

INDIANA CANNOT SURVIVE ON \$7.25:

LOW WAGES LEAD TO HIGH PUBLIC ASSISTANCE

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Stagnant wage policies in Indiana have led to a reliance of state assistance programs as low wage workers struggle to make ends meet. The current minimum wage in Indiana of \$7.25 does not provide a living wage for residents and is unlikely to rise given the current political climate. While the federal government and cities across the nation have implemented prevailing wage policies, Indiana continues to fall behind in earned income potential despite requiring public assistance programs to include job placement participation.

Using data from the United Way ALICE (Asset Limited, Income Constrained, Employed) report and Indiana Family and Social Services Administration (FSSA), this report will show state Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) public assistance programs are not sufficiently structured to help the working poor. Multivariable regression results show ALICE residents in Indiana are significant to the state public assistance rates demonstrating a gap in welfare policy. To reduce public assistance expenditures, Indiana must invest in options to lower ALICE poverty rates with minimum wage increases as the first priority.

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Indiana Wages

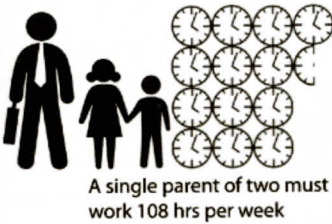
The state of Indiana has a minimum wage of \$7.25 an hour for regular employees. Indiana code IC 22-2-2-10.5 prohibits any county, municipality, or township from establishing a local minimum wage higher than the federal minimum hourly wage. While state and city governments across the nation have passed legislation to increase wages as high as \$15 an hour, local policy makers in Indiana are restricted from alleviating poverty wages in their communities.

While in Congress the most recent former Governor of Indiana, Mike Pence, voted against the 2007 bill that successfully raised the federal wage from \$5.15 an hour to the current rate. In 2007, the average weekly wage for a government workers in Pence's home office would have been \$728 (1). In contrast, positions with employment gains such as accommodation and food service workers, the people making Pence's lunch, averaged only \$240 a week.

July 2009 was the last time the federal minimum wage was increased. Since 2009, Indiana food and hospitality industries continue to experience job growth but not in pace with wage compensation (2). Between 2009 and 2014 the average weekly wage of these service workers was \$274. Public administration pay fell below the Indiana state average to \$840 a week in 2014 and job opportunities declined along with the arts, education, information, and finance industries. If industries experiencing job growth pay very little and white collar middle class jobs are declining, how are Hoosiers supposed to survive?

Among the 92 counties that make up the state, nowhere can a full-time minimum job support a self-sufficient single adult (3). Self-sufficient wages are defined as the income required for the cost of basic needs (housing, child care, food, health care, transportation, etc.) without the need for public assistance. Vermillion and Hamilton Counties represent the highest and lowest range for self-sufficiency wages from \$7.96 to \$11.39 respectively. Under the current wage policy, a single minimum wage worker in Indiana would need to labor 48 hours a week to meet basic needs. A single parent of two would need to work 108 hours a week at minimum wage to support a family.

Parenthood further complicates the life of a low wage work-



er. Albeit employed, low-wage employers are the least likely to provide benefits and wages are often too low to support families qualifying them for public aid (4). At home, low wage work contributes to stressful conditions making it difficult for mothers to provide care for their families (5). Raising the wage would allow local governments the ability to shift funds to programs which directly support working families, such as childcare

vouchers or free school lunch programs, rather than supplementing the earned income gap created by low wage employers.

Public Assistance

Public assistance programs place the burden of poverty wages on the taxpayer. A 2015 UC Berkeley Labor Center study found U.S. taxpayers spent \$152.8 billion nationally on public support for working families (6). The federal cost for public assistance programs in Indiana between 2009 and 2011 totaled 4,247 million dollars with 52% going to support working families.

While healthcare is the most utilized form of public aid for working families, SNAP and TANF which are meant as transition programs for people seeking employment are heavily used by Indiana residents. To qualify for SNAP or TANF, Indiana requires able bodied adults to be working or registered with job training through Indiana Manpower and Comprehensive Training (IMPACT). Implemented in 1992, IMPACT has been Indiana’s Welfare-to-Work program and seeks to end welfare dependency through job placement services.

