



Investing in Indiana's Working Families to Build a 21st Century Economy



Indiana Coalition on Housing and Homeless Issues

INDIANA
INSTITUTE FOR
WORKING FAMILIES

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ABOUT THE WORKING POOR FAMILIES PROJECT:

Millions of American breadwinners work hard to support their families. But, despite their determination and effort, many are mired in low-wage jobs that provide inadequate benefits and offer little opportunity for advancement and economic security. The future of these working families is laden with challenges.

These economic circumstances prompted national leaders to launch the Working Poor Families Project (WFPF) in 2002, recognizing the need to strengthen public policies that reward work and make economic advancement and security possible. With support from the Annie E. Casey, Ford, Joyce and the Charles Stewart Mott foundations, this national initiative partners with existing state nonprofit organizations to support the policy efforts to better prepare America's working families for a more secure economic future.

The WFPF is a national initiative focused on state workforce development policies involving: 1) education and skills training for adults; 2) economic development; and 3) income and work supports. The WFPF partners with state nonprofit groups in a phased process that begins with an in-depth assessment of the economic conditions and state policies affecting working families and is followed by actions to strengthen those conditions and policies. In 2006, the Indiana Institute for Working Families, a program of the Indiana Coalition on Housing and Homeless Issues (ICHHI) was chosen to be the Indiana WFPF. We welcome the opportunity and the potential policy changes this project and report can create for millions of working Hoosiers. To learn more about the project, please visit www.workingpoorfamilies.org.

ABOUT THE INDIANA INSTITUTE FOR WORKING FAMILIES, ICHHI:

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

The Indiana Institute for Working Families was founded in 2004 with generous support from the Joyce Foundation located in Chicago, Illinois. The goal of the Institute is to help Hoosier families achieve and maintain economic self-sufficiency. The Institute conducts research and analysis of public policy issues important to working families, engages in advocacy and education campaigns on policy issues, and works through national, statewide, and community partnerships to promote progressive policies in Indiana. Institute staff includes Alison Cole, Program Director, and Rochelle Finzel, Senior Policy Analyst. To learn more about ICHHI and the Institute, visit www.ichhi.org.

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EXECUTIVE SUMMARY

Indiana is a state of cornfields and basketball, strong families and a deep work ethic. But over the past 40 years, the state's economic fortunes have been declining as its manufacturing economy dwindled. Overall, **one out of four working families in the state is low-income**, earning less than what it takes to support a family.¹ These almost 200,000 working families pay taxes, but are hard-pressed to support their children adequately, pay the bills, invest in additional education or skills training, and save for the future.

To meet the needs of a 21st Century economy, Indiana must invest in its workforce and set policy wisely. Many workers need additional education or training to bolster their economic situations and contribute to businesses' goal of becoming more competitive and productive in the higher-skilled and higher-wage economy of the future.

This report reviews the data about Indiana's low-income working families and presents a compelling argument why the state must take steps to prepare these families to be productive parts of Indiana's economy in the years ahead. The report examines an array of state policies and programs to assess how well they address the unique barriers and obstacles facing low-wage working families. And, the report makes recommendations on how Indiana can strengthen state policies for working families.

INDIANA POLICYMAKERS MUST CONSIDER THREE KEY QUESTIONS:

1. Are the responses of the state focused on meeting the needs of low-skill, low-wage Hoosiers?
2. Are state efforts large enough to adequately address the problem and have a substantive impact?
3. Are the state's actions actually achieving the desired results?

CHAPTER 1: THE STATUS OF LOW-INCOME WORKING FAMILIES IN INDIANA

One in four working families in Indiana is considered low-income. They work hard, but still struggle to meet basic needs. They often lack the education and skills to secure higher paying jobs. In order to succeed in the evolving skills-based global economy these skill and education shortages must be addressed.

▶ Adults in families earning less than 200 percent of poverty level work, on average, 2,408 hours a year, which is the equivalent of 1.25 full-time jobs per family.²

▶ More than half (55 percent) of adults in low-income working families either failed to finish high school or have only a high school diploma or GED.

▶ The evolving economy includes more skills-based jobs, jobs that require use and knowledge of technology, and attainment of postsecondary education credentials.

¹ Working Poor Families Project data generated by the Population Reference Bureau from the 2004 American Community Survey. Low-income is defined as having family earnings below 200 percent of poverty, which for a family of four was approximately \$38,000 in 2004.

² Ibid.

CHAPTER 2: THE BIG PAY-OFF: ADVANCED EDUCATION AND TRAINING FOR INDIANA'S WORKING ADULTS

Postsecondary education and training affords workers access to higher-paying jobs. Indiana's institutes of higher education are key stakeholders in addressing the education shortfalls of today's workforce. Adult basic education and workforce training programs can facilitate access to higher education and provide necessary skill development.

▶ Few low-income, working adults enroll in postsecondary education and even fewer complete the coursework. Only 3.2 percent of all working-age adults are enrolled in any form of postsecondary education. Many are not prepared for college-level courses, are unable to afford tuition or encounter other difficulties related to child care, transportation or work conflicts.

▶ Adult basic education programs should serve as a springboard to postsecondary education. In practice, though, only five percent of those enrolled in adult education courses continue on to pursue some postsecondary education.

▶ The Workforce Investment Act (WIA) can be used to provide needed training and skills development for targeted populations. In 2004, 52% of the WIA unemployed adult participants were engaged in on-the-job training in Indiana; however, Indiana ranked 32nd in the nation for number of WIA participants receiving training. WIA stresses the "work first" principal.

▶ Only 1.3 percent of Temporary Assistance for Needy Families (TANF) recipients were engaged in vocational education training activities in any given month in 2004.³ The federal government allows states to have up to 30 percent of TANF participants involved in training. Like WIA, TANF ascribes to the "work first" principle and the goal is moving people off public assistance into employment. TANF funds can be used for education and training programs that would also help the state meet federal benchmarks.

Chapter 2 Recommendations

- ✓ State institutions that provide educational and workforce training programs should adopt the Indiana Economic Development Corporation's "Pro-Talent Initiative:" to create the opportunity for each Hoosier worker to move at least one step up the talent scale, ranging from basic literacy to strategic skills.
- ✓ State institutions should set a single, uniform goal of having all workers who successfully complete public education and training programs secure a job that pays a self-sufficient wage.
- ✓ The Indiana State Legislature should revise the state funding strategy for Ivy Tech Community College to provide adequate resources for courses needed by low-income adult workers.
- ✓ The Indiana State Legislature should budget more for financial aid for part-time students.
- ✓ The state should work to increase adult enrollment in community colleges.

³ U.S. Department of Health and Human Services, Administration for Children and Families, <http://www.acf.hhs.gov/programs/ofa/particip/2004/table04a.htm>.

Chapter 2 Recommendations Continued

- ✓ The Indiana State Legislature should budget more for adult education programs.
- ✓ The Indiana Department of Education and the Indiana Department of Workforce Development should increase funding to work-based training programs in order to reach more employees in need of education and training.
- ✓ The Department of Family and Social Services Administration (FSSA) should adopt the Self Sufficiency Standard as the target annual income recipients should secure upon leaving the TANF program.
- ✓ FSSA should develop policies that encourage and support TANF recipients to participate in education and training programs.

CHAPTER 3: CREATING EMPLOYMENT OPPORTUNITIES THROUGH SOUND ECONOMIC DEVELOPMENT STRATEGIES

The recent economic recession resulted in a loss of many high-wage jobs in the state, the majority in the manufacturing sector. Economic development efforts must address the need for good-paying jobs and coordinate with workforce development programs to ensure workers have the skills and training necessary to obtain these jobs.

- ▶ All but one of the top 10 occupations through 2014 that will pay a wage above the median income will require a postsecondary degree or higher according to the Hoosier Hot 50 Jobs list.
- ▶ Economic development requires investment and coordination with workforce development efforts. The Governor's recent reorganization of the Economic Development and Workforce Development departments to create a new public-private partnership, the Indiana Economic Development Corporation (IEDC), is an important step in moving toward a coordinated system of economic and workforce development.
- ▶ Current economic development initiatives fail to target and reach out to low-income working adults. The Strategic Skills Initiative (SSI) and the state's Economic Development for a Growing Economy (EDGE) tax credits focus on meeting the needs of business and employees through creation and retention of well-paying jobs but make no specific mention of how to ensure low-income workers benefit from these programs.
- ▶ The state-funded employee training programs, amounting to almost \$29 million in public expenditures in just one year, contain no goals or benchmarks for measuring how they help improve workers' education, training or wages. Only one program, the federal Trade Adjustment Assistance program, is designed to address the needs of low-skill, low-income workers. Of major economic development investments made in 2006, IEDC often included only a small percentage of funds (one to two percent) dedicated to train employees.

Chapter 3 Recommendations

- ✓ The Indiana Department of Workforce Development's (IDWD) Strategic Skills Initiative program should require a certain portion of the funds spent in the community be earmarked to reach out to and train the low-income, low-skill worker.
- ✓ The IEDC should make it a primary goal of its business expansion efforts to generate jobs that pay a self-sufficient wage.
- ✓ State agencies, including IEDC, IDWD and the Department of Education should collaborate and coordinate efforts to ensure workers are prepared to succeed in the emerging global economy.
- ✓ IEDC and IDWD should develop benchmarks for its worker training programs that can measure how well the programs are improving the skills and education of its trained workforce.

CHAPTER 4: SUPPORTING WORK AND ACHIEVING SELF-SUFFICIENCY

Other work-related policies are necessary for low-income working families to be successful in the workplace and achieve self-sufficiency.

- ▶ Minimum wage levels affect many workers' ability to support their families. The current rate of \$5.15 per hour fails to provide adequate income to support a family.
- ▶ Low-income families face a higher tax burden in Indiana than most other states. Indiana is one of only seven states that tax the incomes of families earning as little as 75 percent of the federal poverty income threshold.
- ▶ Indiana is one of 20 states that have passed a state Earned Income Tax Credit, a refundable credit available to working families earning up to 200 percent of the federal poverty threshold. However, the credit is only 6 percent of the federal credit.
- ▶ Only 32 percent of unemployed Hoosiers are receiving UI benefits, the lowest rate among Midwestern states. Part-time workers are ineligible as are those workers who leave jobs due to family hardships.
- ▶ Child care is critical for working families, but assistance is limited to families earning up to 128 percent of the federal poverty threshold, ranking Indiana last among Midwestern states for eligibility. The state requires a family earning poverty level wages to contribute to their childcare cost; the state will only pay up to 75% of the market rate value of the childcare.
- ▶ In 2005, 30 percent of low-income Hoosier workers did not have health insurance. Indiana ranked 47th in the nation in its poverty eligibility threshold for Medicaid; only Alabama, Arkansas and Louisiana have lower thresholds.

Chapter 4 Recommendations

- ✓ The State Legislature should increase Indiana's Earned Income Tax Credit from the current six percent of the federal credit to 15 percent of the federal credit.
- ✓ The State Legislature should raise the minimum wage in Indiana.
- ✓ The State Legislature should eliminate state income tax for families earning less than 200 percent of the federal poverty income threshold.
- ✓ The State Legislature should change Indiana's Unemployment Insurance policies to include benefits for part-time workers and a good cause exemption to ensure workers facing a significant family crisis can leave their job and receive UI benefits.
- ✓ FSSA should allocate additional funds to the state's child care assistance program in order to raise the eligibility threshold for working families to include those earning up to 200 percent of the federal poverty level.
- ✓ FSSA should provide healthcare coverage to working parents earning up to 200 percent of the federal poverty threshold.

INVESTING IN INDIANA'S WORKING FAMILIES TO BUILD A 21st CENTURY ECONOMY

Government does not create jobs. It only creates the conditions that make jobs more or less likely. All our hopes in other areas depend on our ability to bring about a more growth-friendly Indiana of rising incomes, sales, and wealth.

