP as low as 57.1% in 2010, Hoosiers have demonstrated a determination to get back to work, even when the state's wage and labor policies haven't keep pace.



After suffering a fall that brought Indiana's EPOP below that of the U.S. and even the South in the immediate aftermath of the recession, Indiana's rate has climbed back above the U.S. rate of 60.1% and near the Midwest average of 62.3%, and is now ahead of all neighbors. However, **Indiana's EPOP of 61.7% is still 6.1% lower than it was at the beginning of the century, and is only 8th-highest among Midwestern states.** This longer-term decline may be influenced in part by changes in the composition of the population - namely, the aging of the population and by more young adults staying in school longer.

The difficulties shared by Indiana's neighbors who are also part of the industrial Midwest help show that even when Indiana is ahead of its neighbors in labor force outcomes, it is still often in the bottom half of the Midwest. But instead of excusing worse-than-average outcomes, these shared difficulties show why all members of the industrial Midwest must adopt policies that are more responsive to changing economic and labor patterns that will help their residents keep up with the rest of the region.

Indiana's Prime-Age Employment Ratio Has Not Fully Recovered

Focusing on the EPOP for prime-age workers provides an even more important window into the vitality of the labor market. This measure shows the number of employed people age 25 to 54, divided by the entire population in that age range (excluding institutionalized people and members of the military). By focusing on just those people ages 25 to 54, the prime-age EPOP rules out other factors—such as the aging of the population—that might be driving some of the decline in the overall EPOP. Indiana's prime-age EPOP is similar to the national trend to the overall EPOP, a rate that started in the 21st century close to that of the Midwest, a decline that started before the recession, then dropped to a low of 75% in 2010, then returning near the Midwest by 2017. And while Indiana's prime-age EPOP of 80.4% in 2017 is ahead of its neighbors, it is only 9th-highest in the Midwest. And the fact that the prime-age EPOP is still 2.6 percentage points below where it was in 2000 suggests that Indiana's low unemployment rate may be somewhat overstating the health of the Indiana labor market.

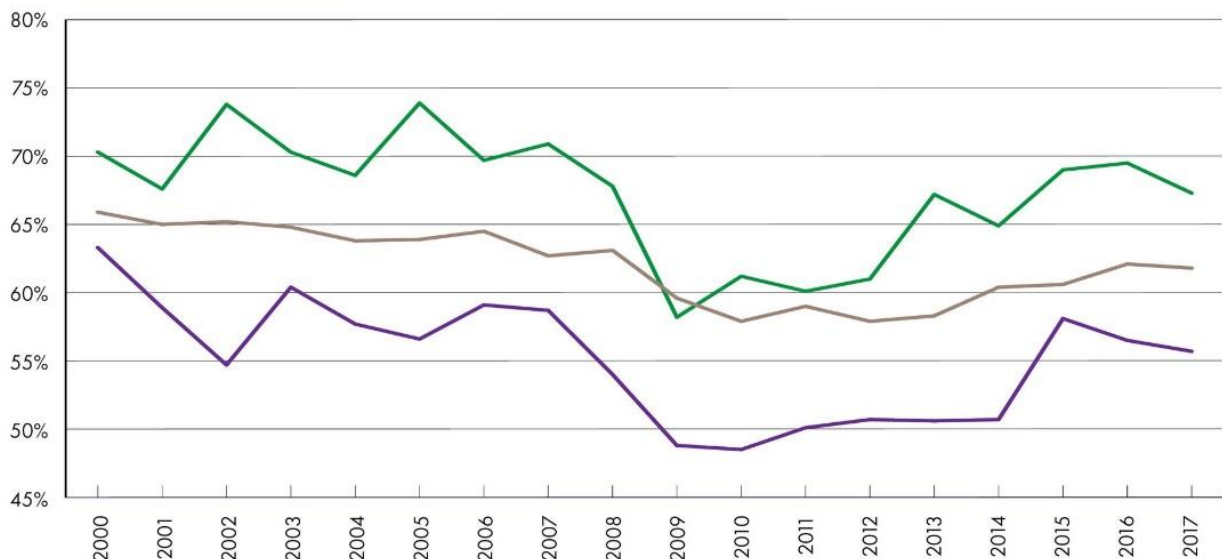
Racial and Gender Gaps Affect Indiana's Employment to Population Ratio

The volatility of the recession and its aftermath affected Hoosiers of varying genders, races and ethnicities to differing degrees, with ongoing implications for the economic security of their families. **From 2000 to the deepest depths of the recession, white working Hoosiers saw a decline in EPOP rate of 8 percentage points from 65.9% to 57.9%; compared to 10.4 points for black working Hoosiers (from 58.9% to 48.5%); and 9.4 points for Latinx working Hoosiers (from 67.6% to 58.2%).** Latinx Hoosiers, who began at and returned to the highest EPOP rates, and African-Americans were hit particularly hard, with a greater proportion of these workers being pushed out of employment during the recession and recovery. At 2017 levels of 61.8%, 55.7%, and 67.3%, all groups have only partly recovered from their recession-level lows. Cuts to the state and local public sector, which fall disproportionately on workers of color, may play a role in these trends.ⁱⁱⁱ

Working Hoosiers of Color Hit Hardest by Volatility of Recession, Still Below Pre-Recession Employment-to-Population Rates

Employment to Population Ratio by Race/Ethnicity in Indiana

— White — African-American — Latinx

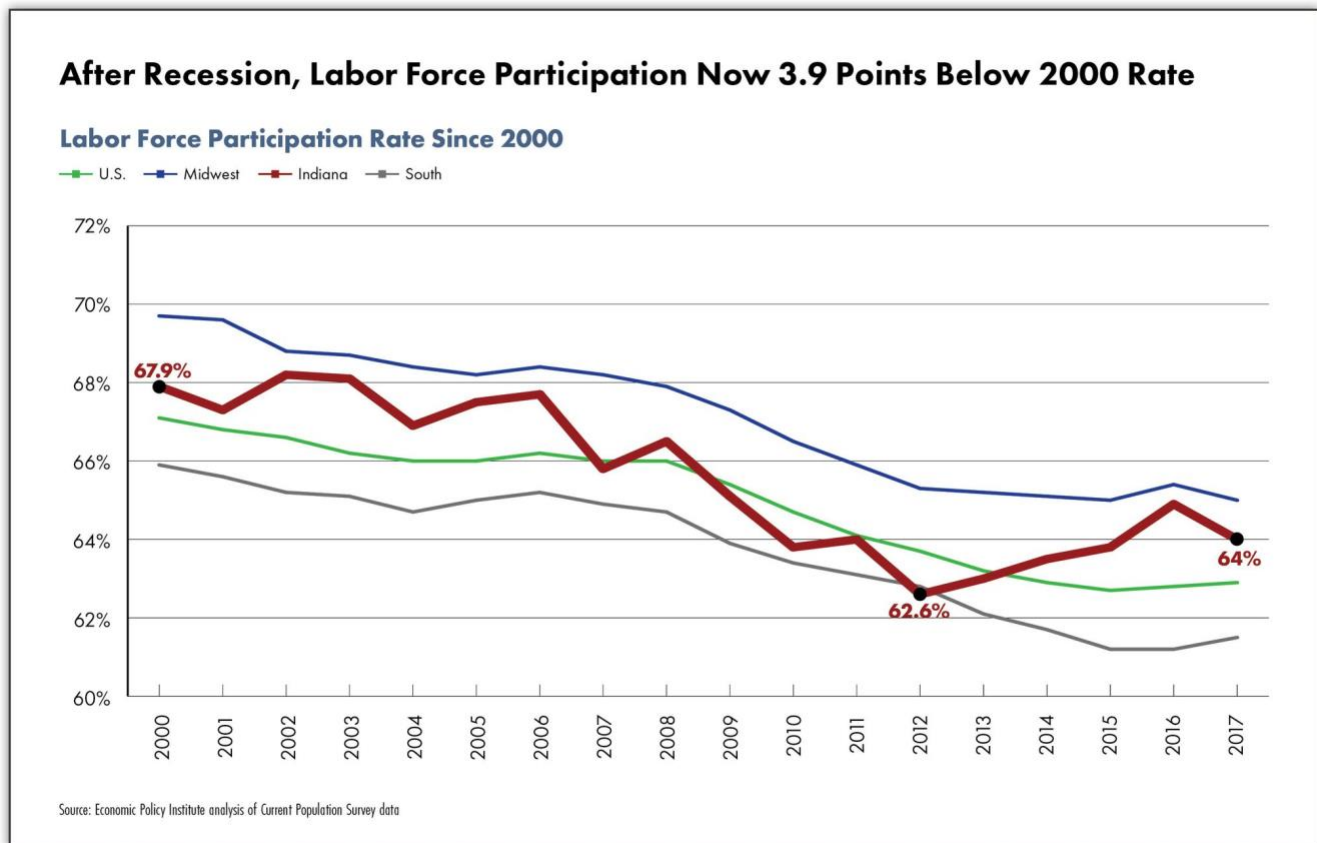


Source: Economic Policy Institute analysis of Current Population Survey data

The gender gap in Indiana’s employment-to-population ratio is striking, and also contributes to the state’s ranking in the bottom half of the Midwest. While the EPOP ranking of both women (56.8%) and men (67%) rank 8th-highest in the Midwest, the gender gap of 10.2 percentage points between women and men is 9th-widest in the region.

Put a Job in Front of a Hoosier and She’ll Work: After Recession, Labor Force Participation Now 3.9 Points Below 2000 Rate

Indiana’s labor force participation rate once again shows the state’s sensitivity to economic shocks, as well as highlighting Hoosiers’ record of working when jobs are available, and where the state needs to focus future policy attention. The labor force participation rate gives an even more precise understanding of Indiana’s employment picture by describing “the number of people in the labor force as a percentage of the civilian noninstitutionalized population 16 years old and over... [i]n other words, it is the percentage of the population that is either working or actively seeking work.”^{iv} A declining labor force participation rate has plagued nearly all parts of the nation, and while Indiana has not been immune, it has fared better in recent years. In 2000, Indiana’s labor force participation rate was 67.9%, slightly above the U.S. rate and between the Midwest and the South. Indiana’s rate started a steep decline in 2009 that took it below the U.S. until 2014, and even below the South in 2012 and its 2017 rate of 64% is 9th-highest among Midwestern states.

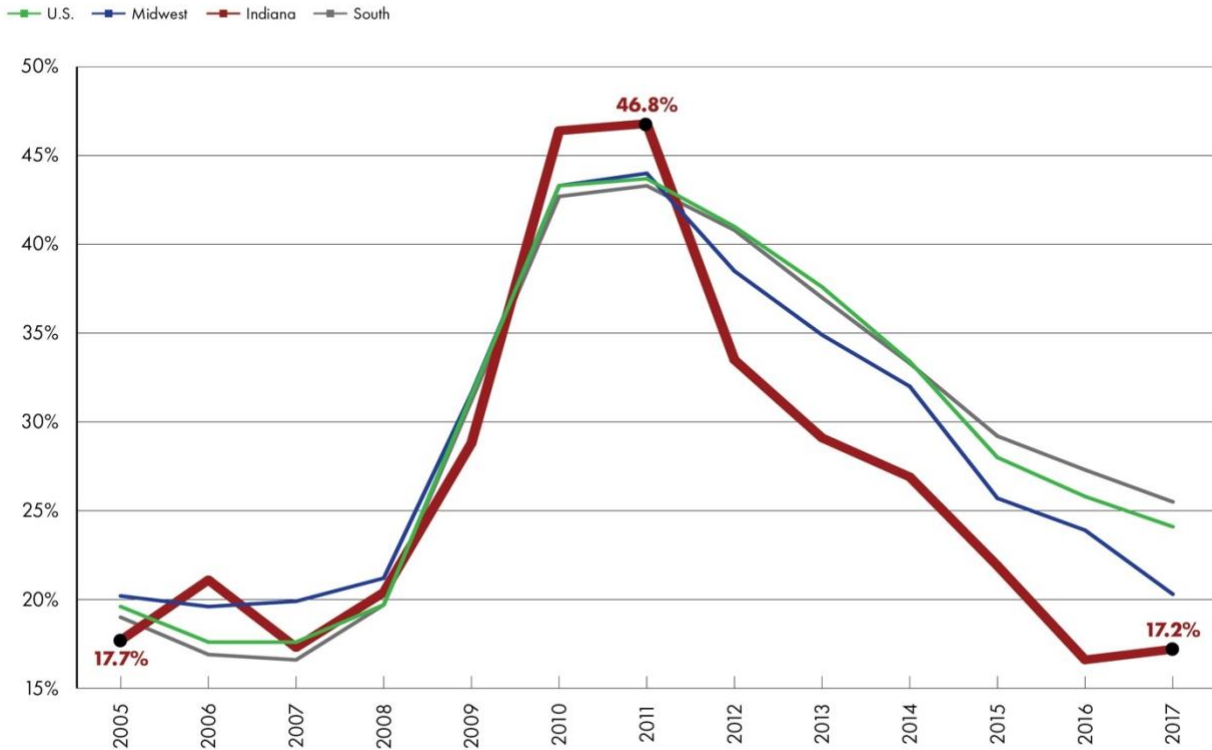


While Hoosiers of all backgrounds have demonstrated a willingness to work, the state’s poorer-than-average outcomes among Midwestern states demonstrates Indiana has a long way to go to bring about equitable opportunities for all residents. Indiana’s policies impact not only its overall labor force participation rate, but also reinforce racial and gender disparities as well as disparities among workers with different levels of educational attainment. Indiana’s labor force participation rate ranks in the bottom third of the Midwest or below in all of these groups, except for those with only a high school degree. Indiana’s environment of low-wage, low-quality jobs and safety net policies that will be discussed in future sections have contributed to poor outcomes for nearly all working Hoosiers. Several additional trends show the volatile nature of Indiana’s employment and labor market, and how ongoing policy choices leave Indiana workers

After Wild Recession Swing, Long-Term Unemployment Better Than 2005

Long-Term Unemployment Rate *

* The long-term unemployment rate shows the percentage of workers unemployed for 26 weeks or longer as a proportion of the overall unemployed population.



Source: Economic Policy Institute analysis of Current Population Survey data

at greater economic risk when the next recession hits. The long-term unemployment rate shows the percentage of workers unemployed for 26 weeks or longer as a proportion of the overall unemployed population. Here too, Indiana started in a good place at 17.7% in 2005, before rocketing higher and faster than the Midwest or even the South as a whole, to a peak of 46.8% in 2011, then recovering faster than those regions, to 17.2% in 2017. Indiana is currently in a solid position for long-term unemployment at 3rd among Midwestern states. But the nearly half of unemployed Hoosiers who went without a job for at least six months at the height of the recession likely suffered major reductions in family assets – not just incomes, but also houses, cars, even the resources necessary to afford basics like childcare. Even as labor force metrics like this have improved, these families are left with economic scars that have not fully healed.

Indiana’s rate of underemployed workers saw a similar trend: it was lower than bordering regions in 2000 at 5.6%, but volatility during the recession resulted in higher rates and a peak at 17.6% before gradually returning near pre-recession rates to 7% by 2017. The BLS U-6 Alternative Measure of Labor Underutilization defines

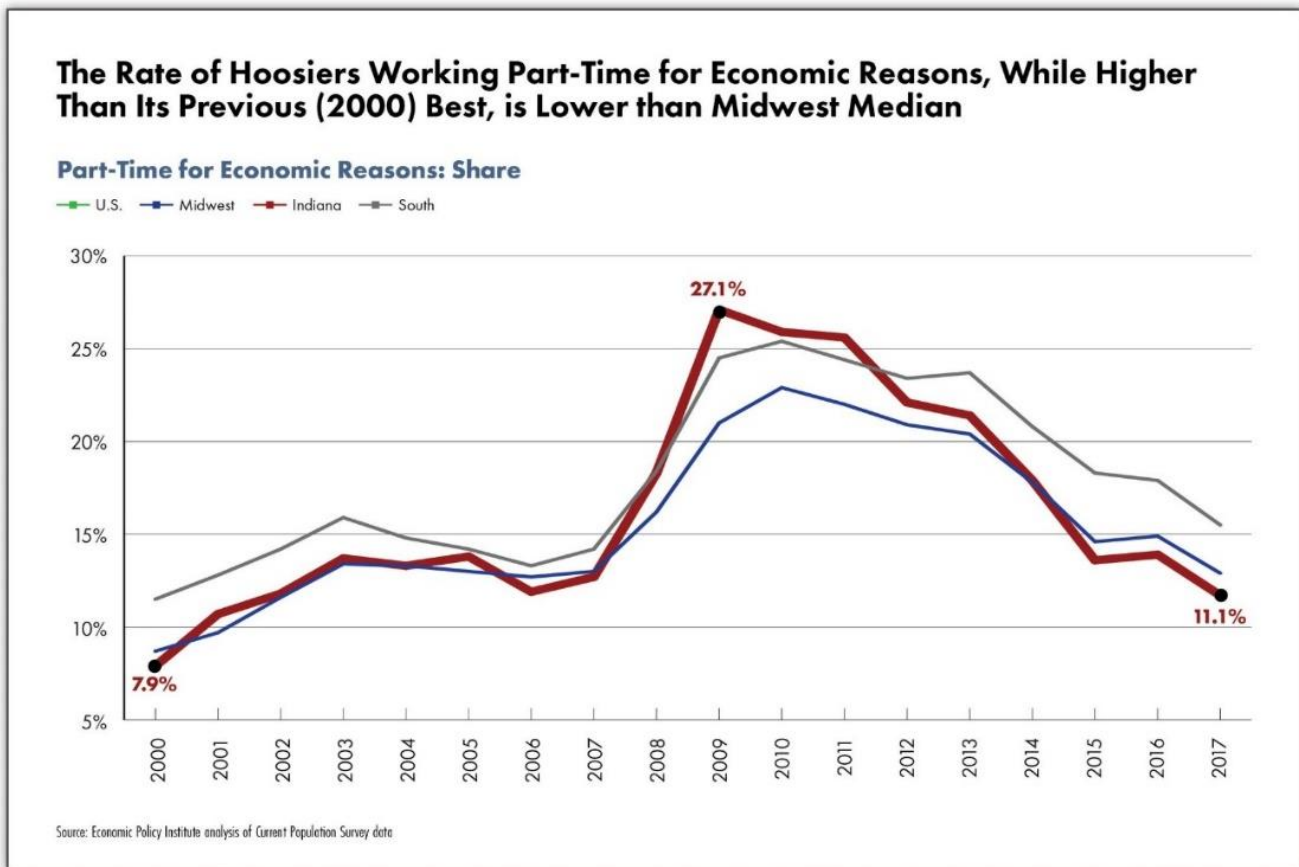
Underemployment Rate Among Midwest States, 2017

| | | |
|----------|----------------|-------------|
| 1 | North Dakota | 5.3% |
| 2 | Nebraska | 6.1% |
| 3 | Iowa | 6.2% |
| 4 | Wisconsin | 6.5% |
| 4 | Minnesota | 6.5% |
| 4 | South Dakota | 6.5% |
| 7 | Kansas | 6.9% |
| 8 | Indiana | 7.0% |
| 9 | Missouri | 7.1% |
| 10 | Michigan | 9.1% |
| 11 | Ohio | 9.2% |
| 11 | Illinois | 9.2% |

Source: Economic Policy Institute analysis of Current Population Survey data

underemployment as “unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.”^v During periods of economic distress, more Hoosiers are subjected to being pushed out of full-time employment, and with it the best chances for family security, than the average family in the Midwest or the South. And even after returning to a place of seeming normalcy, Indiana is still below par for the Midwest.

The 2017 rate of Hoosiers working part-time for economic reasons at 11.7% is still higher than its rate in 2000 at 7.9%. However, while Indiana’s share of those working part-time for economic reasons is now lower than the median of the Midwest population in its entirety as a region, Indiana’s rate sits at 7th-best among Midwestern states.

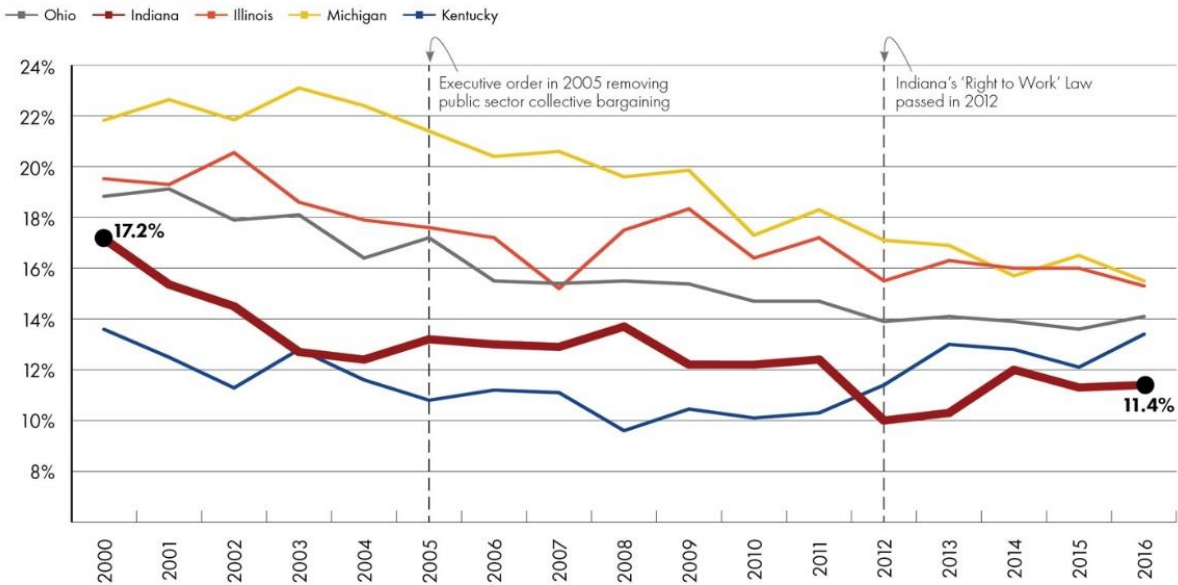


Indiana Has Lowest Worker Voice Among All Neighbors

As the Midwest has grappled in the ongoing wake of the Great Recession with issues of unemployment and the labor force, it has also seen a marked decline in worker voice through union coverage. **Anti-labor policies in Indiana since the turn of the century contributed to a 33.7% decline in union coverage since 2000**, including an executive action in 2005 to remove public sector collective bargaining, followed by so-called ‘Right to Work’ legislation in 2012. **This is the largest decline in worker voice among all neighbors, and has left Indiana with only 11.4% union coverage in 2017, the lowest rate among all neighbors, including Kentucky.** As shown in the next several sections, the dramatic decline in Indiana’s unionization rate has been accompanied by stagnating wages, declining benefits, poor income growth, and underwhelming job growth - with some of the strongest growth occurring in low-wage industries. These trends suggest that ‘Right to Work’ has done little to help, and very likely has hurt, Indiana’s working families.

Indiana Now Has Less Worker Voice Than Any Neighbors

Union Coverage



Source: Economic Policy Institute Analysis of Bureau of Labor Statistics Data

Despite Hard Work, Working Hoosiers More Likely to be Low-Income

'Right to Work' was historically a [Southern policy](#), so perhaps it is not surprising that after Indiana lawmakers adopted this policy in 2012, wages in Indiana started to look more like Southern wages as well.^{vi} As the following sections will establish, Indiana saw its last peak in wages in 2004, and since then has lost ground, not just to the Midwest and U.S. median, but has also fallen below the average wage of the South, too. And perhaps most alarming among all labor force statistics, since the peak of wages in 2004 and today, the rate of working Hoosiers who are impoverished or in low-income families has also surpassed its Midwestern neighbors and now resembles the South more than its own region. In 2000, Indiana's rate of working Hoosiers earning a poverty wage for a family of four (defined as \$11.81 for a family of four in 2016 dollars)¹ was 21.7%, below the U.S. rate of 25.9%, and below the Midwest and the South. **But with a sharp increase starting in the mid-2000's, well before the recession, Indiana started separating from the Midwest and the U.S. As of 2016, Indiana's rate of full-time Hoosiers working poverty wages at 25.9% was tied for highest in the Midwest and nearly identical to the South as whole.**

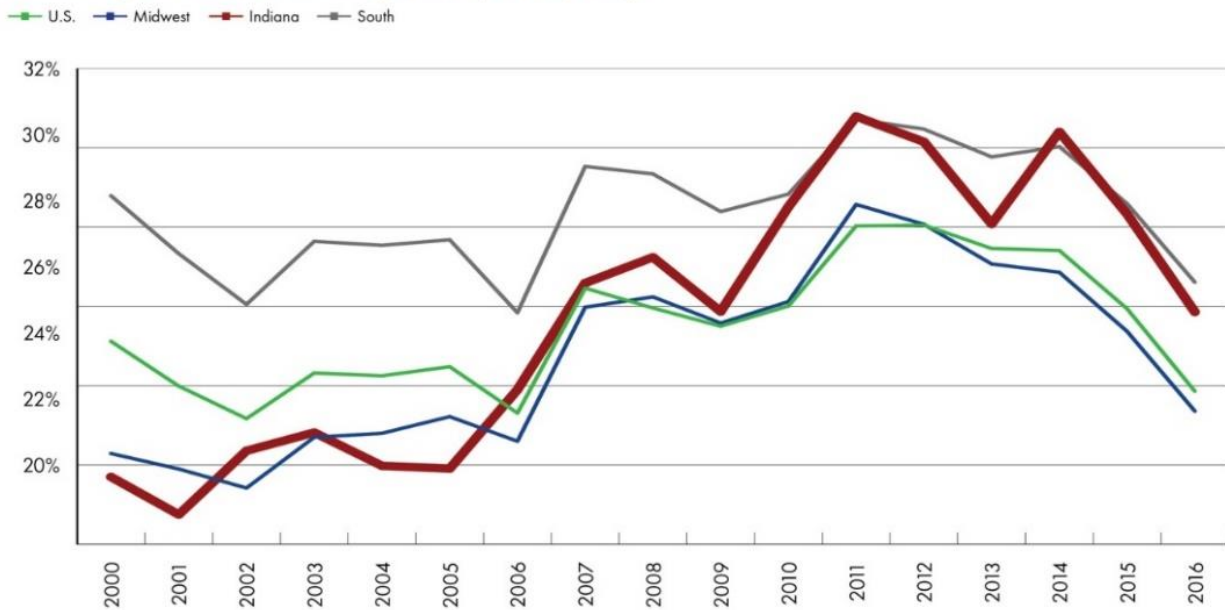
More than 1 in 4 Hoosiers earning below a poverty wage, at 25.9% tied with Missouri for the highest rate in the Midwest.

Economic Policy Institute analysis of U.S. Census data

¹ Poverty wage is \$11.81 in 2016 CPI-U-RS adjusted dollars, found using poverty threshold of family of four in 2016 (\$24,563), divided by (52weeks*40hours/week)

The Rate of Hoosier Workers Earning Poverty Wages Now Resembles the South More Than the Midwest or the U.S.

Percentage of workers earning below poverty wage*



Source: EPI analysis of CPS-ORG

At 25.9% Indiana has the highest rate in the Midwest of workers earning below a poverty wage, tied with Missouri. Even among Indiana's neighbors, who have weathered similar economic stresses since the recession, Indiana went from the lowest rate of impoverished full-time workers in 2001 to tied for the highest with Kentucky in 2015, before falling below Kentucky in 2016. If Indiana were counted among the South, while in 2000 it would have been next to lowest, by 2016, Indiana would have risen to 13th highest among 17 (for the South) of workers making poverty wages, nestled between Texas and West Virginia.

This rate of Indiana's working families who live below a basic measure of economic self-sufficiency was 27.5% in 2007, just 0.9 percentage points above the Midwest average.

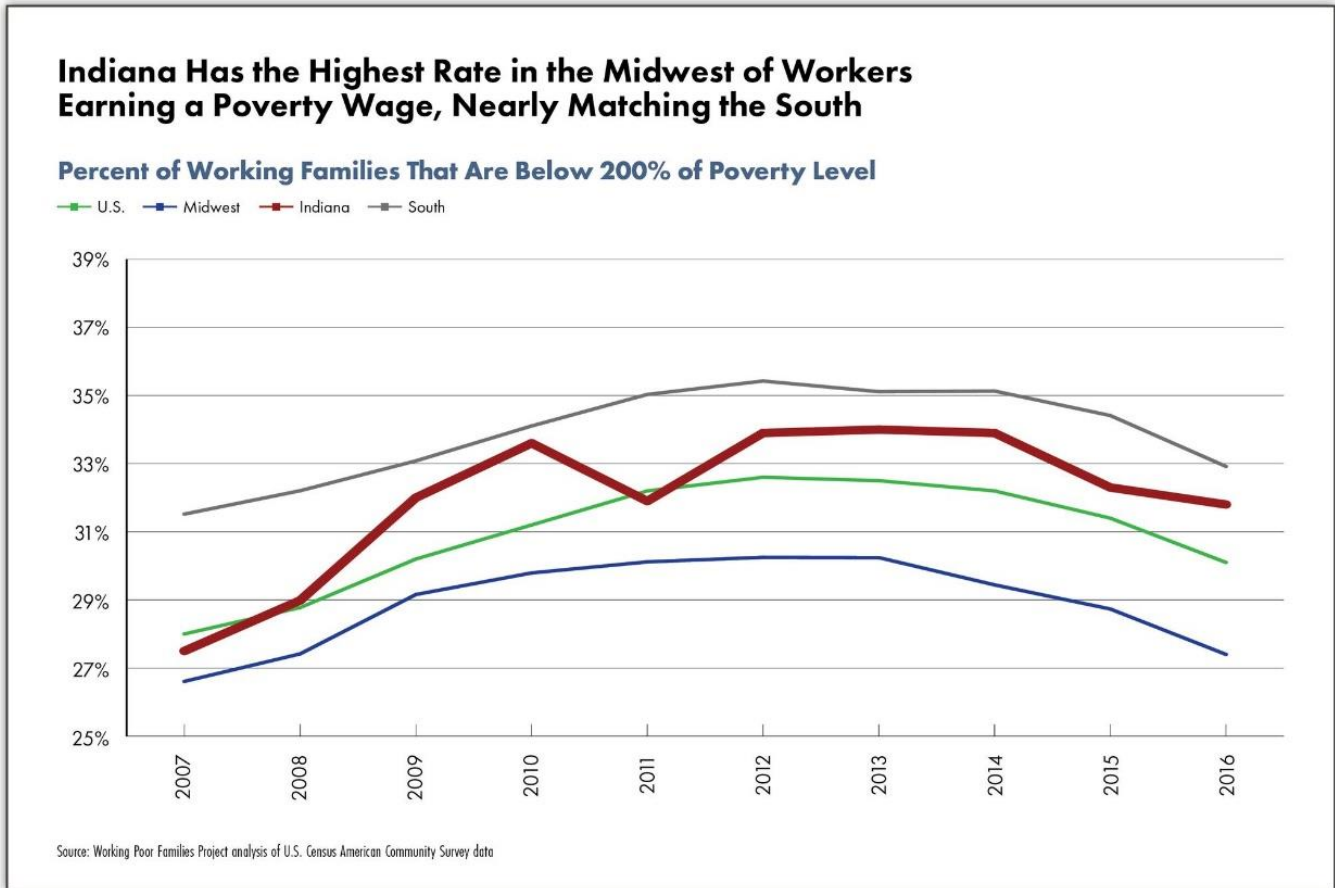
But during the recession and recovery, Indiana's rate rose up to nearly join the South. And while the rest of the Midwest has nearly completely recovered as of 2016, the rate of working poor families in Indiana is still 4.3 percentage points above the pre-recession rate, and now is 4.4 points above the Midwest but just 1.1 points below the South. **At**

Rate of Workers Earning Below Poverty Wage Among Midwest States, 2000 and 2016

| 2000 | | | 2016 | | |
|------|----------------|--------------|------|----------------|--------------|
| 1 | North Dakota | 35.3% | 1 | Indiana | 25.9% |
| 2 | Nebraska | 29.2% | 2 | Missouri | 25.9% |
| 3 | Kansas | 28% | 3 | Michigan | 25.3% |
| 4 | South Dakota | 27.1% | 4 | Ohio | 24.7% |
| 5 | Illinois | 23.9% | 5 | Iowa | 24.5% |
| 6 | Iowa | 23.3% | 6 | Kansas | 24% |
| 7 | Ohio | 23.1% | 7 | Illinois | 23% |
| 8 | Indiana | 21.7% | 8 | Nebraska | 22.5% |
| 9 | Missouri | 21.5% | 9 | South Dakota | 20.8% |
| 10 | Michigan | 20.9% | 10 | Wisconsin | 20.5% |
| 11 | Wisconsin | 19.6% | 11 | North Dakota | 17.1% |
| 12 | Minnesota | 15.9% | 12 | Minnesota | 16.3% |

*Source: EPI analysis of CPS-ORG

31.8%, Indiana has the highest proportion of working poor families among all 12 Midwestern states, up from fifth-highest in the Midwest just since 2007. Indiana also has the largest proportion of low-income working poor families living below 200% of the federal poverty level among all neighbors, except Kentucky.^{vii}



At 31.8%, Indiana has the highest proportion of working poor families among all 12 Midwestern states, up from fifth-highest in the Midwest just since 2007.