The share of working families from 2009-2011 enrolled SNAP was 36% and 32% for individuals on TANF. This report found on average one in eight Hoosiers receive aid from SNAP or TANF. Fayette County in the middle of the state has the highest rate of SNAP/TANF enrollment at 23% while Hamilton County only 80 miles to the north has the lowest rate at 3.6%.

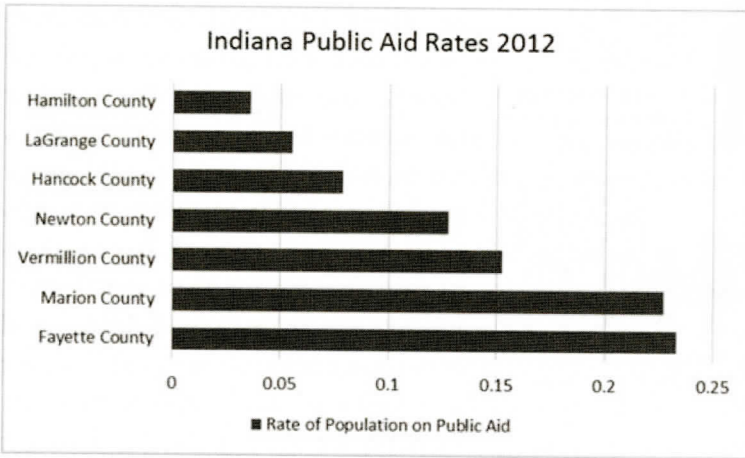


Figure 1: Public Assistance rates range from 3.6% to 23% across Indiana counties with a rate of 22.7% in Marion County, seat of the state capital Indianapolis.

Despite the relatively small physical distance between Fayette and Hamilton counties, the workers in Hamilton receive on average \$258 more per week in wages potentially disqualifying or eliminating their need for public aid. As many working families continue to qualify for aid, the success of welfare to work programs becomes questionable. Policy makers must understand the reality of the current labor market that cannot guarantee poverty will be alleviated through earned income and rely on new poverty measurements to understand the needs of their most vulnerable people.

Poverty Measurements

In order to identify the number of working families struggling in poverty, the United Way partnered with Rutgers University to produce ALICE reporting. ALICE stands for Asset Limited, Income Constrained, and Employed and seeks to find the percent of working poor by county or town. Individuals and families who are categorized as ALICE are working but are unable to afford basic needs such as housing, food, child care, health care, and transportation (7). The purpose of the ALICE report is to standardize measurements and give a more accurate local view of financial instability than is afforded by federal poverty guides.

ALICE reporting generates the ratio of working poor in an area, along with the minimum household survival budget required by residents. The 2012 Indiana ALICE report identified 990,660 minimum wage jobs (out of 3 million), held by working parents, that need to be increased to \$11.62 per hour to afford the Household Survival Budget. The 2012 ALICE report for Indiana also suggests economic opportunity would be most improved through “a substantial increase in the number of medium or middle skilled and high-skilled jobs in both the public and private sectors” (8). Job growth in minimum wage positions at the current rate of \$7.25 would not lower the need for public assistance to afford basic needs.

Hypothesis

The complex social relationship between working families and public assistance has led to public policy that does not alleviate poverty conditions for Indiana residents. Governments must understand all the components impacting public assistant rates to provide economic relief and effectively budget resources. To best explain the relationship between transitional government aid programs and earned income this report tested the following hypothesis:

Hypothesis 1: States ALICE rates will have a positive effect on public assistance rates; an increase in the rate of ALICE residents will cause public assistance rates to raise.

Hypothesis 2: States the number of single parents will have a positive effect on public assistance rates; an increase in the number of single parents will cause public assistance rates to raise.

Hypothesis 3: States weekly wages will have a negative effect on public assistance rates; an increase weekly wages will cause public assistance rates to fall.

Hypothesis Null: States neither ALICE rates, single parenthood, or wages will have any effect on public assistance rates.

Data Collection

All data collected was selected from the year 2012, to reflect the most up-to-date ALICE report provided by the Indiana United

Way (Table 1). The population included all 92 counties within the state of Indiana with a unit of analysis at the county level. Variables were selected to examine a possible dependent relationship of public aid as contingent on low wage conditions.