And so the organizing objective of our administration will be higher personal income for Hoosiers. Every department is already being tasked with identifying the actions and improvements it will make to contribute to that goal.

-- Governor Mitch Daniels, "State of the State Address," January 18, 2005

COMMON GROUND & SHARED VALUES

Indiana is a state of cornfields and basketball, strong families and a deep work ethic. But over the past 40 years, the state's economic fortunes have been declining as its manufacturing economy dwindled. Tens of thousands of jobs that paid well and carried good benefits have vanished, leaving workers and their families struggling to adapt and advance financially.

Many years ago, Indiana's per capita income was above the national average. Today, an Indiana worker earns, on average, only 91 cents for every dollar earned by the average worker nationally. And Indiana ranks 35th out of the 50 states in overall economic performance.¹

This discouraging economic situation is not news to Hoosiers or their leaders. Indeed, all of our state's leaders, from Governor Mitch Daniels down, are focused on addressing the problem and building a stronger economic future for the state and its workers.

The needs are great. Overall, **one out of four** working families in the state is low-income, meaning that despite their hard work, they often struggle to get by.² These almost 200,000 working families pay taxes, but are hard-pressed to support their children adequately, pay the bills, invest in additional education or skills training, and save for the future.

Who are these workers? They are the men and women who clean office buildings, wash dishes, cook in restaurants, provide security in our airports, take care of our elderly loved ones or work in countless other positions that fail to pay a family-supporting wage. They are the backbone of today's economy and the foundation for a more prosperous economy in the future.

As acknowledged by Indiana's public and private leaders alike, many of these workers are ill-prepared to participate and contribute to a higher-skilled and higher-wage economy of the future. Many need additional education or training. Without it, they will have little opportunity to bolster their economic situations and contribute to businesses' goal of becoming more competitive and productive.

PREPARING A BRIGHTER ECONOMIC FUTURE

The state's leaders are certainly focused on these economic challenges. The state of Indiana's recent *Accelerating Growth* plan explains the issue clearly:

For Hoosier employers to be successful in the global knowledge economy, Indiana's workforce must be more skilled, productive and flexible.

We have no doubt that hard-working Hoosiers, if given the opportunity, are up to the challenge of competing successfully in the new marketplace. But a work ethic is not enough. State policies and programs in workforce development, economic development, higher education and workplace supports also play a critical role.

Moving forward, Indiana must invest and set policy wisely to meet the needs of a 21st Century economy. That means creating new opportunities for state workers to improve their skills and succeed in higher-skill, family-supporting jobs. Investing in sound policies will help create a well-qualified workforce, an absolute necessity for the state's economy to thrive in an increasingly competitive national environment. To be sure, these critical investments will pay off widely – for workers, employers and all Hoosiers.

IN MOVING AHEAD, INDIANA POLICYMAKERS MUST CONSIDER THREE KEY QUESTIONS:

1. Are the responses of the state focused on meeting the needs of low-skill, low-wage Hoosiers?
2. Are state efforts large enough to adequately address the problem and have a substantive impact?
3. And, over time, are the state's actions actually achieving the desired results?

The time to act is now. Every day brings new pressures on the state's economy. State policymakers must quickly come to grips with the urgency of the situation and move beyond strategic plans to enacting a range of state policies that can move the state forward today rather than tomorrow. The Indiana Chamber of Commerce Foundation summed it up well: "If Indiana is to prosper in a global economy biased toward skills, it must make **big and quick** changes in its ability to produce more highly skilled workers."

THE FRAMEWORK OF THE REPORT

The Indiana Institute for Working Families has prepared this report as part of the Working Poor Families Project. This national initiative partners with existing state nonprofit organizations to identify and strengthen state policies that assist working families achieve success in the labor market. The Project, which is now active in Indiana and 23 other states, is supported by the Annie E. Casey, Ford, Joyce and Mott foundations.

This report establishes a basis of understanding about our state's situation – by analyzing data about Indiana's low-income working families and presenting a compelling argument why the state must take steps to prepare these families to be productive parts of Indiana's economy in the years ahead. The report examines an array of state policies and programs to assess how well they address the unique barriers and obstacles facing

low-wage working families. And, the report makes recommendations for how Indiana can strengthen state policies for working families.

Chapter One: outlines specific data about the status of the state's low-income working families, highlighting indicators related to work, income and educational status.

Chapter Two: reviews the numerous public educational and training opportunities available in Indiana and assesses how well low-income workers can access these programs to improve their skills and knowledge.

Chapter Three: details key labor force data and analyzes how well current state economic development strategies generate quality jobs to the advantage of low-income working families.

Chapter Four: outlines public support systems and fiscal policies and programs that the state of Indiana uses to assist working families achieve and maintain economic self-sufficiency.

The bottom line of this report: Indiana is at a crossroads. It must take steps now to prepare itself and its workers to be competitive in a rapidly changing economy. Projections show the state will have slow population growth, meaning the state cannot afford to leave low-skill, low-wage workers behind.

Both the state of Indiana and the state Chamber of Commerce agree that roughly one million Hoosier workers lack the basic skills needed for Indiana to become a 21st century economy. Improving the skills of one million workers will require the state to take bold steps, make significant investments and ensure that every state investment and public policy is calibrated for success. The goal should be proactive economic development and workforce policies that successfully boost opportunities for Indiana's low-income working families.

To its credit, the state has developed strategic plans and launched promising pilot programs. Over time, though, success cannot be built on marginal changes. Given the vast need of Indiana's workers and employers, the state must consider significant policy actions and new investments. With these in place, the state of Indiana will position itself to achieve its ambitious economic goals. All Hoosier families will have the opportunity to know prosperity and all of our state will be the better for it.



CHAPTER 1: The Status of Low-Income Working Families in Indiana

The state's economy is only as strong as its workforce. We know that Indiana is home to hard workers determined to succeed and support their families. But to do that, workers must have the skills and education to compete and advance. State policies must create real, widespread opportunity for workers to build those skills. In Indiana, that task will be challenging.

Indiana has roughly 200,000 low-income working families. That means that more than one out of four Indiana families with at least one working parent is low-income, earning less than 200 percent of the federal poverty income threshold. About 388,000 adults live in these 200,000 low-income working families.³

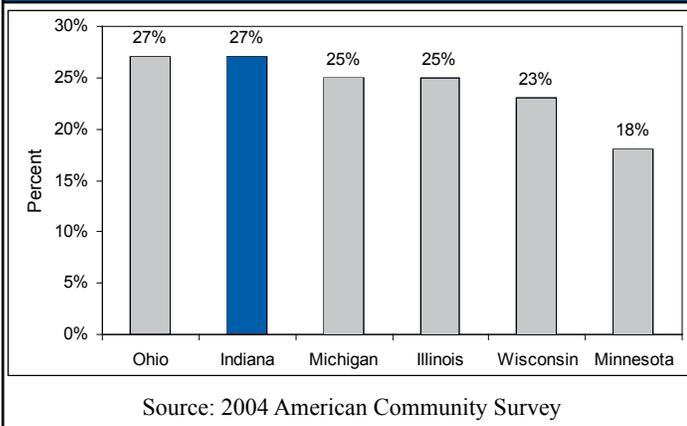
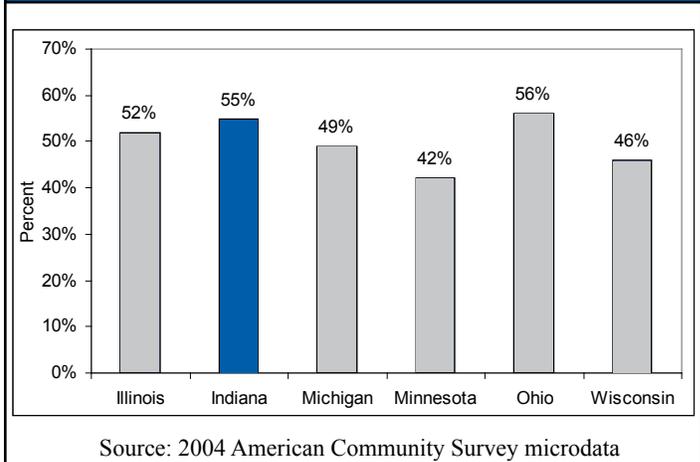
In many cases, these low-wage workers are also parents who work, pay taxes and strive for an important goal – to provide for their children. These low-income families have roughly 440,000 children – 31 percent of all children in the state's working families.⁴ That means that about one third of Indiana children who have a parent who is working live in families that are struggling to make ends meet. Building a brighter economic future for these children begins with giving their parents a fighting chance to improve their skills

and advance in the workplace.

Many of these workers work very hard at full time jobs, but due to limited education, the economy has passed them by. Some are immigrants still learning English, while others are trying to make it on their own after leaving welfare. Some are ex-offenders trying to turn their lives around; others are simply down on their luck but determined to win back their self-reliance.

Indiana is not the only state in the Midwest confronting problems caused by the changing economy. But Indiana may face more of a challenge than its neighbors, given the state's high percentage of low-income working families. Twenty-seven percent of Indiana's working families are low-income.⁵ That is a higher percentage than Minnesota, Wisconsin, Michigan and Illinois, and equal to that of Ohio. (See Chart 1a.)

Some observers may assume that many of these low-income working families are headed by very young people starting out in the workplace. In fact, 90 percent of the adults in these families are in the prime working age range, between 25 and 54.

CHART 1A: PERCENT OF WORKING FAMILIES BELOW 200 PERCENT OF POVERTY, 2004**CHART 1B: WORKING FAMILIES WITHOUT POSTSECONDARY EDUCATION**

It is important to recognize that these low-income Hoosier families are working hard. Adults in these families work, on average, 2,408 hours a year, which is the equivalent of 1.25 full-time jobs per family. Even in low-income working families headed by a single mother, the work effort is significant. In those families, adults work, on average, 1,907 hours a year, which is the equivalent of working 37 hours a week year-round.⁶ These low-income Hoosiers are working just as hard as better-paid workers, but they lack the skills and education to achieve the kind of security that all families desire.

Despite working hard, these families' finances are strained. Looking at a family's biggest expense, almost 45 percent of these families spend more than one-third of their income on housing – the commonly accepted threshold for housing affordability. A full 30 percent of these families have at least one adult without health insurance, meaning many will be hit with unexpected, unaffordable medical bills.⁷

The data makes plain that these workers often lack advanced education. More than half (55 percent) of adults in these low-income working families either failed to finish high school or have only a high school diploma or GED. (See Chart 1b.) Moreover, 28 percent of low-income working families have at least one parent with no high school degree, compared to 12 percent of the state's population overall.⁸

It is also important to consider the racial characteristics of the state's low-income working families. Roughly 45 percent of working families headed by an African American or other minority are low-income. This is almost double the rate for white, non-Hispanic families; in that group, only 23 percent of working families are low-income. There is a similar disparity in the level of educational attainment. Among minority adults between the ages of 18 and 64, 25 percent do not have a high school degree. Among white, non-Hispanics, the rate is only 11 percent.

The Indiana Chamber of Commerce Foundation has found that one-third of Hoosier workers – **roughly one million workers** – lack the skills necessary to compete in the emerging economy.⁹ Many lack a high school diploma or basic reading and math skills. Far too many have no education at the postsecondary level, ranking Indiana among the bottom one-third of states. For these workers, jobs requiring technological or computer skills are out of reach, leaving them consigned to low-skill jobs that often pay inadequate wages and carry poor benefits. For businesses, these workers do not have the skills that can help them compete in a 21st century economy.

A Realistic Definition of “Low-Income”

This report follows the lead of many researchers by focusing on those working families who are considered “low-income.” These are working families earning less than 200 percent of the federal poverty level. In 2004, the year in which the number of low-income working families was calculated, a family of four earning less than \$38,000 was considered low-income.