Working Poor Families Project analysis of U.S. Census data

Working Poor Families (Below 200% FPL) in Midwest States, 2007 and 2016

| 2007 | | | 2016 | | |
|------|--------------|-------|------|--------------|-------|
| 1 | South Dakota | 30.8% | 1 | Indiana | 31.8% |
| 2 | Missouri | 29.7% | 2 | Missouri | 31.4% |
| 3 | Nebraska | 28.4% | 3 | Kansas | 29.7% |
| 4 | Kansas | 28.1% | 4 | Michigan | 29.6% |
| 5 | Indiana | 27.5% | 5 | Ohio | 29.1% |
| 6 | Ohio | 27.2% | 6 | Illinois | 28.5% |
| 7 | Michigan | 26.6% | 7 | Nebraska | 28.4% |
| 8 | Iowa | 25.7% | 8 | South Dakota | 25.6% |
| 9 | Illinois | 25.4% | 9 | Iowa | 25.3% |
| 10 | North Dakota | 25.3% | 10 | Wisconsin | 25.2% |
| 11 | Wisconsin | 24.1% | 11 | North Dakota | 22.5% |
| 12 | Minnesota | 20.5% | 12 | Minnesota | 21.7% |

Source: Working Poor Families Project analysis of U.S. Census American Community Survey data

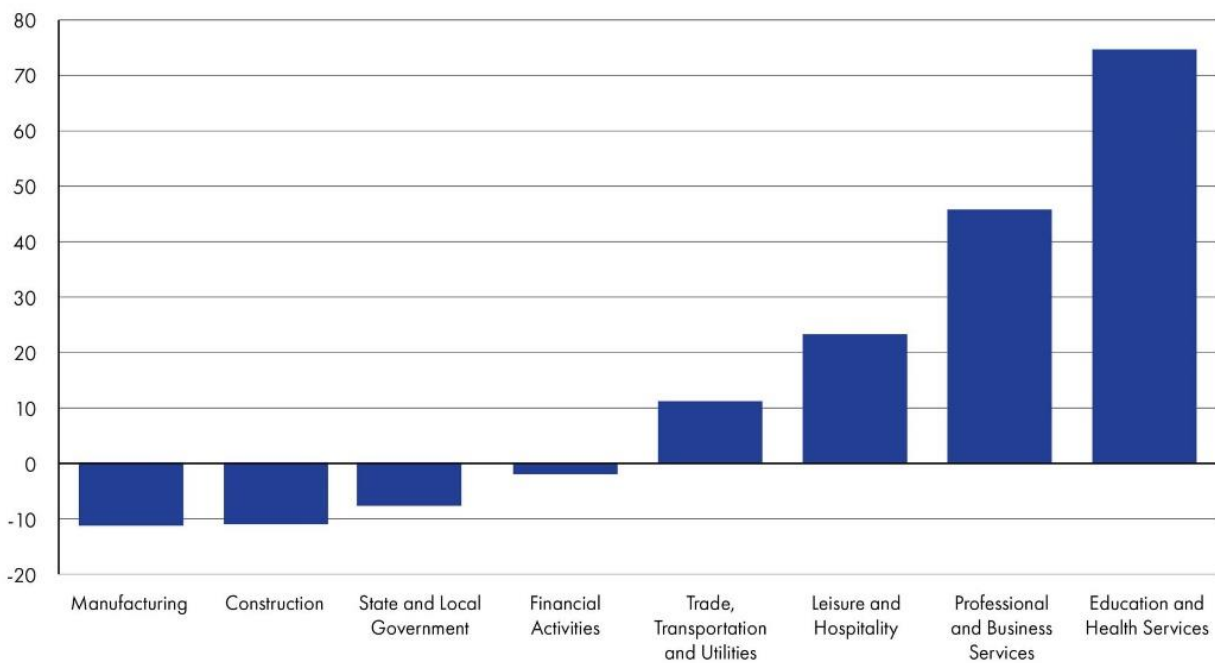
Indiana’s high rate of working poor families disproportionately impacts Hoosier families of color. At 52.4%, Indiana has the 3rd-highest proportion of low-income working families of color in the Midwest, and 11th-highest in the U.S. Working African American (54.2%) and Hispanic/Latinx (55.6%) Hoosier families are more than twice as likely to be low-income than their white (26.7%) counterparts. To be clear, research finds that racial/ethnic minorities are not disproportionately low-income because of a lack of work effort, but because they are more likely to be working in low-paying occupations.^{viii} The low-wage occupations disproportionately burdening Indiana’s working poor families of color are those that dominated Indiana’s early economic recovery, including service-sector jobs with few benefits and erratic work schedules, with wages kept low by Indiana’s few policy guidelines on this growing sector of low-pay, low-quality jobs. And as the next sections will detail, these are the jobs in low-wage, low-quality occupations that make up an ever-increasing proportion of Indiana’s labor market. This disparity is also evident in wage and poverty outcomes that make for an unequal economy for Hoosiers of different ethnic backgrounds that will lead to an inequitable future without a new policy focus on working Hoosiers.

The 21-st century shift to low-wage occupations helps explain Indiana’s rates of working poor

Despite job growth since the recession, Indiana’s policies continue to incentivize low-road employers - that is, occupations dominated by low wages and low-quality job standards. Because low-wage jobs dominated our early recovery, the addition of higher-wage jobs more recently have not been able to fundamentally change the poor wage quality of Indiana’s jobs landscape. Looking to the future, the state’s own forecast shows an increasing proportion of jobs in low-wage occupations, as explored later in this report. Even while a majority of jobs in 2026 will still require middle skills trainings, these projections alert us to the fact that they may not come with family sustaining wages.

Since Recession, Indiana Has Lost Jobs in Largest High-Wage Industries, Gained in Mixed- to Lower-Wage Industries

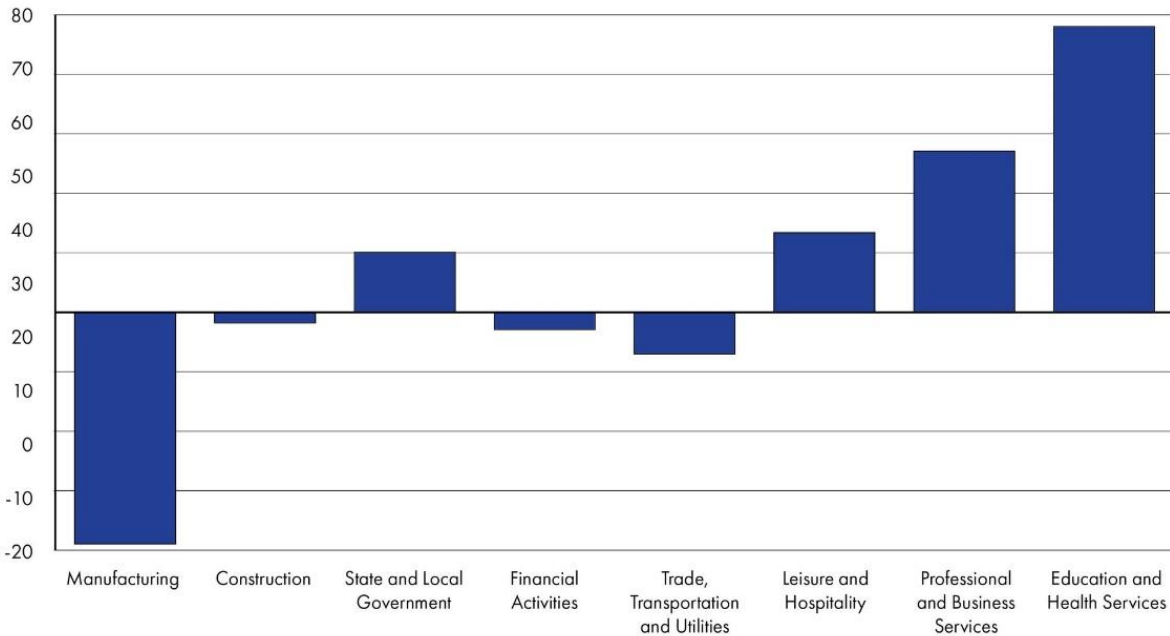
Change in Employment by Industry in Indiana, December 2007 to December 2017 (in thousands of jobs)



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

In 21st Century, Indiana’s Industry Landscape Has Transformed With Loss of Manufacturing Jobs, Addition of Mixed- to Lower-Paying Sectors

Change in Employment by Industry in Indiana Since December 2000 (in thousands of jobs)



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

At a high level, among eight of Indiana’s largest industries, four have lost jobs since the recession began in December 2007, while four have gained jobs. However, the industries which lost net jobs include 11,400 jobs in manufacturing, 11,100 jobs in construction, and 7,800 jobs in state & local government. In other words, **the jobs that were lost were in industries that tend to be in occupations with the highest wages and job quality standards, and are those most likely to be covered by collective bargaining agreements.** Meanwhile, the industries that have gained the most jobs, including 74,700 in education & health services, 45,800 in professional & business services, and 23,300 in leisure & hospitality services, tend to have a mix of occupations that include the lowest wages and those without health coverage, paid leave, and other standards for job quality and worker voice.

But the transformation of Indiana’s labor market toward low-wage occupations started even before the recession. The changing jobs landscape in the 21st century is even more apparent when viewed from December 2000. Two of Indiana’s top three industries have lost jobs since the turn of the century, with trade, transportation & utilities losing 21,000 jobs and manufacturing losing a whopping 116,800 jobs.

Blue Collar Jobs Have Steadily Increased Since the End of the Recession

Since the end of the recession, however, Indiana has seen a steady increase in “blue collar”, predominantly middle-skill jobs overall. Manufacturing has increased 26.8% from June 2009 to June 2018, and construction has increased 18.5%. Mining and logging, which hit a peak of 7.3% in July 2014, is now down 7.5% since the end of the recession overall.

78% percent of the jobs in Indiana’s top 20 occupations have a median wage less than what’s needed to sustain a family of three, up from 74.3% in 2000.

U.S. Bureau of Labor Statistics

But changes across major industries alone don’t tell the whole story of why Indiana’s wages are now second-lowest in the Midwest, with rates of the working poor that top the Midwest. To get a more complete picture, it’s helpful to look at the evolution of individual occupations in Indiana, and the wages they have paid from the beginning of the 21st century to now, as well as in the future.

Indiana’s Blue Collar Jobs Have Largely Increased Since End of Recession

| | Manufacturing | Construction | Mining & Logging |
|--|---------------|--------------|------------------|
| Jobs available: June 2009 (in thousands) | 424.4 | 119.8 | 6.7 |
| Jobs available: December 2016 (in thousands) | 526.7 | 135.2 | 5.9 |
| Change: June 2009 to December 2016 | 24.1% | 12.9% | -11.9% |
| Jobs available: January 2017 (in thousands) | 527.6 | 136.5 | 5.9 |
| Jobs available: June 2018 (in thousands) | 538 | 142 | 6.2 |
| Change: January 2017 to June 2018 | 2.0% | 4.0% | 18.5% |
| Change: June 2009 to June 2018 | 26.8% | 18.5% | -7.5% |

Source: The Center for Economic and Policy Research analysis of Federal Reserve Bank of St. Louis data

Nearly Two-Thirds of Indiana’s Jobs Were in Low-Wage Occupations in 2017

Underneath changes in industries over time, throughout the 21st century, most of Indiana’s largest occupations have paid less than family–sustaining wages and don’t require post-secondary credentials. In 2017, of 2,967,000 working Hoosiers with median pay data available, **nearly 1.9 million of those (or 63.3%) worked in occupations with median annual pay below the threshold of economic self-sufficiency for a family of three** (at \$40,840, the 200% of the federal poverty line for 2016). That year, the top 20 largest occupations employed just over 1.2 million Hoosiers and of those nearly 60% are in occupations with median pay below \$15 an hour. **Seventy-eight percent of the jobs in Indiana’s top 20 occupations have a median wage less than what’s needed to sustain a family of three, up from 74.3% in 2000.** For example, the largest occupation in the state, combined food prep and servers, requires less than a high school diploma on average. Thirteen of Indiana’s top 20 largest occupations require no more than a high school diploma or equivalent on average. In short, too many of our largest jobs are not paying family sustaining wages, and are not structured with a career ladder towards higher skills and higher wages.

1.9 Million of Indiana’s jobs (63%) are in low-wage occupations, with median pay below what’s needed for self-sufficiency for a family of three.

U.S. Bureau of Labor Statistics

Indiana's Top 20 Largest Occupations, 2017

| | OCCUPATION TITLE | TOTAL EMPLOYED | HOURLY MEDIAN | ANNUAL MEDIAN | EDUCATION REQUIRED |
|----|--|----------------|---------------|---------------|-----------------------------------|
| 1 | Retail Salespersons | 89,600 | \$10.14 | \$21,080 | HS or equivalent |
| 2 | Assemblers and Fabricators, All Other, Including Team Assemblers | 89,450 | \$15.87 | \$33,010 | HS or equivalent |
| 3 | Combined Food Preparation and Serving Workers, Including Fast Food | 89,250 | \$8.86 | \$18,440 | Less than HS |
| 4 | Laborers and Freight, Stock, and Material Movers, Hand | 81,510 | \$13.66 | \$28,400 | HS or equivalent |
| 5 | Cashiers | 69,460 | \$9.13 | \$18,990 | HS or equivalent |
| 6 | Registered Nurses | 68,530 | \$29.12 | \$60,560 | Associate's degree |
| 7 | Office Clerks, General | 61,110 | \$14.78 | \$30,750 | HS or equivalent |
| 8 | General and Operations Managers | 55,540 | \$37.11 | \$77,190 | Bachelor's degree or some college |
| 9 | Customer Service Representatives | 52,910 | \$15.77 | \$32,810 | HS or equivalent |
| 10 | Heavy and Tractor-Trailer Truck Drivers | 51,830 | \$21.43 | \$44,570 | HS or equivalent |
| 11 | Waiters and Waitresses | 51,080 | \$9.11 | \$18,940 | HS or equivalent |
| 12 | Janitors and Cleaners, Except Maids and Housekeeping Cleaners | 45,000 | \$11.57 | \$24,070 | HS or equivalent |
| 13 | Stock Clerks and Order Fillers | 41,470 | \$11.54 | \$24,010 | HS or equivalent |
| 14 | Secretaries/Administrative Assistants, Except Legal, Medical, Executive | 35,830 | \$14.80 | \$30,780 | HS or some college |
| 15 | Maintenance and Repair Workers, General | 34,160 | \$18.27 | \$38,000 | HS or certificate |
| 16 | Nursing Assistants | 31,520 | \$12.21 | \$25,400 | HS or equivalent |
| 17 | Sales Representatives, Wholesale and Manufacturing, Except Technical & Scientific Products | 31,070 | \$27.41 | \$57,000 | Bachelor's degree |
| 18 | Bookkeeping, Accounting, and Auditing Clerks | 28,830 | \$17.36 | \$36,110 | HS or certificate |
| 19 | Personal Care Aides | 28,470 | \$10.35 | \$21,530 | HS or equivalent |
| 20 | First-Line Supervisors of Office and Administrative Support Workers | 27,470 | \$23.93 | \$49,780 | Bachelor's degree |

■ Pays less than 200% FPL for a family of 3 (\$40,840) in 2016

■ Pays more than 200% FPL

■ Low-skill

■ May require more than high school, through middle skills

■ Requires bachelor's degree or higher

Source: BLS Occupational Employment Statistics (OES) May 2017 data

By looking at the top 20 largest occupations from 2000 we see that Indiana's problem with low-wage jobs actually predates the beginning of the recession, and 2017 data shows us that we have not made sustainable improvements. **By tackling wage and job quality standards in Indiana's largest occupations together, policymakers can make the greatest impact on the largest number of working Hoosier families.**

Indiana's Top 20 Largest Occupations, 2000

| | OCCUPATION TITLE | TOTAL EMPLOYED | HOURLY MEDIAN | ANNUAL MEDIAN | EDUCATION REQUIRED |
|----|--|----------------|---------------|---------------|--------------------------------|
| 1 | Retail Salespersons | 81,570 | \$7.81 | \$16,240 | Certificate/Some College |
| 2 | Cashiers | 81,020 | \$6.71 | \$13,950 | HS or equivalent |
| 3 | Team Assemblers | 77,320 | \$10.71 | \$22,280 | HS or equivalent |
| 4 | Combined Food Preparation and Serving Workers, Including Fast Food | 63,630 | \$6.35 | \$13,210 | HS or equivalent |
| 5 | Laborers and Freight, Stock, and Material Movers, Hand | 52,780 | \$9.83 | \$20,450 | HS or equivalent |
| 6 | Truck Drivers, Heavy and Tractor-Trailer | 52,110 | \$15.85 | \$32,960 | Certificate/ License |
| 7 | Registered Nurses | 47,900 | \$19.67 | \$40,910 | Bachelor's Degree /Associate's |
| 8 | Office Clerks, General | 45,980 | \$9.25 | \$19,250 | Certificate/Some College |
| 9 | Janitors and Cleaners, Except Maids and Housekeeping Cleaners | 44,680 | \$8.64 | \$17,970 | HS or equivalent |
| 10 | Stock Clerks and Order Fillers | 40,910 | \$8.49 | \$17,660 | HS or equivalent |
| 11 | General and Operations Managers | 40,750 | \$29.71 | \$61,790 | Associate's |
| 12 | Waiters and Waitresses | 40,370 | \$6.29 | \$13,080 | HS or equivalent |
| 13 | Maintenance and Repair Workers, General | 36,430 | \$14.34 | \$29,830 | HS or equivalent |
| 14 | Secretaries, Except Legal, Medical, and Executive | 36,360 | \$10.60 | \$22,050 | Certificate/Some College |
| 15 | Bookkeeping, Accounting, and Auditing Clerks | 35,190 | \$11.19 | \$23,280 | Certificate/Some College |
| 16 | Packers and Packagers, Hand | 32,730 | \$8.66 | \$18,000 | HS or equivalent |
| 17 | First-Line Supervisors/Managers of Office/Admin. Support Workers | 32,420 | \$15.83 | \$32,920 | Associate's |
| 18 | First-Line Supervisors/Managers of Retail Sales Workers | 31,460 | \$12.59 | \$26,190 | Certificate/Some College |
| 19 | Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products | 30,270 | \$19.45 | \$40,450 | Associate's |
| 20 | Food Preparation Workers | 29,900 | \$7.52 | \$15,640 | HS or equivalent |

■ Pays less than 200% FPL for a family of 3 (\$40,840) in 2016

■ Pays more than 200% FPL

■ Low-skill

■ May require more than high school, through middle skills

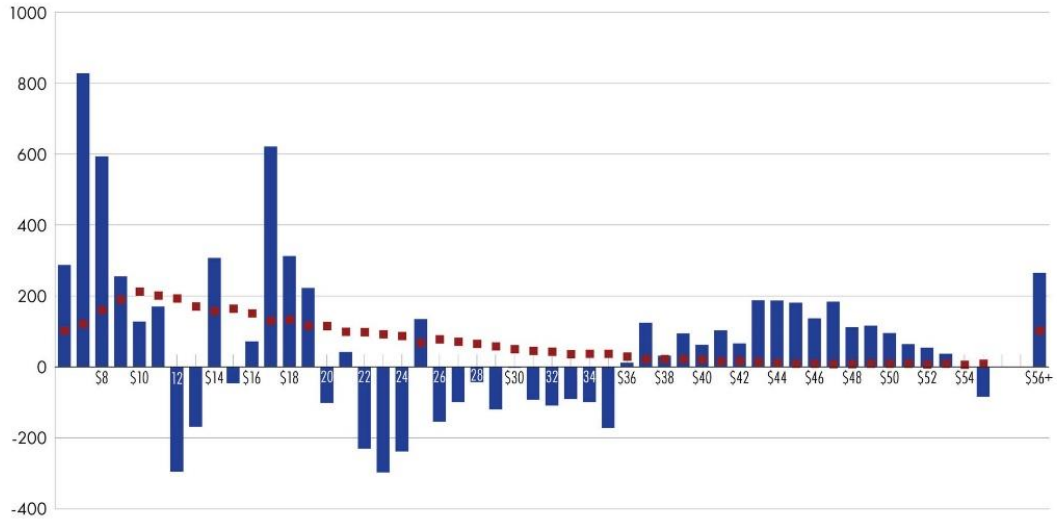
■ Requires bachelor's degree or higher

Source: BLS Occupational Employment Statistics (OES) May 2017 data

Like many neighboring states, early in the recession's wake from 2010 to 2013, Indiana relied on very low-wage jobs under \$12 an hour to fill the sheer volume of lost jobs, particularly those in the \$20-35/hour range. But since 2013, the greatest job growth has been in the range between \$12 to \$16 an hour, and at the high wage extreme of \$56+. After 2013, many new jobs in Indiana paid \$12-\$16 an hour, but did not change the state's highest rate of working poor families in the Midwest

Indiana's Early Recovery From 2010 to 2013 Relied Heavily on Low-Wage Jobs

Average Monthly Employment Change in Indiana From 2010 to 2013, by Wage Level

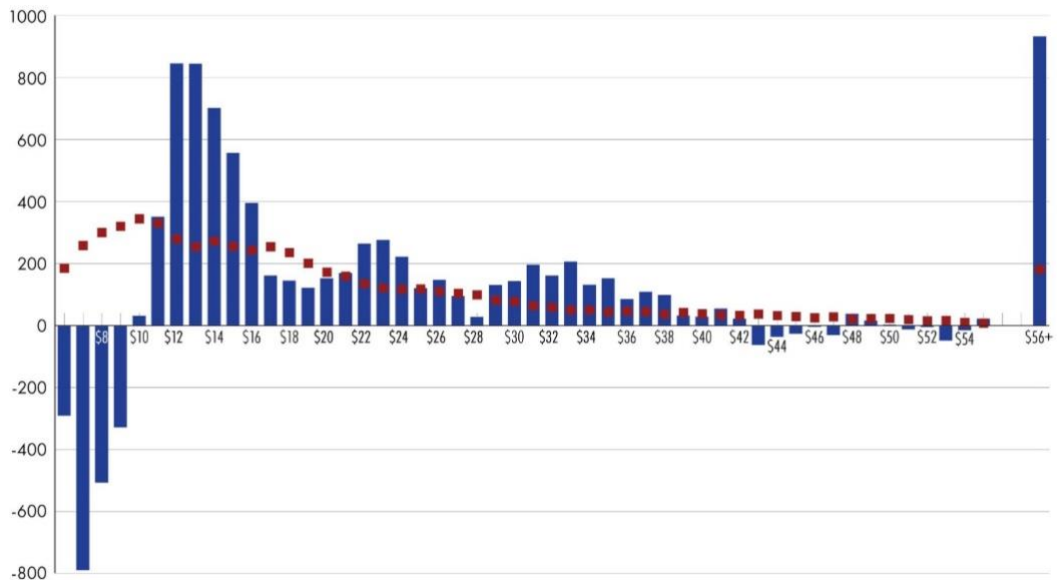


Note: The bars represent average employment growth for the \$5 band centered on the given wage, that is, the bar at \$10 represents growth in jobs with wages from \$8.00 to \$12.99 and the bar at \$11 represents growth in jobs with wages from \$9.00 to \$13.99. This smoothing was used to clarify underlying trends.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata. Wages adjusted for inflation using the CPI-U-RS.

Indiana's Recovery Since 2013 Includes Middle-Wage Jobs (But Overall Wages Remain Lower Than Pre-Recession Rates)

Average Monthly Employment Change in Indiana From 2013 to 2018, by Wage Level



Note: The bars represent average employment growth for the \$5 band centered on the given wage, that is, the bar at \$10 represents growth in jobs with wages from \$8.00 to \$12.99 and the bar at \$11 represents growth in jobs with wages from \$9.00 to \$13.99. This smoothing was used to clarify underlying trends.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata. Wages adjusted for inflation using the CPI-U-RS.

But as similar effects have happened across the nation and in Midwestern states with higher wage and job standards, even this recent influx of middle-wage job growth hasn't improved Indiana's rates of low wages and low-income working families compared to its neighbors. The recent batch of mid-income jobs are like if a warm pitcher of water was added to Indiana's cold labor market pool – the water is still chilly compared to neighbors who kept the base temperature of wages higher to begin with through higher policy standards. To heat up Indiana's economy for its working families, policymakers must first fix the heater that powers increases in wages, job quality and labor standards.

This new data helps refute the common assumption that Indiana – and the U.S. for that matter – has seen slow wage growth simply because of the low wages of jobs added. In order to improve the lives of working families, Indiana will need to raise not just the standards of new jobs, but also improve those that currently exist as well. But unfortunately, state projections predict a low-wage future for Indiana if those policies don't change.

Indiana Projects a Low-Wage Future for Hoosiers...If Policies Don't Change

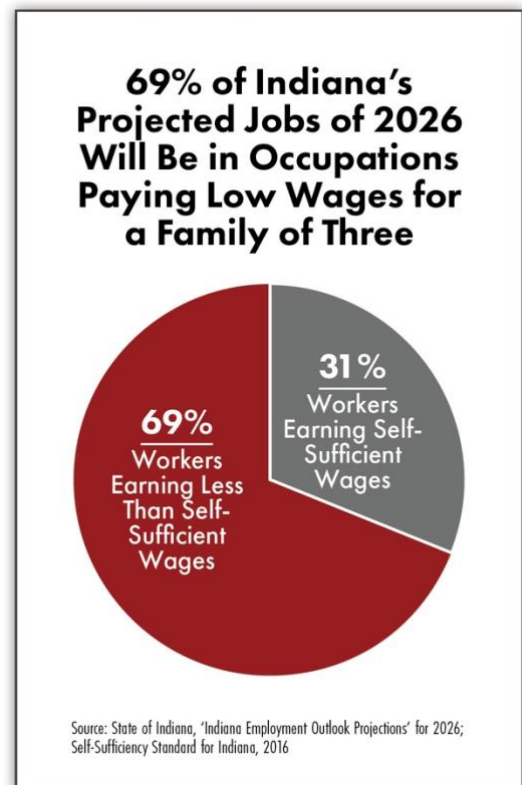
Unless Indiana succeeds in fixing the heater with a new policy direction aimed at raising the floor of wage and job quality standards, even the state of Indiana, using BLS data, projects a grim low-wage future for Hoosiers that will not meet the needs for economic self-sufficiency for working families. Occupational projections powered by the Indiana Department of Workforce Development show a job and wage forecast that slips even below the current status. The following table shows the projected top 20 occupations of 2026, ranked from the highest number of job openings.

These new projections find that Hoosiers can expect a future where 7 in 10 jobs are in occupations paying low-income median wages. **Out of about 3.6 million total job openings with wage data projected for 2026, just over 2.5 million of these jobs (69.1%) are in occupations that pay less than low-income status for a family of three** (at the current level).^{ix} Twelve of the top 20 occupations of 2026 require no more than a high school diploma on average, and 16 of the 20 require no more than short-term training to be competent on the job.

Even out of the state's 239,308 projected 'growth' jobs, 121,619 (or 50.8%) are in low-wage occupations paying median wages less than current family-sustaining wages for a family of three. That means that **over half of the jobs Indiana projects to grow at the fastest rate will put future Hoosier families underwater economically**, and that's before factoring in future increases in cost of living. (Upcoming sections in this report will show that basic costs have increased nearly five times the rate as incomes since 2009.)

Even worse, 1,245,718 of the 1,403,861 jobs in the top 20 occupations of 2026 are projected to pay less than family-sustaining wages. So compared to the current rate of 78%, **88.7% of the top 20 jobs in 2026 are in occupations projected to pay average wages below \$40,840, the current line for self-sufficiency for a family of three.**

Like the Ghosts of Christmas Past, Present, and Future, Indiana's previous, current, and projected occupations and their wages in the 21st century present a sobering picture of why so many Hoosier families live below economic self-sufficiency compared to other Midwestern states. The projections of sharply higher concentrations of low-skill, low-wage jobs in the top 20 occupations should leave policymakers hoping for another chance to do right by Hoosier families. Our policymakers must resolve to increase both educational attainment and job standards.



The bottom line is that many current (and even more projected) Hoosier jobs are low-wage and low quality, require little to no higher education or skills training, and we as a state have not cultivated a workforce with the skills necessary to attract higher wage jobs. Indiana can't simply hope to attract a new top 20 set of occupations out of thin air as its main policy strategy. Instead, Indiana must invest in increasing Hoosiers' skill attainment so that we have a more highly-skilled workforce making family-sustaining wages. To accomplish this, Indiana must both 'raise the floor' of wage and job quality baselines, and 'build ladders' for the current population to be able to reach the kind of jobs the state wants to grow the economy.

17 of Indiana's Top 20 Occupations of 2026 Pay Below Self-Sufficient Wages for Family of 3

| | OCCUPATION | PROJECTED TOTAL JOB OPENINGS | AVERAGE ANNUAL WAGE | TYPICAL TRAINING | PROJECTED EDUCATION EARNED | INDemand RATING ^{ix} |
|----|---|------------------------------|---------------------|----------------------|----------------------------|-------------------------------|
| 1 | Combined Food Preparation and Serving Workers, Including Fast Food | 178,598 | \$18,860 | On-the-Job, Short | High School | 🔥🔥 |
| 2 | Retail Salespersons | 134,634 | \$25,350 | On-the-Job, Short | Certificate/Some College | 🔥🔥🔥 |
| 3 | Cashiers | 127,657 | \$19,960 | On-the-Job, Short | High School | 🔥🔥 |
| 4 | Laborers and Freight, Stock, and Material Movers, Hand | 114,935 | \$30,020 | On-the-Job, Short | High School | 🔥🔥🔥 |
| 5 | Waiters and Waitresses | 104,624 | \$21,310 | On-the-Job, Short | High School | 🔥🔥 |
| 6 | Janitors and Cleaners, Except Maids and Housekeeping Cleaners | 70,071 | \$25,850 | On-the-Job, Short | High School | 🔥🔥🔥 |
| 7 | Office Clerks, General | 66,768 | \$32,280 | On-the-Job, Short | Certificate/Some College | 🔥🔥🔥🔥 |
| 8 | Heavy and Tractor-Trailer Truck Drivers | 65,438 | \$46,270 | On-the-Job, Short | High School | 🔥🔥🔥🔥 |
| 9 | Customer Service Representatives | 65,196 | \$35,390 | On-the-Job, Short | Certificate/Some College | 🔥🔥🔥🔥 |
| 10 | Personal Care Aides | 58,733 | \$21,530 | On-the-Job, Short | Certificate/Some College | 🔥🔥🔥 |
| 11 | Stock Clerks and Order Fillers | 52,137 | \$26,500 | On-the-Job, Short | High School | 🔥🔥🔥 |
| 12 | General and Operations Managers | 46,598 | \$98,100 | None | Associate's | 🔥🔥🔥🔥🔥 |
| 13 | Registered Nurses | 46,107 | \$62,450 | None | Bachelor's Degree | 🔥🔥🔥🔥🔥 |
| 14 | Secretaries and Administrative Assistants, Except Legal, Medical, and Executive | 42,679 | \$31,580 | On-the-Job, Short | Certificate/Some College | 🔥🔥🔥 |
| 15 | Cooks, Restaurant | 42,200 | \$23,310 | On-the-job, Moderate | High School | 🔥🔥🔥 |
| 16 | Nursing Assistants | 40,167 | \$26,070 | None | High School | 🔥🔥🔥 |
| 17 | Packers and Packagers, Hand | 37,843 | \$24,880 | On-the-Job, Short | High School | 🔥🔥🔥 |
| 18 | Maintenance and Repair Workers, General | 37,238 | \$39,360 | On-the-Job, Moderate | High School | 🔥🔥🔥🔥 |
| 19 | Food Preparation Workers | 36,549 | \$21,530 | On-the-Job, Short | High School | 🔥🔥 |
| 20 | Bookkeeping, Accounting, and Auditing Clerks | 35,689 | \$37,320 | On-the-Job, Moderate | Certificate/Some College | 🔥🔥🔥🔥 |

🟡 Pays less than 200% FPL for a family of 3 (\$40,840) in 2016

🟢 Pays more than 200% FPL

🟠 Low-skill/No training

🟣 May require more than high school, through middle skills, Short, on-the-job training

🟤 Requires bachelor's degree or higher; moderate on-the-job training

Source: State of Indiana, "Indiana Employment Outlook Projections"

Chapter II: Educational Attainment & Skills-Building

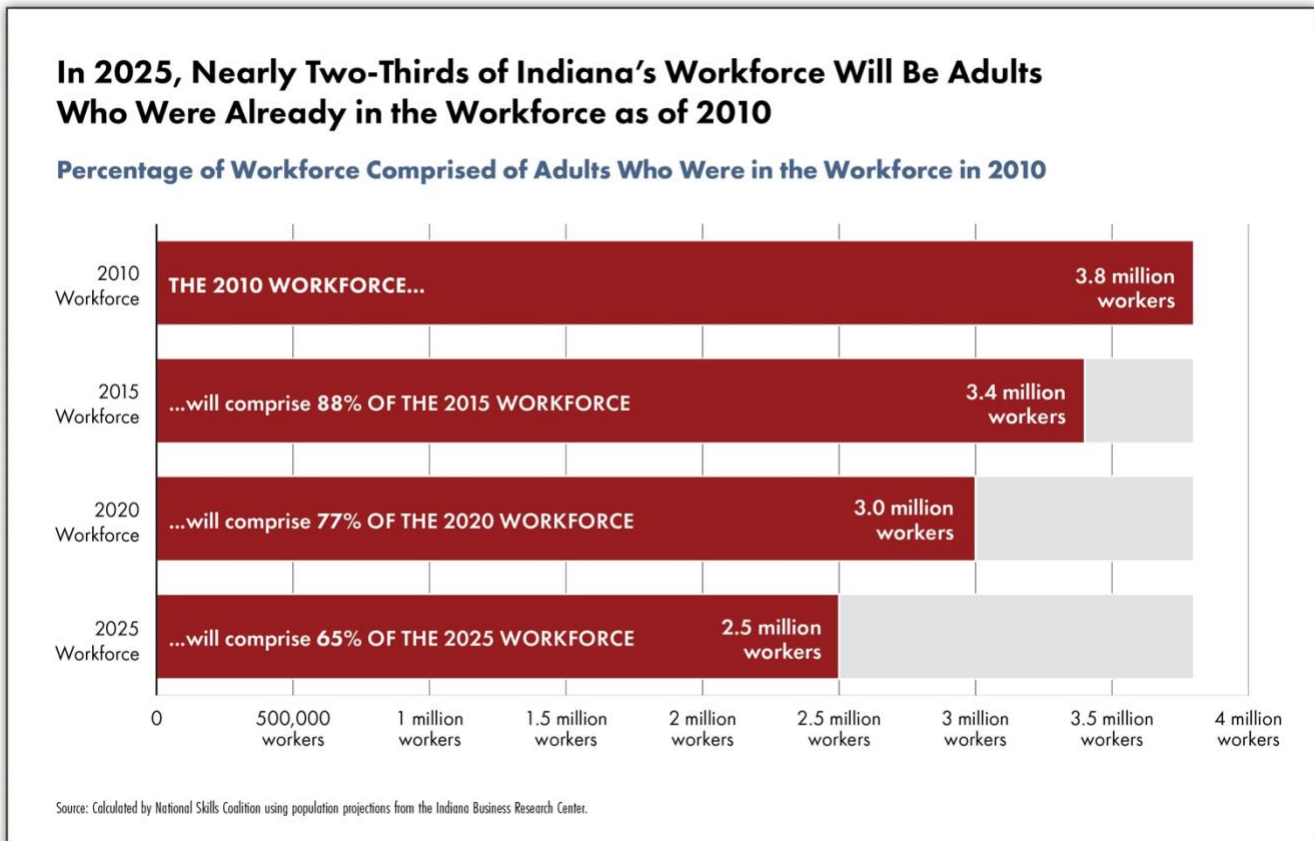
Boosting Education, Skills, and Career Pathways for Adults is Among the Fastest Ways to Fight a Low-Income, Low-Skill Future for Indiana

As Indiana’s policymakers grapple with the reality of state projections of a low-wage future but also employer demand for an increasingly-skilled labor supply^x, there is a short-term policy response that can bring long-term benefits to working families and the economy. By focusing policies on clearing non-academic barriers to educational attainment and skills training for low-income adults and underserved populations, Indiana has its best opportunity to quickly fulfill employer demand while making up ground on Midwestern neighbors in wages, labor force participation, and other employment standards for working families.

At 37.7% Indiana has the lowest rate of adults over 25 with a post-secondary degree in the Midwest, and would be in the bottom half if the state were part of the South.

U.S. Census Bureau

In 2025, nearly two-thirds of Indiana’s workforce will be adults who were already in the workforce as of 2010. This is the year before the state’s projections for 7 in 10 jobs to pay less than a family-sustaining wage.^{xi} But fortunately, Indiana can alter these projections for the better by providing opportunities for populations left out of the workforce – people of color, women, and parents of young children, and low-income adults among others.



The opportunity to boost Indiana’s labor force with adult skills is especially apparent in light of Hoosier educational attainment rates in the state, particularly among Hoosiers of color. **At 37.7% Indiana has the lowest rate of adults over 25 with a post-secondary degree in the Midwest, and would be in the bottom half (#8 of 17) if the state were part of the South.** Indiana’s rate is below not just the Midwestern average of 42.4%, but also below the Southern average of 42.6%. This means that Hoosier adults with only a high school degree or less, or with some college but no credential or degree, are at a competitive disadvantage for skilled work with residents of every Midwestern state and over half of Southern states.