Focusing on families falling under that income limit reflects the reality that the federal poverty definition is woefully inadequate for measuring the true needs of families in Indiana and throughout the country. Developed in the 1960s, the federal poverty guidelines have not been updated to take into account actual costs of living, nor do they reflect the fact that costs can vary greatly from community to community. Poverty figures in Indiana are high. But the fact is that many additional low-income working families, while not technically living in poverty, still struggle to provide for themselves and build financial security.

Nonprofit groups have developed a more realistic assessment of the cost of living in various communities in Indiana. According to standards developed jointly by Wider Opportunities for Women and the Indiana Coalition on Housing and Homeless Issues, a family of four in Marion County would require an annual income of \$45,237 to support itself adequately. That income requirement is significantly higher than the figure of twice the poverty standard used for this report – \$38,000 for a family of four. This suggests strongly that while we can identify 200,000 working families that are clearly low-income, many more families are struggling to make ends meet but earn incomes too high to meet the standards used in this report. (See Table 1.1).

TABLE 1.1: ANNUAL SELF-SUFFICIENCY WAGES IN INDIANA, 2005	
County	Annual Wages Needed For A Family of Four (Two Adults w/ Infant and Preschool Age Child)
Clark	\$36,477
Howard	\$39,503
Lake	\$42,068
Marion	\$45,237
St. Joseph	\$38,596
Vanderburgh	\$38,472
Vigo	\$35,063

Source: *The Self-Sufficiency Standard for Indiana: Where Economic Independence Begins*. Diana Pearce, Wider Opportunities for Women and Indiana Coalition on Housing and Homeless Issues, September 2005.

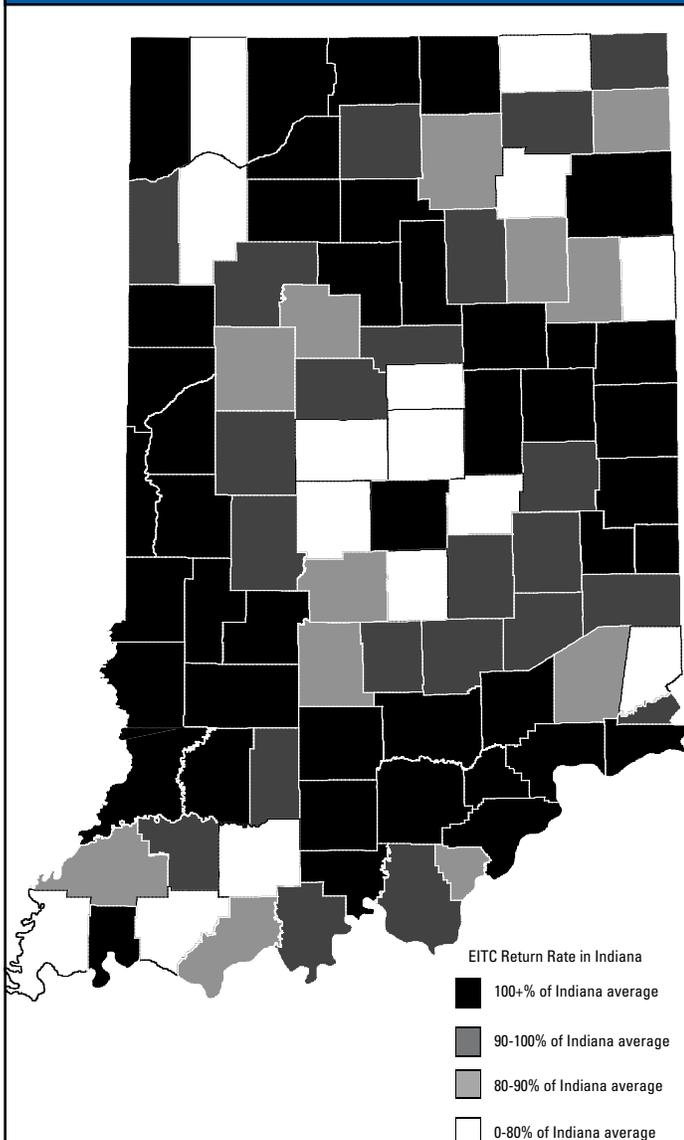
Dispelling the Myths

Over time, some members of the public have developed misperceptions about Indiana’s low-income workers. Some Hoosiers who lead comfortable lives hold uninformed notions about these workers. They fail to realize how many workers in the state are consigned to low-wage jobs with poor benefits and slim prospects for advancement. Many may forget that these workers are neighbors and live in all areas of Indiana. (See Map 1). They are both the backbone of the state’s economy and the key to its future. It is important to shed light on the facts, not the myths, about the state’s low-income working families.

Key Characteristics of Low Income Working Families

- ◆ Nearly 400,000 adults are present and working in these families.
- ◆ Ninety percent (90%) of the parents are between the ages of 25 and 54.
- ◆ Fifty-five percent (55%) of these working parents have no postsecondary education.
- ◆ Twenty-eight percent (28%) of these working parents have no high school degree.
- ◆ Thirty percent (30%) of these families have at least one parent with no health insurance.

MAP 1: LOCATION OF LOW-INCOME WORKING FAMILIES IN INDIANA



Source: Brookings Institution

Note: The map is a general description of where low-income working families reside throughout the state based on tax returns. The families targeted in this report, those earning up to 200% of federal poverty level, are eligible for the Earned Income Tax Credit (EITC). The map charts the rate of returns for EITC as a way to demonstrate the general location of low-wage workers in the state. See Chapter Four for more information on the EITC.

MYTHS AND FACTS

- MYTH:** Indiana has a culture of welfare dependency and many low-income Hoosiers simply need to get a job.
- FACT:** 73 percent of low-income families in Indiana have at least one adult who is working.
- MYTH:** If low-income families worked harder, they would be able to make ends meet.
- FACT:** Adults in the state's 200,000 low-income working families work an average of 2,408 hours a year, which is the equivalent of 1.25 full-time jobs per family. Even so, these families have incomes less than 200 percent of the federal poverty level.
- MYTH:** Most low-income families are minorities.
- FACT:** The majority (55 percent) of low-income working families in Indiana is non-Hispanic whites.
- MYTH:** Most low-income parents are either teenagers or in their early twenties.
- FACT:** 90 percent of low-income working families in Indiana have at least one parent between the ages of 25 and 54.

This chapter paints a picture of the 200,000 low-income working families in the state of Indiana. These families are working hard to build a strong future for their children. Despite their hard work, they still struggle to meet basic needs. Lack of education and workplace skills keep them from securing high paying jobs and improving their economic situation. In order to succeed in the evolving skills-based global economy these skill and education shortages must be addressed.



CHAPTER 2: The Big Pay-Off: Advanced Education and Training for Indiana's Working Adults

The economic building blocks for Indiana's future are our people – the workers who drive and sustain the state's commerce. To keep that economy strong, our workers must have the needed tools to compete and succeed. In the 21st Century, those tools are skills, training and education. The economy is evolving quickly and workers without those skills will be hard-pressed to be part of it.

Hoosier employers face a related challenge. Without a well-skilled, productive and flexible workforce, they will not be able to compete in the global, knowledge-based economy. For them, there should be no higher priority than improving Indiana's ability to develop skilled, educated workers.

The state of Indiana must take the lead role – with partners in higher education, workforce development, the private sector and beyond – to create affordable, accessible opportunities for Hoosier workers to build their skills. There should be no more pressing priority for the state's economic development future.

This chapter looks at the state's higher education, adult education and workforce development efforts and makes recommendations for improving how they operate, how they are funded and how they measure their results.

The Challenge

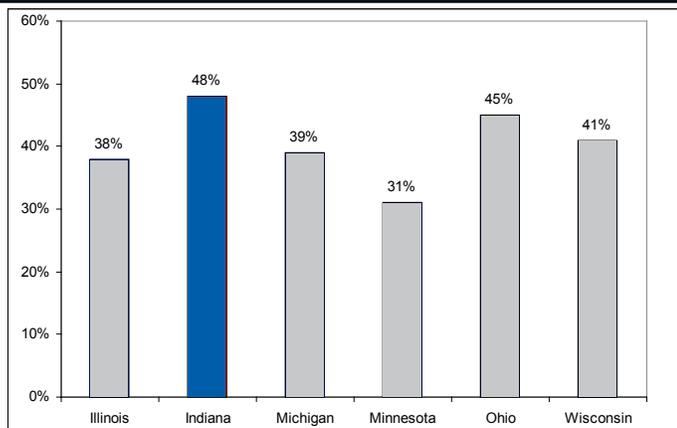
By some measures of educational attainment, Indiana compares well, as the percentage of our adult population with a high school diploma is higher than the national average. However, it's a troubling fact that 12 percent of Hoosiers 25 or older have not graduated from high school – the highest rate among all Midwestern states.¹⁰

More troubling is that Indiana has only the 35th highest percentage of adults 25 and over with at least an associate's degree (31 percent).¹¹ As shown in Chart 2a, Indiana has the highest percentage of adults with no postsecondary educational experience among Midwestern states.

Key Facts about Hoosiers and Education and Training

- ◆ Only 31 percent of the Indiana population between the ages of 24 and 54 has an associates degree or better.
- ◆ Nearly one million Hoosiers lack the workforce literacy skills that are necessary to succeed in the new economy.
- ◆ Indiana's adult education services reach only seven percent of adults in need of a high school degree.
- ◆ Only 3.2 percent of Hoosiers between the ages of 25 and 54 were enrolled in some postsecondary education program in 2006.
- ◆ Less than 3 percent of state student financial aid is dedicated to part-time students.

CHART 2A: PERSONS AGED 25-54 WITHOUT POSTSECONDARY EDUCATION



Source: 2004 American Community Survey microdata

Indiana's minorities have less educational attainment, on average. Only 27 percent of Indiana minorities have an associate's degree or higher.¹² Again, the state's low-income working families are disproportionately headed by at least one minority parent.

Examining the state workforce's educational credentials reveals a deep problem. It bears repeating that an estimated one million Hoosier workers – one-third of Indiana's workforce – lack the workforce literacy skills they need to succeed in the new economy. The Indiana Chamber of Commerce Foundation noted:

Right now, the biggest bottleneck in the skill development pipeline is right at the bottom: Significant numbers of working adults do not possess the basic skills they need to acquire the technical and occupational knowledge and abilities demanded by this economy.¹³

In other words, much of our workforce is not prepared to help business compete economically. And there is little prospect that a sizeable new group of highly trained workers will migrate into the state to meet employers' needs. Indiana is a slow-growth state. According to the U.S. Census Bureau, Indiana's

population grew by 9.7 percent between 1990 and 2000, while the population nationally increased by 13.1 percent. Projections show that this gap will persist in the years ahead. By 2020, Indiana's population will grow by six percent while the nation's is projected to grow by 14 percent.¹⁴

That slow population growth underscores the importance of building the skills of Indiana's current workers. The workforce of today is largely the same workforce of the future. However, the jobs of the future require more skills and education. Authorities estimate that between 1998 and 2008, 70 percent of the new jobs created in the United States will require at least some postsecondary education.¹⁵ Indiana will need to invest in its current workforce to ensure workers possess the skills and education necessary to meet the needs of employers.

Postsecondary education also pays off for workers. Securing just some postsecondary education increases a worker's annual pay, on average, by between \$7,300 and \$9,900 a year, compared to the pay being earned by workers with only a high school education.¹⁶ The Indiana Economic Development Corporation understands the importance of education to state employers, and includes it as a goal of its 2006 Strategic Plan:

Increase Hoosiers' skill attainment to globally competitive levels by creating the opportunity for each Hoosier worker to move at least one step up the talent scale, ranging from basic literacy to strategic skills.¹⁷

Meeting the Educational Needs of Today's Working Adults

While the state acknowledges the problem, the key question is whether Indiana is effectively meeting the challenge of building a better educated, higher-skilled work force. This chapter considers the following central issues:

1. Are the programs and policies of the state's human services, educational and workforce development initiatives focused effectively on the educational needs of low-skill, low-wage

Hoosiers?