Another area to help policymakers focus their efforts on upskilling adults are the projections for 512,583 openings for jobs requiring a certificate/some college and 178,827 jobs requiring an associate’s degree. This is a total of 691,410 ‘middle skill’ jobs from growth openings and exit openings that the state is projecting through 2026.^{xii}

Even for Adults Without a Degree, a Portable Credential is a Key to Economic Mobility

To most quickly boost the skill level of Indiana’s labor force, the group of adults we need to focus on are those without a 2- or 4-year degree. Unfortunately, while we can get a sense of the population with ‘middle skills’ from the educational attainment data in the American Community Survey, it is an imperfect measure. Not all of those with the Census-labeled ‘some college no degree’ finished their studies with a credential of any kind; likewise, it is possible for some of those who are in the ‘High School only or below’ categories to have achieved an industry-recognized credential, but not to have thought to include themselves in the ‘some college no degree’ category when completing a Census questionnaire. In fact, nationwide 5.5% of adults without a high school diploma had a professional certificate or license and only 19.3% of those with ‘some college, no degree’ had the same. The data for industry-recognized credential delivery at the state level is sporadic and ill-defined at best. A measure (supported in part by the Institute-led [Indiana Skills2 Compete Coalition](#)) to require state agencies to count the production of these credentials, and to *publish the data*, passed into law with HEA1314 in 2013. And although this bill was repealed the next year citing our state’s move toward improving our state longitudinal data system (the current Indiana Management Performance Hub), the data has still not been made publicly available over half a decade later.

Professional Certificates/Licenses or Educational Certificate by Sub-Baccalaureate Attainment Level, U.S.

| Attainment | % with Professional Certificate or License | % with Educational Certificate |
|------------------------|--|--------------------------------|
| Less than High School | 5.5% | 1.7% |
| High School Completion | 13.9% | 6.4% |
| Some College No Degree | 19.3% | 10.2% |
| Associate’s Degree | 30.2% | 17.1% |

US, Population 18 and Older- 2008 SIPP 13th Wave (2012 Data)
<https://www2.census.gov/library/publications/2014/demographics/p70-138.pdf>

Sub-Baccalaureate Educational Attainment for Hoosiers 25 and Over, 2016

| Attainment | Number, Age 25+ | Percentage of all aged 25+ |
|---------------------------------|-----------------|----------------------------|
| Some High School But No Diploma | 511,499 | 11.7% |
| High School Dip. Or Equiv. | 1,481,882 | 33.7% |
| Some College No Degree | 900,213 | 20.5% |
| Associate’s Degree | 374,136 | 8.5% |

Source: 2016 American Community Survey, 1-year Average

Racial Disparities Widen Indiana's Educational Attainment Skills Gap

The gap in adult educational attainment is especially pronounced when considering differences among Hoosiers of differing racial and ethnic backgrounds. While more than 8 in 10 black and white Hoosiers over age 25 are likely to have a high school diploma or equivalent, fewer than 7 in 10 Latinx Hoosiers do. But racial disparities show themselves even more prominently in the rate of Hoosiers 25 and older with a bachelor's degree or higher; white Hoosiers are about twice as likely than black or Latinx Hoosiers to hold a bachelor's degree.

Educational attainment for adults over 25 years, 2016

| HIGH SCHOOL GRADUATE OR HIGHER | | BACHELOR'S DEGREE OR HIGHER | |
|--------------------------------|-------|-----------------------------|-------|
| Latinx Hoosiers | 66.8% | Latinx Hoosiers | 13.3% |
| Black Hoosiers | 85.5% | Black Hoosiers | 15.7% |
| White Hoosiers | 90.1% | White Hoosiers | 26.8% |

Source: U.S. Census American Community Survey, 2016 data

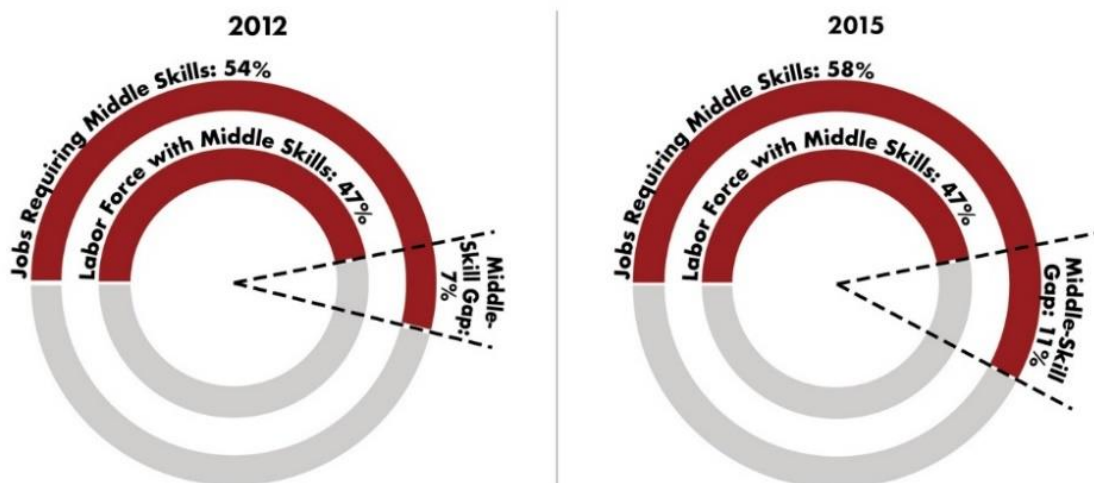
The policy implications are clear. Despite lower educational attainment rates, as described previously, Latinx Hoosiers have a higher employment-to-population rate than other Hoosier ethnicities. **Removing barriers for Hoosiers of color would help enable more skilled workers into the workforce, and better align the skills-to-labor-force ratio.**

Re-Aligning Middle-Skill Demand and Middle-Wage Jobs Will Help Improve Indiana's Future Labor Market

Although the state projects that 16 of the top 20 occupations of 2026 will require no more than short-term training, [employer demand](#) for specific industry-recognized skills continues to grow. Often these skills are recognized in the form of workforce certificates or other middle-skill credentials beyond a high school diploma, but below a four-year degree. And in fact, the demand for middle-skill jobs has grown, while educational attainment levels have remained flat. And while Indiana must do more to increase wages and job standards across the board, lowering barriers to high-wage jobs through increased skill attainment can be a valuable means of economic opportunity for many Hoosiers.

The Gap Between Jobs Requiring Middle Skills and the Labor Force That Can Fill Those Jobs Grew 4% Between 2012 and 2015

A Growing Middle-Skill Gap: 2012 to 2015



Source: National Skills Coalition, "Indiana Middle-Skill Fact Sheet." (February 2017). goo.gl/ZesOc8 and National Skills Coalition and Indiana Institute for Working Families. "Indiana's Forgotten Middle-Skill Jobs: 2013. An Updated Look at Employment and Education Patterns in Indiana." Indiana Skills2Compete Coalition (September 2013). goo.gl/d0g1W

In the context of Indiana’s job projections, while middle skill jobs will continue to make up the majority of job openings in the immediate future, they will fall to 49% of openings by 2026, the lowest projections seen since Indiana’s advocates started looking at middle skill job categorizations.^{xiii} It is also important to note that if both sets of projections about demand for middle skill jobs, and state’s projections of a low-wage occupational future are true, then a considerable proportion of future middle-skill jobs will also be low-wage as well. If Indiana hopes to fill the employer’s demands for a skilled workforce, policymakers should ensure that higher-skilled jobs come with higher wages, job quality, and labor standards.

Nearly Half of Indiana’s Jobs of 2026 Will Require Middle Skill Attainment

| Occupations | 2016 Employment | % of The Total | 2026 Employment | % of The Total |
|---|------------------|----------------|------------------|----------------|
| Total, All Occupations | 3,179,232 | 100% | 3,419,444 | 100% |
| Management Occupations | 171,201 | | 186,394 | |
| Business and Financial Operations Occupations | 124,419 | | 137,444 | |
| Professional & Related Occupations | 489,353 | | 545,030 | |
| Total, High Skill | 784,973 | 24.7% | 868,868 | 25.4% |
| Healthcare Technicians and Support (Middle Skill) | 107,181 | | 122,780 | |
| Healthcare Support Occupations (Middle Skill) | 65,648 | | 77,098 | |
| Protective Service Occupations | 59,281 | | 62,170 | |
| Office and Administrative Support Occupations | 426,342 | | 432,806 | |
| Construction and Extraction Occupations | 133,340 | | 147,267 | |
| Installation, Maintenance, and Repair Occupations | 140,724 | | 151,943 | |
| Production Occupations | 383,898 | | 391,307 | |
| Transportation and Material Moving Occupations | 273,589 | | 294,817 | |
| Total, Middle Skill | 1,590,003 | 50.0% | 1,680,188 | 49.1% |
| Service Occupations* | 501,376 | | 560,190 | |
| Sales and Related Occupations | 287,440 | | 294,639 | |
| Farming, Fishing, and Forestry Occupations | 15,440 | | 15,559 | |
| Total, Low Skill | 804,256 | 25.3% | 870,388 | 25.5% |

Source: author’s calculations of Statewide Occupation Projections 2016-2026 by skill level, Indiana Dept. of Workforce Development

Why Working on Skill Development and Job Quality Together is Critical to Indiana’s Future Labor Force

Raising job quality standards alongside skill attainment levels is a missing link needed to both fill employers’ demands for a skilled workforce, as well as retain and elevate that workforce once on the job. For example, the Institute’s 2016 report ‘Paid Family and Medical Leave: Policy Analysis and Recommendations for Indiana’ found that **less than 40% of employers offer short- and/or long-term disability coverage to their employees, while the lowest-paid occupational groups are the least likely to have this benefit**, including 75% of service workers who lack this type of employer-sponsored insurance. In addition, **only 14% of workers nationwide and 6% of workers in the lowest wage quartile work in jobs that offer paid family leave**.^{xiv} Employees who lack these basic job protections are more likely to be forced to choose between family needs and inflexible employer policies. When employees justifiably choose the well-being of their families, employers lose skilled workers, the economy loses another piece of the labor force, and families have to start the employment cycle over from scratch. And because too many of Indiana’s projected middle-skill jobs fall into the lower wage categories, it is important for policymakers to build in basic job quality protections as they continue to strengthen workforce development efforts.

To Open the Labor Force for Those Locked Out of the Economic Recovery, Remove Non-Academic Barriers to Education and Skills Development

In order to fill the demand for a skilled workforce, potential employees must overcome barriers that keep them from education and training opportunities, and the job openings that require them. Indiana's opportunity to close this skills attainment gap among adults and gender and racial groups comes through closing the non-academic barriers that stand between these Hoosiers and participating in in-demand training programs. The Institute's 2017 report '[Clearing the Jobs Pathway: Removing Non-Academic Barriers to Adult Student Completion](#)' found areas in which adults are blocked from entering the labor market, with specific policies to clear the pathway. Several of these include:

- More than 1 in 3 Hoosiers live below **economic self-sufficiency**, but even more (over 40%) adults pursuing post-secondary education and training cannot afford basic costs, compared to 29% of those not in training. Providing deeper support by expanding eligibility to work support programs for adult students will lessen the 'leap of faith' and reduce economic insecurity for adult students.
- **Food insecurity** hits adult students and their families hard, but while 26.8% of adult students may be eligible for nutrition assistance, only 20.2% of these students actually receive it. Ensuring eligible students are enrolled in SNAP would not only provide nutrition assistance but would also unlock federal SNAP Education & Training funds for supportive services.
- **Housing Insecurity and Homelessness:** Affordable housing is a barrier for would-be adult students, many of whom are low-income. 43.9% of Indiana renters spend 30% or more of their income on rent and utilities on housing and utilities, a major risk factor for housing insecurity. Across the Midwest, 48% of community college students are housing insecure, and 12% are homeless. Partnering with local service providers for subsidized student housing will improve completion outcomes.
- **Child care** is the largest cost for working families, and the cost and lack of access prevents many new parents from starting training programs. The attending rate for adults with children under 5 is only 8.3%, but is 31.4% for those with kids ages 5-17 (school-age). Co-locating child care and Head Start on campuses and expanding access to On My Way PreK will unlock training opportunities for parents of young children and keep these adult students on track.
- **Hours worked:** 47% of adult students work full-time on top of school and family responsibilities, and a full 82.3% work at least one hour per week. Putting the work/study/family ratio out of balance puts completion at risk. Expanding access to apprenticeships and 'work and learn' programs such as [EARN Indiana](#) would provide a paycheck and valuable on-the-job experience.
- **Lack of reliable transportation:** Only 2.9% of adults attending post-secondary programs did so without access to a vehicle. Without reliable access to a vehicle, it's extremely unlikely for adult students to attend and complete. Expanding public transportation, campus ride sharing, and subsidized vehicle purchase through Individual Development Accounts will help get students to class.
- Increasing necessity of **internet access:** Only 8.5% of adults attending post-secondary programs did so without home internet access, which is now often required for both online and traditional coursework. Expanding local wi-fi, rural broadband, and student internet access will increase completion and access to online learning opportunities.

Because current policies have resulted in low wages in the mid- to- bottom half of the Midwest in terms of employment outcomes, policy options that promote persistence in skills training *and* improve job quality are necessary, and part of the best chance to supercharge Indiana's labor market and create a pathway to typically higher-wage jobs. But these recommendations must be on top of, not as a substitute to, policies to deal with the reality of low wage growth and low family incomes for Hoosiers compared to their Midwestern neighbors at a time of spiraling basic costs.

Chapter III: Hoosiers' Income and Wages Falling Behind: The Story of the 21st Century

Nearly a decade after the great recession, Hoosiers are back to work at rates nearly what they were before the recession, but with other labor market indicators well below the average for the Midwest, Indiana is also left with a rate of working poor families that tops the region. In order to improve Indiana's jobs and skills, it must take policy action to increase wages that have fallen from near the middle of the Midwest near the turn of the 21st century, to next to last by 2017, lower than the average wages of the South.

Indiana's individual wages and household & family incomes reached a high water mark at the turn of the 21st century and for a few years following it. The state's major policy actions that have affected working families since then, including abandoned welfare privatization efforts, cutting \$300 million from education, enacting so-called 'Right-To-Work' anti-labor legislation, reducing state personal & corporate income tax rates, eliminating state inheritance tax, and repealing the common construction wage, have all correlated with wage outcomes that have made Indiana less competitive with neighbors in earnings and economic security.

Indiana now faces a crossroads: whether to resign ourselves to a downward path of tangling with Kentucky and the South for low-road policies and bottom-barrel rankings; or whether the state builds on its historic strengths and again competes to rejoin the Midwest and vie for a leading role in the U.S. for working families. The good news is that throughout its history, Hoosiers have been up to the task when presented with a challenge. Indiana's policymakers need to know that the status quo is not an option to overcome the challenges the state currently faces.

Incomes not keeping up with U.S., Midwestern neighbors as cost of living increases

As Indiana's incomes have failed to keep up with advances in the rest of the Midwest, the ever-increasing cost of basic needs squeezes what were once middle-class families, pushing them below the level needed for self-sufficiency. Unfortunately, work alone doesn't make families immune to this growing chasm between rising costs and Indiana's stagnant incomes. More vulnerable populations, including Hoosiers of color, women (especially single mothers) and the poorest families, are those most impacted by the state's lack of policy response.

To understand the current situation, it's helpful first to look at changes in Indiana's wages and incomes over time, and then compare to neighbors and other states. This chapter will examine common measures of Hoosier earnings and compare their changes over time to the cost of living for Indiana families.

Hourly Wages in Indiana Rose During the 1990s, Peaked in 2004, and Haven't Recovered From the Recession

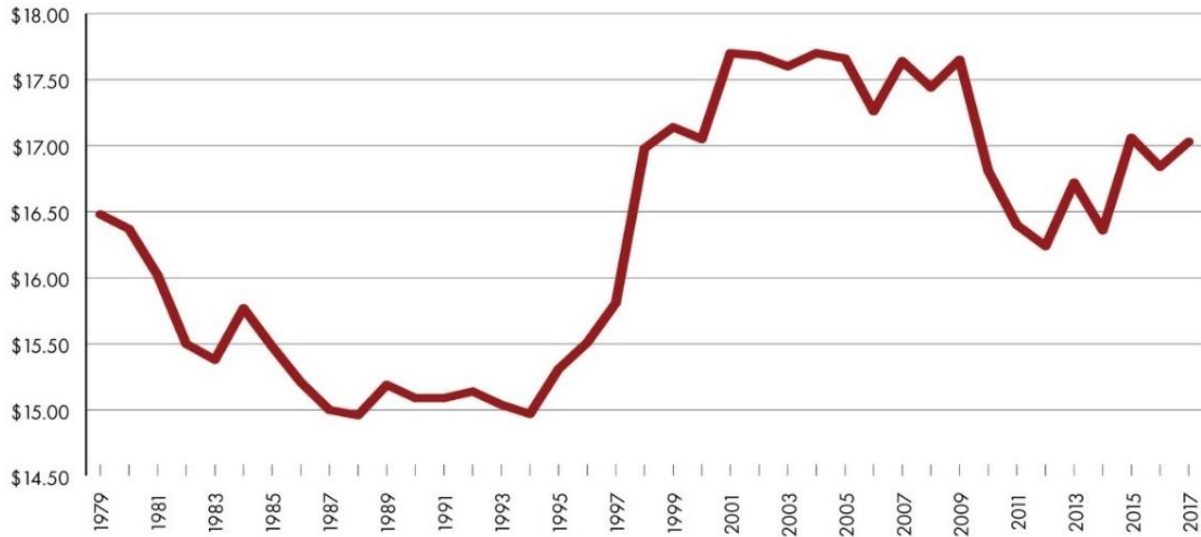
Median hourly wages in Indiana stood at \$17.03 for all workers in 2017. Since 1979, Indiana's hourly wages hit a low of \$14.96 in 1987 (in 2017 dollars). Starting around 1994, Hoosier wages climbed as the state and national economy took off, fueled in part by the dot-com boom, to a high of \$17.70 in 2001 and again in 2004. But wages began stagnating after 2004, and starting with the recession years in 2009, the median wage plunged to a low of \$16.24 in 2012 before slowly returning to a rate that puts Hoosiers almost exactly where they were two decades ago.

At \$17.03, the typical Hoosier's hourly wage is now less than what the average Southerner makes. And at 40 hours a week, working in Dixie now pays nearly \$1,000 more a year than working in Indiana.

Economic Policy Institute analysis of U.S. Census data

Hoosier Wages Reached Their Last Peak in 2004 and Still Haven't Recovered From the Great Recession

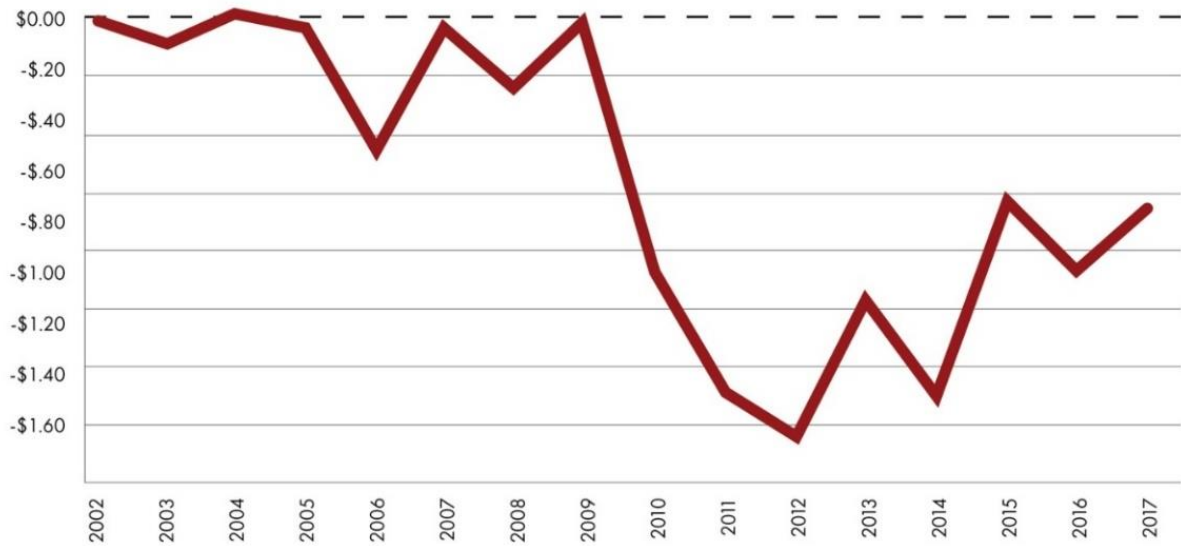
Indiana Median Hourly Wages in 2017 Dollars



Source: Economic Policy Institute analysis of Current Population Survey data using CPI-U-RS.

The Average Hoosier is Paid 67¢ Less Per Hour (\$1,394 per year) Compared with Indiana's Peak Wages in 2004

Change in Indiana's Median Hourly Wage Since 2002 (in constant 2017 dollars)



Source: Economic Policy Institute analysis of Current Population Survey data

** Using CPI-U-RS.

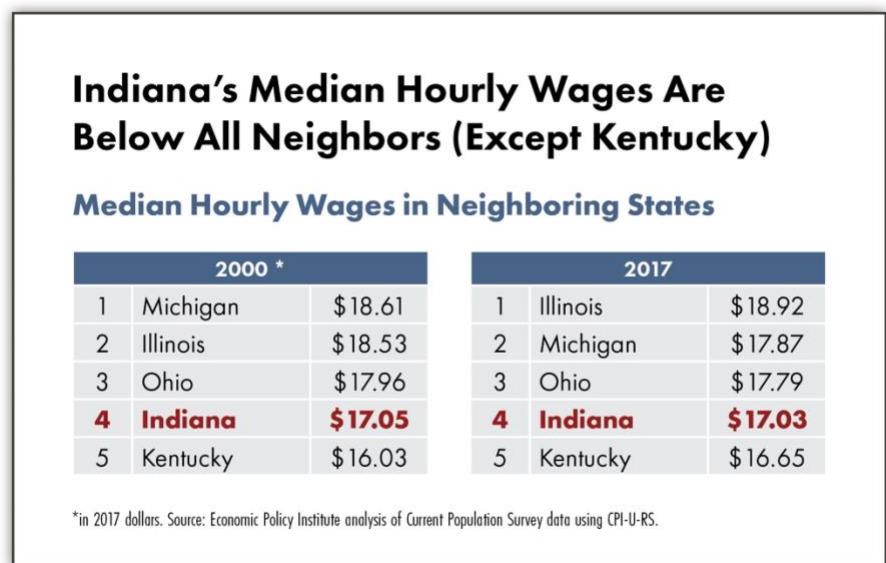
This means the average worker in Indiana made \$0.67 less per hour in 2017 compared to 2001, or \$1,393 less annually in 2017 dollars for a 40-hour work week. While this deficit wasn't as deep from its previous high in 2004 as during the nadir of the recession, it still means that the typical Hoosier worker is earning far below what she did at the turn of the century. It also means that **Indiana's high school Class of 2018 is facing an economy with wages never better than when they were in preschool**, and older workers have cumulatively lost tens of thousands of dollars in their paychecks compared to the turn of the century.

The steep decline in wages starting with the recession damaged Hoosiers' economic well-being in ways that haven't healed, even as the national economic recovery has finally caught on in Indiana. In one year alone, from 2009 when the median hourly wage was \$17.65, to \$16.81 in 2010, the average Hoosier working 40 hours a week lost \$1,742 in wages, with losses that continued through 2012. And while wages have partially recovered, the average Hoosier lost a cumulative \$16,099 in total wages from 2009 to 2017 if wages had remained at their 2009 level.²

Indiana's Median Hourly Wages Below Average of U.S., Midwest, and South

Indiana's struggle with wages hasn't happened in a vacuum, and in addition to the cumulative damage to Hoosiers' economic well-being, the state has lost ground to its neighbors since the recession. At the outset of the recession, wages in Indiana were ahead of those in Ohio and were mid-pack among all the state's neighbors. But since the end of the recession, Indiana's Midwest neighbors (Illinois, Michigan, and Ohio) have recovered more strongly, leaving Indiana tangling with Kentucky for the lowest wages in the region. In fact, the median wage in Kentucky has jumped up since 2014 - in Indiana, it has been essentially flat. Both Indiana and Kentucky have made policy choices to stay with the hourly federal minimum wage of \$7.25 and tipped minimum wage of \$2.13. Not coincidentally, our neighbors with higher median wages also have higher policy standards for hourly minimum and tipped wages, including: Illinois (\$8.25/\$4.95); Ohio (\$8.30/\$4.15); and Michigan (\$9.25/\$3.52).^{xv} To help make up for thousands of dollars in lost wages during the 21st century, Indiana should at least match the highest minimums among its neighbors, and index future increases to changes in the state's median wage.

Indiana's trend in wages is even more alarming when comparing Indiana to regional trends in the Midwest and the South. After rising in the 1990s to compete with the Midwest in the first half of the 2000s, Indiana's median wages fell sharply during the recession, and are now lower than those of the South, unable to match either region's recovery, or that of the U.S. a whole, which in 2017 overcame its previous pre-recession high. At \$17.03, the typical Hoosier's hourly wage is now less than what the average Southerner makes. And at 40 hours a week, working in Dixie now pays nearly \$1,000 more a year than working in Indiana.

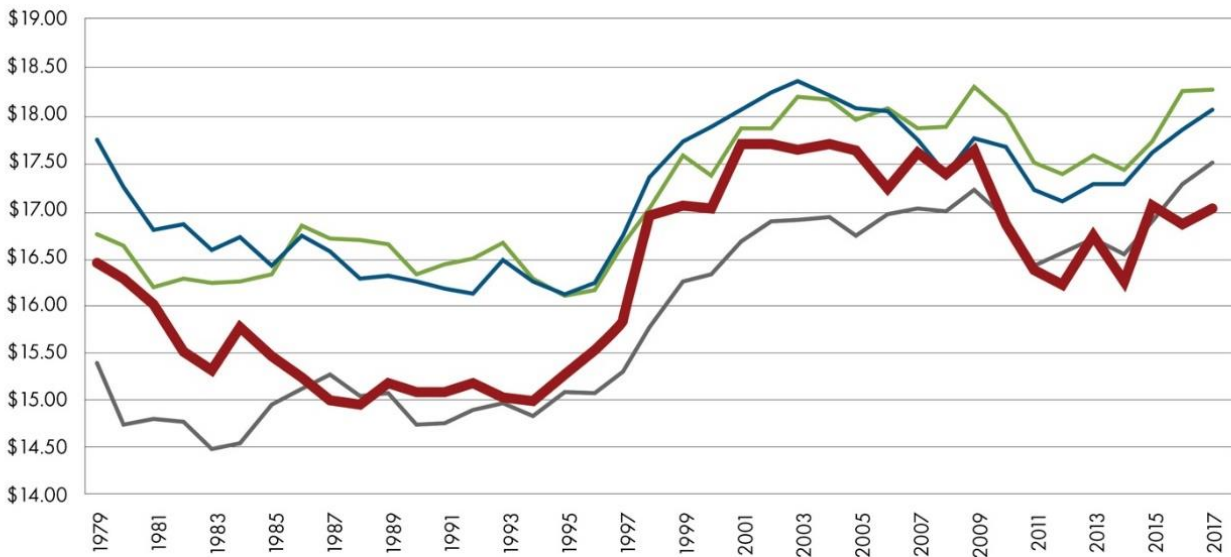


² The loss of \$16,099 in wages is for the median full-time worker at 40 hours a week. But for the hundreds of thousands of Hoosiers who lost jobs, became underemployed, or worked part-time involuntarily, the lost wages since 2009 would add up to much more.

After Rising to Meet the Midwest in the '90s, Indiana's Median Wages Are Now Below the South's

Median Hourly Wages (in 2017 dollars)

— U.S. — Midwest — Indiana — South



Source: EPI analysis of CPS-ORG

Indiana's median wage of \$17.03 is currently #11 of 12 Midwestern states. Since 2001, Indiana's wages have been surpassed in the Midwest by North Dakota, Nebraska, Iowa, and Kansas.

Comparing Indiana with the South, Hoosiers' wages would've ranked 4th-highest in the South in 2001, but fell to the bottom half of that region, to 9th by 2017. Southern wages aren't just higher than Indiana's in the 'mid-Atlantic' Southern states of Maryland, Virginia, and Delaware – since 2001, Indiana's wages have been surpassed in the Southeast by South Carolina, North Carolina, and Georgia; and in the Southwest by Texas and Oklahoma. **Since 2016, Hoosiers' median wages have been below those of Dixie as a whole.**

For the average full-time Hoosier worker, being on the losing end of America's economic recovery can add up to thousands of fewer dollars for their families compared to their neighbors and the workers in the Midwest, South, and nationwide.

Indiana's Median Hourly Wage Has Dropped 67 Cents Since 2001

Median Hourly Wages in Midwestern States

| 2001* | | | 2017 | | |
|----------|----------------|----------------|-----------|----------------|----------------|
| 1 | Minnesota | \$20.48 | 1 | Minnesota | \$20.09 |
| 2 | Michigan | \$19.12 | 2 | Illinois | \$18.92 |
| 3 | Illinois | \$18.86 | 3 | North Dakota | \$18.62 |
| 4 | Missouri | \$17.95 | 4 | Wisconsin | \$18.40 |
| 5 | Wisconsin | \$17.85 | 5 | Michigan | \$17.87 |
| 6 | Ohio | \$17.82 | 6 | Missouri | \$17.80 |
| 7 | Indiana | \$17.70 | 7 | Ohio | \$17.79 |
| 8 | Iowa | \$17.12 | 8 | Nebraska | \$17.50 |
| 9 | Kansas | \$17.02 | 9 | Iowa | \$17.33 |
| 10 | Nebraska | \$15.83 | 10 | Kansas | \$17.33 |
| 11 | South Dakota | \$15.37 | 11 | Indiana | \$17.03 |
| 12 | North Dakota | \$14.03 | 12 | South Dakota | \$16.93 |

*in 2017 dollars. Source: Economic Policy Institute analysis of CPS data using CPI-U-RS.

Gap between Indiana's wages & others' means Hoosiers miss out on thousands each year

| State | Hourly Difference from Indiana's 2017 Wage of \$17.03 | Annual difference (at 40 hours per week) from Indiana's \$35,422 |
|----------|---|--|
| Kentucky | (\$0.38) | (\$790) |
| South | \$0.48 | \$998 |
| Ohio | \$0.76 | \$1,581 |
| Michigan | \$0.84 | \$1,747 |
| Midwest | \$1.03 | \$2,142 |
| U.S. | \$1.25 | \$2,600 |
| Illinois | \$1.89 | \$3,931 |

Source: Economic Policy Institute analysis of Current Population Survey data ** Using CPI-U-RS

Hoosier Family and Household Incomes Have Fallen from Midwestern to Southern Levels

Beyond individual workers' hourly wages, Indiana's incomplete recovery has also affected annual family and household incomes. While wages represent what each individual worker earns and the hours that people are working, household incomes may take into account multiple workers' wages in addition to other sources of income. Family incomes also take into account the number and relationship of individuals. Over the past four decades, median household income for a four-person Hoosier family started the 21st century in 2000 at \$86,527 (in 2016 dollars), at the time nearly tied for third place among Indiana's neighbors. However, from that 2000 value, Hoosier family incomes dropped by as much as \$12,562, to \$73,965 in 2011, and at \$79,296 in 2016 are still \$7,231 below their value of 2000, worth only 91.6% of its value at the turn of the century, and slipping to next-to-last among neighbors.³

Regionally, after starting the 21st century ahead of the U.S. and Midwest average from 2000-2001, Hoosier family incomes started separating from our region in 2003 and further plummeted during the recession. But unlike our Midwestern neighbors, Indiana's family incomes did not recover and, while Midwestern families enjoy incomes higher than the national average, since the recession, Hoosier family incomes have closely resembled those of the South.

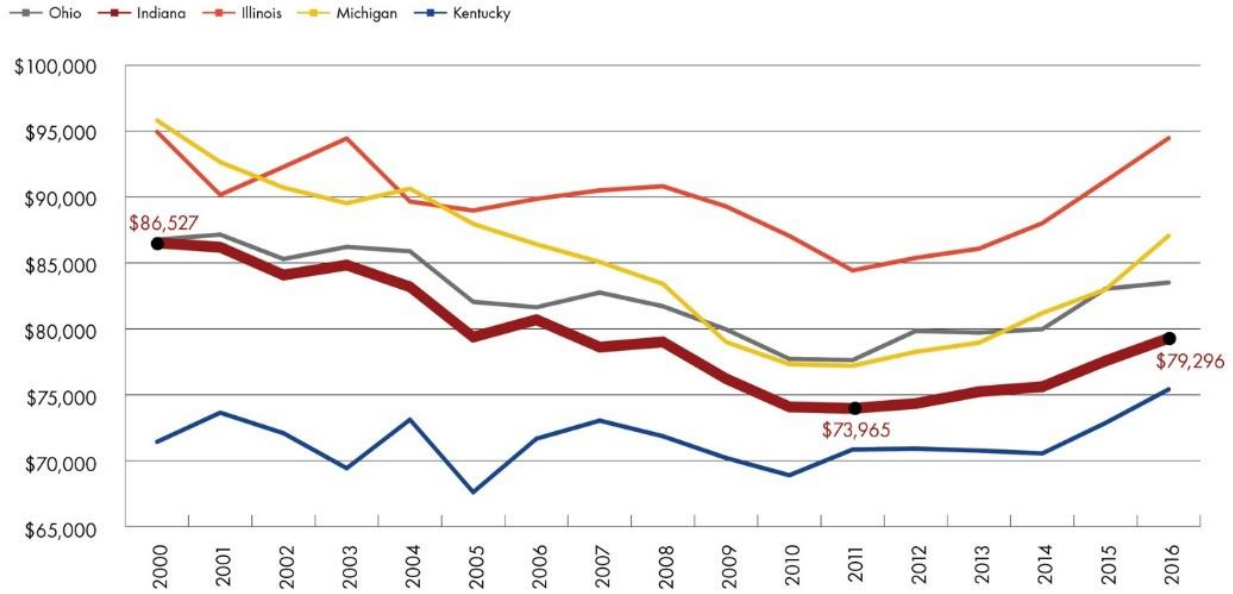
Indiana's Median Household Income Has Fallen Nearly \$4,000 Below the Midwest, Almost Tied with the South

Indiana's median household incomes have followed a similar trajectory when compared to the Midwest and South. Median household incomes are important when evaluating the health of the state's earnings, because they measure the total incomes of the typical household, regardless of the relationship of the members. And while Indiana household incomes started the 21st century at \$56,858, ahead of the Midwest average at \$55,958, by 2003 they fell below the regional average. Well before the recession, Indiana's falling household incomes began to resemble those of the Souths, crossing below that region in 2009, on the way to a low of \$48,973 in 2013. Indiana's household incomes have partly rebounded to \$52,314 in 2016, just \$118 above the South's \$52,196, but \$3,977 below the Midwest's \$56,291.

³ The four-person family measure is significant, not only because it is constant for family size across states and years, but also because it is a measure used for determining the federal poverty threshold and eligibility for service programs including LIHEAP. As Indiana continues to lag in income growth, more Hoosier families continue to need these work supports than would have if incomes had kept up with our Midwest neighbors. See <https://www.acf.hhs.gov/ocs/resource/liheap-im2017-03>

Indiana's Family Incomes Have Lost Over \$7,000 Since 2000, Now Below All Neighbors (Except Kentucky)

Median Income for 4-Person Families by State (in 2016 dollars)

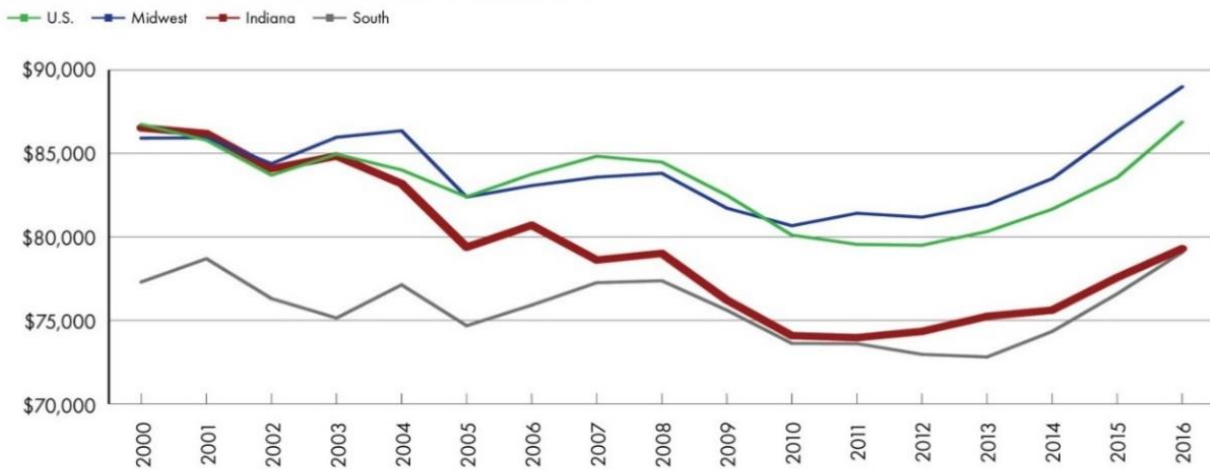


Source: (1974-2002): <http://www.census.gov/hhes/www/income/4person.html>
 Source: (2003-2004): <http://www.gpoaccess.gov/t/index.html>
 Source: (2005+): <http://factfinder.census.gov>, Table B19119 (The source from 2004-2005 changes from CPS to ACS)

Adjusted by CPI-U-RS

After Losing More Than \$7,000 in Value Since 2000, Indiana's Median 4-Person Family Income Now Resembles That of the South More Than the Midwest

Median Income for 4-Person Families by Region (in 2016 dollars)

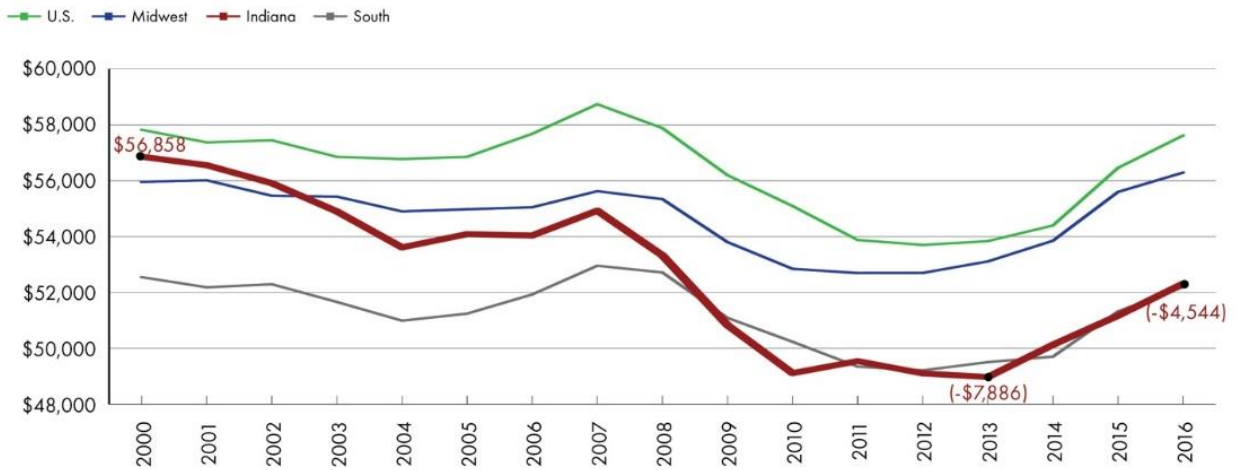


Source: (1974-2002): <http://www.census.gov/hhes/www/income/4person.html>
 Source: (2003-2004): <http://www.gpoaccess.gov/t/index.html>
 Source: (2005+): <http://factfinder.census.gov>, Table B19119 (The source from 2004-2005 changes from CPS to ACS)

Adjusted by CPI-U-RS

The Typical Hoosier Household Income is \$4,544 Less Than in 2000, Now Virtually Tied with South

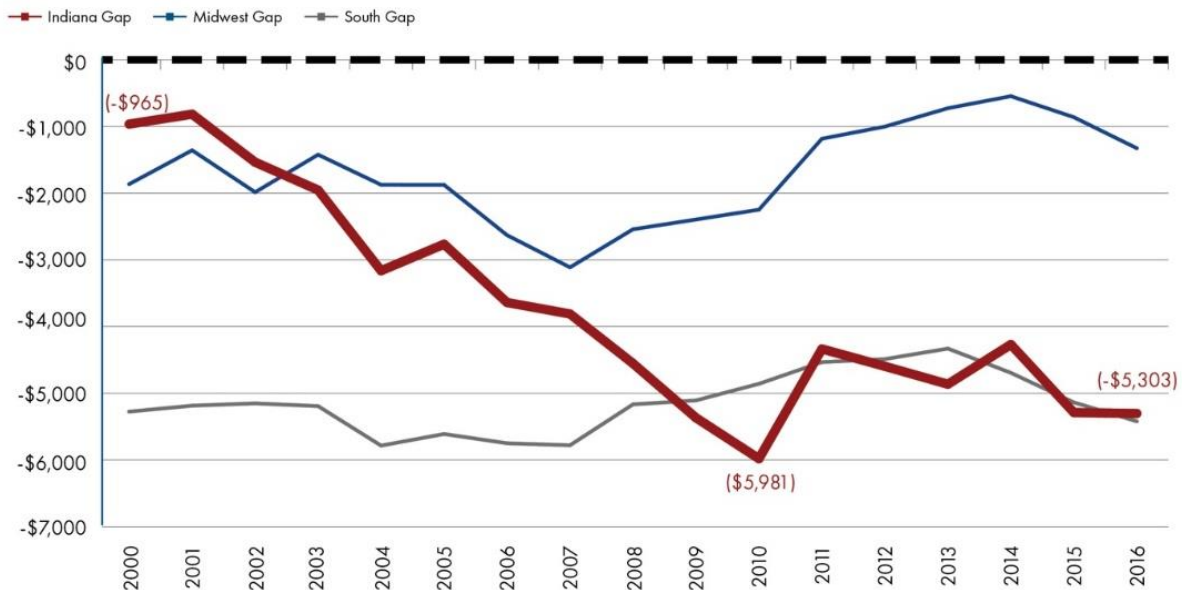
Median Household Incomes (in 2016 dollars)



Sources: <http://factfinder.census.gov> 2002-2014 American Community Survey Adjusted by CPI-U-RS Table B19013
Revised 2008 data from <http://www.census.gov/prod/2010pubs/acsr09-2.pdf>

Indiana's Household Incomes Are Now More Than \$5,000 Below the U.S. Median, a Gap Similar to the South's

Difference from U.S. Median Household Income (in 2016 dollars)



Source: <http://factfinder.census.gov>
2002-2014 American Community Survey

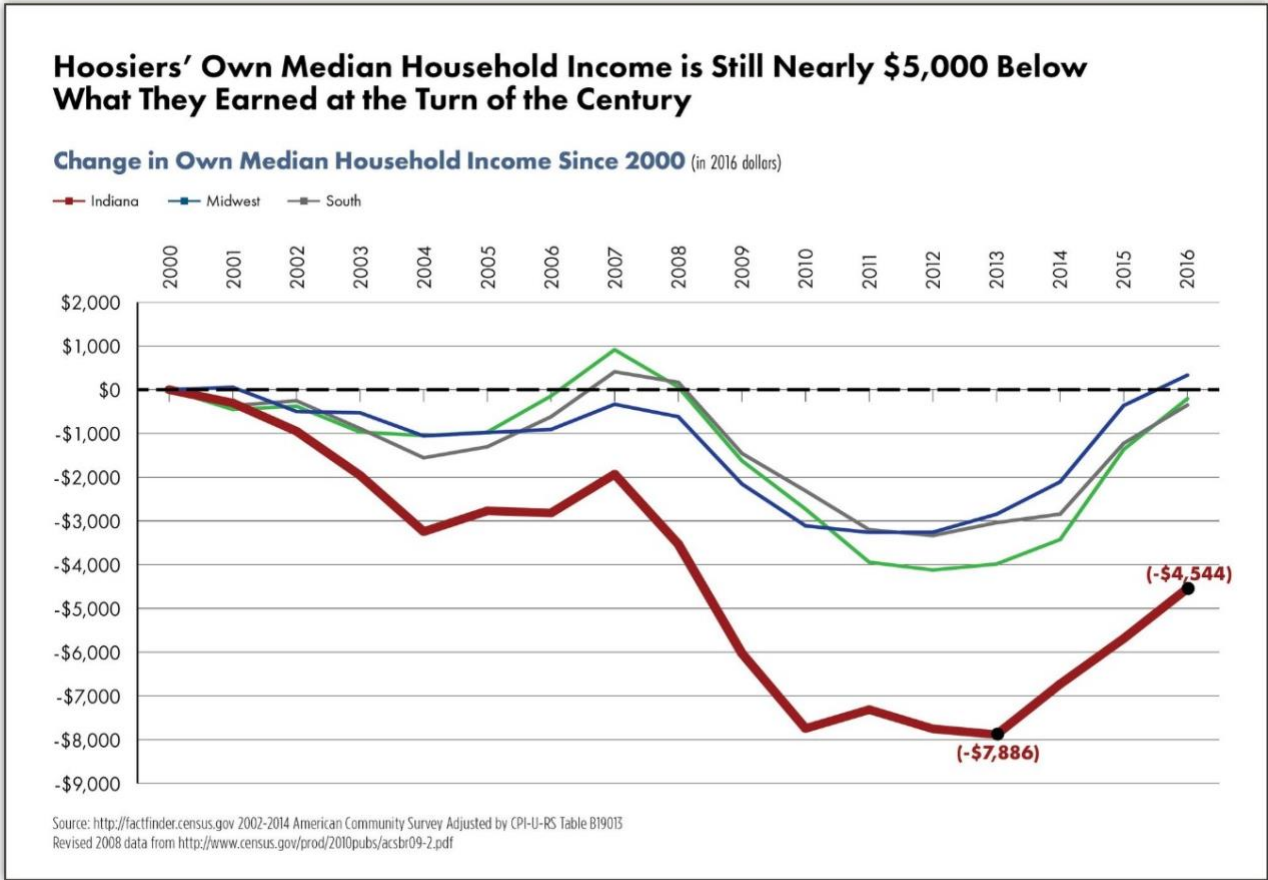
Adjusted by CPI-U-RS

Indiana's fall in household income can be seen in a stark manner when compared to the U.S. median. Although always below the national median, Indiana started the 21st century in 2000 \$965 below the U.S., but closer to that average than the Midwest as a whole. But as soon as 2002, Indiana's incomes started pulling more from the national median, and then separated further from the Midwest starting even before the recession, when the Midwest began catching up to the U.S. average. **At 2009, Indiana dropped below the South in terms of distance to the national median, and by 2010 was \$5,981 below the U.S. average. As of 2016, Indiana's median household income remains \$5,303 below the U.S. average.**

Indiana dropped **13 spots** in median household income rankings in the 21st century so far, from 22nd-highest in 2000 to 35th-highest in 2016.

U.S. Census Bureau

What's arguably worse for Hoosier families is that by 2013, Indiana's median household income dropped \$7,886 below its own value in 2000, and while it has gradually improved since 2010, in 2016, was still down \$4,544 (in 2016 dollars) below what Hoosier families earned at the turn of the century. By comparison, the average Midwestern family lost an average \$3,263 by 2011, but have made a full recovery and are now \$332 above where they were in 2000. Southern families took a smaller maximum hit of \$3,335, and have returned to a current gap of \$361 below their 2000 level. And the average American household, whose income dropped more than either the median in the South or the Midwest, didn't lose nearly as much as the average Hoosier household, and now stands \$206 lower than in 2000. **Over the past 16 years, Hoosier families saw tens of thousands more lost from their paychecks than Midwestern and even Southern neighbors, and are still thousands more in the hole compared to 2000.** The cumulative drop in quality of life leaves the next generation with far fewer family and community resources than their parents knew, especially compared to those in surrounding regions.



In 2000, Indiana’s median household income ranked 5th-highest in the Midwest and 22nd-highest among the 50 states. By 2016, that ranking fell to 11th in the Midwest – next to last – as well as 35th-highest in the U.S., the lowest ranking among any neighbor, except Kentucky at #45. During those years, Indiana lost 13 ranking spots compared to other states, the second-largest drop amongst any state, behind only Michigan’s drop of 15 ranking spots.

Hoosier’s ranking for Median Household Income falls to next to last among Midwest states

| Median Household Income in Midwest States 2000 (in 2016 dollars) | | | Median Household Income in Midwest States 2016 (in 2016 dollars) | | |
|--|----------------|-----------------|--|----------------|-----------------|
| 1 | Minnesota | \$66,558 | 1 | Minnesota | \$65,599 |
| 2 | Illinois | \$63,707 | 2 | Illinois | \$60,960 |
| 3 | Michigan | \$60,473 | 3 | North Dakota | \$60,656 |
| 4 | Wisconsin | \$58,831 | 4 | Nebraska | \$56,927 |
| 5 | Indiana | \$56,858 | 5 | Wisconsin | \$56,811 |
| 6 | Kansas | \$56,120 | 6 | Iowa | \$56,247 |
| 7 | Ohio | \$55,396 | 7 | Kansas | \$54,935 |
| 8 | Iowa | \$53,214 | 8 | South Dakota | \$54,467 |
| 9 | Nebraska | \$52,099 | 9 | Michigan | \$52,492 |
| 10 | Missouri | \$51,772 | 10 | Ohio | \$52,334 |
| 11 | South Dakota | \$48,560 | 11 | Indiana | \$52,314 |
| 12 | North Dakota | \$47,913 | 12 | Missouri | \$51,746 |

Source: 2002-2014 American Community Survey Adjusted by CPI-U-RS, <http://factfinder.census.gov>

The change in Indiana’s household incomes in the 21st century is much more in line with similar losses among many Southern states as, in 2000, Indiana would have ranked 5th-highest in the South, and by 2016 would have lost only one spot to 6th-highest in the South, above Florida but below Georgia.

Indiana Has Lost Ground to Other States in After-Tax Earnings

Another measure of income popular with some policymakers and commentators is disposable income. In contrast to the measures of ‘median’ incomes explored so far, disposable per capita income is a ‘mean’ calculation that measures all state after-tax earnings divided by the number of individuals in the state. Despite a highly regressive tax system that favors the wealthy (see the tax discussion later in this report), Indiana’s extremely weak income growth has meant it has lost ground even in this after-tax income measure. In 2001, Indiana ranked #34 in the U.S. for disposable per capita personal income, and in 2015 ranked #38.

In 2001, Indiana ranked #34 in the U.S. for after-tax per -capita personal income, but dropped to #38 by 2015

U.S. Bureau of Economic Analysis

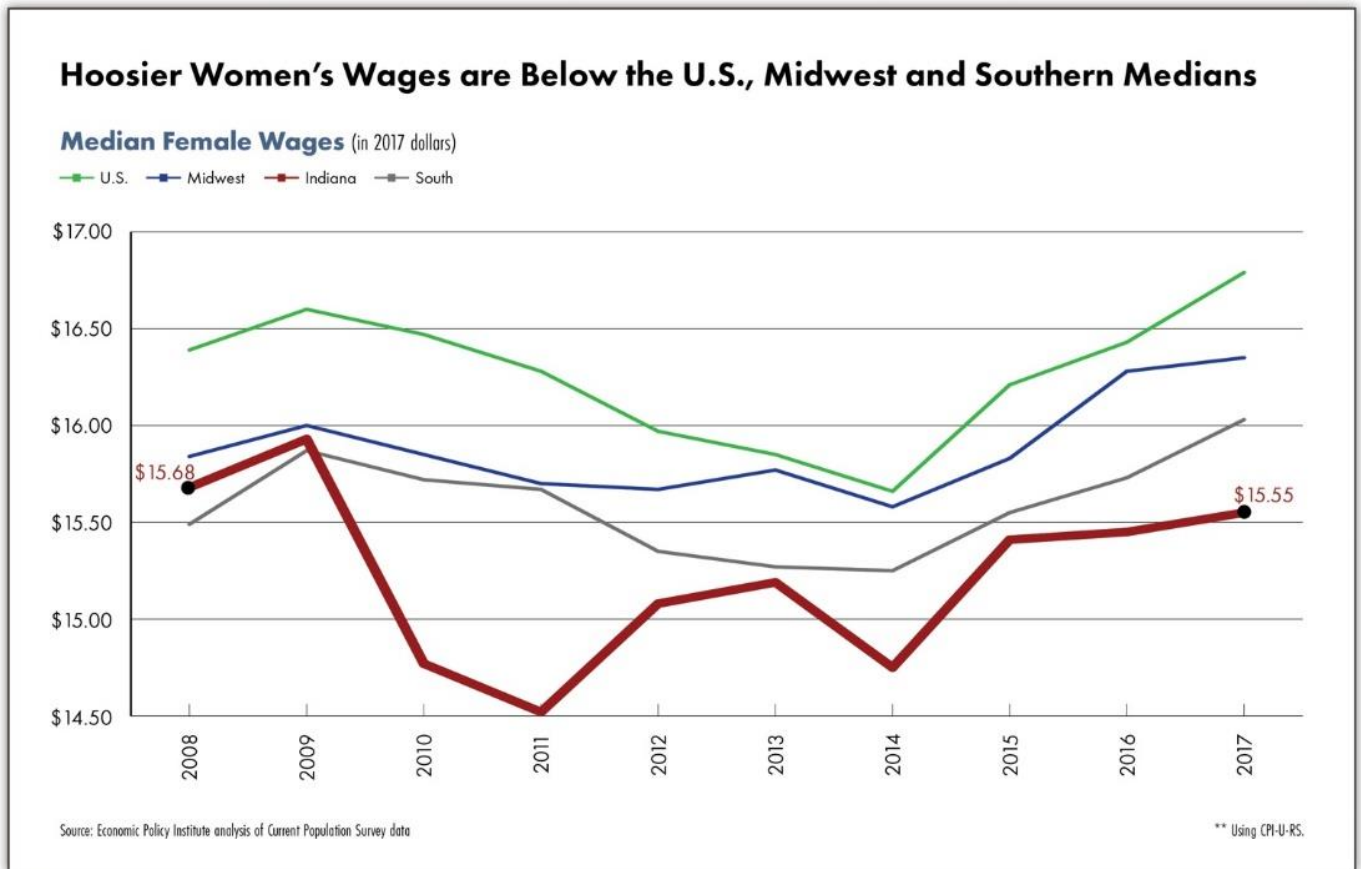
Poor Wage Growth Has Left Hoosiers of Nearly All Demographics Behind in the National Recovery

While median and per capita incomes have left Hoosiers behind the average Midwestern and American family (and tied or behind the South), even within the state’s modest share of the national recovery, wage growth has not lifted all Indiana boats equally. Many Hoosiers are still underwater compared to before the recession, and with few exceptions, only the wealthiest now have wages worth more than they were at the turn of the last century. Nearly every demographic of Hoosier workers now have lower wages than before the recession, including the median hourly wage for women, men, African-Americans, Latinx, whites, union, non-union, and at various levels of education. The distinctions,

however, can be seen within wage deciles and in comparison with neighboring states and regions. The largest wage gains, by far, have gone to Indiana's top earners.

Hoosier Women Experience the Gender Wage Gap More Strongly Than Counterparts in U.S., Midwest, South

Before the recession, Hoosier women's median hourly wages - at \$15.68 - were competitive with those of the greater Midwest in 2008. However, Indiana women's wages fell more sharply during the recession and, at \$15.55 in 2017, have yet to recover their pre-recession rate, unlike those of the Midwest or even the South.



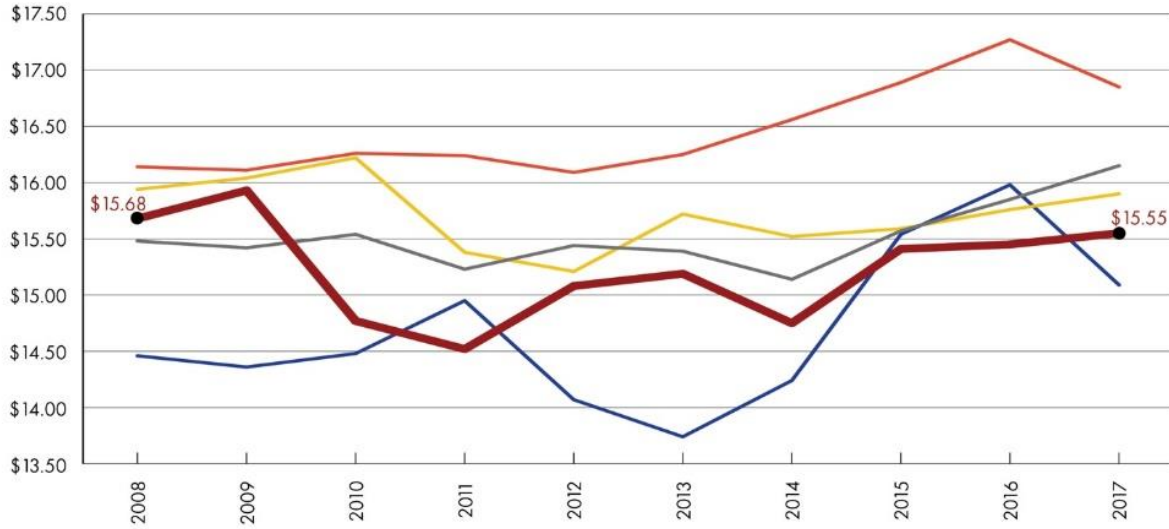
While before the recession, Indiana women's wages were in a tight grouping and mid-pack among neighbors, they have been nearly flat over the past three years, and were lowest among all neighbors before a sudden decline in Kentucky in 2017 left them next-to-last.

The Institute's 2017 report 'Wages, Wealth, & Poverty: Where Hoosier Women Stand & Ways Our State Can Close the Gaps' identified that the state now has the sixth-largest gender wage gap in the U.S. CPS data shows an hourly wage gap of \$0.71 between the median Indiana wage of \$15.68 and U.S. woman's wages of \$16.39 in 2008. But that gap expanded to \$1.24 by 2017 (nearly \$2,6000 annually for Hoosier women working 40 hours a week) as Hoosier women's wages declined to \$15.55 an hour.

Hoosier Women's Wages Next-to-Last Among Neighbors After Stagnating for 3 Years

Median Female Wages (in 2017 dollars)

— Ohio — Indiana — Illinois — Michigan — Kentucky



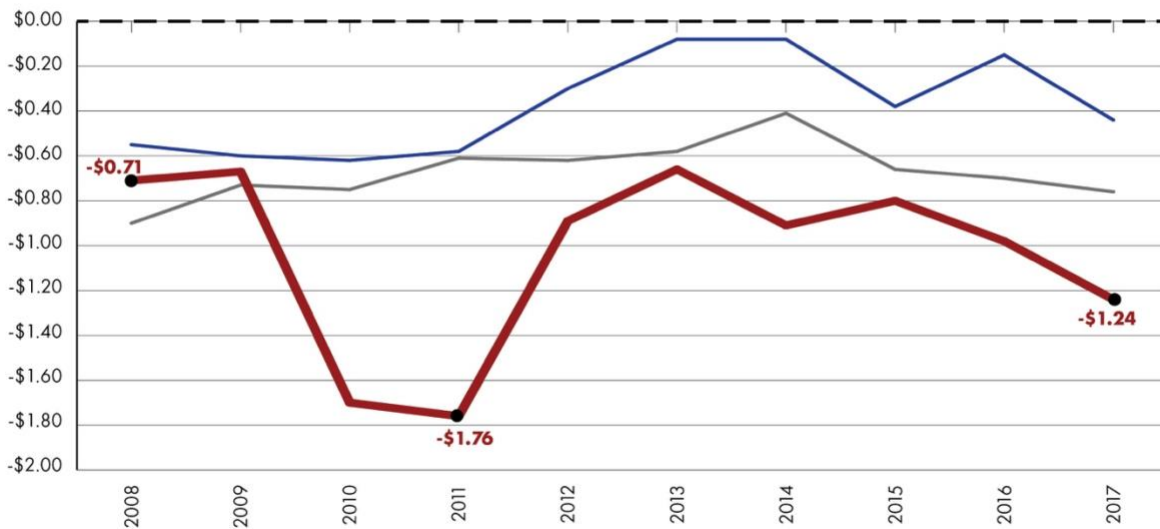
Source: Economic Policy Institute analysis of Current Population Survey data

** Using CPI-U-RS.

Hoosier Women's Wages Have Declined Since Before the Recession, Now Further Behind U.S. Women's Median

Gap Between Median Female Hourly Wages and U.S. Median Female Hourly Wages

— Midwest — Indiana — South

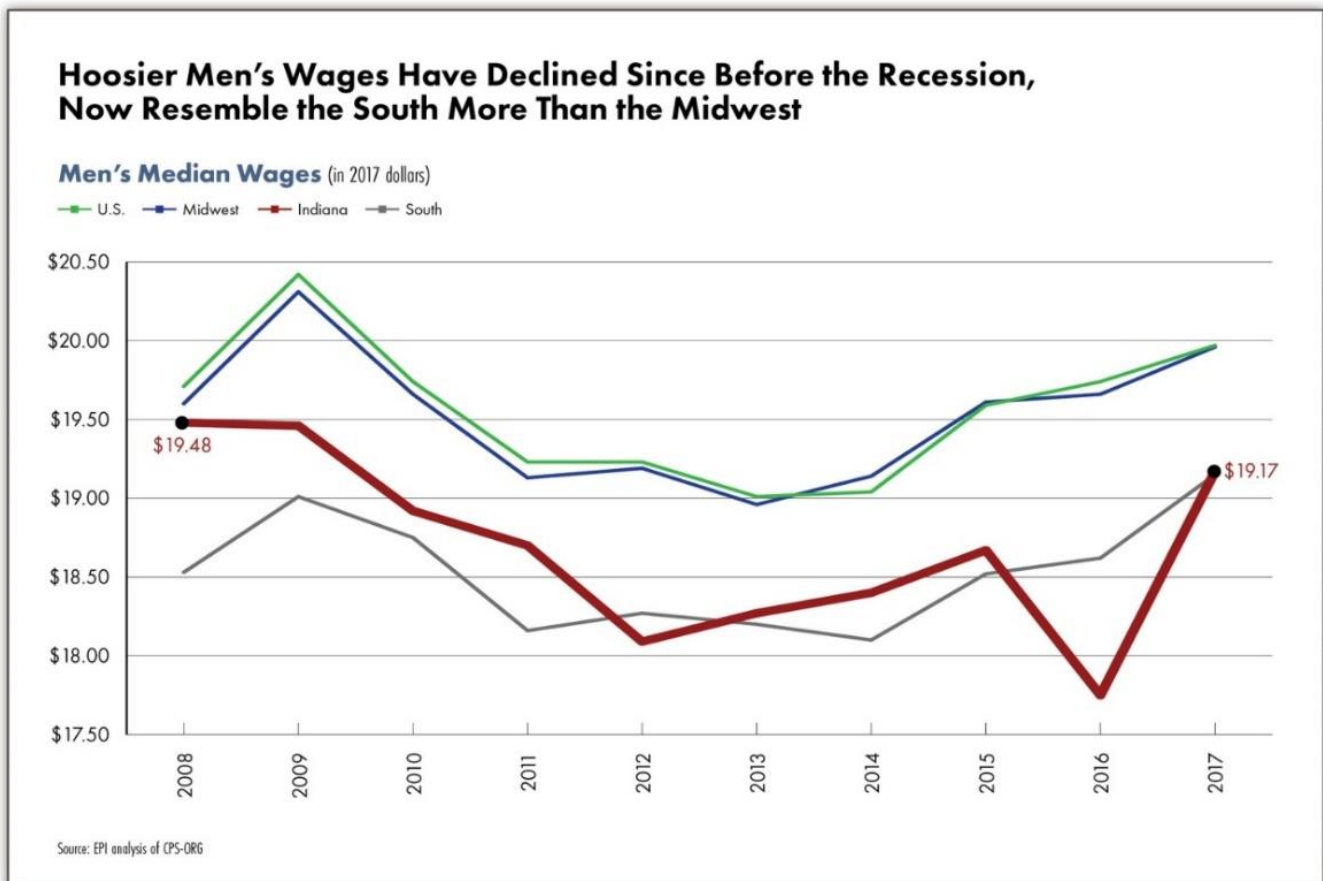


Source: Economic Policy Institute analysis of Current Population Survey data

** Using CPI-U-RS.

Hoosier Men's Wages Down \$1,660 a Year Compared to 2008, Now Virtually Tied with Southern Men's

Hoosier men's wages have also yet to recover their losses from the recession, before which they were only slightly below the U.S. and Midwestern medians. After standing at \$19.48 in 2008, men's wages dipped nearly \$2 below the national average in 2016, and at \$19.17 in 2017, are now dueling with their Southern counterparts close to a dollar below a Midwestern average that is now closely paired with the U.S. median. In this case, by not keeping up with wage gains in the Midwest, Indiana has cost the average Hoosier man has lost more than \$1,660 in wages at 40 hours a week.

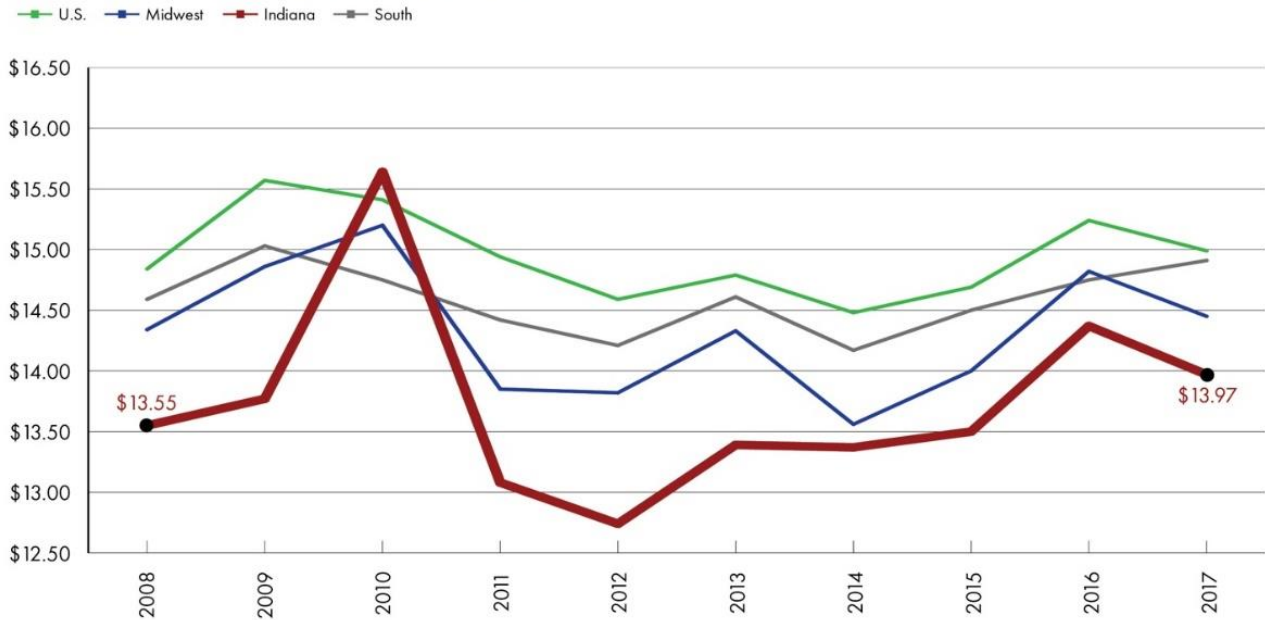


Racial Wage Gaps Persist in Indiana

Median hourly wages for African-American Hoosiers began the recession at \$13.55 below all Midwestern neighbors, the U.S., Midwest, and the South, and have largely stayed there. At \$13.97 in 2017, Hoosier African American wages are now just a penny above Ohio, and nearly a dollar an hour below the U.S. median for African Americans.

African-American Hoosiers' Wages Below U.S., Midwest and South

African-American Median Hourly Wages (in 2017 dollars)



Source: Economic Policy Institute analysis of Current Population Survey data ** Using CPI-U-RS

Despite a period of increased volatility during the recession, African-American Hoosier wages have been consistently lower than the U.S. median, from \$4.35 an hour in 2008 to \$4.31 in 2017. The economic recovery has done almost nothing to lift African-American Hoosiers' wages or bring them more into line with the national average.

Median Latinx Hourly Wages (in 2017 dollars)

| | 2015 | 2016 | 2017 |
|----------------|---------|---------|---------|
| U.S. Latinx | \$13.96 | \$14.42 | \$14.94 |
| Indiana Latinx | \$12.44 | \$14.20 | \$14.19 |
| Midwest Latinx | \$13.37 | \$14.26 | \$14.19 |
| South Latinx | \$14.05 | \$14.32 | \$14.90 |
| U.S. median | \$17.70 | \$18.24 | \$18.28 |

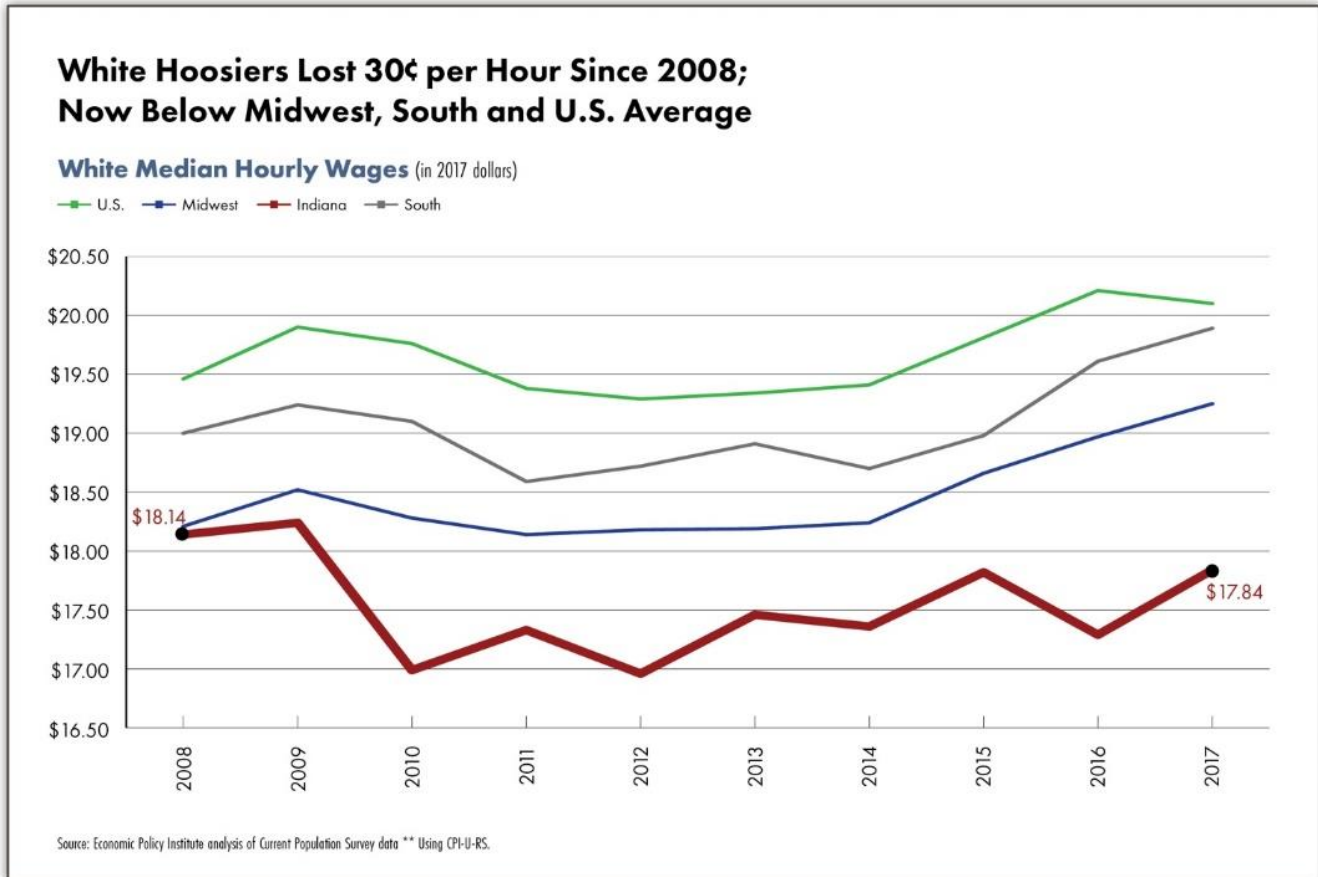
Source: Economic Policy Institute analysis of Current Population Survey data ** Using CPI-U-RS.