2. Is the state allocating enough resources to provide opportunities for the thousands of adult workers who need training and additional education?
3. Are state efforts in this critical arena achieving the desired results? And related to that, how can the state measure how well adult-age workers are progressing in their educational and training pursuits?

In looking at state programs and funding, this report considers four key factors:

- Are education and training efforts focused on adult-age workers?
- Are such programs affordable to low-wage workers?
- Do various programs and institutions work collaboratively to provide these services?
- Are these programs measuring results and being held accountable for achieving specific outcomes?

Indiana's Higher Education System

In considering the ability of Indiana to create a better-educated workforce, it's noteworthy that the state has a solid higher education infrastructure with 15 public four-year institutions of higher learning and 35 private institutions. Indiana also has 24 community college campuses; these are critical venues for the challenge of building a better workforce. In many ways, community colleges are best suited to give low-skilled adult workers access to postsecondary education.

Community College Capacity

Indiana has only recently recognized the vital role that its two-year community colleges must play in workforce development through its offering of occupational skills training that is aligned with the needs of employers. It was not until 2005 that the legislature designated Ivy Tech as the official state community college institution for Indiana.

Perhaps due to the lack of a statewide community college system historically, only 22 percent of all

Hoosier postsecondary students were enrolled in a two-year college in 2004; the national enrollment in two-year colleges was 42 percent.¹⁸ Most alarming, only 3.2 percent of working-age adults (ages 25 to 49) in the state are enrolled in postsecondary education.¹⁹

Like most states, Indiana funds its postsecondary institutions using a funding formula that is based on the full-time equivalency (FTE) for student enrollment. Such a formula for funding fails on several counts. It does not count the part-time student, nor does it count the student taking a non-credit workforce development, an adult basic education course or the remedial course. Further, it fails to accommodate the high-cost course a highly technical certificate or degree might require.

Even with the designation of Ivy Tech as the official community college, the funding formula for this key educational institution follows the old practice. In 2007, Ivy Tech will receive only \$3,555 per FTE while Vincennes University, a two-year liberal arts college, received \$5,649. Ivy Tech receives the lowest FTE reimbursement of all Indiana postsecondary institutions.²⁰

Student Affordability

Often, the most pressing issue for would-be students is the cost of higher education. In that regard, Indiana is failing its adult-age workers. In its report, *Measuring Up 2006: the State Report Card on Higher Education*, the National Center for Public Policy and Higher Education gave the state of Indiana a grade of "F" for providing affordable higher education.²¹ The report showed that given the high cost of community college tuition in the state, the average Hoosier family must dedicate 24 percent of its income to pay for a year's worth of full-time education at a state community college – even after any financial aid is considered.

For low-wage families, the average burden is even greater. For the 40 percent of the population at the bottom of the income ladder, community college costs eat up 36 percent of their household income, even after all financial aid has been applied.²² Clearly, this makes even community college, the least expensive postsecondary option, unaffordable for many families.

Many working adults who enroll in higher education take classes only part-time. Unfortunately, the system

is skewed against them.

Of the \$190 million in state student financial aid awarded for the academic year 2004-05, only \$5.7 million, three percent, went to help part-time students. Of that amount, \$1.1 million went to part-time students attending Ivy Tech Community College.²³ For the academic year, 2005-2006, the aid for part-time students dropped to \$5.6 million and for this current academic year, 2006-2007, only \$5.2 million of state financial aid has been set aside for part-time students.²⁴ (See Table 2.1). These data are clear evidence that Indiana provides much more financial support to four-year college students, rather than working adults seeking to improve their skills.

TABLE 2.1 STATE FINANCIAL AID FOR PART-TIME STUDENTS

Academic Year	Part-Time Grants	Percent of Total Awards/ Grants Funding
2000-01	\$5,902,957	5.0%
2001-02	\$5,344,173	4.0%
2002-03	\$4,849,701	3.1%
2003-04	\$5,246,665	3.0%
2004-05	\$5,681,582	3.0%
2005-06	\$5,588,951	2.8%
2006-07	\$5,250,000	2.4%
2007-08*	\$6,650,000	2.8%
2008-09*	\$7,100,000	2.9%

*Proposed budget as of September 30, 2006
Source: State Student Assistance Commission of Indiana

Student Success

Only 54 percent of community college students in Indiana continue on to a second year of study after completing their first. This is several percentage points below the rates of the top-performing states.²⁵ And the 2004 completion rate of a two-year degree over a three year period for Ivy Tech was a mere 18 percent.²⁶

The Indiana Commission on Higher Education

released the report, “*Building a Strong Community College System for the State of Indiana: A Best Practice Study*,” in which national experts advised the Commission on how to transform the Ivy Tech Community College of Indiana into a comprehensive college system. The report recommended to the Commission that within 10 years, Indiana’s community college system should represent 50 percent of all Indiana postsecondary students and that the proportion of students who complete an associate degree within three years should increase to 29 percent.²⁷

One of the contributing barriers that prevent adults from pursuing a postsecondary education degree is the blunt fact that many of Indiana’s high school graduates are not adequately prepared for college-level courses. In the academic year for 2004-05, fully 32 percent of the Ivy Tech Community College students were enrolled in remedial classes.²⁸

Remedial classes, while necessary for academic success, create an extra burden for students because they do not count toward degree requirements. That means that students requiring remediation must spend more time enrolled, which drives up their costs. In some cases, these students end up exhausting their eligibility for federal student aid before they have completed a degree or certificate program because of the extra remedial classes.

Adult Education

Aside from the state’s postsecondary education system, the Indiana Department of Education Division of Adult Education (DOE) administers the Adult Basic Education program, which includes English as a Second Language courses, GED preparation and literacy classes. The mission is “to provide learner-centered opportunities to achieve basic and secondary level academic and life skills.”²⁹ The program is mandated to serve all adults who lack a high school degree from age 16 and older and is administered through approximately 85 local school districts. Services are delivered at 350 locations at various community sites across the state.

In 2004-05, 47 percent of students enrolled in adult education programs were 25 years or older. Only 34 percent of those enrolled were working at the

time of training. That year, the program served 43,500 Hoosiers. This represented roughly seven percent of all adult Hoosiers who lack a high school diploma or its equivalent and are in need of basic education courses – an unacceptably low figure.³⁰

The adult education programs face increasing pressures to meet the needs of adults who have not completed their high school education or lack proficiency in the English language. National trends show a younger population accessing adult education services as they realize much earlier on that basic education and a high school diploma are keys to economic security. The growing population of limited English speakers adds to the demand. In 2006, the program had a waiting list of approximately 2,000 students.³¹

Despite rising needs, funding for adult education programs has remained static. The state appropriation has not increased in eight years and federal funds have decreased since 2002.³² The adult education program receives approximately \$24 million in funding annually, of which the state allocates \$14 million.³³ While the state's funding commitment is relatively strong compared to neighboring states, the unmet needs of this adult-age population remain enormous.

In theory, adult education courses could serve as a springboard to postsecondary education. In practice, though, only five percent of those enrolled in adult education courses continue on to pursue some postsecondary education.³⁴ The low figure is partly due to skill level; over 75 percent of those who enter adult education courses have a ninth-grade level of education or less. It may take several years before they are ready to pursue postsecondary education.³⁵ Finding ways to prepare and encourage adult education students to continue on to postsecondary offerings should be a focus for state education and higher education officials.

Lack of Adult Focus

It is clear that Indiana's two primary systems for educating and training adult workers are not prepared to address the needs of one million low-skilled workers. Indiana's community college system has yet to fully take the lead in providing affordable, accessible educational opportunities to working-age adults. Similarly, the state's adult education system is

not adequately meeting the needs of working adults. The Chamber of Commerce Foundation study notes:

*Almost all of the Indiana Department of Education's state and federal funds go to local education areas or high school programs, community based organizations, libraries and other community-centered providers... these providers do not serve a significant number of working adults... Their populations tend to include unemployed people and those not in the labor force.*³⁶

State leaders have recognized the importance of undertaking innovative strategies to address this need. One is to work with employers to address their problems finding skilled workers. However, in 2005-06, the state's services most closely focused on working adults – the *Adult Education Works in Indiana* initiative – spent less than \$1 million to provide instruction to 1,270 adult students who are also working (through 73 employers).³⁷ Clearly, this level of funding is failing to meet the vast educational needs of Indiana's working adults.

Interestingly, the Indiana Department of Workforce Development (IDWD) also has launched its own workforce literacy effort. As part of a \$1.5 million demonstration project, employers will help provide basic skills training to a variety of both employed and unemployed workers. So far, ten participating employers across the state have developed programs focused on basic workforce skills for almost 2,200 workers, including currently employed “incumbent” workers, unemployed or “emerging” workers, and workers who have been laid off or terminated.³⁸

These two programs, while worthwhile, are far from sufficient to meet the state's workforce needs.

Further, there is some debate about how to best locate adult education within the state government. This is an important discussion. But as a recent report from the Workforce Strategy Center notes, the key focus should not be on rearranging the state bureaucratic “boxes” to change which agency administers these programs.³⁹ Rather, it's critical that all stakeholders work in concert

to identify specific strategies and goals for improving the system. Then they must ensure that all of the state's resources are coordinated to meet those goals.

Workforce Investment Act

The Workforce Investment Act (WIA) is the federal government's main workforce development program and funnels funding to the states. In Indiana, WIA funds are administered by the Indiana Department of Workforce Development (IDWD) and pay for services for young adults, adults and dislocated workers. In program year 2005-2006, more than \$48 million in federal WIA funding was available in Indiana, of which almost \$36 million was used to fund these services.⁴⁰

An audit for program year 2005-2006 showed that WIA-funded programs served 12,580 Hoosiers of which a little over 50 percent were adults between the ages of 25 and 55. Nine percent of the adult participants in these programs lacked a high school diploma and another 55 percent of adult participants had only a high school diploma.⁴¹

WIA stresses the "work first" principle and offers three levels of service to participants. "Core" services include outreach and job search and placement assistance. "Intensive" services include individualized assessments, employment plans, counseling and career planning. Only the "training" services include occupational skills training, on-the-job training and entrepreneurial training. While the state does not calculate the number of the adult participants that actually received "training" services, according to U.S. Department of Labor 2004 statistics, 52 percent of Indiana's adult WIA participants received training services, placing Indiana 32nd in the nation.⁴²

Moving forward, the state must be governed by a clear goal for all of its WIA efforts: to provide training that allows workers to move up the economic ladder and into family-supporting jobs. That could mean, for example, establishing better links between WIA programs and state community colleges. One key question for the state to answer: how often does WIA training lead workers to obtaining a postsecondary degree or training credential? Are WIA participants able to take advantage of educational pathways to economic success?

Temporary Assistance for Needy Families (TANF)

In considering the need to develop a better-educated and trained workforce, we must also look at the Temporary Assistance for Needy Families program (TANF), which is administered through the Department of Family and Social Services Administration (FSSA). TANF provides low-income families with cash assistance and supportive services during times of financial crisis. The goal is to move people off public assistance and into employment at wages that can provide self-sufficiency. Individuals must search for and secure employment within two years of applying for TANF assistance.

Unfortunately, TANF policies limit the ability of TANF recipients to pursue the kinds of postsecondary education or vocational training that will give them the skills needed to move into jobs that pay a family-supporting wage.

For example, TANF recipients can continue receiving assistance while in school, but only if the recipient is pursuing a degree requiring two years or less of courses. Only one year's worth of educational activity is allowed and the recipient must also be participating in an additional work activity. Further, the two-year "clock" governing how long an Indiana family may receive TANF benefits does not stop when a recipient is engaged in postsecondary education or training. With these restrictions in place, the bottom line is that only 1.3 percent of TANF recipients were engaged in vocation education training activities in any given month in 2004.⁴³

In a move that contributed to that unacceptable bottom line, between 1998 and 2004, the state reduced expenditures by 14 percent for programs that assisted TANF families to secure and maintain jobs paying a self-supporting wage.⁴⁴ Such programming deserves additional support to help these working parents make the move into the workplace.

With a "work first" philosophy, TANF often operates shortsightedly by failing to allow TANF recipients to take part in education and training. Given that, it would not be surprising that many TANF recipients are not securing self-sufficient wages as they move off of welfare. In fact, we do not know. The state does not measure how its former TANF recipients are

far in the workplace. There is no data about wages earned or their ability to support their families.

New federal mandates will require all states to have 50 percent of their TANF recipients taking part in approved work-related activities. To meet that mandate, Indiana will have to take significant steps, as only 29 percent of its TANF recipients are now engaged in such activities. It makes sense for Indiana to encourage more TANF participants to take advantage of education and training in order to meet federal standards. Federal rules allow 30 percent of the TANF participants to be involved in approved education or training activities. Finding ways to provide training and educational opportunities to more TANF recipients will help Indiana meet its federal mandate and position many more participants to acquire the skills to become part of the workforce and become economically self-sufficient. Indiana can see this federal requirement as an opportunity to invest in its economic future by putting more participants into meaningful education or training.

TANF recipients need new skills to become self-sufficient workers. Meanwhile, Indiana businesses need skilled employees. The state can and should do more to provide opportunities to satisfy the needs of both workers and employers. By not investing in programs that give TANF recipients critical training and education, the state is missing an opportunity to develop much needed skilled workers.

Recommendations

The state of Indiana commits millions of dollars in public funds to create educational and training opportunities for tens of thousands of Hoosiers – primarily through Ivy Tech Community College, TANF, WIA and Adult Education programs. Some of this effort is worthwhile, some needs reform. But the fact remains that a staggering number of Indiana workers – an estimated one million people – lack the necessary skills to compete in the 21st Century economy. Our state must do far more to ensure that Indiana will maintain a competitive economy.

The four programs cited above are each built on a goal of providing services that will help participants

achieve and sustain economic well-being. However, none of the programs has established benchmarks for measuring if they are indeed meeting that critical goal. Without such benchmarks, it is impossible to determine if what we are doing is working. We also find that these programs are not constructed in a way which addresses the specific challenges facing the state's low-income, low-skill working adult. Finally, it's apparent that the state has yet to commit the funds necessary to help a substantial percentage of workers in critical need of training. And the funding that is available to assist low-income working Hoosiers is often not spent in a coordinated fashion across state agencies.

This report makes the following recommendations for improved training and educational opportunities for adult low-skill workers:

- **Key state institutions should focus on strategies that help Hoosier workers advance.** The four institutions that provide educational and training programs for adult workers – Ivy Tech Community College, FSSA, IDWD, and DOE – should adopt the Indiana Economic Development corporation's (IEDC) Pro-Talent Initiative articulated in the state's policy document *Accelerating Growth: Create the opportunity for each Hoosier worker to move at least one step up the talent scale, ranging from basic literacy to strategic skills*. These state institutions must work collaboratively to ensure that more Hoosiers successfully complete their academic or training programs and with that successful completion, these students realize an improvement in their economic situation. Further, these students should be encouraged to move up to the next higher educational opportunity. For instance, Ivy Tech should work to raise the three year graduation rate from the existing 18 percent to at least 50 percent within the next ten years. Adult education programs should increase efforts to move more students into postsecondary programs. An associate's degree or coursework should be transferable to a four-year college. Overall, adult education

and training programs delivered by the state of Indiana need to serve as a set of connected pathways for life-long learners to follow.

- **State institutions that provide educational and workforce training programs should set a single, uniform goal of having all workers who successfully complete public education and training programs secure a job that pays a self-sufficient wage.** To start, every state department should measure how its training programs affect the earnings of participants. These agencies should develop standardized statewide benchmarks that measure how these wages increase over time. Finally, the state should make these measurements available to the public and policymakers.
- **The Indiana State Legislature should revise the state funding strategy for Ivy Tech Community College.** Given the critical new role the legislature has given Ivy Tech in workforce development, Ivy Tech must have adequate funding to provide the unconventional, pre-college level courses many of the low income adult workers need to take. The state should adequately compensate Ivy Tech for certificate programs and remediation classes that are the starting point for many workers pursuing postsecondary education. The state should also provide adequate funding for Ivy Tech to provide classes requiring sophisticated equipment and other instruments necessary for training. In sum, the state's higher education system should value the low-income working adult learner as much as the traditional student.
- **The Indiana State Legislature should budget more for financial aid for the part-time student.** The state should increase the share of financial aid for part-time students – now less than three percent of the total state commitment. In a preliminary budget proposed by the State Student Assistance Commission of Indiana in September 2006, aid for the part-time student over the two year period was shown with a 61 percent increase in funding. The 2006-2007 state allocation of \$5.2 million in aid for the part-time student would increase to \$7.1 million for the 2008-2009 school year. While a 61 percent increase in the part-time student aid sounds impressive, in fact the aid for the part-time student has steadily decreased since 2000. This seemingly generous increase in financial aid for the part-time aid student is in actuality an attempt to make up for lost ground over the past six years.⁴⁵ The proposed overall financial aid package for 2008-2009 would increase by nearly 20 percent, leaving the proportion of part-time student financial aid at the historic three percent. The state's allocation of financial aid for the part-time student must be increased significantly if the state is going to reach and educate the low-income, working adult.
- **The state should work to increase adult enrollment in community colleges.** Indiana can learn from the success of Kentucky, which has focused for a decade on improving the skills of its workforce. Among its efforts, that state launched a \$4 million public relations campaign, *GoHigher Kentucky*, to encourage adult workers to go back to school and increase their skills. Kentucky has increased the number of adult students enrolled in community colleges from 45,000 in 1998 to 70,000 in 2004, a 55 percent increase.⁴⁶ The need to have more Hoosiers attend postsecondary school was identified in the key state policy document, *Accelerate Indiana*, and recommended that Indiana adopt a “*GoHigher*” campaign. This report endorses the immediate implementation of this initiative.

- **The Indiana State Legislature should budget more for adult education programs.**

Decreased federal funding coupled with an increased demand for services has put adult education services at risk. DOE estimated an additional \$1.5 million is needed to meet the immediate needs of 2,000 students on waiting list. Adult education is a stepping stone to further education, and increased financial support can help more Hoosier workers achieve their educational goals.

- **The Indiana Department of Education and the Indiana Department of Workforce Development should increase funding to work-based training programs in order to reach more employees in need of education and training.**

The DOE's *Adult Works* workforce education initiative and IDWD's *21st Century Workplace Skills Initiative* are good first steps for reaching the adult worker in need of educational and skills training. We recommend that the state increase financial resources for these employer-based programs significantly; and we recommend that the two state agencies work in a more collaborative fashion. Once again, Kentucky has developed a useful model. Rather than focusing on who administers the program, Kentucky is intent on achieving the desired outcomes to ensure that the system works more effectively. Finally, these state initiatives must reach out to employers to become partners and allow employees time off from work to pursue coursework, provide space for classes and contribute financial resources to leverage public funds for workforce training.

- **The Department of Family and Social Services Administration (FSSA) should adopt the Self Sufficiency Standard as the optimal annual income recipients should secure upon leaving the TANF program.**

Like other state departments, FSSA should set a program goal of ensuring its recipients

secure employment that pays wages that can support a family without any public support. Many families continue to qualify for public assistance in the form of childcare assistance, child health insurance, food stamps, and the Earned Income Tax Credit long after they leave the TANF program because they do not earn enough to meet the needs of their families. FSSA should begin tracking the current average wage TANF recipients secure, and then set a goal to help families attain employment that pays a self sufficient wage with meaningful benefits.

- **FSSA should develop policies that encourage and support the TANF recipient to participate in education and training activities.** The federal government allows up to 30 percent of TANF recipients to be involved in certain workforce training and education programs. Indiana has never come close to meeting the maximum thresholds of allowable training and education participation rates for its TANF participants. As FSSA works to meet the federal work participation rates, requiring an increase from the current 29 percent to 50 percent over the next year, it is an excellent time to develop and implement training and educational options for some TANF participants to pursue. This would help the state meet federal standards and more importantly, help TANF recipients gain marketable skills that can lead to better, higher paying jobs in the long run. FSSA and Ivy Tech are currently exploring how to partner so that TANF participants can access accredited courses, paid for with TANF resources. This is a promising step in the right direction.



CHAPTER 3: Creating Employment Opportunities through Sound Economic Development Strategies

Indiana is facing significant economic development challenges. The most pressing issue is the recovery from the recession that started this new century. Between May 2000 and May 2002, Indiana lost 122,000 jobs; 96,550 were high-paying manufacturing positions.⁴⁷

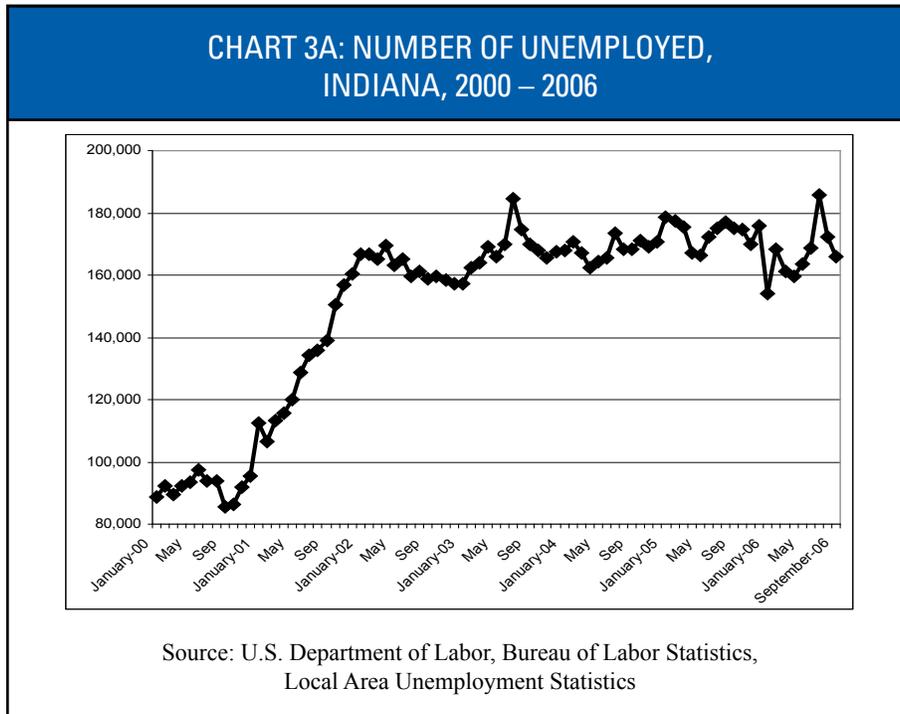
The most daunting task facing state officials as they rebuild Indiana's economy is to make sure their public incentives and policies generate high paying professional jobs rather than low-wage service positions. The state of Indiana recognizes the effect good-paying jobs can have on the state's economy. High paying jobs will assist in returning Indiana's average wage to match if not surpass the national average. Given the millions of public dollars that the state will invest in economic development, all Indiana's workers and their families should be able to expect to share financially in a recovered Indiana economy. Hence, the state must ensure that its workforce is trained.