Wage data on Latinx⁴ workers is inconsistent at the state level, but trends over the past three years shows Hoosier Latinx workers make less than median wages for the U.S. and South, and slightly less or even with the Midwest average.

⁴ The U.S. Census Current Population Survey uses the term 'Hispanic'

Median wages for whites in Indiana also do not escape statewide gaps from neighbors and regions

While at \$18.14 in 2008, white workers in Indiana began the recession only seven cents below the Midwest and \$1.32 below the U.S. median, by 2017 with median wages of \$17.84 the gap had grown to \$1.41 below the Midwest and \$2.26 below the U.S. median every hour. For a 40-hour work week, the loss of \$0.30 per hour compared to 2008 means the typical white worker took home \$624 fewer dollars in 2017 on average.

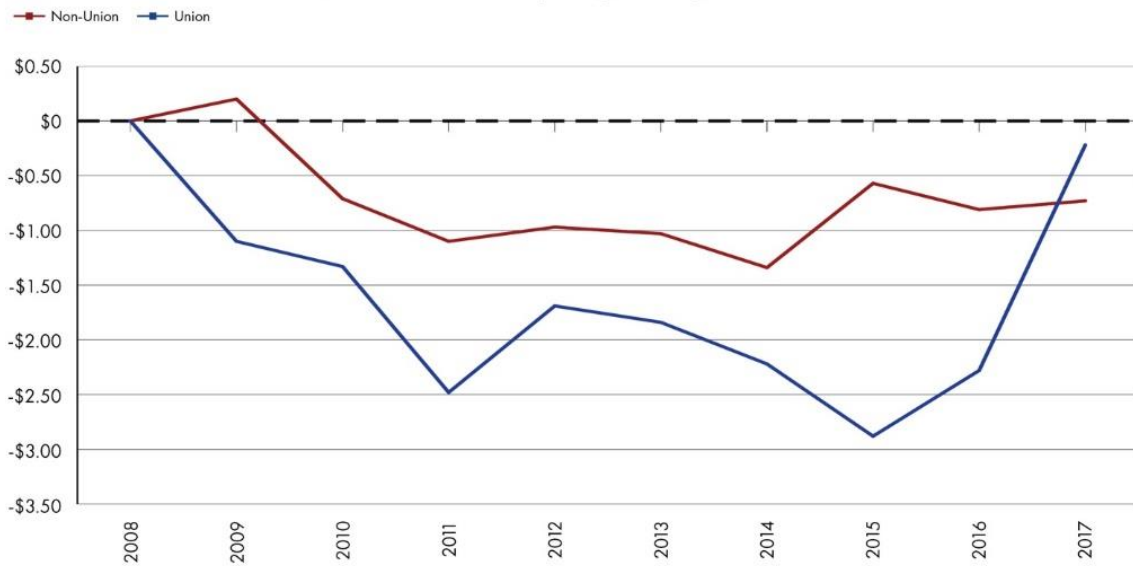


Hoosier union workers saw decline after 'Right to Work' but after recession their wages rebounded stronger than non-union workers

While hourly wages have declined for both union and non-union Hoosier workers since 2008, their trajectories suggest the influence of state policy. Union wages, which started at \$23.93 per hour in 2008, saw a decline pushed deeper after the 2012 'Right to Work' law. By contrast, although starting much lower at \$16.94 in 2008, saw a more gradual decline. However, the national recovery reached union workers much more rapidly, pushing those worker's wages nearly (although not totally) back to their pre-recession rate, while non-union workers saw a more modest and gradual incomplete recovery. **By 2017, Hoosier union workers' hourly wages were at \$23.71, while non-union wages were at \$16.21.**

Union Hoosiers Saw Greater Drop in Wages in Recession and After 'Right to Work' But Made Faster and Stronger Recovery than Non-Union Workers

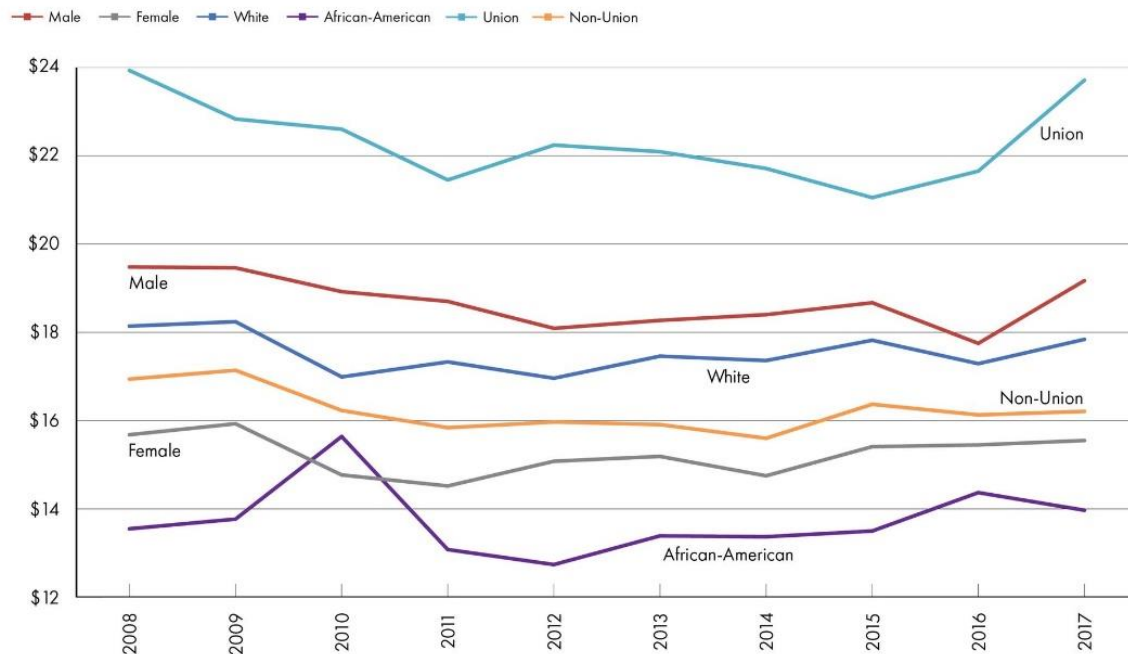
Union and Non-Union Hoosiers' Median Hourly Wage Changes (indexed from 2008)



Source: Economic Policy Institute analysis of Current Population Survey data ** Using CPI-U-RS.

Across Many Demographics, Wages are Clearly Stratified by Race, Gender and Union Affiliation

Indiana Hourly Wages Across Six Demographics (in 2017 dollars)



Source: Economic Policy Institute analysis of Current Population Survey data ** Using CPI-U-RS.

Demographic stratifications of wages have persisted since the recession

Across many of the demographics studied so far, a clear stratification can be seen by race, gender, and union affiliation. With few exceptions, each demographic's patterns of stratification have held, and median wages remain below their 2008 level. In general, white, male, and union Hoosiers earn more per hour, while Hoosiers of color, women, and non-union workers earn less. (See graph on previous page.)

Wages at every level of educational attainment are lower than before the recession

While the data for hourly wages in Indiana by educational attainment level are incomplete, several

consistent facts emerge. Wages at every attainment level were lower in 2017 than they were before the recession in 2008. The loss in wages at the lower end of attainment would hit those workers and their families especially hard. For example, the loss of \$0.91 per hour for workers with less than a high school diploma would mean nearly \$2,000 less per year for those working 40 hours per week.

Hoosier Wages by Educational Attainment (in 2017 dollars)

| | 2008 | 2012 | 2017 |
|-----------------------|---------|---------|---------|
| Less than high school | \$11.40 | \$10.62 | \$10.49 |
| High school | \$15.53 | \$15.37 | \$15.06 |
| Some college | \$16.50 | \$15.38 | \$15.90 |
| Bachelor's or higher | \$26.20 | \$25.55 | \$25.09 |

Source: Economic Policy Institute analysis of Current Population Survey data ** Using CPI-U-RS.

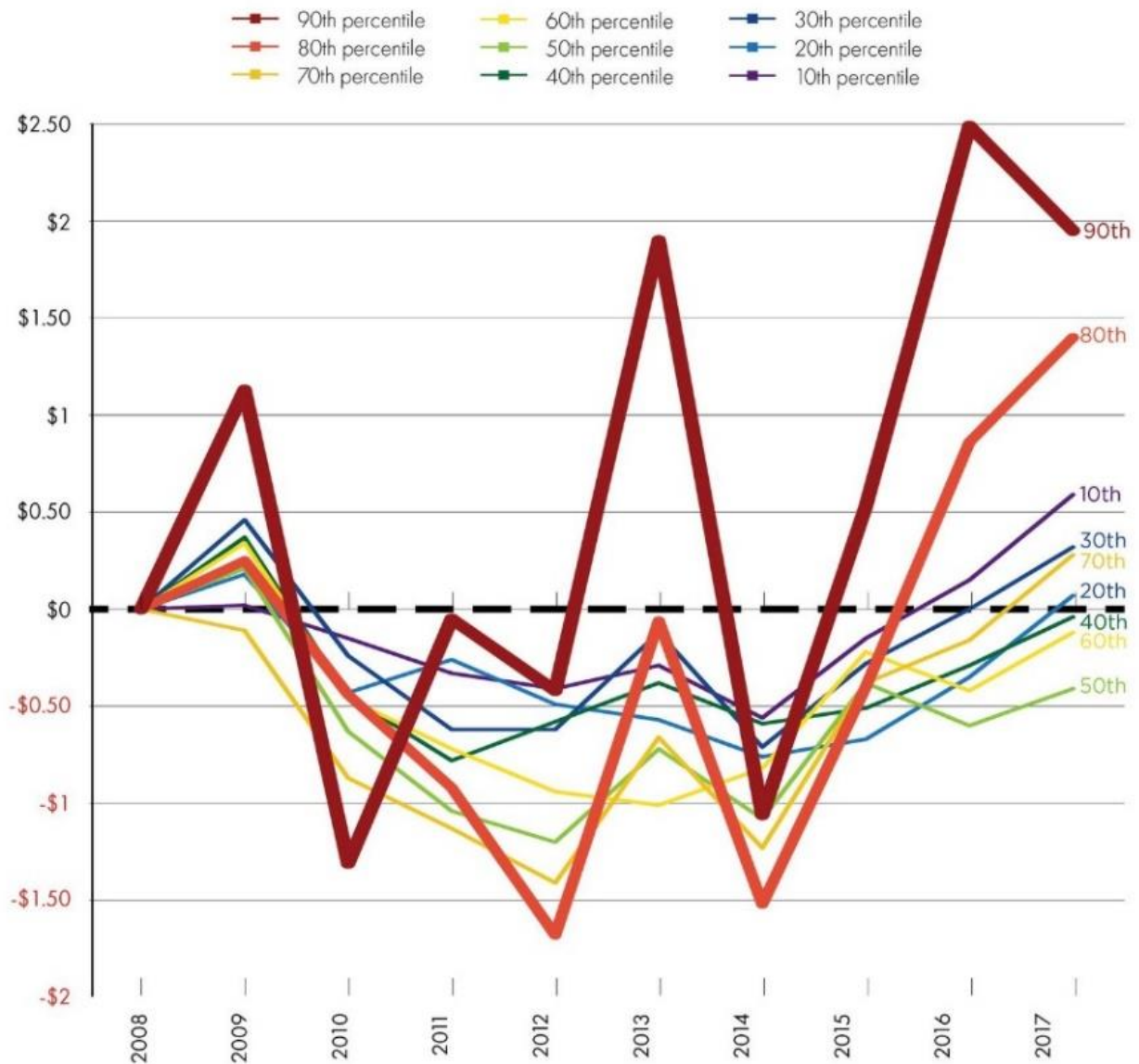
Where are the Gains? Indiana's Wage Growth Largely Captured by Highest Earners

Given the consistent real wage loss since the recession for women, men, white, black, Latinx, union, non-union, and working Hoosiers across the educational attainment spectrum, where have wage gains occurred? The answer is the great majority of wage increased have gone to the wealthiest earners, with only a scattering of increases distributed amongst the rest of Hoosiers. The 90th percentile of earners gained \$1.95 an hour since 2008, and the 80th percentile gained \$1.40. This is over three times and two times more (respectively) than the next highest gain by a decile group. **The wealthiest Hoosiers made up 72.7% of all wage gains since the start of the recession.** And while hourly wage data at the state level are volatile especially among high earners, causing the 'bouncing' effect seen in the charts below, the overall trends are still clear: gains at the top, losses or stagnation for most of the middle and bottom.

The recovery in Indiana has not been kind to middle-wage workers. The gains at the bottom have been miniscule, but are consistent with adding a lot of low-wage jobs, particularly early in the recovery, as we've seen earlier in this report. And while some of the bottom 60% of earners who make up Indiana's middle-class and working families saw wage increases, nearly half of them actually lost ground since the recession. **The average wage change for the middle class and working families together was slightly less than \$0.07 an hour since 2008, compared to nearly \$2 an hour for the top 10%.**

Middle-Wage Hoosiers Have Fared Worst in a Recovery Dominated by Wealthiest Hoosiers and Low-Wage Growth

Change in Hourly Wages for Indiana's Deciles Since 2008 (in 2017 dollars)



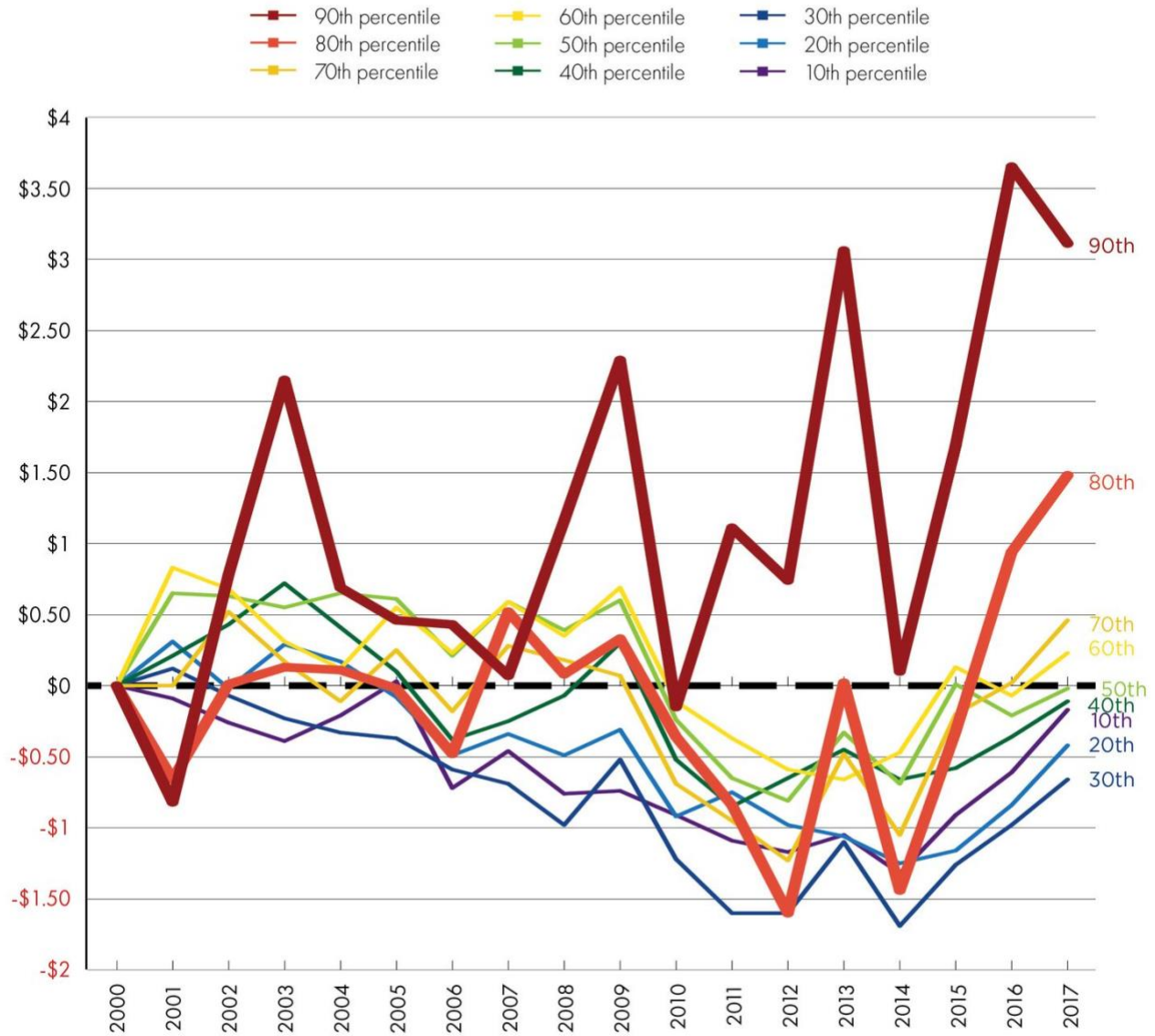
Source: Economic Policy Institute analysis of Current Population Survey data

** Using CPI-U-RS.

The concentration of wage gains at the top started well before the recession. In fact, the wage story of the 21st century in Indiana has been gains at the top and losses for the middle class and working families together. Blaming economic losses on the once-in-a-generation event of the Great Recession misses the core fact of public policy choices that have sent Indiana wages the way of Dixie.

Indiana's Highest Earners Have Captured Nearly All Wage Gains in the 21st Century, Shutting Out Middle Class and Working Families

Change in Hourly Wages for Indiana's Deciles, 2000 - 2017 (in 2017 dollars)



Source: Economic Policy Institute analysis of Current Population Survey data

** Using CPI-U-RS.

Since the beginning of the 21st century, the vast majority of hourly wage increases were captured by the top earners – of those deciles who have made gains, **58.9% of all gains went to the 90th decile of earners since 2000, and a full 87% went to the 80th and 90th deciles together.** But all of the bottom five deciles have lost real wages since 2000, with an average loss of \$0.28 across that bottom half of earners. The median Hoosier worker, who earned \$17.05 in 2000 (in 2017 dollars), has seen almost perfectly stagnant wages, losing two pennies an hour to a wage of \$17.03 in 2017. And what's more, the lowest third of earners spent year after year losing more and more compared to what they once

earned in 2000, so that even after incremental improvements in the last couple of years, these middle class and most vulnerable workers had already fallen behind on basic costs and lost the assets needed to keep up on the economic ladder, much less climb higher. And across much of this time since the turn of the century, Indiana's policy choices (including tax, work supports, and economic policies detailed later in this report) have largely further tilted economic rewards to those already at the top of the ladder, while exacerbating the struggles of those below.

The following chapters will detail how, in addition to stagnant and declining incomes, working Hoosier families have been affected by basic costs outpacing income gains, and will delve into how jobs have changes and how Indiana's policy choices have restricted economic opportunity.

58.9% of all wage gains in Indiana went to the 90th decile of earners since 2000, and a full 87% went to the 80th and 90th deciles together.

Economic Policy Institute analysis of U.S. Census data

Chapter IV: Working Hoosiers Can't Provide for Their Families on Low Cost of Living Alone

Even accounting for cost of living, Indiana's incomes below U.S. average, 2nd-lowest in Midwest

In addition to falling behind the Midwest, and in some cases even the South, in earnings since the Recession, basic costs for working families have grown at a rate five times faster than Hoosier household incomes. Given that Indiana trails the U.S. average and most neighbors in median hourly wages, household, and 4-person family, and disposable income, how do changes in Indiana's incomes reflect the cost of living relative to other parts of the country?

Accounting for cost of living, Indiana's real personal per capita incomes ranked 29th-highest out of 50 in the U.S. and 11th out of 12 in the Midwest in 2016.

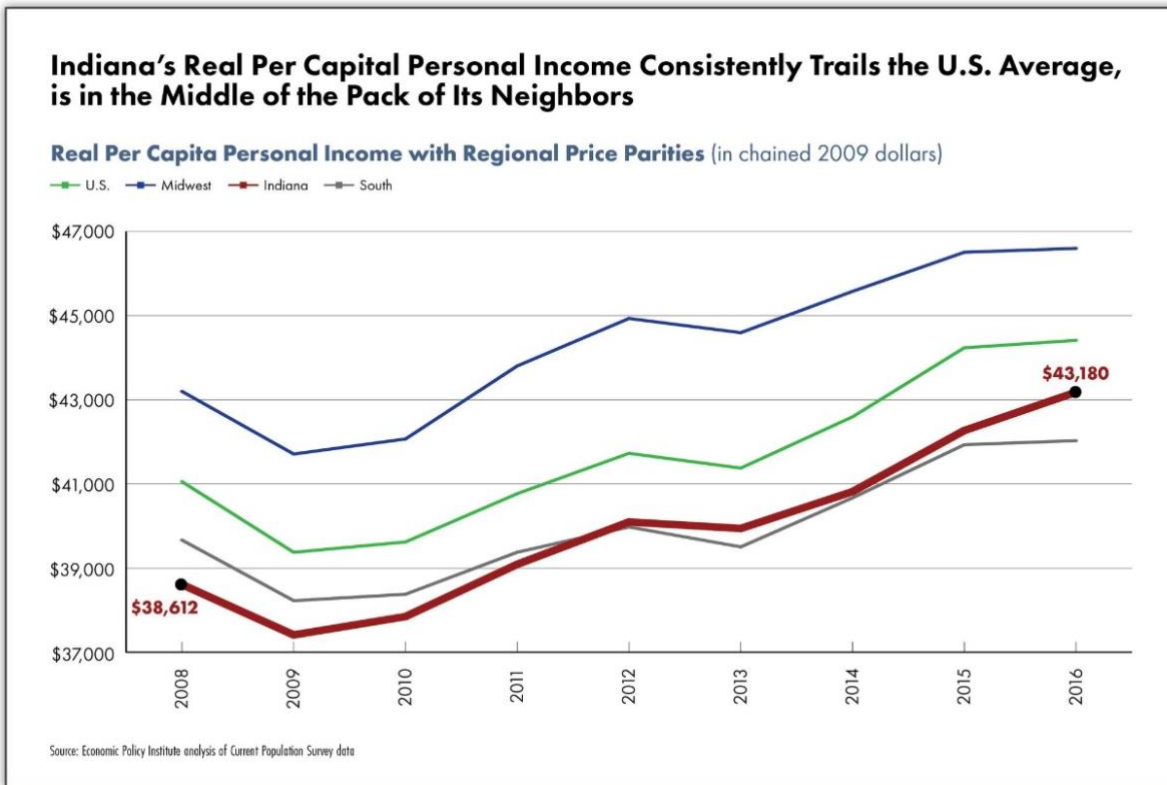
U.S. Bureau of Economic Analysis

Commentators and media often attempt to explain Indiana's relatively low wage and earning rankings by [focusing](#) on a low cost of living that they argue yields a higher standard of living - but they miss the boat. Taking into account cost-of-living, Hoosiers have still experienced significant income losses and lag behind the U.S. average and several neighbors, and these trends persist. Most of the wage and income measures discussed so far use the Consumer Price Index (CPI) to account for inflation over time. While the CPI measures the average change in the cost of consumer goods and services, the national CPI most often used measures costs for urban consumers and is not responsive to regional differences in cost of living.

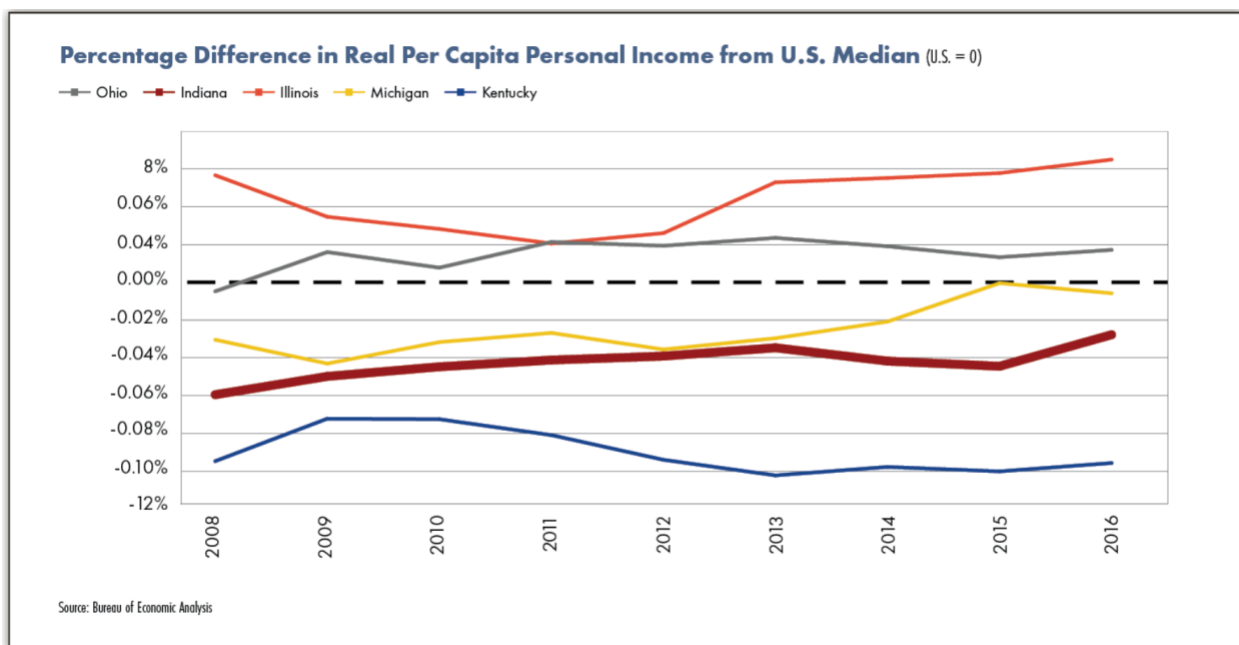
To provide a measure of income that accounts for cost of living, the Bureau of Economic Analysis (BEA) measure of real personal income includes a regional price parity that helps account for difference in prices by state. The BEA regional price parity "measure[s] the differences in price levels across states and metropolitan areas for a given year and are expressed as a percentage of the overall national price level."^{xvi} Compared to the national median of 100, Indiana's regional price parity is 90.7, the 16th-lowest cost of living factor among states, above Kentucky at 88.6 and Ohio at 89.2, but below Michigan at 93.5 and Illinois at 99.7. The BEA uses this index along with per capita income to create *real state personal income*, "a state's current-dollar personal income adjusted by the state's regional price parity and the national personal consumption expenditure price index." The real state personal income provides a baseline for comparing *mean* (not median) incomes and accounting for cost of living from state to state. This measure is useful for comparing the per-capita mean *incomes* across states, but it's important to note it cannot compare the incomes of the median *residents* across states.

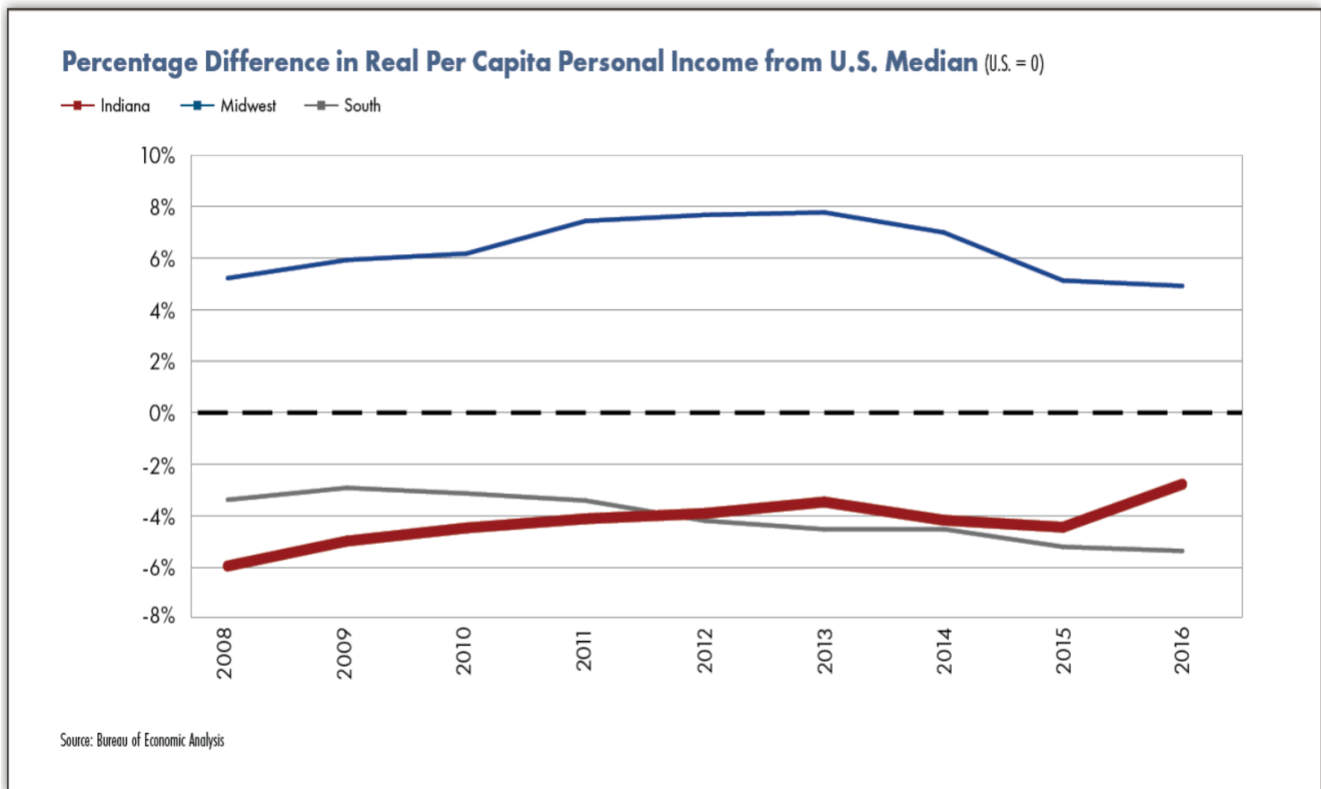
As explored by Vicki Seegert and Timothy Zimmer for the Indiana Business Research Center, accounting for cost of living, Indiana's real per capita personal income consistently trails the U.S. average, and is in the middle of the pack of its neighbors.^{xvii} **As of 2016, Indiana's real per capita personal income was 29th out of 50 in the U.S. and 11th of 12 Midwestern states, according to the U.S. Bureau of Economic Analysis.**⁵

⁵ The U.S. Census categorization of Midwestern states



Indiana's real per capita personal incomes were mid-pack among neighbors, well below Illinois and Ohio, slightly ahead of Michigan and above Kentucky, the same order since the data was first reported by BEA in 2008. And despite an uptick in 2016, Indiana's real incomes remain much closer to those of the South than to the Midwest. **In 2016, at \$43,180 Indiana's real per capita income was \$1,151 (and 2.6 percentage points) above that of Southern states at \$42,029, but \$1,232 (2.8 percentage points) below the U.S. median income and \$3,418 (8.4 percentage points) below that of the Midwest.**





Indiana’s real per capita personal incomes have remained next-to-last in both 2008 and 2016, ahead of only Michigan in each year. But if Indiana were in the South, its ranking would have increased from 10th-highest of 17 in 2008 to 6th-highest in 2016. Even accounting for regional price parities, per capita incomes in Indiana are still below the national and regional averages. But this measure doesn’t tell the full story of how basic costs that have risen far faster than incomes have affected working Hoosier families throughout the state.

Cost of Living Has Grown 5 Times Faster Than Incomes for Working Families Since 2009

The bottom half of all working Hoosiers are still making less in real terms than they did in 2000, and the middle third of earners are still worse off than before the recession. But beyond these statewide averages, rising basic costs have outpaced the changing nature of the state’s jobs in ways that affect counties and regions differently. And while ‘low cost of living’ is often held up as a buffer to make up for lack of income growth, in fact the measurable upward march of basic costs for families such as housing, transportation, and child care, doesn’t make exceptions for the stagnant and declining wages that the great majority of Hoosiers have experienced. This means that the working families with children that Indiana needs to build its futures are able to pay fewer and fewer of their basic bills on what they earn. What were once solidly middle class families are now having to cut corners or forgo making investments that would help their children have a higher quality of life than they have. And more and more working families – those that employers are asking to fill desperately needed positions – succumb to the despair of a foreclosure or an auto repair bill they can’t pay, and are left out of the job market and the economic recovery entirely.

In contrast to the price-based tools of the BLS’ Consumer Price Index or the BEA’s Regional Price Parities, the minimum basic costs for working families can better be measured by the Self-Sufficiency Standard for Indiana, which uses a includes state and county-level

The intersection of stagnant incomes and rising basic costs is especially apparent at the county level. The average growth for median household incomes in Indiana from 2009 to 2016 was 6.3%. And over those years, the Midwest Consumer Price Index increased by 9.8%.⁶ However, the average increase in working families’ basic costs over that time was 31.9%, as measured by the Self-Sufficiency Standard for Indiana, 2016.⁷

In each and every Indiana county the cost of basic needs increased from 2009 to 2016. According to this standard accounting of cost of living, the income needed for a Hoosier family of one adult, one preschooler and one school-age child increased an average of 31.9% statewide, from \$31,206 annually in 2009 to \$41,148 needed for the same average family statewide in 2016.⁸ **From 2009 to 2016, the cost of child care has increased by 28% and health care has increased by 38.7% on average** for this family type. By contrast, the median household income increased only 6.3%, from \$47,465 in 2009 to \$50,433 in 2016. For the median-earning family of one adult, one preschooler, and one school-age child, basic costs took up 65.7% of available income in 2009 but 81.6% of income in 2016.