This underscores the importance of forging a close alliance between Indiana's educational system and its economic development agencies to meet the growing demand for educated, skilled workers. Provided that

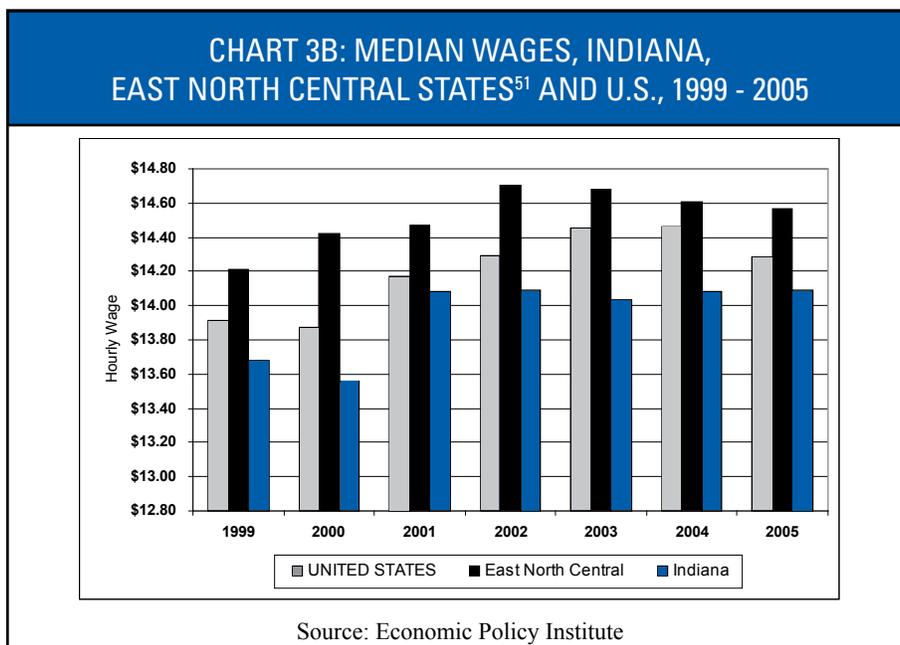
enough of the state's economic development investment is dedicated to training the Hoosier workforce, then the critical goal cited in the Indiana Economic Development Corporation's policy document, *Accelerating Growth*, "A Hoosier workforce whose capability, productivity and flexibility are globally competitive and nationally superior," will be attainable.

Recent Economic Conditions

Over the past four years, the Indiana economy and its jobs picture has improved. Yet, economic conditions are still not as healthy as they were. The number of unemployed in September 2006 was about 166,000, almost double the 88,000 unemployed in 2000. The September 2006 unemployment rate for Indiana was 5.1 percent, slightly above the national rate of 4.6 percent. Moreover, that rate is substantially higher than the unemployment rate of between 2.8 and 3.0 percent Indiana experienced in 2000.⁴⁸ (See Chart 3a). The first order of business the state faces is to create enough new jobs to reduce the number of unemployed.



Indiana’s economy has always been largely dependent on durable manufacturing, especially the automobile industry. Even with the conclusion of the 2001 recession, 23 percent of Indiana’s private employment remained in the manufacturing sector.⁴⁹ What is disturbing is that the jobs created post-recession have not enabled most Hoosier workers to enjoy renewed prosperity. Indiana’s wages and incomes have been stagnant or have declined in real terms since 2000. In 2005, the annual average wage in Indiana stood at 91 percent of the national average⁵⁰; the median wage in Indiana has consistently been below that of the U.S. and those of Indiana’s neighboring states. (See Chart 3b).



The state's overall average wages have declined, as low-paying service and trade jobs largely replace better-paying manufacturing jobs.⁵² In Indiana, the average manufacturing job pays nearly \$65,000 annually compared to \$38,000 for all other jobs.⁵³

Looking ahead, nationally and for Indiana, professional and related occupations will be the fastest growing sector of the economy, with a projected 21 percent increase. Such professional jobs will include computer and mathematics positions, healthcare practitioners and related technical positions, and education, training and library occupations.⁵⁴ Table 3.1 lists the professional occupations that are considered to be Indiana's "Hot Jobs" through 2014. It is noteworthy that only one of the ten occupations can be attained without a postsecondary degree or higher.

TABLE 3.1: INDIANA'S TOP 10 HOT JOBS: GROWTH, AVERAGE WAGE AND EDUCATION REQUIRED, 2004 - 2014						
Occupation	2004	2014	Growth	Percent	Average Wage	Education
Registered Nurses	51,900	67,300	1,540	2.97%	\$49,067	Associate degree
Postsecondary Teachers	30,490	39,550	915	3.0%	\$45,890	Doctoral degree
Teachers, K-6 grade	32,040	37,450	542	1.69%	\$44,544	Bachelor's degree
Surgeons	2,450	3,000	54	2.22%	\$191,580	First Professional degree
Computer Software Engineers	3,920	5,670	175	4.47%	\$65,549	Bachelor's degree
Dentists	3,570	4,540	97	2.71%	\$135,686	First Professional degree
Computer Systems Analyst	7,410	9,660	225	3.0%	\$59,976	Bachelor's degree
Dental Hygienists	4,030	5,690	166	4.12%	\$59,055	Associates degree
Network Systems and Data Communication Analyst	1,980	3,070	109	5.48%	\$56,212	Bachelor's degree
First Line Supervisors of Construction Trades	15,520	18,180	266	1.71%	\$51,047	Work Experience in a Related Occupation
Source: Hoosier Hot 50 Jobs, http://www.in.gov/dwd/hoosierhotjobs/						

The second fastest growing occupational sector in the nation is the service sector, with a projected increase of 19 percent. These jobs will consist of food preparation and serving related occupations as well as healthcare support occupations.⁵⁵ Many of these jobs, while not requiring postsecondary education, do not pay wages that can sustain a family.⁵⁶

Workforce Development is Economic Development

One of the first steps the Daniels administration took in 05' was to reorganize its Economic Development and Workforce Development departments. It created a new public-private partnership – The Indiana Economic Development Corporation (IEDC). Both the Indiana Department of Workforce Development (IDWD) and the IEDC report to the Secretary of Commerce. The reorganization should result in better communication and coordination between the two departments. The realignment of these two state institutions reflects a new approach and understanding about the deep relationship between economic development and workforce development.

As part of the reorganization, DWD reduced the number of regional workforce development councils from 15 to 11 in order to streamline operations. The IDWD is focusing on meeting employers' needs by developing workforce training opportunities that develop the skills needed to compete in the 21st Century economy. Its mission statement declares:

...the Indiana Department of Workforce Development is to ensure Indiana employers have a competitive and flexible workforce. Furthermore, IDWD is committed to providing all Hoosiers with opportunities and support to grow knowledge and skills for sustained employment in the global economy.⁵⁷

One of the first projects the new IDWD implemented in 2006 has been the Strategic Skills Initiative (SSI). Using WIA funding from two program years, this \$23 million, regionally focused, two-year initiative seeks to prepare Hoosiers for well-paying

jobs, develop a skilled workforce to meet the demands of business and, in the process, implement a demand-driven regional approach to workforce development.⁵⁸ Each of the state's 11 workforce development councils were required to analyze workforce demand and shortages. Each region identified the occupations for which there is a growing demand and outlined approaches to provide education and skills training to meet existing and projected labor force needs.

During its first round, SSI intends to provide \$13.3 million in funding to train 6,300 Hoosiers, help 3,650 obtain a vocational credential or postsecondary degree and fill 2,350 positions in targeted fields. SSI will rely heavily on instruction at Ivy Tech Community College or the Indiana University system.⁵⁹

In reviewing the specific initiatives proposed by the 11 regions, the plans and money allocated to each endeavor are geared toward the development of training and educational programs that will produce certain kinds of jobs. Much thought was given to the development of the systems and infrastructure, but nowhere in the plans are there specific outreach strategies to target students or workers who could benefit from the programs. No mention was made of reaching the low-income working adult and how they might access these training and educational programs.

Economic Development Initiatives

Building on the state's competitive advantages in the manufacturing, automotive and agricultural sectors, officials have focused job retention and creation strategies on the advanced manufacturing, logistics and transportation and bio-manufacturing sectors. Between January 2005 and August 2006, the state had received commitments of over 30,000 new jobs as a result of economic development incentives.⁶⁰ The economic incentives used by the state to lure industries to locate and expand in Indiana fall into three categories: tax credits based upon employment creation and capital investment, public infrastructure improvements and training money for employees.

An examination of major economic development investments made in 2006 revealed that the IEDC often included training dollars in incentive packages. However, the percentage of the public investment

dedicated to train employees was often very small in comparison to the overall subsidy provided to the employer.

For example, in the spring of 2006, the governor broke ground in Kosciusko County on what will become the world's largest bio-diesel plant. Of the \$5.5 million in public funds invested in the project, only \$95,000 (two percent) has been targeted for employee training for its 85 new employees.⁶¹

In June 2006, Honda announced that it would build a \$550 million plant and employ 2,000 Hoosiers in southeast Indiana. IEDC offered Honda a \$141.5 million business incentive package, of which only \$1.5 million, or about one percent, will be used to train workers.⁶²

The one unique economic development package offered to a business expansion proposal was for Cummins Engine. In October 2006, IEDC announced that Cummins Engine of Columbus, IN would be building a new production facility that would manufacture light-duty clean diesel engines. Within two years, 600 to 800 new employees would be added to the production line. In addition to a traditional economic development package of \$4.6 million in tax credits, \$1 million for infrastructure development and \$191,500 for training grants, IDWD added \$2 million in Strategic Skills Initiative funds for worker training.

The Columbus Community Education Coalition will take the lead in administering the worker training funds. Part of these funds will be used to underwrite the National Manufacturing Association's campaign, *Dream-It. Do-It.* Cummins Engines noted in its press release regarding their business expansion that a critical factor in deciding to locate in Indiana was the state's commitment to create training programs that would help the workforce gain the skills necessary to succeed in an advanced manufactured environment.⁶³

More of these meaningful workforce training incentives need to be developed for employers who are looking to expand their business in Indiana. Creating the links between workforce development and economic development is essential to the success of Indiana's economy. Economic development leaders should encourage innovative partnerships with educators and employers in order to prepare the labor force with the

skills necessary to compete in the emerging economy. The IEDC should be more proactive in providing incentives or resources to encourage employers to provide training.

Economic Development for a Growing Economy (EDGE) Tax Credits

By far, the largest subsidy provided to new or existing Hoosier employers are tax credits for job creation or public investment. The state's Economic Development for a Growing Economy (EDGE) state tax credits are available to companies that create or retain jobs that result in a positive fiscal impact for the state. The company must demonstrate that without the credit, job creation or retention would be infeasible. The state currently requires the company to remain in business for at least two years beyond the length of the credit term or it could face financial penalties. State statute requires employers to pay wages above-average wages paid in the county for similar industries, or a wage exceeding 200 percent of the federal minimum wage. In return, the company may have as much as 100 percent of payroll taxes abated for as long as 10 years for every new job created.⁶⁴

In 2005, the state provided over \$65 million in EDGE tax credits to 63 employers.⁶⁵ Specific information on how those credits were spent or the jobs created is unavailable. Without this information, it is difficult to assess the effectiveness of the EDGE credits at creating jobs that boost the incomes of Hoosier workers. As with all economic development and workforce initiatives, establishing clear objectives and measuring results must be key state goals. The current state requirements focus on the number of jobs created and the amount of credits paid to employers. Reporting requirements as specified in statute do not require information on wages paid to new employees.⁶⁶ On the other hand, companies that receive credits for retaining jobs in the state are required to submit this information on an annual basis.

Hoosier Business Investment (HBI) Tax Credit

The Hoosier Business Investment tax credit provides a credit to companies investing in capital improvements that will result in higher earnings for its

employees and result in a positive fiscal impact on the state. The company must demonstrate that the capital investments are due in large part to the availability of the credit. Companies must report annually on the number of new jobs and average wages paid to new and existing employees. The average wage must be higher than 150 percent of the state hourly minimum. IEDC is required to report biennially on the effectiveness of the program in creating new jobs and increasing wages in Indiana.⁶⁷

In 2005, \$70 million was awarded to 53 companies throughout the state. The annual report to the legislature did not include an evaluation or assessment of the effectiveness of the program in increasing wages in Indiana. Public award information only includes data on award amounts, recipient companies and limited data on expected number of jobs.⁶⁸ Again, without the evaluation data, it is difficult to determine the effectiveness of the credit on boosting wages in Indiana.

Employer Based Training Programs

In addition to providing individualized incentive packages to specific employers who are locating or expanding in Indiana, IEDC and IDWD offers four employer based training programs for incumbent workers.

Training Acceleration Grant (TAG)

In 2005, IDWD was successful in restructuring the Training Acceleration Grant program (TAG), the primary state-funded job training program offered to Indiana's businesses for incumbent workers. This grant program provides financial assistance to companies and organizations seeking to expand the skills of their existing workforce training programs that result in industry-recognized credentials.

For the 2006 fiscal year, IDWD invested \$17 million in 154 businesses that provided training for more than 11,500 Hoosier workers seeking training credentials.⁶⁹ A subset of the TAG money is dedicated to a program called *Building Trades*, which blends traditional apprenticeships and college-level curriculum for workers interested in the construction industry. In 2005, \$3.7 million of TAG funds went to construction

firms who trained more than 5,000 employees.⁷⁰

Unfortunately, the year-end summary for the program provides no information on the workers who were trained – such as their ages, educational levels or changes in their wages. Without such data, it is impossible to assess whether the program is assisting low-wage incumbent workers to improve their earnings or obtain additional education.

Trade Adjustment Assistance (TAA)

Trade Adjustment Assistance (TAA) is a federal grant administered by IDWD to assist workers who have lost their jobs due to foreign competition or the outsourcing of production activities. In addition to providing job search resources and relocation and monetary assistance, these funds can be used for skills training in the form of on-the-job, vocational, technical or classroom training. Training can last as long as 104 weeks; an additional 26 weeks of remedial training can also be funded with these dollars. The participants can spend these funds to pay for tuition, books and other fees associated with attending school. Participants must be enrolled in the WIA program to ensure post-training and follow-up services are available to them.

For fiscal year 2005-2006, the state spent all of its \$7,975,093 federal allocation, serving over 700 dislocated Hoosier workers. Over 68 percent of those served were in the age range between 25 and 55, and over 80 percent of the participants had only a high school education or less.⁷¹

Clearly, those served by the TAA program are much like the workers found in low-income families. Further, the eligible activities and expenses allowed by this federal program address some of the significant barriers that can keep the low-income, low-skilled worker from improving their skills. Still, the final report for fiscal year 2005-2006 provided no information on the outcome of the 709 workers trained. We do not know if these workers were able to secure new jobs nor if the jobs the workers secured after training paid wages that could sustain a family.

Skills Enhancement Fund (SEF)

The Skills Enhancement Fund (SEF) is a state financial subsidy administered by IEDC which

encourages companies to invest in their existing workforce and to train new employees. This program reimburses employers for as much as 50 percent of the costs when workers are trained in four areas: basic education, transferable skills, company-specific skills and quality assurance.

In 2005, 263 requests from employers were met, with the state spending \$11,445,875.⁷² The number of employees assisted and the kind of training that they received was not counted. Again, without such information, it is difficult to assess the effectiveness of this public expenditure.

Technology Enhancement Certification for Hoosiers (TECH)

The Technology Enhancement Certification for Hoosiers (TECH), established in 2000 by the State Legislature, is a reimbursement grant program which provides financial assistance to existing companies that are committed to training workers in the latest information technology skills. The maximum grant award for any one company or nonprofit organization is \$50,000; \$2,500 per employee or 50 percent of training costs, whichever is less. The funding of this program is a set aside amount, taken from the SEF program. In 2005, the state provided \$292,325 to 25 Hoosier businesses; no information was collected on how many employees were served nor how the training assisted employees in improving their job skills.⁷³

Of the four major employer based training programs available for Indiana's workers, only the federal TAA program is designed to address the challenges facing low-skill, low-income workers. The current state-funded employee training programs, amounting to almost \$29 million in public expenditures in just one year, contained no goals or benchmarks for measuring how they help improve workers' education, training or wages. In fact, none of these state dollars required employers to provide meaningful skill enhancing training for Hoosier employees.

Recommendations

This chapter has stressed the need to consider workforce development as an integral part of economic

development. Without a skilled workforce, employers will not bring their business to Indiana or expand their current operations. This chapter has also highlighted how the state's economic development initiatives do not pay adequate attention to the needs of low-skill Hoosier workers looking to achieve economic self-sufficiency. The investments the state is making in creating employment fail to prioritize and then measure whether these public funds are meeting Indiana's critical workforce needs.

Based on these findings, this report makes these recommendations:

- The Indiana Department of Workforce Development's Strategic Skills Initiative program should require a certain portion of the funds spent in the community be earmarked to reach out to and train the low-income, low-skill worker.** The SSI programs funded thus far represent good examples of collaboration between employers and local educational institutions. Still, the state should require communities to dedicate a portion of the funding they receive to marketing the opportunities for training to the low-skill worker and to financially assist the low-skill worker in accessing the training made available through the SSI funds.
- The Indiana Economic Development Corporation should make it a primary goal of its business expansion efforts to generate jobs that pay a self-sufficient wage.** IEDC is investing millions every year to generate new jobs in Indiana. Yet, the state administration requires little from the new employers to ensure that such public investments produce jobs for Hoosier workers that pay a living, family-supporting wage. Current requirements use the average wages paid in the county or 200 percent of the federal minimum wage as the baseline. Two hundred percent of the federal minimum wage is barely above the federal poverty standards for a family of four.⁷⁴ Depending on the location, average wages may be less than poverty standards as well.

To start, the state should require companies to report on wages paid and other performance measures as part of their annual report. With that information, the state can conduct a detailed analysis of the kinds of jobs employers have created with the use of these subsidies since 2005 to determine the effectiveness of the incentive packages. In addition, the IEDC could establish target wages above the minimum required in statute.

- **State agencies, including IEDC, IDWD and DOE, should collaborate and coordinate efforts to ensure workers are prepared to succeed in the emerging economy and industries of the future.** IEDC should examine ways to use incentive packages to encourage employers and training providers to meet the educational and skill needs of low-income working families. Aligning education systems with economic development initiatives, creating career pathways to move students quickly through courses, and engaging the workforce are important components of achieving this goal. All of this must be done with clear benchmarks and performance measures in place. The newly formed Indiana Chamber of Commerce program, *Ready Indiana*, can serve as a resource to employers who need assistance identifying local training opportunities. This recommendation mirrors the goals outlined in the Strategic Economic Development Plan for 2006.⁷⁵ The state needs to be held accountable to the goals they have established.

- **IEDC and IDWD should develop benchmarks for its worker training programs that can measure how well the programs are improving the skills and education of the trained workforce.** The state needs a clear understanding of how these workforce training programs are performing, and it must adjust programs that fail to reach the low-income, low-skill adult worker most in need of training. The state needs to evaluate what kind of training employers are offering to employees, making sure that such training improves these employees' skills. Finally, the state should measure the long-term outcome of state-subsidized workforce training and measure how effective these programs are at moving workers into high-wage jobs.

Key Facts about Indiana's Economy and Jobs

- ◆ Between May 2000 and May 2002, Indiana lost 96,550 manufacturing positions, which paid nearly \$65,000 annually compared to \$38,000 for all other jobs.
- ◆ Annual average wage in Indiana is 91 percent of the national average.
- ◆ Nearly 20 percent of the jobs available in Indiana pay wages at or below the federal poverty level.
- ◆ Nine of the top 10 high-paying occupations considered "Hot Jobs" for the next decade require postsecondary education.



CHAPTER 4: Supporting Work and Achieving Self-Sufficiency

Like most states, Indiana makes job creation and retention its main goals for economic development programs and incentives. Officials here want to ensure that Indiana maintains a “business friendly” atmosphere. But it is critical that Indiana, like many other states, understands that creating good jobs requires state investments in human resources and education and skills training, and worker-friendly policies that will help grow a skilled and productive labor force.

As noted earlier, the state administration has recognized workforce development as a key component of building a more competitive state economy. But workforce development policies are only part of the answer. The state also can undertake a variety of worker-friendly initiatives. These involve worker protections, wage standards, unemployment insurance, workers compensation and other benefits that affect the conditions of employment. To be sure, many employment conditions are determined in the private sector and by the forces of supply and demand. However, state government also plays a significant role that is discussed in this chapter.

State Policies Influencing Conditions of Employment

In reviewing the conditions of employment in Indiana with other Midwest states, Indiana has very similar conditions as seen in Table 4.1. However, there are a few notable exceptions. Indiana fares the worst among the states in terms of number of employees without health insurance. Indeed, Minnesota, Wisconsin and Ohio rank first, fourth and sixth, respectively, in the nation, for the number of employees covered by health insurance. Indiana ranks 31st in the nation for the same measure.

TABLE 4.1: CONDITIONS OF EMPLOYMENT, KEY INDICATORS, 2004

Indicator	Illinois	Michigan	Minnesota	Ohio	Wisconsin	INDIANA
Percent of Workers in Low-Wage Jobs	24.3%	21.5%	16.9%	24.3%	20.7%	21.3%
Percent of Workers Age 18-64 without Health Insurance	15.2%	14.5%	9.8%	13.7%	13.3%	18.5%
Percent of Workers Over 18 without Employer Provided Pensions	55.0%	53.8%	50.6%	52.6%	52.7%	53.4%
Percent of Workers Not Covered by Workers Compensation Insurance	7.6%	8.3%	7.9%	7.3%	9.7%	7.9%

Source: American Community Survey 2004 Microdata, Population Reference Bureau

State Economic and Fiscal Policies

State policies can have an enormous impact on the conditions of employment for Hoosier workers, particularly those earning low wages. Low-income families are disproportionately affected by minimum wage standards and certain tax policies.

State Minimum Wage Law

Nationally, the federal minimum wage has failed to keep pace with inflation over the past several decades, which means that minimum wage jobs are increasingly inadequate for a worker to get by on. The current minimum wage of \$5.15 does not begin to meet the hourly wage that families need to earn to cover their living expenses. According to the 2005 Self-Sufficiency Standard, a family of four in Marion County, Indiana, needs to earn \$45,237, which equals an hourly wage of \$10.71 for *each* parent.⁷⁶

At least twenty-six states and the District of Columbia have moved ahead of the federal government and established state minimum wages that are higher than the current federal minimum wage. Such legislation tends to enjoy strong public support, with 70 percent of voters approving increases in some states.

Proposed state minimum wage increase legislation has been submitted to the 2007 Indiana General Assembly for consideration. Such legislation proposes to raise the minimum wage for adult workers to \$7.50 per hour by July 2008.⁷⁷ The Governor has expressed support for raising the minimum wage. Indiana's U.S. Senator, Evan Bayh, is sponsoring legislation in Congress to raise the federal minimum wage to \$7.25 within two years. While \$7.50 per hour is still not a wage that will generate a self-sufficient income for families, it is a step in the right direction.

Federal and State Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a federal refundable tax credit for working individuals and families who earn less than 200 percent of the poverty income threshold – roughly \$38,000 for a family of four in 2004. The EITC is intended to reduce the tax burden for low-income workers and supplement their wages. For a family earning the minimum wage, the EITC can increase its income by as much as 40 percent and offset Social Security and payroll taxes.⁷⁸

In Indiana, 426,000 Hoosiers claimed the federal EITC in 2003, which represents a 16.3 percent increase since 2000.⁷⁹ While the number of filers claiming the EITC increased, it is estimated that as many as 25 percent of individuals who qualify for the federal EITC do not claim the credit. In 2002, eligible low-income families in Indiana failed to claim an estimated \$102 million in federal EITC benefits. In 2003, as many as 106,500 eligible Hoosiers failed to receive EITC benefits.⁸⁰

Indiana is one of 20 states that have passed a state Earned Income Tax Credit that supplements the federal credit. Indiana has a refundable state credit that equals six percent of the federal credit. This is an important benefit for working families, but Indiana's state EITC is much smaller than those in many states. Increasing the size of the Indiana EITC to 10 or 15 percent of the federal credit would help offset the state's regressive income tax and help low-income working families move closer to economic self-sufficiency.