From 2009 to 2016, increases in basic costs ranged from 7.5% in Howard County to 71% in Perry County. The counties with the ten counties that saw the largest increases in basic costs are in all parts of the state – north, south, east, west, and central – but are all among the least populated among Indiana’s counties. For these small and rural counties, increases in basic costs such as child care and transportation have not been met with a statewide policy response to address these Hoosier families’ concerns.

Basic Costs for Working Hoosier Families Have Increased 31.9% Since 2009

Top 10 Basic Cost Increases among Hoosier Counties

| Ranking | County | Increase in basic costs from 2009-2016 | County population (2015 estimate) | County population rank out of 92 (2015 estimate) |
|---------|----------|--|-----------------------------------|--|
| 1 | Perry | 71.00% | 19,347 | 75 |
| 2 | Starke | 70.30% | 22,958 | 66 |
| 3 | Fountain | 69.90% | 16,591 | 78 |
| 4 | Tipton | 68.40% | 15,267 | 80 |
| 5 | Randolph | 68.00% | 25,172 | 62 |
| 6 | Franklin | 64.60% | 22,872 | 67 |
| 7 | White | 61.40% | 24,293 | 63 |
| 8 | Brown | 58.70% | 14,977 | 81 |
| 9 | Clay | 57.30% | 26,503 | 60 |
| 10 | Carroll | 53.40% | 19,856 | 73 |

Source: The Self-Sufficiency Standard for Indiana 2009 and 2016 editions, [StatsIndiana](#) Population Estimates for Indiana Counties, 2010-2015

⁶ The Midwest Consumer Price Index, the regional version of the national CPI as calculated by the BLS, increased from an annual average of 204.064 in 2009 to 226.115 in 2016 for an increase of 9.752%. For BLS methodology, see <https://data.bls.gov/cgi-bin/surveymost>

⁷ In contrast to the price-based tools of the BLS’ Consumer Price Index or the BEA’s Regional Price Parities, the changes in minimum basic costs for working families are measured in this report by changes from the 2009 to 2016 editions of the Self-Sufficiency Standard for Indiana, a data tool sponsored by the Indiana Institute for Working Families. The Standard measures how much income is needed for a family of a certain composition in a given place to adequately meet their basic needs - without public or private assistance. Methodologies for each cost covered by the Standard can be found at <http://www.indianaselvsufficiencystandard.org>

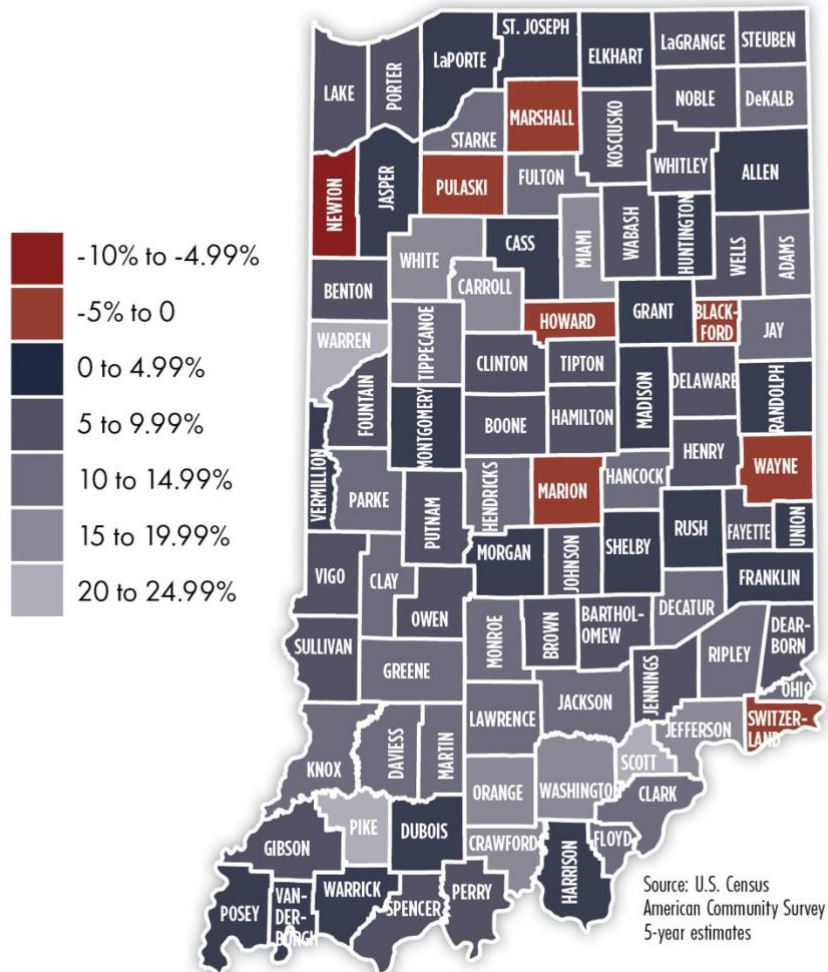
⁸ For Methodology see the Self-Sufficiency Standard for Indiana, 2016. <http://www.incap.org/iwvf/self-sufficiency/2016-Self-sufficiency-report.pdf>

For the median-earning family of one adult, one preschooler, and one school-age child, basic costs took up **65.7%** of available income in 2009, but **81.6%** of income in 2016.

Self-Sufficiency Standard for Indiana

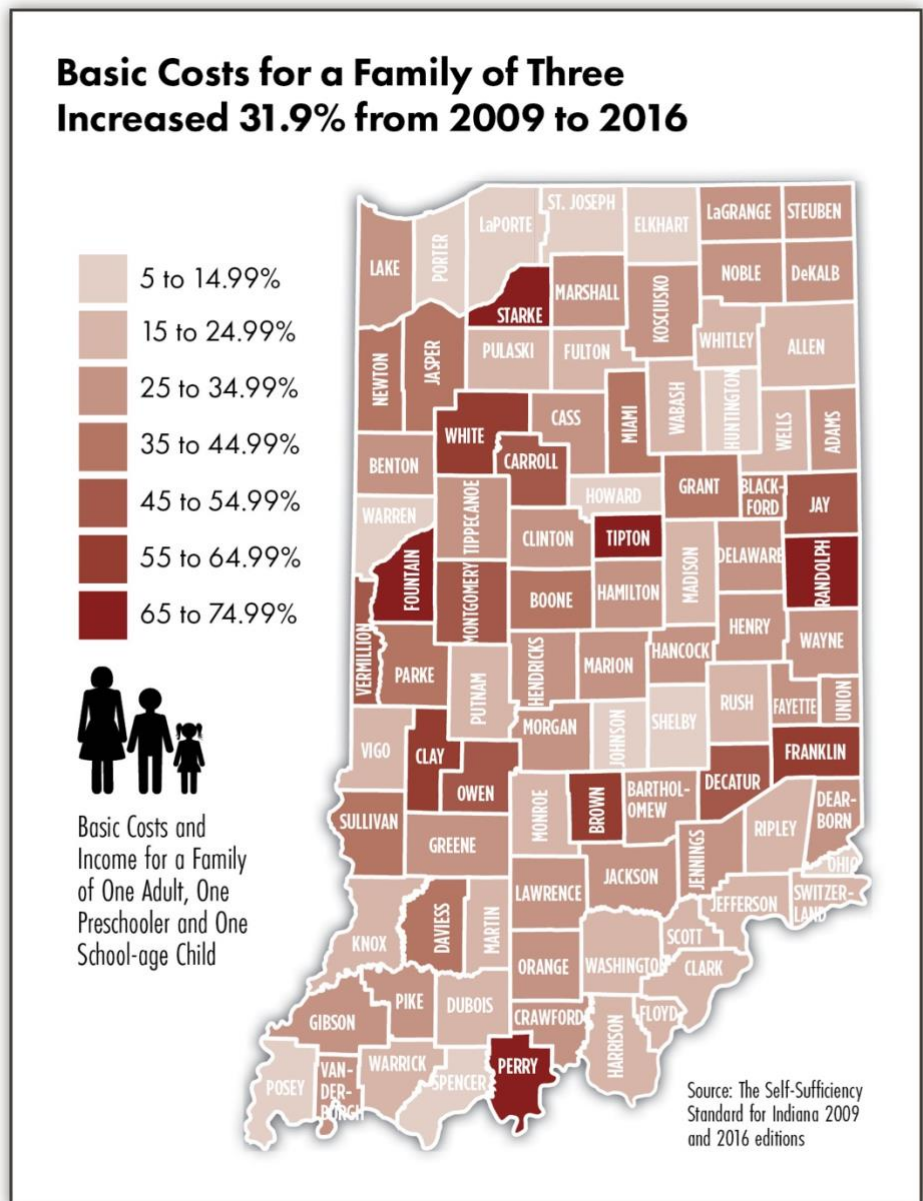
Hoosier incomes have increased only 6.3% since 2009. As detailed in a previous section, Indiana's median household income has lost \$4,544 in real value since 2000 and \$1,015 since the recession began in 2008. From the first full year of recession in 2009 to 2016, 84 of Indiana's 92 counties saw year-on-year gains in median household income, measured by 5-year averages, ranging from 1.6% in Rush County to 21.1% in Pike County. But eight counties lost income (even in nominal terms), from -1.1% in Marion County (the state's largest) to -5.6% in rural Newton County.

Change in Hoosiers' Incomes, 2009 - 2016, Ranged from -5.6% to 21.2% with a Statewide Average of 6.3%



Indiana had a 'Basic Cost-Income Gap' of 25.6 points between 2009 and 2016

There is a wide gap between the post-recession increase in basic costs of 31.9% versus the average increase of 6.3% in median household incomes in Indiana. This 'Basic Cost-Income Growth Gap' is 25.6 percentage points statewide for a family of one adult, one preschooler and one school-age child. The imbalance in costs vs. income growth also varies widely in counties throughout the state. From 2009 to 2016, the effects of the great recession have not dissipated, and the cost of self-sufficiency still outstrips gains in incomes in 91 of Indiana's 92 counties, all but Warren County. For the other 91 counties, the percentage increase in basic costs outstripped income growth, from a 1.1-point increase in Lawrence County to a gap of 64.5 percentage points in Randolph County. Nine counties in the top 10 for Basic Cost-Income Growth Gaps are in the smallest third in population in the state, as are 17 of the top 20⁹. Here again, the counties are spread throughout all regions of the state, and brunt of the increase of basic costs are felt hardest in Indiana's least populous and most rural counties.



Increases in Costs Like Housing and Childcare Help Drive the Basic Cost-Income Growth Gap

With very limited exceptions, paychecks for working Indiana's families with children have not only been stagnant or behind where they were before the recession, but **the yawning gap between wage growth and the increase in basic costs means that Hoosiers' paychecks cover much less of life's basics than they did in 2009**. This is felt most acutely by Hoosiers such as millennials starting families in the beginning of their careers in the lower wage brackets; as well as by working families who have labored for years at the bottom of the income scale; and by those in mostly rural counties who have been shut out of income gains while basic costs have likely increased most.

⁹ See appendix, 'Top 20 Counties, Basic Cost-Income Growth Gap 2009-2016'

Basic costs like child care, housing, and transportation have increased 31.9%, but incomes have only risen 6.3% from 2009-2016. This means Indiana's working families have experienced a Basic Cost-Income Growth Gap of 25.6 percentage points since 2009.

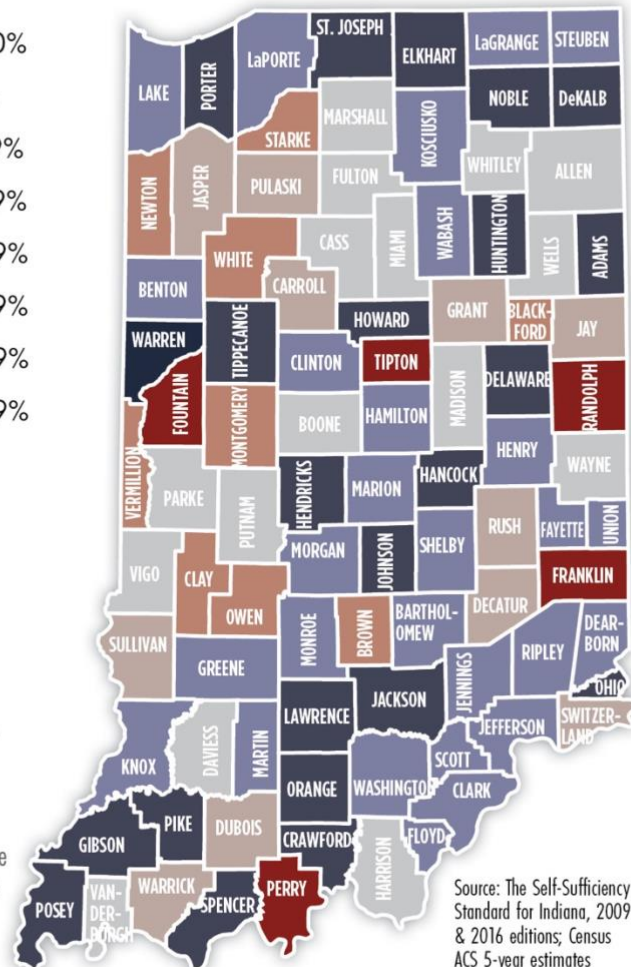
Self-Sufficiency Standard for Indiana & U.S. Census data

The Statewide Average Basic Cost-Income Growth Gap,* Post-Recession, is 25.6 Percentage Points



Basic Costs and Income for a Family of One Adult, One Preschooler and One School-age Child

* The Gap Between the Increase in Basic Costs (31.9%) and Average Incomes (6.3%)



It is these early career, low-income, and rural working families who are attempting to navigate an Indiana where the cost of living does not feel as affordable as advertised. They may be perplexed to read headlines such as [‘Hoosier Cities Among Lowest Cost of Living’](#) and [‘U.S. News: Fort Wayne best place to live in state; 40th nationwide’](#), as well as [‘Indiana continues to have best business tax climate in Midwest’](#). These

families may feel disheartened that costs like rent and decent child care are increasingly unaffordable, while their take home pay has barely budged, despite these feel-good stories.

Affordable Housing is Increasingly ‘Out of Reach’ for Working Hoosier Families

While the headline rankings of Indiana's affordability might be appealing for professionals with comfortable incomes deciding how much house they can buy in Carmel, Indiana versus Carmel, California, the Basic Cost-Income Growth Gap means that Hoosiers who already live on diminished incomes can't make rent by comparing cost of living with other states. The hourly wage needed to afford the average two-bedroom apartment in Indiana is \$15.17, according to the National Low Income Housing Center.^{xviii} A two-bedroom apartment is what is required by Indiana law for a renting family of one adult, one preschooler, and one school-age child to fulfill occupancy standards set by the Indiana General

Assembly in 2017.¹⁰ **At \$15.17 an hour, the housing wage needed to afford a two-bedroom apartment is more than what 40% of Hoosier earners made at \$15.00 in 2017.** And the average renter’s wage in Indiana is \$12.97, or 85.5% of what is needed for a two-bedroom apartment. This means that 2 in 5 Hoosiers, and the majority of renters, would have to accept inadequate housing or be ‘housing insecure’, that is forgo other basic needs and risk self-sufficiency to spend more on housing.

Indiana’s rental housing wage does not compare favorably with its median hourly wages in either the Midwest or South. Indiana’s rental housing wage is mid-pack among its neighbors, just like its median hourly wage. However, **Indiana’s housing wage is fourth-lowest, compared to Indiana’s median hourly wages being 11th-lowest among 12 Midwestern states.** If Indiana were a member of the South, its housing wage would be seventh-lowest out of 17, compared to wages that would be 10th-lowest in the region.

In 42 of Indiana’s counties, the median income needed to afford a two-bedroom apartment is higher than the average renter’s income. The top 20 most unaffordable counties for renters includes a mix of small and rural counties, counties with colleges, and counties that include Indiana’s largest cities. The common factor in each is an average wage that is not adequate for working families to make rent. In each of these counties, working families with lower incomes are competing for scarce affordable housing, making it even more likely that they are settling for inadequate housing, or risk spending a ‘housing insecure’ portion of their incomes. Potential federal choices, such as HUD [plans](#) to increase rents for low-income Hoosiers receiving housing assistance, with likely lead to more housing insecure Hoosiers, particularly in rural counties with little affordable housing stock already.

| | 2BR fair market monthly rent | Housing wage needed to afford a 2BR apt | Estimated average renter wage | Avg renter income as % of wage needed | Rental affordability county rank |
|-------------------|-------------------------------------|--|--------------------------------------|--|---|
| Monroe County | \$884 | \$17.00 | \$10.66 | 62.70% | 92 |
| Sullivan County | \$770 | \$14.81 | \$9.65 | 65.20% | 91 |
| Crawford County | \$666 | \$12.81 | \$8.59 | 67.10% | 90 |
| Posey County | \$787 | \$15.13 | \$11.23 | 74.20% | 89 |
| Fayette County | \$674 | \$12.96 | \$9.81 | 75.70% | 88 |
| Delaware County | \$693 | \$13.33 | \$10.10 | 75.80% | 87 |
| Howard County | \$745 | \$14.33 | \$11.02 | 76.90% | 86 |
| Wayne County | \$694 | \$13.35 | \$10.49 | 78.60% | 85 |
| Martin County | \$666 | \$12.81 | \$10.12 | 79% | 84 |
| Lake County | \$864 | \$16.62 | \$13.25 | 79.80% | 83 |
| Harrison County | \$793 | \$15.25 | \$12.22 | 80.10% | 82 |
| Clay County | \$758 | \$14.58 | \$11.74 | 80.60% | 80 |
| Vigo County | \$758 | \$14.58 | \$11.74 | 80.60% | 80 |
| Tippecanoe County | \$827 | \$15.90 | \$13.05 | 82% | 79 |
| Madison County | \$775 | \$14.90 | \$12.33 | 82.70% | 78 |
| Floyd County | \$793 | \$15.25 | \$12.82 | 84.10% | 77 |
| Adams County | \$666 | \$12.81 | \$10.80 | 84.30% | 76 |
| Marion County | \$850 | \$16.35 | \$13.80 | 84.40% | 75 |
| St. Joseph County | \$792 | \$15.23 | \$12.94 | 84.90% | 74 |

Source: National Low-Income Housing Center

¹⁰ Passed by the Indiana General Assembly and signed into law by Governor Eric Holcomb in 2017, [SB 558](#) defines occupancy standards by room (2 per specified sleeping area) instead of square feet, and disallows common spaces such as living rooms or dens from being counted as a sleeping area.

Indiana is among the most unaffordable states for childcare, the largest cost for working families

The highest cost for working families with children is child care, and for this basic cost, Indiana’s reputed low cost of living does not make the state affordable. **Statewide, the median monthly cost of child care was \$942 in 2016 for a family of one adult, one preschooler, and one school-age child, up 28% from \$736 in 2009.** This accounts for 27.5% of the income needed for this family to afford the basic costs needed for self-sufficiency, more than housing, food, transportation, health care, or taxes.¹¹

Childcare costs for this typical family range from \$746 in Pike County to \$1,472 in Hamilton County, but that doesn’t tell the full picture of affordability. The top 10 counties where child care costs are the highest compared to basic needs are mostly made up of small-towns and rural populations, and include the three counties where costs have increased most compared to income since 2009 (Randolph, Fountain, and Perry). A notable exception is Hamilton County, which has the most expensive child care outright, and the 10th-highest care as a ratio of basic costs.

Top Ten Indiana Counties for High Childcare Costs as a Percent of Self-Sufficiency

| Rank | County | Monthly Child Care Costs | Monthly Income needed for Self-Sufficiency | Median Household Income (monthly) | Child Care as % of Self-Sufficiency Costs | Child Care as % of Median Household Income |
|------|------------|--------------------------|--|-----------------------------------|---|--|
| 1 | Jefferson | \$1,004 | \$3,140 | \$3,922 | 32.0% | 25.6% |
| 2 | White | \$1,254 | \$3,936 | \$4,296 | 31.9% | 29.2% |
| 3 | Randolph | \$1,163 | \$3,713 | \$3,535 | 31.3% | 32.9% |
| 4 | Vermillion | \$1,003 | \$3,268 | \$3,701 | 30.7% | 27.1% |
| 5 | Perry | \$1,145 | \$3,770 | \$3,950 | 30.4% | 29.0% |
| 6 | Putnam | \$1,052 | \$3,474 | \$4,372 | 30.3% | 24.1% |
| 7 | Fountain | \$1,163 | \$3,842 | \$3,827 | 30.3% | 30.4% |
| 8 | Miami | \$1,097 | \$3,650 | \$3,804 | 30.1% | 28.8% |
| 9 | Decatur | \$1,126 | \$3,783 | \$4,265 | 29.8% | 26.4% |
| 10 | Hamilton | \$1,473 | \$4,962 | \$7,315 | 29.7% | 20.1% |

Source: Author’s calculations of data found in The Self-Sufficiency Standard for Indiana, 2016

Counties that have a lack of openings in licensed care at affordable centers drive up basic costs and drive down affordability for working families. Compared to other states, the cost of center-based child care is extremely expensive for Hoosiers, while the cost of family child care is closer in line to neighboring regions and states. According to the ‘Parents and the High Cost of Child Care: 2017 report’ from ChildCare Aware, **Indiana ranks as the 4th Least Affordable for center-based child care for toddlers at \$10,885**

annually, ahead of all neighbors and Midwestern and Southern states, but 30th Least Affordable for family care in this category at \$6,198 annually. Indiana is also 10th Least Affordable for center-based infant care at \$11,949 annually, compared to 38th Least Expensive for family care for infants at \$6,637.^{xix}

Indiana ranks as the 4th Least Affordable for center-based child care for toddlers at \$10,885 annually, ahead of all neighbors and Midwestern and Southern states

ChildCare Aware

¹¹ For Methodology see the Self-Sufficiency Standard for Indiana, 2016. <http://www.incap.org/iwvf/self-sufficiency/2016-Self-sufficiency-report.pdf>

Reliable, accessible child care and early childhood education has well-demonstrated ‘two-generation’ benefits that both improve educational and lifetime outcomes for children, and also provide a support critical for parents to work and move up a career ladder. Indiana has taken several incremental steps to expand access, including [smoothing](#) the child care ‘[benefits cliff](#)’ with a sliding co-pay schedule for state CCDF vouchers, and introducing ‘On My Way Pre-K’ first to 10 and now 20 counties. But Indiana must expand these efforts statewide in order to truly reduce the high cost of child care and reduce this cost of living for Hoosier families.¹²

The status of working families in Indiana is impacted by a cost of living that is formidable less because of its relation to that in Chicago, Boston, or San Francisco, and more because of low incomes relative to Indiana’s neighboring states and the lack of work support policies that allow for economic mobility. This policy environment combined with low wages negates the benefit that a combined relative low cost of living, strong job policies, and income growth delivers elsewhere in the Midwest.

¹² Another policy alternative to help reduce the cost of child care is the child and dependent care tax credit, currently in use by 26 states, including two of Indiana’s neighbors (Michigan and Ohio). See <https://nwlc.org/resources/state-child-care-and-dependent-care-tax-provisions-tax-year-2016/>

Chapter V: Poverty, Economic Self-Sufficiency, & Work Support Policies

Among the most basic goals of a functioning democratic society is “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.”¹³ Reducing poverty and the inability to provide the basic means of living is not just fundamental to the well-being of residents, but a basic metric of how well a society is functioning. Only once poverty is overcome can a family build assets toward economic security and have a surplus of civic resources to contribute back into the community. And for communities and states, providing opportunities for families to achieve self-sufficiency is both a moral obligation and a metric to gauge the vitality of the society as a whole.

Poverty among Hoosiers increased 44% from its low point of 9.8% in 2001, when Indiana’s rate was 9th-highest of 12 Midwestern states, to 14.1% in 2016, increasing to 3rd-highest in the Midwest

U.S. Census Bureau

Unfortunately, while Indiana began the 21st century as a leader among neighbors and the nation in providing paths to economic security, Indiana’s rates of poverty, lack of self-sufficiency, and working poor families now exceeds most neighbors and resembles the South as much as the Midwest. These changes started well before the Great Recession and are tied to policy choices that made families less resilient to economic shocks, including weakening safety net programs, with results that continue to affect Hoosiers’ well-being nine years after the recession’s end.

Poverty in Indiana has increased 44% in the 21st Century, Now Resembles the South as much as the Midwest

Poverty among Hoosiers increased 44% from its low point of 9.8% in 2001, when Indiana’s rate was 9th-highest of 12 Midwestern states, to 14.1% in 2016, increasing to 3rd-highest in the Midwest. This is the second-highest increase in poverty in the Midwest, behind only Michigan.

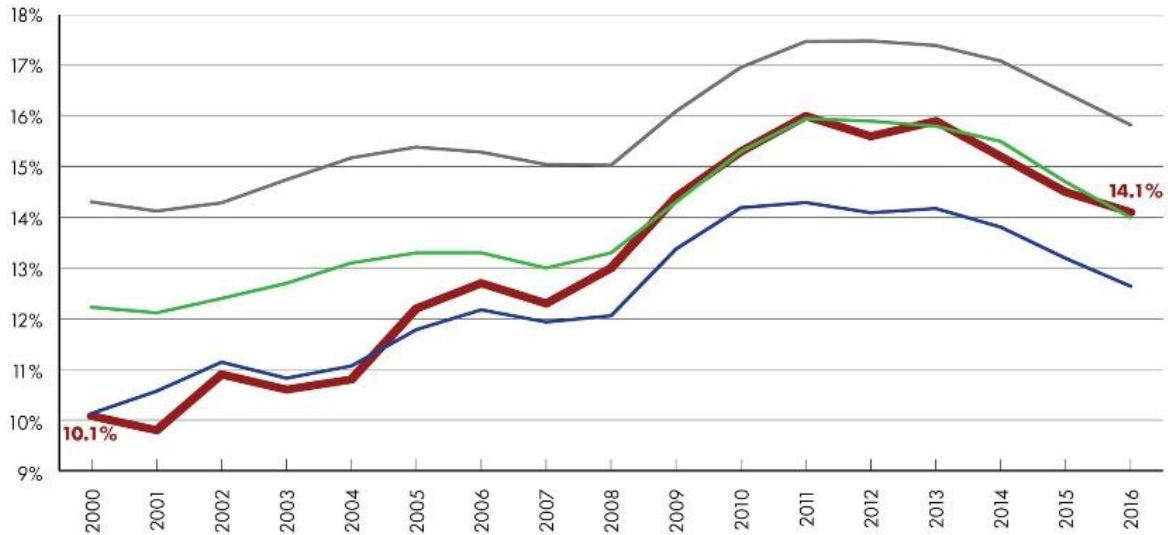
At 10.1% in 2000, Indiana had a lower poverty rate than the U.S. average, and roughly tied with the Midwest as a whole. But starting around in 2004, well before the start of the Great Recession, Indiana’s policy choices helped result in a poverty rate that accelerated above that of Midwest, reaching a high of 16% in 2011. The lack of strong safety net, in addition to policies that incentivize low-wage, low-quality jobs, helped accelerate the effects of a recession that plunged Hoosiers into poverty at a faster rate than all neighbors between 2007-2013.^{xx} And while poverty among Hoosiers has partially receded since then with the national recovery, Indiana’s poverty rate is nearly equidistant between the Midwest and the South at 14.1% in 2016.

¹³ This is also part of the mission of the Indiana Community Action Association, the parent organization of the Indiana Institute for Working Families. See <http://www.incap.org/aboutus.html>

The Rate of Hoosiers in Poverty, Once Below the Midwest, is Now Nearly Equidistant from the South

Poverty Rates

— U.S. — Midwest — Indiana — South



Source: <http://factfinder.census.gov> • American Community Survey Data • Table R1701 • Table S1701 2012 • Revised 2008 data from <http://www.census.gov/prod/2010pubs/c2br09-1.pdf>

In 2000, Indiana's poverty rate at 10.1% was in the bottom half of the Midwest, ranking 7th-highest in the region. But by 2016, with 14.1% of Hoosiers in poverty, Indiana was 3rd-highest in the region, surpassing Nebraska, Illinois, Missouri, and South Dakota, and North Dakota in poverty rates. However, Indiana's changes in poverty more closely tracked overall trends in the South. If Indiana were counted among Southern states, it would have ranked 14th-highest (among 17) for poverty in both 2000 and 2016.

What is Poverty? The federal poverty level was developed in 1963-64 by researcher Mollie Orshansky of the Social Security Administration to create a base standard to measure poorness. The standard then (and now) consists only of the cost of the cheapest USDA food plan, multiplied by three for a family of a given size. So while other basic costs, and family dynamics have changed at a greater rate than food prices, the federal poverty level is still calculated in this way for all U.S. locations except Alaska and Hawaii.

Source: <https://aspe.hhs.gov/history-poverty-thresholds>

Poverty Rankings and rates for Midwest States in 2000 and 2016

| Poverty Rates for Midwest States, 2000 | | | Poverty Rates for Midwest States 2016 | | |
|--|----------------|--------------|---------------------------------------|----------------|--------------|
| 1 | North Dakota | 11.6% | 1 | Michigan | 15.0% |
| 2 | South Dakota | 11.5% | 2 | Ohio | 14.6% |
| 3 | Missouri | 11.2% | 3 | Indiana | 14.1% |
| 4 | Illinois | 11.1% | 4 | Missouri | 14.0% |
| 5 | Ohio | 11.1% | 5 | South Dakota | 13.3% |
| 6 | Michigan | 10.1% | 6 | Illinois | 13.0% |
| 7 | Indiana | 10.1% | 7 | Kansas | 12.1% |
| 8 | Iowa | 10.0% | 8 | Wisconsin | 11.8% |
| 9 | Nebraska | 9.6% | 9 | Iowa | 11.8% |
| 10 | Kansas | 9.5% | 10 | Nebraska | 11.4% |
| 11 | Wisconsin | 8.9% | 11 | North Dakota | 10.7% |
| 12 | Minnesota | 6.9% | 12 | Minnesota | 9.9% |

Source: U.S. Census American Community Survey 1-year estimates

Hoosiers are more likely to live in poverty if they are people of color, children, or female. And while nearly every category has increased in poverty since 2007, the poverty rate for these populations has retained their disparities.

Poverty Rates in Indiana by Group

| | African American | Latinx | Children under 18 | Female | 18 to 64 years | Male | White | Total Population |
|---------------------------------------|------------------|--------|-------------------|--------|----------------|--------|--------|------------------|
| 2007 | 25.50% | 22.20% | 17.30% | 13.80% | 11.20% | 10.90% | 10.40% | 12.30% |
| 2016 | 28.60% | 24.20% | 19.50% | 15.40% | 13.50% | 12.70% | 11.10% | 14.10% |
| Percentage point difference 2007-2016 | 3.1 | 2 | 2.2 | 1.6 | 2.3 | 1.8 | 0.7 | 1.8 |

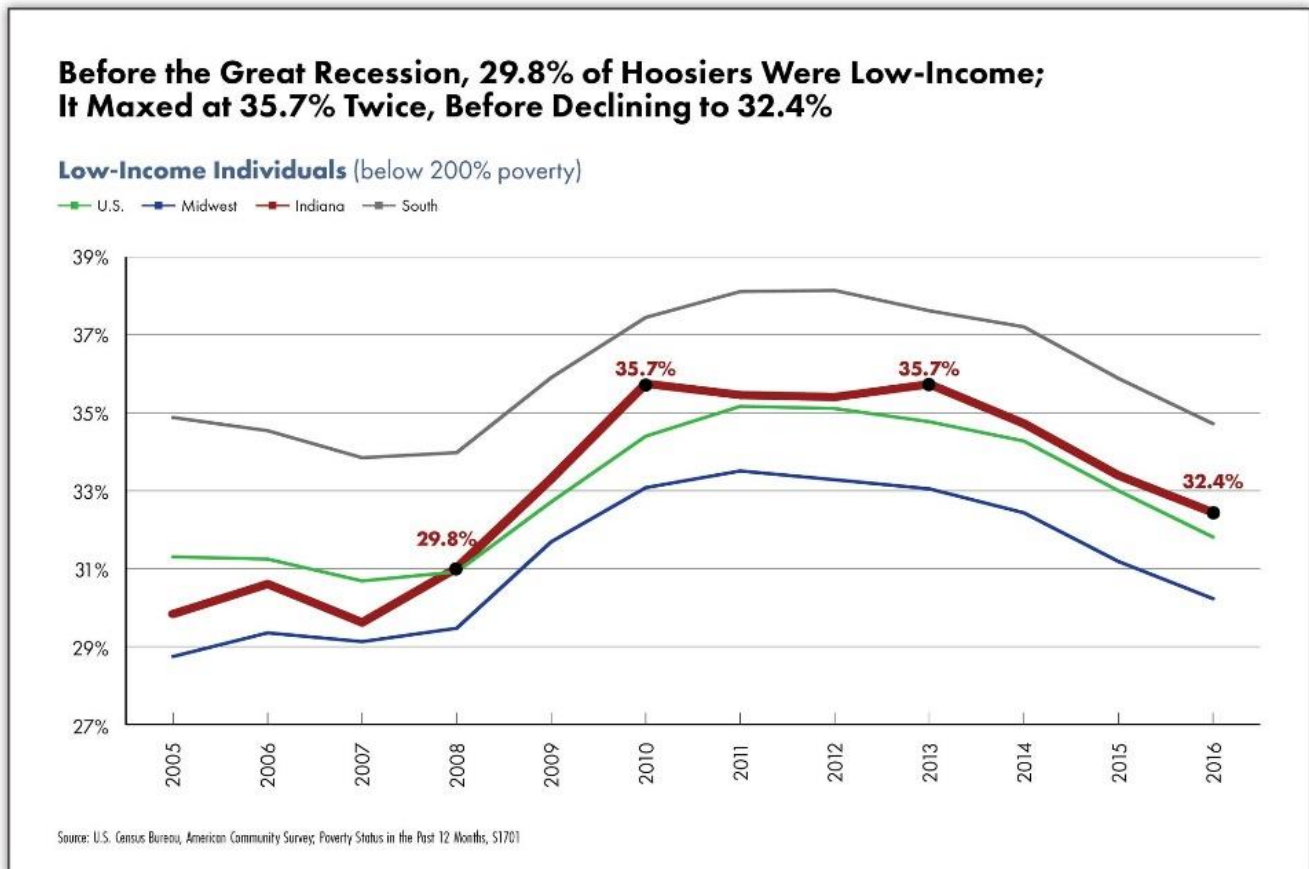
Source: U.S. Census American Community Survey 1-year estimates

Poverty has grown in most Indiana counties since the beginning of the recession

Poverty among Indiana's counties has not returned to pre-recession rates in the available data. With the limitation that county-level poverty data is only available in five year averages, between 2008-2012 (the year the recession started to three years into the national recovery) and 2012-2016 (the most recent five-year average available), the rate of poverty grew in 50 of Indiana's 92 counties. The highest growth in poverty was 4.8% in Perry County, and the largest drop in poverty was 4.7% in Pulaski County, with the state average typified by a 0.3% gain in poverty in Fulton County.

Economic Self-Sufficiency Is More Than the Absence of Poverty, But Indiana Is Falling Behind Here, Too

Lack of economic self-sufficiency is not measured by poverty rates alone, and Indiana has not recovered its pre-recession rates here, either. To be economically secure, a family must first be able to afford the basic necessities of life, and then to save for education and assets that will allow them and their children to advance. And while the amount needed for self-sufficiency varies by family type and location¹⁴ the measure of 200% of the federal poverty line provides a most basic yardstick to measure how many families are low-income. Before the recession started, Indiana had a rate of 29.8% low-income persons. The state hit a high of 35.7% twice, in 2010 and again in 2013, before a decline to 32.4% by 2016.



Since 2005, the year after Indiana’s last peak in hourly wages, and the first year this data is available from the Census, Indiana has seen its ranking of low-income residents rise within the Midwest from 4th-highest to 3rd-highest. But if Indiana were included among Southern states, it would rank 14th-highest out of 17 in both 2008 and 2016.

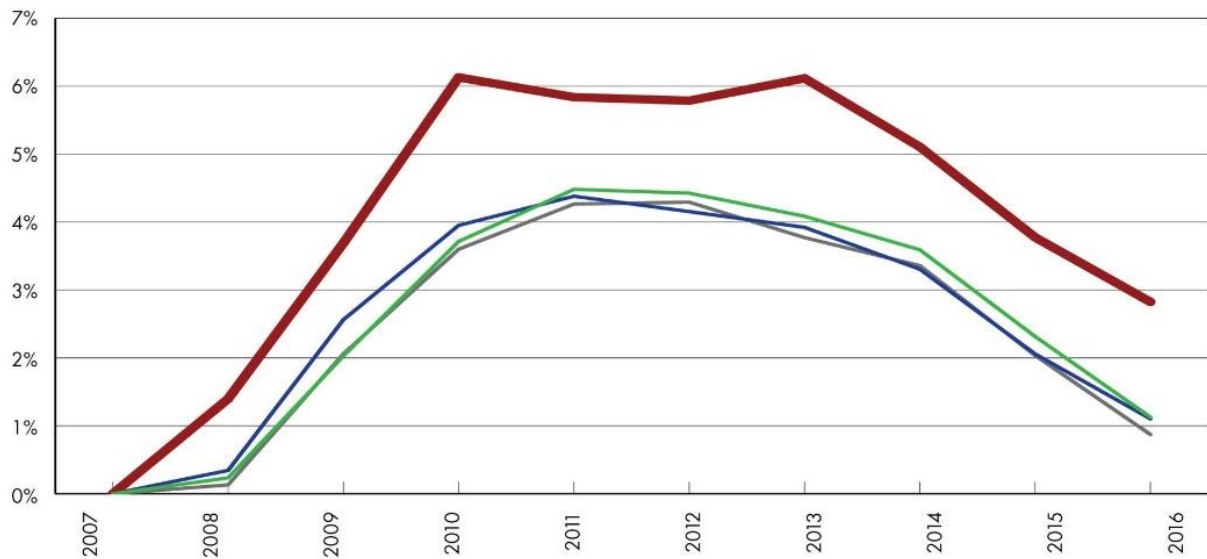
Indiana has not recovered to its pre-recession rates of low-income residents. Starting in 2009, Indiana endured seven straight years where more than 1 in 3 Hoosiers lived below self-sufficiency. And even though that rate is now declining along with the national recovery, there were still 266,896 more Hoosiers below 200% of poverty in 2016 than before the recession in 2007, a 14.7% increase in the rate of low-income Hoosiers, compared to only a 4.7% increase in population over the past decade. The number of low-income Hoosiers grew 213% faster than the population increased since 2007.

¹⁴ Statewide, for a family of one adult, one preschooler, and one school-age child, the annual income needed to afford basic costs for self-sufficiency in 2016 was \$41,148. For other family types by county, see <http://www.indianaselfsufficiencystandard.org/>

Not Fully Recovered: The Rate of Low-Income Hoosiers is Still 3% Points Higher Than Before the Recession, Higher Than the Midwest, South, or U.S.

Percentage Increase in Low-Income Residents (200% of FPL)

— U.S. — Midwest — Indiana — South



Source: U.S. Census Bureau, American Community Survey; Poverty Status in the Past 12 Months, S1701

But doubling the increase in low-income Hoosiers over the general population growth wasn't simply a product of the recession. Compared to Indiana's neighbors, Indiana's increase in the rate of low-income residents arched higher, and at remains at a higher percentage than in 2007, the year before the recession began. This higher rate of increase is true even compared to Michigan, whose auto industry was hit particularly hard in the recession; and Kentucky, which has a higher overall rate of low-income residents, but which has nearly returned to their pre-recession rate. Instead, while over two million Hoosiers still have incomes below the threshold of 200% of poverty, many hundreds of thousands are among those unnecessarily plunged below self-sufficiency, who lost assets and career opportunities due to Indiana's outsized volatility, and who are at increased risk in the future.

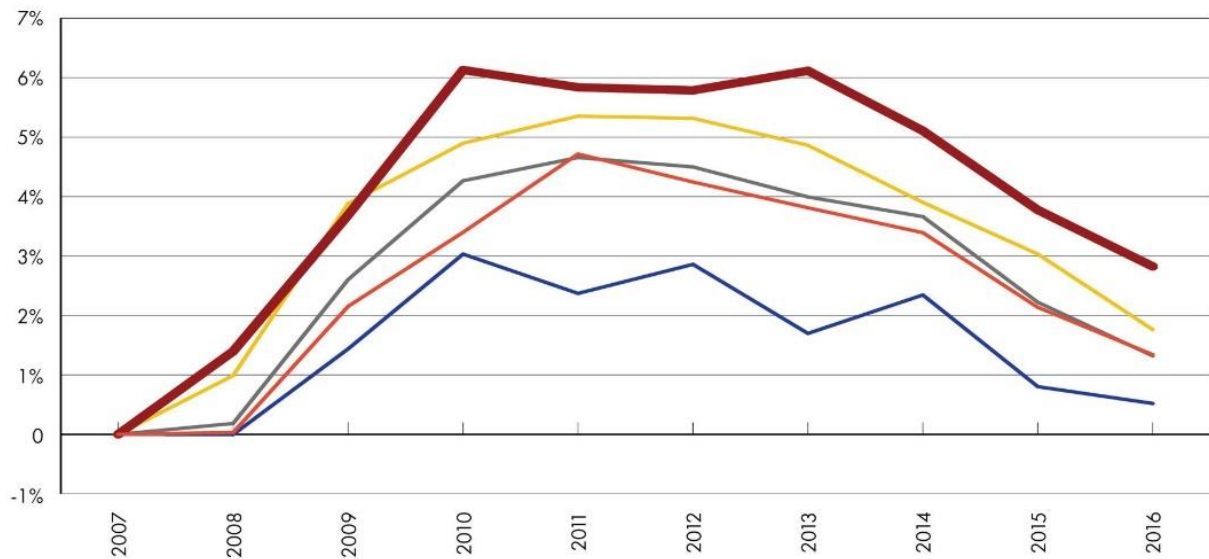
There were 1,820,046 low-income Hoosiers before the recession started in 2007 (29.6%) vs. 2,086,942 in 2016 (32.4%).

U.S. Census Bureau

Not Fully Recovered: Since the Recession, a Higher Rate of Hoosiers are Left Low-Income Compared to All Neighbors

Percentage Increase in Low-Income Residents Since 2007

— Ohio — Indiana — Illinois — Michigan — Kentucky



Source: U.S. Census Bureau, American Community Survey, Poverty Status in the Past 12 Months, S1701

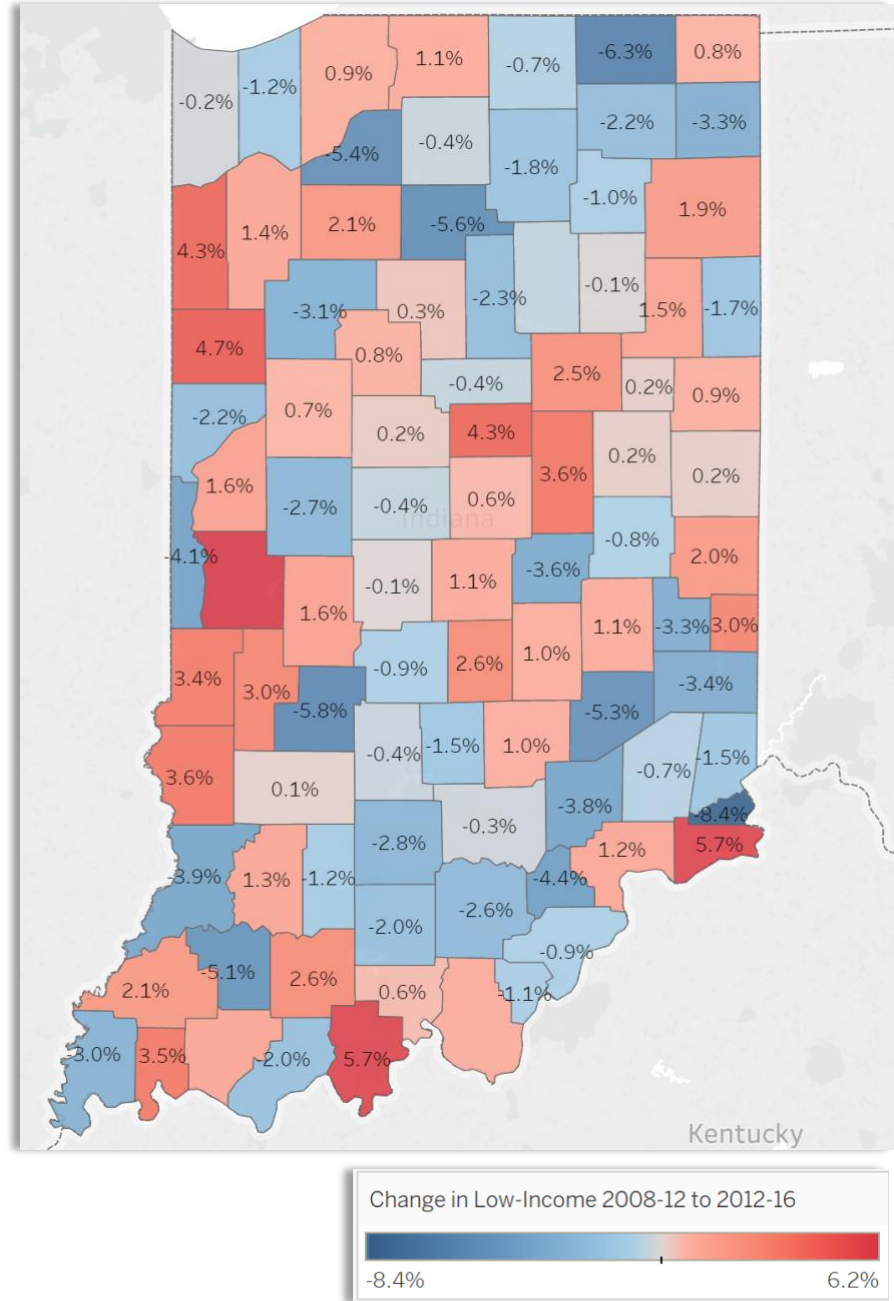
** Using CPI-U-RS.

A decade after the recession began, 2.8 percent more of Indiana’s population are now low-income, 1.8% more are below the poverty line, and 1% more are in the middle ground between 100%-200% of the federal poverty line. This means that since nearly 3 percent more Hoosiers have slipped out of self-sufficiency and are further from economic security since December 2007.

Nearly half of Indiana’s counties have a higher rate of low-income residents since before the recession

45 of Indiana’s 92 counties saw an increase in the rate of low-income Hoosiers between 2008-2012 and 2012-2016. The change in low-income Hoosiers ranged from an increase of 6.2% in Parke County to a decrease of 8.4% in Ohio County, with the state average increase of 0.2% typified by Delaware County.

A Decade Later, 45 Indiana Counties Have a Higher Rate of Low-Income Residents Since the Beginning of the Recession



Source: author's depiction of U.S. Census American Community Survey data, using Tableau, ©OpenStreetMap Contributors

Weak Safety Net Policies Make Hoosiers More Vulnerable to Prolonged Economic Damage

As demonstrated above, Hoosiers were plunged into low-income status at a faster rate during the recession than neighbors and residents of the Midwest and South, and Americans as a whole, and a higher percentage remain stuck below self-sufficiency. This isn't simply a product of bad luck or an economic anomaly plaguing Indiana. Indiana's policy choices made Hoosiers more vulnerable to poverty, and leave the state more volatile and open to future economic shock.

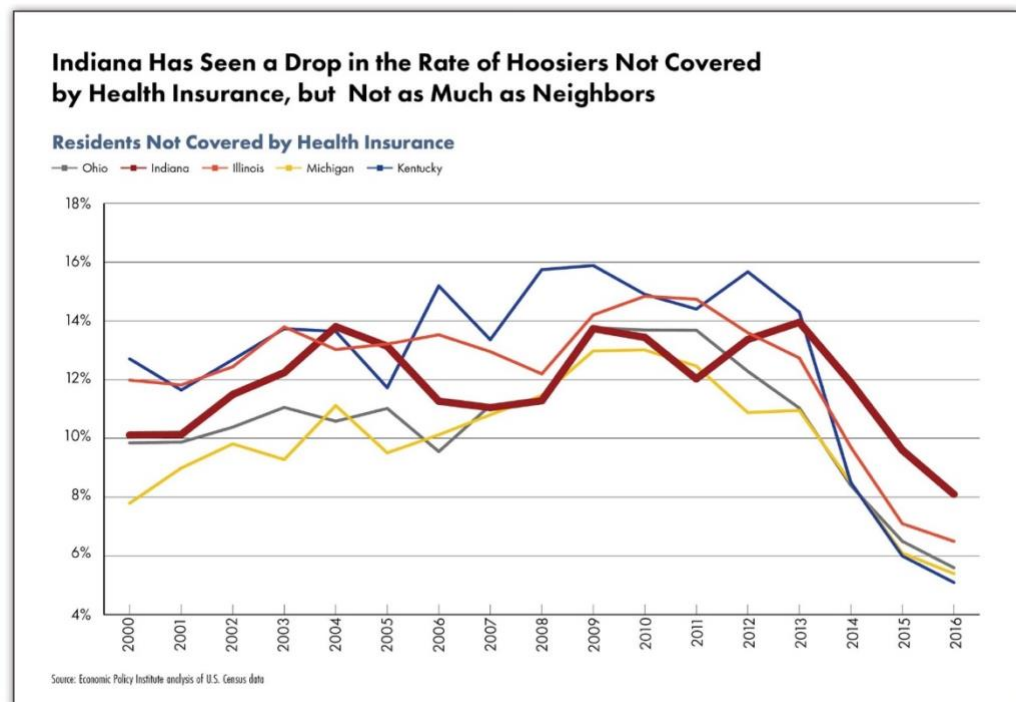
Increased instability doesn't just affect the incomes of the parents of the working families involved. New research suggests that employment and income variability, particularly among the lowest-income families with fewer financial or outside social resources, impairs social mobility and even the academic and behavioral outcomes of the children of these families. A determining factor is benefit instability, when social service programs meant to fight poverty are instead designed with counterproductive features, such as overly restrictive means testing or bureaucratic requirements. In these cases, poorly-designed benefit programs interact with employment variability to actually create compounded instability for low-income families.^{xxi}

The implications of a weak safety net for Indiana is that the heightened levels of labor force volatility that led to increased rates of Hoosiers subjected to unemployment and underemployments and low-income spells will reverberate on state outcomes for decades to come. Only by reforming work support and safety net policies to be more responsive to economic shocks and the actual needs of low-income Hoosiers will Indiana be able to help avoid prolonged damage in future downturns. Because eligibility levels for these programs ends well before the 'low income line' of 200% of the federal poverty line, much less the actual level of income needed for self-sufficiency, it's especially important that Indiana administer programs in a way that does not create unnecessary burdens, requirements, and red tape that would hinder, rather than support, low-income families towards self-sufficiency.

The Healthy Indiana Plan: An Example of Safety Net Success Hampered by Red Tape for Working Families

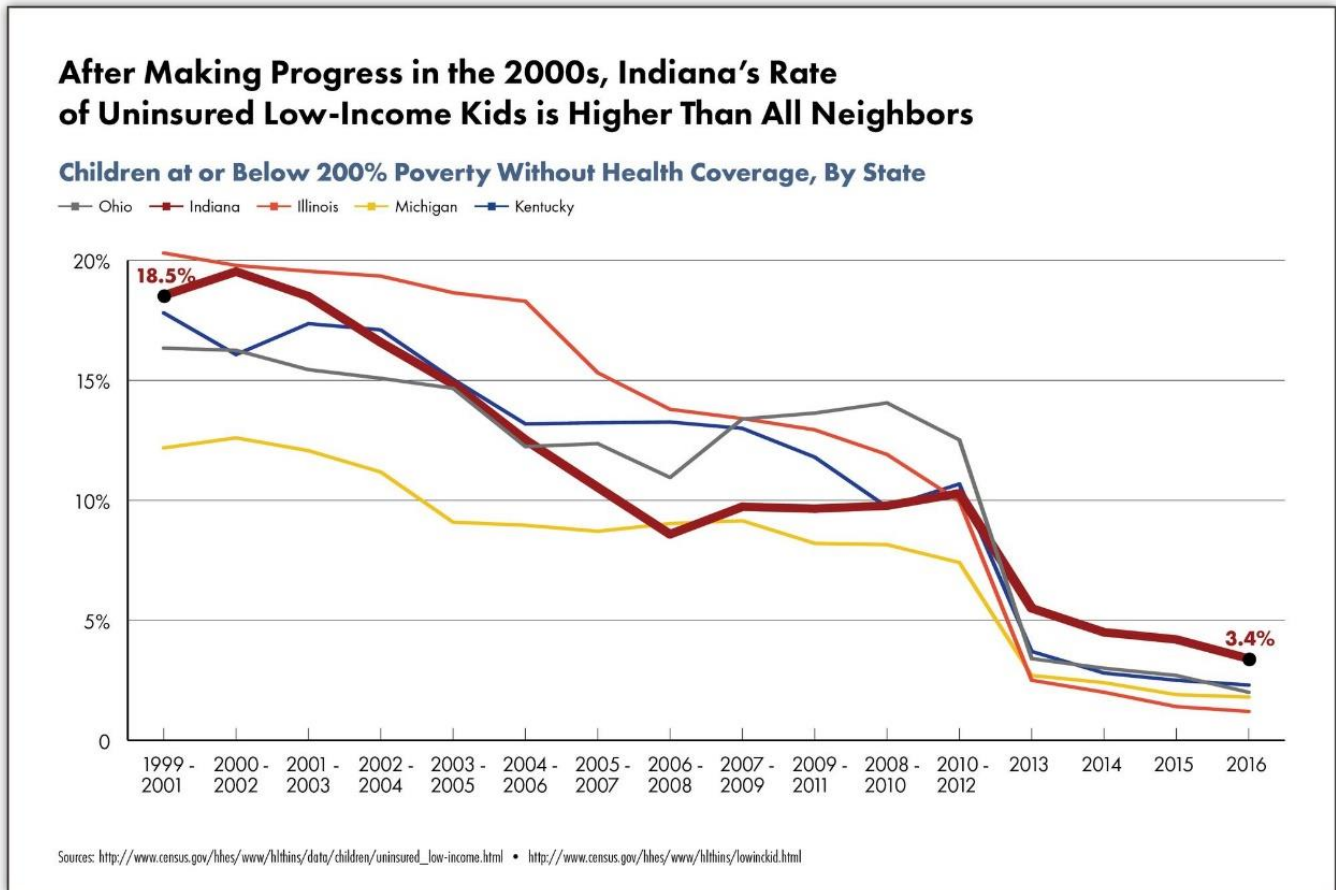
Indiana has demonstrated in the past that the entire state can benefit from policies that protect vulnerable Hoosiers, but that counterproductive choices can blunt those gains. Namely, Indiana's participation in the federal Affordable Care Act's expansion of Medicaid through the Healthy Indiana Plan 2.0

(HiP 2.0) and the Children's Health Insurance Plan (CHIP) have shown dramatic gains in health insurance coverage for low-income Hoosiers and children. However, policy choices based in undemonstrated assumptions, including required



co-payments as “skin in the game” and accompanying bureaucratic red tape and eligibility lockout rules have resulted in outcomes that put behind neighbors where these counterproductive choices were not made. And while Indiana’s 2016 rate of residents without coverage at 8.1% is a 42.1% decrease from 2013, the year before HiP 2.0 became effective, that rate is still well above our neighbors, who also expanded Medicaid under ACA, but without the cumbersome restrictions on low-income residents.

A similar effect was seen with the rate of uninsured children. Once ahead of both the Midwest and South and all neighbors save Illinois in 2000-2002, Indiana then saw a steep decline in the rate of uninsured children and by 2006-2008 was below all of these states and regions. But the effects of the Affordable Care Act were blunted in Indiana, and **at 3.4%, Hoosier kids are now more likely to be uninsured than children in any neighboring states or those in the Midwest or South.**



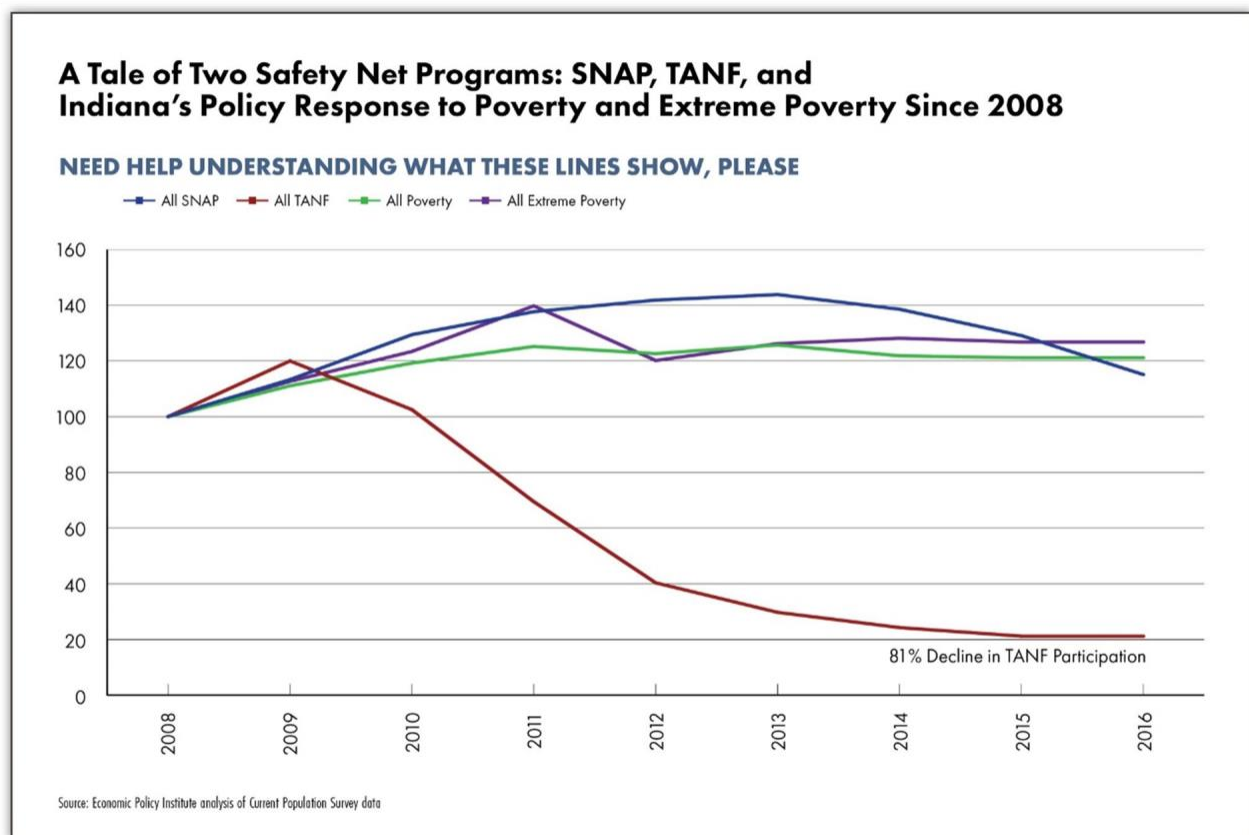
Having a high rate of uninsured low-income children means many working families will bear the brunt of health costs in addition to not being able to afford other basic necessities. This is also a potential indicator of a poorly-designed policy response to economic stresses families face.

Similarly, with Indiana having the 3rd-highest of impoverished and low-income residents in the Midwest, how the state manages federally-funded safety net programs matters in creating a ladder from poverty, through low-income status, towards self-sufficiency. The state’s record in administering nutrition assistance (SNAP) and cash-based and other services for those in poverty (TANF) illustrates varying degrees of previous success, as well as areas of untapped opportunity for the future.

SNAP and TANF: A Tale of Two Programs

The Supplemental Nutrition Assistance Program (SNAP) formerly known as the Food Stamp Program is a core component of America’s hunger reduction and prevention safety net. It helps approximately 600,000 Hoosiers fend off hunger each month. The SNAP program is funded by the federal government, but individual states split the costs of administering the program. SNAP eligibility rules and benefits levels are set by the federal government and are –for the most part- uniform across the nation. Participants must have a gross income below 130% of the federal poverty guidelines and can have no more than \$5,000 in assets. Able-bodied adults without dependents (ABAWDs) from age 18-49 must meet a work requirement; if they are not working they are limited to 3 months of SNAP benefits in a 36-month period. These requirements can be waived if states or even localities are experiencing high unemployment. Indiana had a partial waiver for specific counties prior to 2009, but from 2009 through 2015 it had a statewide waiver.¹

Another component of the SNAP program is SNAP Employment and Training (SNAP E&T). Funding in this program is to be used to support SNAP recipients in getting the skills training or job experience they need to obtain and keep employment. It can be used to pay for the skills training itself, career coaching, job readiness training or other work support services. There are two pots of funding, one known as “100% funds” that all states get on a formula, and another known as “50/50” funds, which are a 50% reimbursement for state or third party investment in the employment and training goals of SNAP recipients in the E&T program. Drawing down the 50/50 funds is completely optional. The SNAP E&T program presents a huge opportunity for the state to coordinate training services and leverage more federal funds to solve the “non-academic” barriers low-income, low-skilled adults experience when trying to access and complete training.



SNAP and TANF: A Tale of Two Programs, continued

Temporary Assistance for Needy Families (TANF) is a federal block grant program that has the stated goal of helping needy families achieve economic self-sufficiency. The primary goals of the program are to allow children to be raised at home, to promote job preparation and work, and to encourage marriage. **It is the Institute's position that the promotion of job preparation is the lynchpin to achieving all the other goals that the TANF program hopes to achieve for needy families.**

States are given a block grant that has a required “maintenance of effort”¹ and guidelines for the use of the funds. However, states have broad flexibility on how TANF funds (both federal and state maintenance of effort) are spent. Additionally, accountability for spending is limited to how much was spent in which category and the amount of time TANF participants spend in “work participation.” This flexibility has had the unintended consequences of a sheer decline in the amount of TANF spending going to cash assistance and other core services, as well as an increase in the funds claimed as maintenance of effort that is spent on populations *other than* our state's actual TANF participants. Additionally, the primary focus of accountability is on work participation *inputs*, measured by time spent, rather than actual outcomes toward success in the workforce.

Caseloads for TANF have been in steady decline since Welfare Reform in the mid-90s. While TANF participation experienced a temporary bump in the first year of the recession, overall from 2008 to 2016, TANF Participation declined 81%. Despite the fact that the poverty rate has not returned to pre-recession levels. There are several factors at play in this decline, mostly regarding TANF's eligibility guidelines. In Indiana the “net income” requirement to be eligible for TANF cash assistance is between 17 and 18% of the Federal Poverty Guidelines. That is just \$288 a month for a family of 3. On top of that there is an asset test and a requirement for 20 days of job search before an applicant is eligible. Once someone is on the program the cash benefits are extremely low (also \$288 a month for a family of 3) and it is extremely difficult to see if the services being provided have reaped positive outcomes for participants. All of these things make it extremely difficult to access and lead many families in deep poverty to question whether the benefits are worth going through the eligibility process.

And yet, with some strategic reforms to TANF, the state has an opportunity in TANF as well to provide intensive and coordinated benefits that could support participants in achieving TANF's goal of self-sufficiency. The state has the flexibility to provide job training and job readiness services, to provide career coaching, literacy training, child care, and really anything a participant needs to achieve the work requirement in TANF.

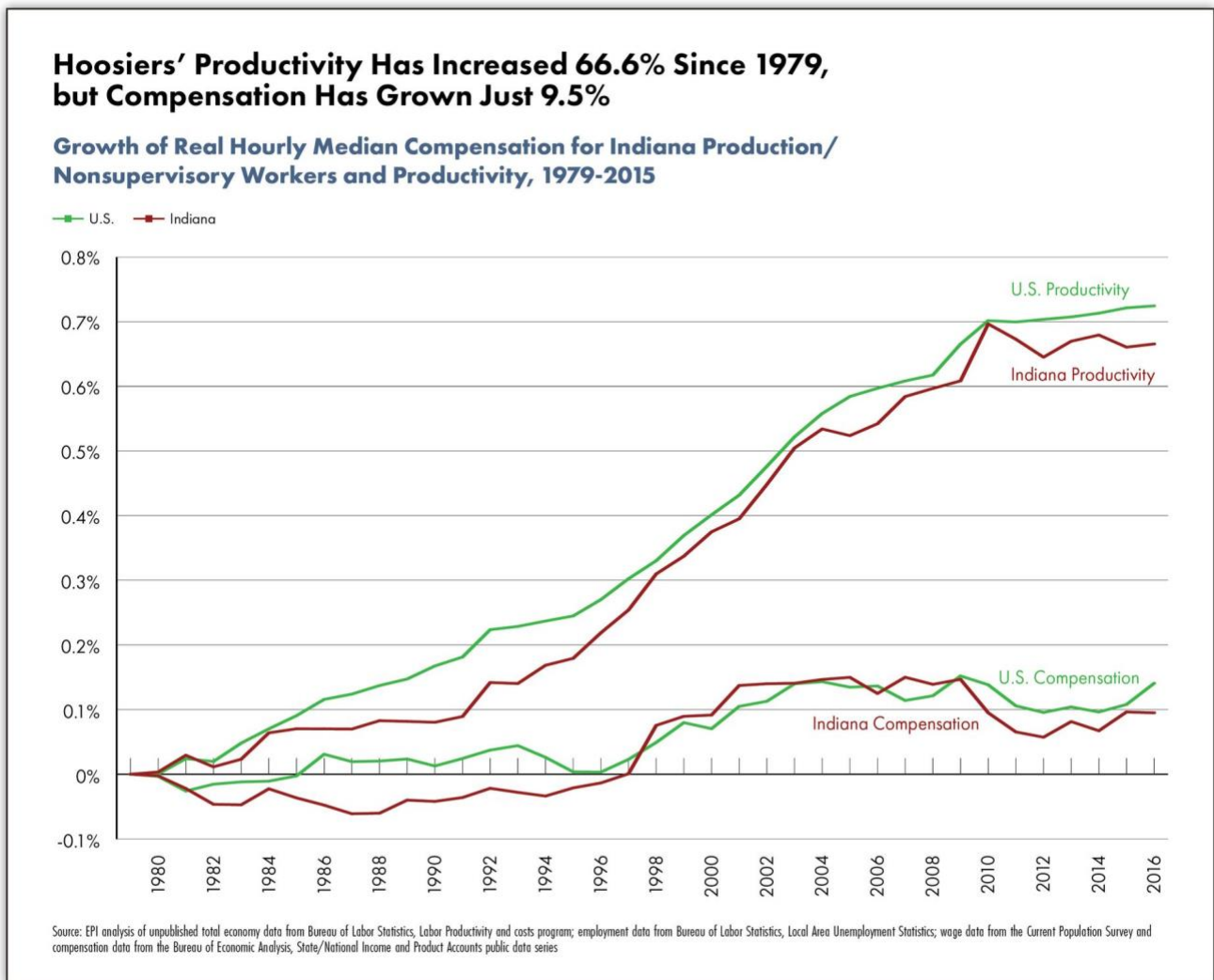
Policy choices make all the difference when evaluating how these two key programs of SNAP and TANF respond to poverty. Because SNAP benefits are not a block grant, and therefore not limited by arbitrary policy constraints, they can respond more effectively to economic downturns. In the chart above you can see that SNAP participation tracks fairly closely with the poverty rate (it is slightly higher because its eligibility is higher than the Federal Poverty Guidelines). Whereas, other than a slight bump early in the recession TANF participation has taken a nose dive. Hoosier policy makers should expand eligibility and benefits for the TANF program, improve the TANF education and training program, coordinate training programs across agencies (i.e. WIOA, Pell, SNAP and TANF E&T).

Chapter VI: Inequality, Taxes, and Economic Policies

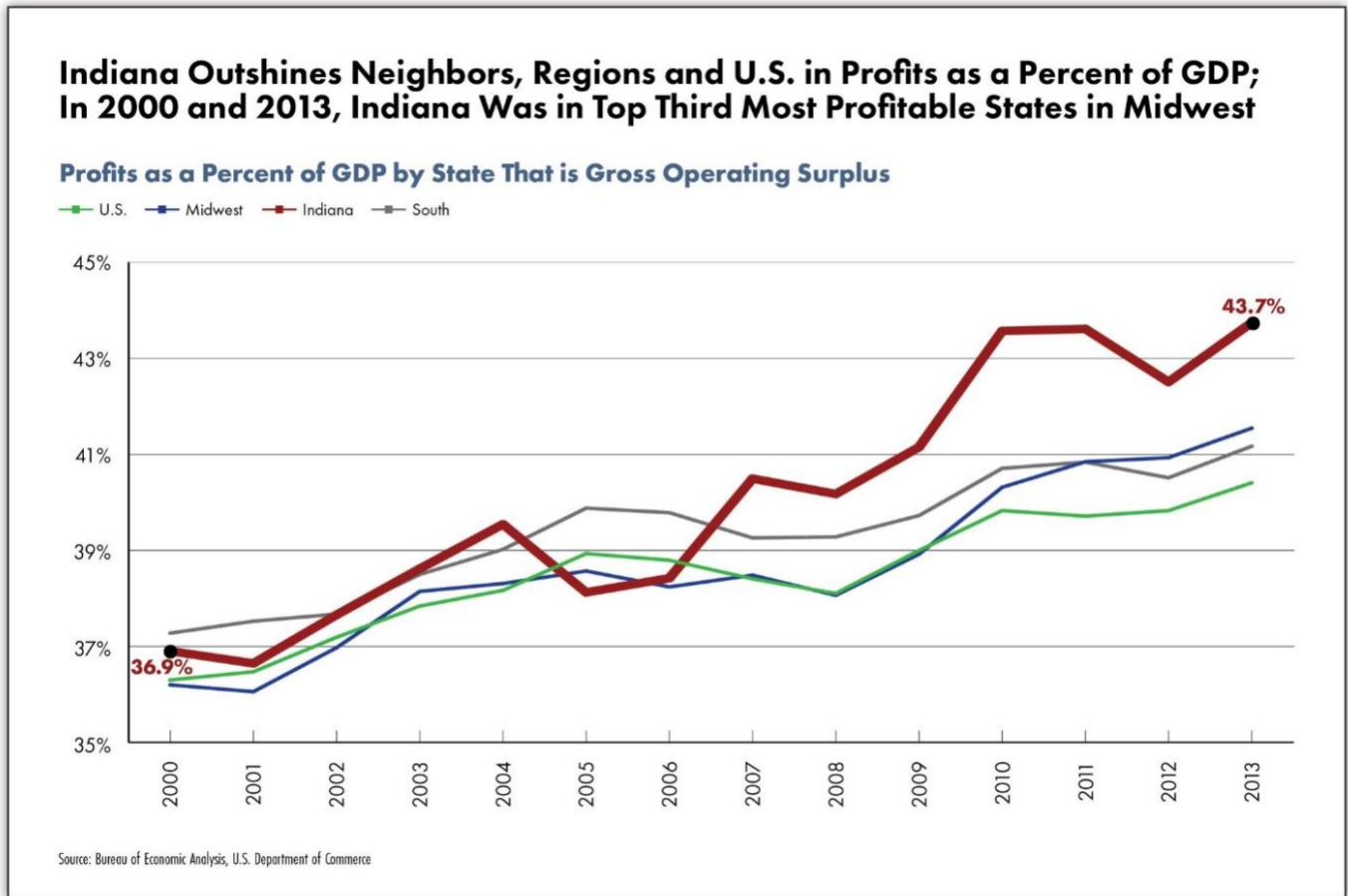
The Status of Indiana’s working families is integral to the health of the state’s economy as a whole. In addition to metrics of jobs, incomes, and self-sufficiency, several key indicators of inequality, taxes, and economic policies impact the degree to which the economy is performing for Hoosiers. This, in turn, impacts the extent to which working families are able to have equitable access to economic opportunities for themselves and future generations. And with poverty, wage, and employment indicators that make Indiana trend toward the South more than the Midwest in a low-wage, low-skill future, Indiana needs to use every policy tool in the box to turn around the fortune of its working families. However, current tax, budget, and economic policy choices are still pointing in the wrong direction, and must be aligned with working families’ interests in order to see improved outcomes.