State Tax Burden for Low-Income Working Families

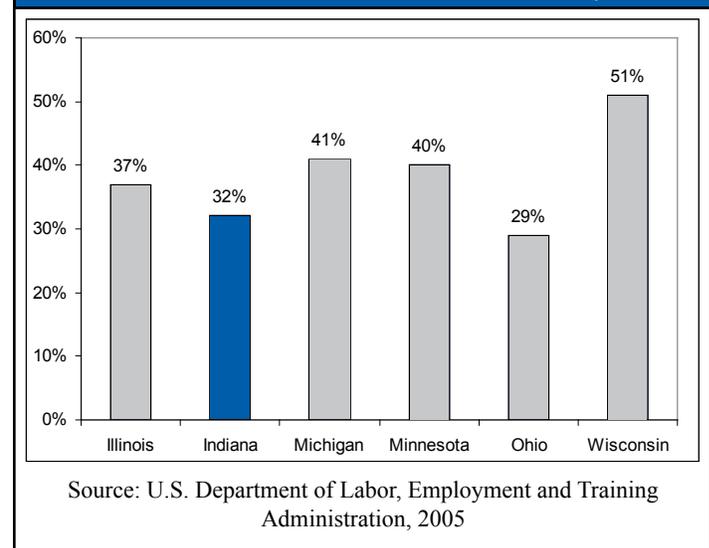
On average, the lowest-earning 20 percent of families in Indiana pay 11.7 percent of their income in state taxes, a reflection of the state's regressive tax structure. Indiana is one of only seven states that tax the incomes of families earning as little as 75 percent of the federal poverty income threshold. In 2005, that poverty threshold for a family of four was \$19,961. In Indiana, a typical two-parent family of four earning \$19,961 would have to pay \$222 in state income tax.⁸¹ Taxing the income of these low-income, working Hoosiers who struggle to meet the basic needs for their families is counterproductive. State leaders need to reconsider this important tax policy.

Unemployment Insurance

Indiana's Unemployment Insurance Program (UI) provides critical benefits to unemployed and dislocated workers. UI provides eligible unemployed and dislocated workers with a percentage of their lost wages for as many as 26 weeks. Rules established by state lawmakers have an important effect on unemployed and laid-off workers. To receive UI, Indiana workers must be willing to seek full-time work, must not have resigned voluntarily from their jobs, and must have earned at least \$2,750 in four of the preceding five quarters.⁸²

However, only 32 percent of unemployed Hoosiers are receiving UI benefits, among the lowest rate for Midwestern states.⁸³ (See Chart 4a). The eligibility restrictions disproportionately affect low-income working families who may be denied unemployment benefits due to their part-time status. Many women work part-time to balance family responsibilities, and part-time work is prevalent in certain occupations.⁸⁴ Workers who are forced to quit their jobs because of family hardships – such as the need to care for a disabled relative or a lack of suitable child care – are not eligible for UI benefits. Others may be ineligible if their income fluctuated and did not meet the earnings standards for four of the last five quarters. These are areas that need new attention from policymakers.

CHART 4A: PERCENT OF UNEMPLOYED RECEIVING UNEMPLOYMENT INSURANCE BENEFITS, 2005



Transitional Support Programs

Indiana must do more to provide assistance to low-income workers seeking to move into better-paying jobs requiring higher skills. Along with offering educational and training opportunities, the state can provide key supports, including child care and health insurance. These supports are part of a needed social safety net, but they also provide many families with a bridge to self-sufficiency.

Child Care

The primary source of funding for child care assistance is the Child Care Development Fund (CCDF) administered by the U.S. Department of Health and Human Services. During the 2006-2007 fiscal year, Indiana will spend \$140 million for child care vouchers and subsidies. Of that total, the state will contribute about \$35 million to meet the federal matching requirement.⁸⁵ Parents can use these vouchers for the purposes of employment or study in any postsecondary or training program.

As presently structured and funded, Indiana's system of child care supports does not adequately recognize the pressing child care needs of working families. While the federal government will allow a state to help a family earning up to 85 percent of the state's median family income, in Indiana, a family can make no more than 128 percent of poverty to qualify for the program. This is the equivalent of only 36 percent of the median family income, the lowest eligibility threshold in the Midwest.⁸⁶ Even a family earning poverty level wages must contribute to the child care cost. The state will only pay up to 75 percent of the market rate value of the childcare.

TANF families receive top priority for the child care vouchers. Families on the waiting list that are not part of the TANF program will be bumped should a new family join the TANF rolls and need child care assistance.

In May 2006, according to the Family and Social Services Administration, 5,672 children were on the waiting list for subsidized child care. In response, Governor Daniels announced the transfer of \$18 million from TANF to CCDF. Within weeks, more than 3,000 children were able to enroll in the CCDF

voucher program. State officials said in late 2006 that only 440 children remained on the child care waiting list.⁸⁷ However, that is based on the very low eligibility threshold of 128 percent of poverty.

Given that the average annual child care expense for one child is \$4,900 per year, many more families, earning at or below 200 percent of poverty, could benefit greatly with assistance.⁸⁸ Child care subsidies for low-wage parents enable and reward work. Without it, many parents cannot be successful in the workplace. The state needs to make it a priority to help fund child care for low-income families so that work is not only a feasible option, but a financially rewarding option for a parent to choose.

Health Insurance

In 2005, more than 570,000 Hoosier workers did not have health insurance. This number represented 18.5 percent of all Indiana workers. As mentioned before, 30 percent of low-income working families have a parent who has no health insurance.⁸⁹

One reason for the high number of uninsured people is the restrictive eligibility standard for Indiana's Medicaid program. To be eligible for Medicaid, working parents can earn no more than 28 percent of the poverty-level wage (\$4,536). The national average is 67 percent of the poverty wage threshold (\$10,849). In the Midwest, all but Michigan far exceeds the national average (See Table 4.2). In fact, Indiana ranked 47th in the nation in its poverty threshold for Medicaid; only Alabama, Arkansas and Louisiana have lower thresholds.⁹⁰

TABLE 4.2: ELIGIBILITY THRESHOLD FOR MEDICAID FOR WORKING PARENTS (PERCENT OF FEDERAL POVERTY THRESHOLD, GREAT LAKES STATES)

State	Percent of Poverty
Indiana	28%
Michigan	58%
Ohio	90%
Illinois	102%
Wisconsin	192%
Minnesota	275%

Source: Kaiser Commission on Medicaid and the Uninsured, 2005

Recommendations

State policies play a key role in establishing the workplace conditions of low-wage workers – in areas such as child care assistance, taxation, unemployment insurance and health care. This chapter has pointed out several areas in which the state's efforts fall short of meeting, thereby limiting the opportunities for low-income families to become self-sufficient. The following recommendations are based on those findings.

- **The State Legislature should increase Indiana's Earned Income Tax Credit.** The current credit – set at six percent of the federal EITC – is not large enough to provide adequate assistance to low-income working families. The state should increase the credit to equal 15 percent of the federal credit.
- **The State Legislature should raise the minimum wage in Indiana.** While a minimum wage at \$7.50 an hour will not produce a self-sufficient wage for families, it would be a good start to helping some make ends meet.
- **The State Legislature should eliminate state income tax for families earning less than 200 percent of the federal poverty income threshold.** This important step would make the state's income tax less regressive and provide critical assistance to low-income working families.
- **The State Legislature should change Indiana's Unemployment Insurance policies to serve more unemployed Hoosiers.**⁹¹ Indiana's Unemployment Insurance system should provide benefits for part-time workers. Of Indiana's three million workers, approximately 540,000 work part-time. Current policy prevents many low-wage workers from receiving benefits, despite their participation in the labor force. Losing income from even a part-time job can cause tremendous financial hardship for low-income families. Indiana's UI system should include a

“good cause” exemption to ensure that workers who face a significant family crisis can leave their job and receive UI benefits.

- **FSSA should allocate additional funds to the state's child care assistance program in order to raise the eligibility threshold for working families to include those earning up to 200 percent of the federal poverty level.** Such a policy would serve an important function for rewarding work. The state also should consider giving priority preference to the parent seeking additional education or training, to serve as an incentive to workers to improve their skills.
- **FSSA should provide healthcare coverage to working parents earning up to 200 percent of the federal poverty threshold.** Indiana ranks last in the Midwest for health insurance coverage for working Hoosiers. While the Governor is proposing to expand the state's healthcare coverage to an additional 100,000 adults during the next budget cycle, the state should evaluate whether this is enough. There are 114,000 working parents out of the 200,000 low-income families who are without health insurance. The state needs to consider how to provide coverage to all of these low-income working parents. Their families need them to stay healthy and employed.

Key Facts about Indiana's Work Supports

- ◆ Indiana ranks 31st in the nation for the number of Hoosier employees covered by health insurance.
- ◆ Indiana's eligibility threshold for Medicaid ranks 47th in the nation; only Alabama, Arkansas and Louisiana are lower.
- ◆ Indiana is one of only seven states in the nation that tax families earning as little as 75 percent of the federal poverty level.
- ◆ Only 32 percent of unemployed Hoosiers receive Unemployment Insurance benefits, placing Indiana near the bottom for Midwest states.
- ◆ Indiana has the lowest eligibility threshold for childcare assistance among Midwest states.

CONCLUSION

CHARTING A STRONGER ECONOMIC FUTURE FOR HOOSIER WORKERS

The state of Indiana is at a crossroads for its economic future. The 21st Century economy demands a highly skilled, trained workforce and Indiana has much work to do to prepare its workers to meet these demands.

The leadership of Indiana – the Governor, the Legislature and the business and education community – recognizes the challenge and has started to lay the groundwork for addressing the issues. The State Legislature’s designation of a single community college system, the Indiana Chamber of Commerce’s *Ready Indiana* initiative, the Governor’s combining of the workforce development with economic development departments are just some of the examples of the progressive steps Indiana has taken.

Yet, state programs and policies are not sufficiently focused on meeting the needs of low-skill, low-wage Hoosiers. The state’s efforts have not effectively targeted low-income families in order to have a substantive effect on improving their economic situation. The state lacks benchmarks and data to assess the effectiveness of its programs. In analyzing the state’s economic structure and its preparedness for the 21st Century, public and business leaders have yet to fully consider the needs and challenges of the existing Hoosier workforce.

Acknowledging that there are one million Hoosiers who need to improve their workplace skills is just the first step. But that is not enough. The state must adapt policies to align education, workforce and economic development efforts to meet the needs of low-income working families. In all these efforts, the state must build its work on clear goals and benchmarks. Only then can the public hold its government accountable for taking the steps necessary to bolster Indiana’s workforce and economy.

This report paints a vivid picture of the employment challenges for Indiana’s 200,000 low-income working families and reveals that the current policies and programs around education, workforce and economic development and family support systems fall far short of even recognizing the unique needs of the low-income working parent. Yet, it is this working parent that the state must reach if the overall goal of moving Indiana’s economy into the 21st Century is going to be a reality.

This report contains 19 recommendations for state public policy, business and education leaders to evaluate and implement. By gearing the state’s education, workforce development and support systems to reach and effectively serve low-income working families, all of Indiana, from the individual family to the entire state, can achieve economic security in the coming century.



Introduction

¹ *Accelerating Growth: Indiana's Strategic Economic Development Plan 2006*, Indiana Economic Development Corporation, 2006, p. 1.

² Working Poor Families Project data generated by the Population Reference Bureau from the 2004 American Community Survey. Low-income is defined as having family earnings below 200 percent of poverty, which for a family of four was approximately \$38,000 in 2004.

Chapter One: The Status of Low-Income Working Families in Indiana

³ Working Poor Families Project data generated by the Population Reference Bureau from the 2004 American Community Survey.

⁴ Ibid.

⁵ Ibid.

⁶ Working Poor Families Project data generated by the Population Reference Bureau from the 2004 American Community Survey.

⁷ Ibid.

⁸ Ibid.

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