Despite Soaring Productivity and Profits, Compensation for Hoosier Hard Work Is Far Behind

Among the greatest problems hampering true economic development for Indiana is the fact that Hoosier compensation hasn’t kept up with productivity gains. Hoosier workers’ productivity has increased by 66.6% and has tracked just below the average of U.S. states since 1979. However, hourly compensation, which had risen above the U.S. average starting in the late 1990s, began to falter in 2004, then fell more sharply in Indiana, below the national average where it remains now. Indiana’s compensation increased just 9.5% since 1979, compared to 14.5% throughout the nation.



By contrast, one area in which Indiana clearly outshines all neighbors and regions is profits as a percent of GDP. Here, Indiana started the 21st at 36.9%, century 0.7 percentage points ahead of the Midwest and 0.6 points ahead of the U.S. average. But by 2017, at 43.7% profits as a share of GDP, Indiana had more than tripled those leads to 2.2 points ahead of the Midwest, 3.3 points ahead of the U.S. as a whole. In both 2000 and 2013, Indiana was in the top third most profitable states in the Midwest, ranked 4th-highest in the region both years.



Since the mid-2000s, Indiana’s profits as a percent of state GDP has pulled away from all neighbors, even as Hoosiers have suffered from increasing ranks of impoverished and working poor families, child poverty, lack of adult educational attainment, higher uninsured rates and more, compared to those same neighbors. This gross operating surplus consists of private business’ net income, interest, and capital consumption allowances (among other factors), and shows that Indiana’s corporate surpluses were head and shoulders above the rest even before the state’s corporate tax cut in 2013.¹⁵

Profitability is not the problem in Indiana, but instead policy has not translated the productive and profitable efforts of Hoosiers into higher compensation and better lifetime outcomes for working families.

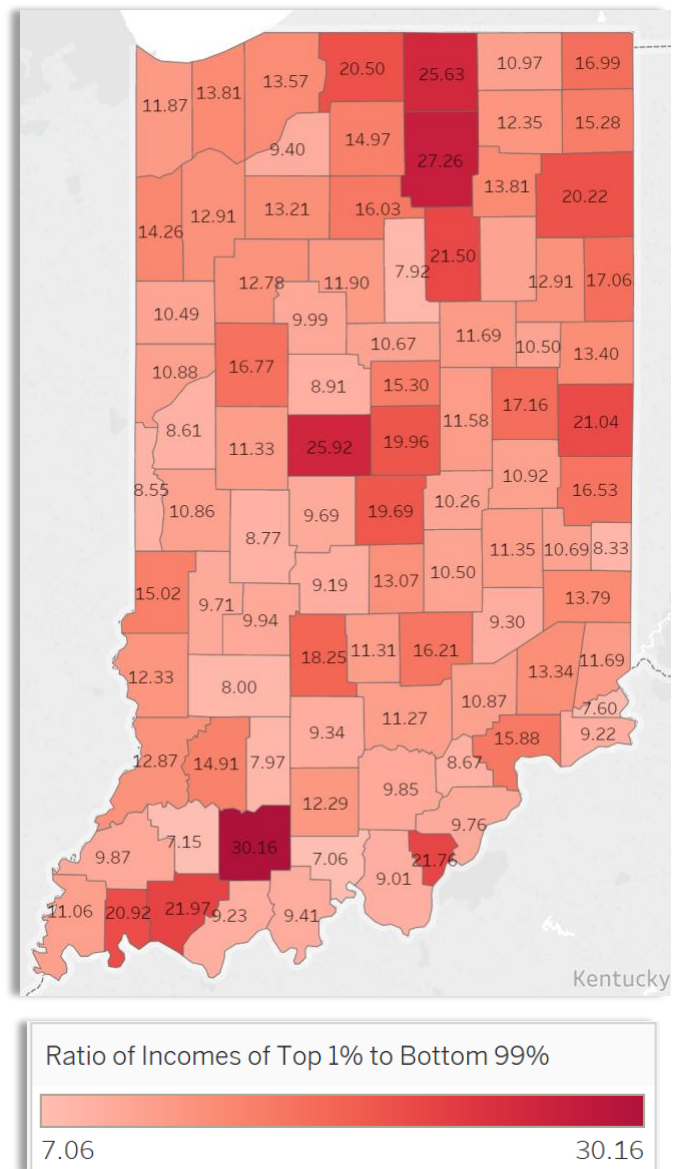
¹⁵ The Economic Policy Institute describes gross operating surplus as “private domestic enterprises’ business income (corporate profits before tax with inventory valuation adjustment and without capital consumption adjustment, proprietors’ income with inventory valuation adjustment and without capital consumption adjustment, rental income of persons without capital consumption adjustment); net interest and miscellaneous payments; business current transfer payments (net); capital consumption allowances; government, households, and institutions, consumption of fixed capital; and government enterprises’ current surplus. Proprietors’ income is included in gross operating surplus, but an unknown portion reflects the labor contribution of proprietors.”

Income Inequality Has Widened at a Faster Pace in Indiana During a ‘New Gilded Age’ Than in the Midwest or U.S.

At the same time that profits soar above the national and regional average while Hoosier compensation lags, income inequality between Indiana’s top 1% of earners and the bottom 99% of Hoosiers has widened more than the U.S. or Midwest as a whole during the ‘New Gilded Age’. Inequality is felt across the entire state, and is at its widest in smaller counties as well as the largest metros. Statewide, the Top 1% percent take home 17.3 times the average of the entire 99% of Hoosier working families, as of 2015 data. The average annual income of the top 1 percent in Indiana was \$804,275, and to be in the top 1 percent, one would have to earn at least \$316,756. Meanwhile, the average income of the bottom 99 percent is \$46,501. The most unequal county in Indiana is Dubois County, where the top 1 percent makes an average of \$1,664,967, 30.2 times more than the bottom 99%, who make an average of \$55,196.^{xxiii}

Inequality has spread in every Indiana county, with the Top 1% earning from 7 to 30 times as much as the bottom 99%

The Top 20 most unequal counties in Indiana are from the north, south, east, and west parts of the state. They include some of the most urban areas of the state, but also three in the Top 20 come from the least populated half of counties. The most unequal counties do include high-income and suburban counties, but also some that face the highest ‘Basic Cost-Income Growth Gap’ discussed earlier in this chapter. For example, in Randolph County, the top 1% makes an average of over \$699,403 a year, 21 times what the rest of the county’s 99% of residents earn, an annual average of only \$33,238. The top 1% in Randolph County been much more able to absorb the 68% increase in basic costs than the bottom 99%, in a county where incomes have increased just 3.5% since 2009.



Source: Sommeiller, Estelle, and Mark Price. 2018. *The New Gilded Age: Income Inequality in the U.S. by State, Metropolitan Area, and County*. Economic Policy Institute, July 2018, using Tableau, ©OpenStreetMap Contributors

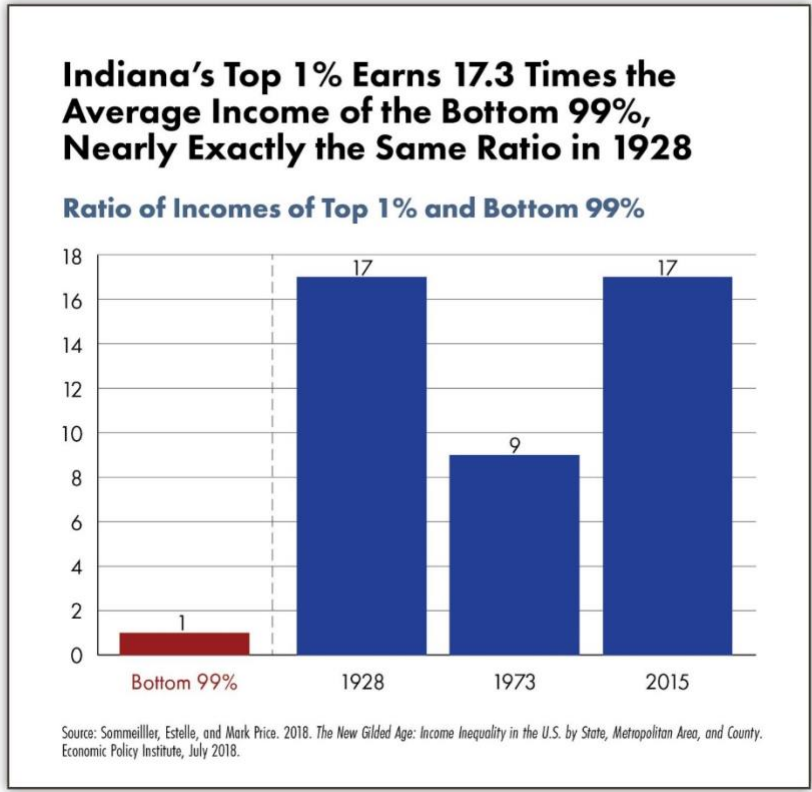
Inequality has spread in every Indiana county, with the Top 1% earning from 7 to 30 times as much as the bottom 99%

| Top-to-bottom ratio ranked for 92 Indiana Counties | County | Average income of the top 1% | Average income of the bottom 99% | Top-to-bottom ratio | Top-to-bottom ratio ranked out of 3,061 U.S. Counties | County Population (2015 estimate) | County Population Rank (2015 estimate) |
|--|-------------|------------------------------|----------------------------------|---------------------|---|-----------------------------------|--|
| 1 | Dubois | \$1,664,967 | \$55,196 | 30.2 | 88 | 42,461 | 36 |
| 2 | Kosciusko | \$1,353,969 | \$49,675 | 27.3 | 117 | 78,620 | 20 |
| 3 | Boone | \$2,226,852 | \$85,927 | 25.9 | 148 | 63,344 | 26 |
| 4 | Elkhart | \$1,193,182 | \$46,561 | 25.6 | 161 | 203,474 | 6 |
| 5 | Warrick | \$1,359,142 | \$61,854 | 22 | 268 | 61,897 | 27 |
| 6 | Floyd | \$1,206,755 | \$55,448 | 21.8 | 280 | 76,778 | 21 |
| 7 | Wabash | \$821,057 | \$38,192 | 21.5 | 293 | 32,138 | 54 |
| 8 | Randolph | \$699,403 | \$33,238 | 21 | 319 | 25,172 | 62 |
| 9 | Vanderburgh | \$857,836 | \$41,003 | 20.9 | 328 | 181,877 | 8 |
| 10 | St Joseph | \$899,171 | \$43,864 | 20.5 | 360 | 268,441 | 5 |
| 11 | Allen | \$931,063 | \$46,045 | 20.2 | 393 | 368,450 | 3 |
| 12 | Hamilton | \$1,864,696 | \$93,432 | 20 | 418 | 309,697 | 4 |
| 13 | Marion | \$833,284 | \$42,330 | 19.7 | 439 | 939,020 | 1 |
| 14 | Monroe | \$747,811 | \$40,985 | 18.2 | 564 | 144,705 | 12 |
| 15 | Delaware | \$570,992 | \$33,280 | 17.2 | 690 | 116,852 | 14 |
| 16 | Adams | \$690,707 | \$40,496 | 17.1 | 707 | 34,980 | 45 |
| 17 | Steuben | \$710,515 | \$41,812 | 17 | 717 | 34,372 | 46 |
| 18 | Tippecanoe | \$714,133 | \$42,594 | 16.8 | 752 | 185,826 | 7 |
| 19 | Wayne | \$556,617 | \$33,663 | 16.5 | 783 | 67,001 | 25 |
| 20 | Bartholomew | \$892,349 | \$55,035 | 16.2 | 834 | 81,162 | 19 |

Source: Sommeiller, Estelle, and Mark Price. 2018. *The New Gilded Age: Income Inequality in the U.S. by State, Metropolitan Area, and County*. Economic Policy Institute, July 2018

The top 1% in Indiana is in a ‘New Gilded Age’, and as of 2015 have captured 14.9% of all income in Indiana, a rate rarely seen since the roaring 1920s. In addition, the average income of the top 1% in Indiana is now 17.3 times that of the average of the entire rest of the 99% of Hoosiers, almost exactly the ratio in 1928, just a year before the crash that set the Great Depression in motion.

In this ‘New Gilded Age’, the top 15 have seen over 100% average real income growth, while the bottom 99% of Hoosiers saw only 3.5% real income growth. This comes to a 72.4% share of total growth captured by the top 1%, compared to 27.6% by the bottom 99%. By contrast, the top 1% in the U.S. as a whole captured 71.5% and the top 1% in the Midwest captured 65.4% In addition, **inequality in Indiana grew faster from 1973-2015 than in the Midwest or U.S. overall.** For



Hoosiers who are 45 years old or younger, they have lived in a period where a greater share of the state's growth has gone to the top 1%, compared to the Midwest or in the nation as a whole.

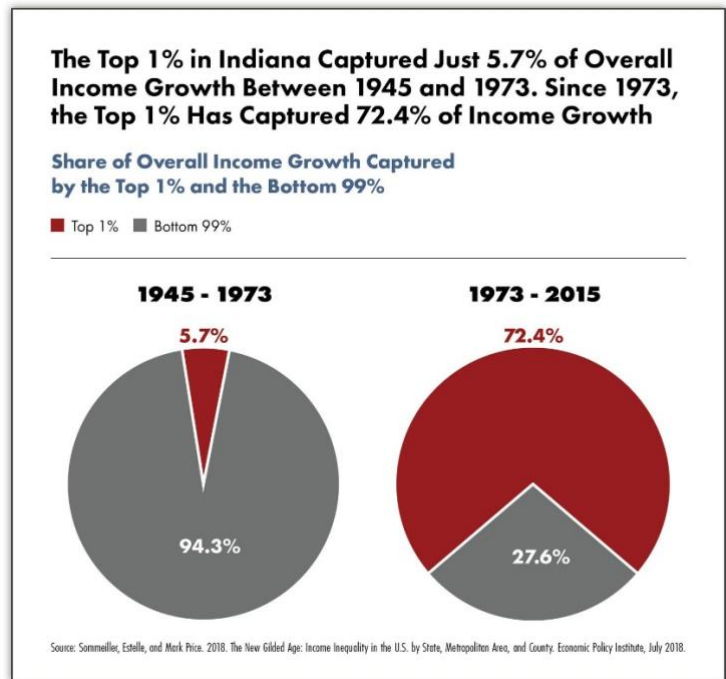
This runaway inequality hasn't always been the case in Indiana. In fact, **in the classic post-World War II era of prosperity from 1945-1973, the top 1% in Indiana captured a relatively modest 5.7% share of Hoosiers' income growth, compared to the 72.4% in the 'New Gilded Age' from 1973-2015.** Creating policies to rebalance Indiana inequality closer to the 5.7% of the age of wider shared prosperity should be a goal for every Hoosier policymaker.

Indiana's Tax Policies Have Resulted in a Windfall for the Wealthiest, Driving a Wedge Between Working Families and the American Dream

Indiana's tax policy choices in the 21st century have helped fuel inequality, exacerbating stagnant wage growth for working families with an upside-down tax system that puts the American Dream further out of reach for those families every year. Long noted as one of the "Terrible Ten" most regressive state tax structures by the Institute for Taxation and Economic Policy, Indiana has developed a 'low tax' reputation that in reality is fueled by heavy tax burdens on low- and middle-income families compared to the highest earners.^{xxiii}

The effects of Indiana's regressive approach to taxes is evident in four of the state's most recent tax policies: the reduction of personal and corporate taxes, both in 2013; 2017's fuel tax increase; and 2018's reduction in the state Earned Income Tax Credit. Each of these policies further tipped the burden of the state's finances on the backs of working families and off of the wealthiest earners. **Reducing the personal income tax rate from 3.4% to 3.23% yielded an average tax cut of \$32 for the combined bottom 60% of middle-class and working families, compared to an annual cut of \$1,506 for the Top 1% of earners.** That means the wealthiest earners received a tax cut over 47 times larger than that of the typical lower- and middle-income families. Indiana's cutting the corporate and financial institutions taxes had an even more dramatic benefit for the wealthiest earners, adding an extra \$1,276 for the top 1% annually, compared to an average \$5 for the bottom 60%.

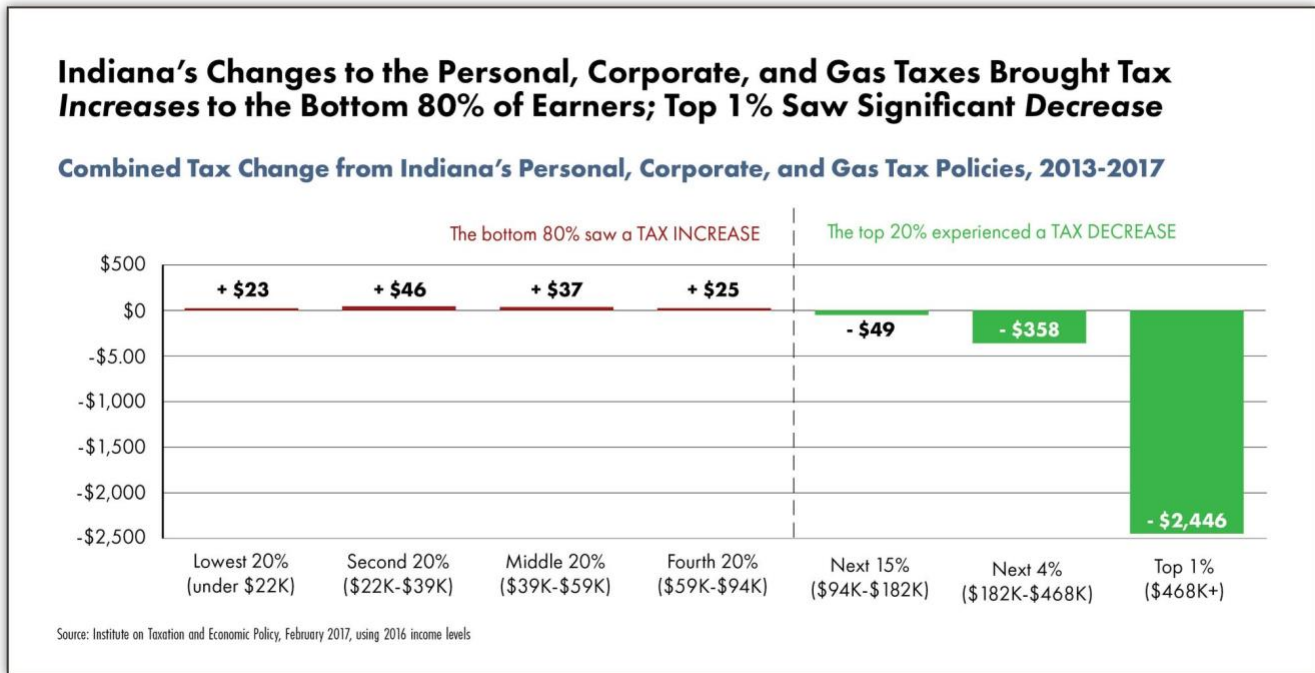
Following the fuel tax increase of 2017, for the bottom 60% of middle-class and working families combined, taxes increased 0.23% as a percentage of their income, compared to just 0.02% for the top 1% of earners. In aggregate, the bottom 60% paid 42% (the sum share of tax cut for the bottom three quintiles) while the top 1% only paid 3% of the total tax hike.



In 2019, the new federal tax law will provide an extra \$48,840 to the wealthiest 1% of Hoosiers, but for the bottom 60% of Hoosiers, the cut will come out to an average \$1,380, less than \$27 per week.

Institute for Taxation and Economic Policy

The cumulative effects of Indiana’s changes to the personal, corporate, and gas taxes since 2013 has resulted in a net tax increase of \$36 annually, or a 0.14% tax rate increase for the bottom 60% of Indiana’s middle-class and working families. Meanwhile, Indiana’s Top 1% receive an extra \$2,446 annually from the cuts, reducing their tax responsibility by 0.17%. As this report earlier demonstrated, this disparity is on top of an increase for the top decile of earners of \$4,056 in wages from 2008-2017, compared to a loss of \$853 in annual wages for the median Hoosier earner over that time. And while the gas tax raises \$443 million, 71% of which is derived from in-state sources, it doesn’t nearly make up for \$503 million in corporate tax cuts, only 18% of which is an in-state share.



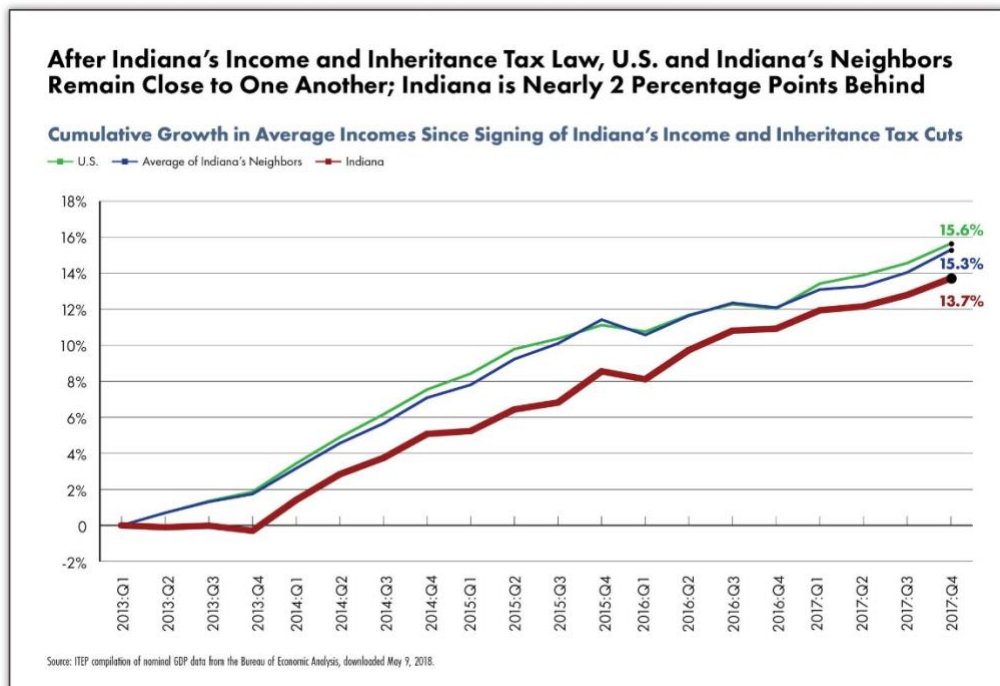
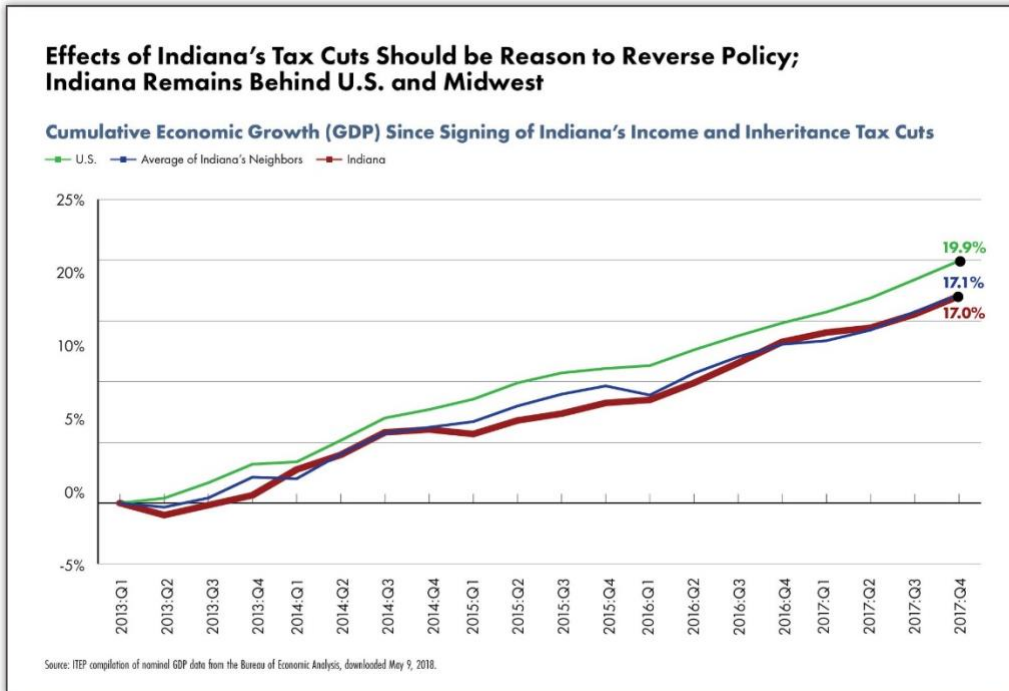
In addition to these greatly lopsided changes, in 2018 the Indiana General Assembly also approved a law to reconcile state tax law with the federal Tax Cuts and Jobs Act that will mean a \$700,000 reduction in the state’s Earned Income Tax Credit (EITC) in 2019 that increases to \$5 million per year by 2027. These state cuts are on top of the TCJA’s reduction in federal EITC for Indiana recipients that starts with \$12.7 million in 2019 that balloons to \$91 million by 2027.¹⁶ While the EITC is one of the most successful and popular policies to lift working families above poverty and towards self-sufficiency, this measure adds to the regressive tax burden placed on the most vulnerable Hoosiers.

2017’s Federal Tax Law Shortchanges Indiana’s Middle Class & Working Families

Meanwhile, the federal Tax Cuts and Jobs Act will put additional pressure on federal resources that could otherwise help Indiana make up for the damage done to Hoosier families in the 21st century. While the TCJA will provide \$48,840 to the wealthiest Hoosiers in 2019, for the bottom 60% of Hoosiers, the cut will come out to an average \$1,380, less than \$27 per week. Unfortunately, even those small cuts will disappear along with middle class tax credits by 2027, leaving a permanent annual tax increase of \$143 for the bottom 60% of Hoosiers, but a permanent annual gift of \$4,840 for Indiana’s richest 1%.

¹⁶ It’s worth remembering that the EITC credit loss is due to the change in the cost of living factor from the federal Tax Cut and Jobs Act.

Indiana’s tax cuts have been cited as a model for the federal TCJA, but their effects should be a warning to the country, and should give Indiana policymakers reason to reverse this upside-down tax structure.^{xxiv} For despite President Trump’s claims about Indiana’s “tremendous example of the prosperity that is unleashed when we cut taxes and set free the dreams of our citizens”, Indiana’s GDP and income growth remain behind neighbors and the U.S. average.^{xxv} As the rest of the country grapples with the TCJA’s effects, Indiana can make headway by repealing its large state giveaways to corporations and the wealthiest earners, and instead rebalance the state’s tax system and lift the burden on middle-class and working Hoosier families.



Early indicators from BLS have shown a net decrease in Americans' wages coupled with higher CPI costs.^{xxvi} This in fact, is the lesson of Indiana's regressive tax system, and the ongoing income disparities that have followed. Indiana's policymakers should act as soon as possible to right this upside-down tax structure that provides windfalls for the wealthiest while pushing middle-class and working Hoosier families further underwater.

Indiana's Economic Development Policies Have Not Reduced Inequality or Made the State Competitive in Wages or Self-Sufficiency for Hoosiers

Since the early 21st Century as Hoosiers' wages began to decline and poverty rates began to rise relative to our neighbors and the Midwest, the state's economic development strategy has given millions to corporations with little transparency. Indiana has also sought to poach businesses from neighboring states in part by advertising lower wage and labor standards.^{xxvii} But as demonstrated in this report, the benefits of Indiana's economic policies have risen straight to the top and have bypassed middle-class and working families, who bear the burdens of poverty, low wages, and an upside-down tax structure.

Indiana has awarded more than \$8 billion to corporations in over 9,935 state and local economic development deals since 2000, with the vast majority coming since 2011.^{xxviii} **In 2017 alone, Indiana reported \$138.9 million in state revenue lost to tax abatement programs**, including \$64.6 million to the Economic Development for a Growing Economy (EDGE) credit, and \$62.8 million to the Research Expense Credit.^{xxix} Perhaps Indiana's most famous recent corporate subsidy came in December 2016, when then President-Elect Trump and Governor Pence announced \$7 million in state funds to prevent layoffs of 1,400 workers at the Carrier plant in Indianapolis. However, despite the deal, about 550 Carrier workers lost their jobs as part of 1,000 layoffs announced by parent corporation United Technologies.^{xxx}

Unfortunately, Indiana's economic development strategy has relied on benefits for corporations, not Hoosiers. In 2017, the state announced a 'record year' for economic development, citing commitments for jobs with "average wages of \$27.20/hour, or more than \$56,500 annually, which is the highest annual average wage achieved since the IEDC was established in 2005. This average wage is 26.5 percent higher than the state's average wage of \$21.51/hour (BLS, 2016) and is a 7 percent increase from the IEDC's average committed wage of \$25.43/hour in 2016."^{xxxi} However, these "averages" are all mean calculations of per capita wages, not the median wages reflecting the actual pay of the individual workers involved.^{xxxii} By using the mean, these statistics are not useful as a metric to gauge how well the median worker will be paid, and may simply indicate higher executive and high-end pay hiding a large number of low-wage jobs. **And while Indiana's combined quarterly mean wage for 2016 was indeed \$21.51, Hoosiers' hourly median pay was only \$16.63 in the BLS' May 2017 State Occupational Employment and Wage Estimates.**^{xxxiii} Without additional transparency, an all-time high "average" can simply mean taxpayer funds are going to subsidize higher wages and perks at the top, without a guarantee of stronger wages, job quality and labor standards for all employees involved.

With a low unemployment rate compared to the height of the recession, and a labor force with a demonstrated willingness to work, Indiana is in a position to ask more of corporations looking for subsidies. In order to improve the current status of its jobs and build toward a higher standard for the future, Indiana needs a 'Good Jobs' economic development strategy that not only sets wages tied to local levels of family self-sufficiency, but also helps upskill local workers to qualify for the jobs, and then sets incumbent workers on an internal career ladder to increasing wages and responsibilities. **Incentivizing both new and existing employers to transform projections for a low-wage future into a 'good jobs' development will improve the status of working Hoosier families, and help place Indiana back home again as a leader in the Midwest and the U.S.**

Recommendations for an Agenda for Working Hoosier Families

In order to improve the status of working Hoosier families, Indiana must “raise the bar” for wages, job quality and labor standards, including for the largest occupations that are projected to power Indiana’s economy into the future. This means a policy focus on increasing Hoosiers’ pay from the bottom and middle – up and modernizing Indiana’s labor standards to return to competitiveness and position the state for leadership. Policy recommendations include:

Improve Indiana’s jobs.

Raise Hoosiers’ minimum wage to \$12 by 2026, and improve worker voice by repealing the so-called ‘Right to Work’ law and bans on public sector collective bargaining. Introduce job quality standards that improve worker health and strengthen families, including the ability to earn paid sick days, paid family and medical leave, fair scheduling, & pregnancy accommodation policies.

- Match our neighbors’ minimum wage & grow from there, to Michigan’s current \$9.25 by 2020, and to \$12 by 2024. Raising the minimum wage to \$12 by 2026 would impact 48 occupations employing 955,539 Hoosiers which pay a median below that threshold, including 7 of the top 20 (and 3 of the top 5) largest projected occupations for 2026. Raising the minimum wage would lower poverty rates and directly benefit tens of thousands of women and Hoosiers of color who have worked hard but have been left out of the economic recovery.
- Repeal unproductive anti-labor laws, including so-called “Right To Work”, bans on public sector collective bargaining, and reinstate the common construction wage.
- Unshackle local governments from state interventions that prevent them from going above & beyond the bare minimum for their families & communities
- Broaden the recourse for pay discrimination, including a stronger equal pay law

Strengthen protections for Hoosier families.

Add consumer protections against predatory lending and add renter protections to prevent evictions and increase housing stability. Strengthen the safety net and introduce safeguards to protect Hoosiers and their jobs during the next economic downturn.

- Reform TANF eligibility and benefit levels to provide more impoverished Hoosiers with wraparound services, career coaching and financial assistance
- Improve SNAP Employment and Training and implement SNAP 50-50 projects statewide
- Coordinating TANF Education and Training, SNAP Employment and Training, Workforce Development Programs and Higher Education programs more effectively.
- Implementing a work sharing policy to prevent layoffs during temporary economic downturns
- Add consumer protections against predatory lending and add renter protections to prevent evictions and increase housing stability
- Encourage financial literacy and increase investments in the state’s Individual Development account program to expand access to more low-income Hoosiers

Increase economic mobility.

Remove non-academic barriers to adult student completion and labor force participation by expanding access to necessary services such as childcare, transportation, affordable housing, and internet. Rebalance regressive state tax policies and refocus economic development to incentivize good jobs and community revitalization.

- Remove non-academic barriers to adult student completion and labor force participation by expanding access to necessary services such as childcare, transportation, affordable housing, and internet.
- Strengthen fair chance hiring policies and criminal justice reform
- Expand two-generation policy solutions including state investment in Child Care & Pre-K funding.
- Tackle inequality by rebalancing Indiana’s regressive tax system, including raising the floor in Indiana’s taxable income and recoupling the state EITC to the federal credit to increase its value to working families
- Build a ‘good jobs’ economic development strategy that prioritizes increasing wage and job quality standards and builds career pathways for new and existing employers.

Endnotes

ⁱ Economic Policy Institute analysis of Bureau of Labor Statistics data

ⁱⁱ Where data averages of the full regions are available, charts will indicate ‘Midwest’ and ‘South’. Where only state-by-state data is available, charts will indicate ‘Midwest States’ and ‘Southern States’ with regional groupings used by the [U.S. Census](#). The Census considers the Midwest as comprised of 12 states: IN, IL, IA, KS, MI, MN, MO, NE, OH, ND, SD, WI; and the South comprised of 16 states: AL, AR, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, WV. The Census includes the District of Columbia in the South, but this report does not count it when tallying regional totals by state. This report reconfigures states into these regional groupings even when other sources use different combinations (e.g. the [Bureau of Economic Analysis](#) has the same Midwestern states but places some of the southern states into Southwest and Mideast regions).

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^{ix} State of Indiana, “Indiana Employment Outlook Projections.” Accessed on July 29, 2018.

<http://www.hoosierdata.in.gov/FD/landing.aspx>

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^{xiii} As we can’t make an ‘apples to apples’ comparison with the previously-mentioned NSC middle skill jobs analysis, for this report we re-categorized some jobs based on our own methodology around required skills training

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