Public aid rates were inclusive of the total number of SNAP and TANF recipients by county population. These public aid programs were selected as states have broad flexibility over the use of funds and are intended for temporary relief. A time analysis showed SNAP rates have been on the rise since 2007 while TANF was at a historical low point in 2012. State policies and politics have the potential to impact SNAP and TANF program spending more so than other public assistance programs.

ALICE rates provided a measurement for poverty wages as the key independent variable. ALICE rates were used in favor of the data representing the number of minimum wage jobs inside a county as many people working low wage jobs are often employed in multiple positions (9). As one person may be working 2-3 part-time minimum wage jobs, ALICE reporting is a better representation of individual behavior within counties matching the unit of analysis for public assistance rates that measured individual participation by county.

As neither key variable for the model, ALICE and public aid were distributed normally based on county population, control variables were selected to best understand the economic variance of the counties (Graph 1). Measures such as unemployment, income, labor force, and education are common control variables when analyzing labor economics (10). For the purpose of this report these measurements were taken from the Bureau of Labor Statistics using average weekly wage for income, rates by county not seasonally adjusted for unemployment, and job gains by education for those 25+ years old. Additional control variables accounted for parental burdens including the number of single parent households and births from the state census. Programs for childcare assistance were measured on the county level with variables for free or reduced school lunch and childcare voucher participation. County government structures and net total migration were controlled for in the modeling as political factors of aid distribution and were found through the public access

state census data.

Aggregate-Level Findings

Using IBM SPSS Statistics software, the data set was examined for multiple regression analysis. Initially, the key independent variable, ALICE rates was not significant. This was resolved when the analysis was repeated without the variable for unemployment. As this study was primarily concerned with workers, removing the variable associated with unemployment allowed the model to demonstrate a better understanding of ALICE rates on public aid.

The second multivariable regression model proved to be statistically trustable with a 0.000 ANOVA significance and yielded a 0.541 R Square score with moderate associated strength (Table 2). At the individual level, variables for ALICE rates, County Government, and Free School Lunches were found to be statically significant at the 0.01 level. The number of single parent households as an indication of public aid rates was statically probable at the 0.05 level. Average weekly wages were not found to be statistically significant, invalidating hypothesis 3 for wage predictors.

Coefficient results demonstrate a positive relationship between ALICE rates and public aid. The model demonstrates that as ALICE rates rise, we can expect an increase in the rate of public aid. Therefore, the regression model supports hypothesis 1 in favor of ALICE rates as effectual on public aid rates.

Diagnostics were run to ensure the validity of the regression model. The dependent variable for public aid was already ensured to be continuous and followed normal distribution. The relationship between the key variables was linear in nature and did not include significant outliers. The key variables of ALICE rate and public aid rate were not found to be multi-collinear or related to each other as shown by a VIF score of 1.51. Autocorrelation was also ruled out with a Durbin-Watson test result of 2.059 (< 3). Further diagnostics found homoscedasticity within the data.

However, with the exception of County Government structures, all additional control variables within the model that had initially proven to be significant were excluded due to high VIF scores (> 4) indicating multi-collinearity. Removing the variables for labor force participation, free school lunches, and child care vouchers

from the model resolved the collinearity with single parent households (VIF 1.32) but weakened the strength of the R square score below effective threshold (< 0.3).

Validity diagnostics invalidated hypothesis 2 for single parents, indicating variables were not correct predictors or created interference in understanding the precise effect of the predictors. Child care vouchers and free school lunches are conditions of being a single parent and could be causing interference. However, the relationship between labor force participation and single parents requires further exploration. When compared, labor force participation and the number of single parent households produced a .941 Pearson Correlation score significant at the 0.01 (2 tailed-level) indicating very high correlated variables (Table 3). While unrelated to understanding of public aid in this report, further research should be conducted to understand the relationship between the labor force and single parents.

Conclusion

According to current ALICE poverty measurements, no county in Indiana protects workers from earning less than the required amount for self-sufficiency. Regression modeling has shown a positive relationship between an increase in ALICE rates and the rate of Hoosiers on public aid validating hypothesis 1.

Hypothesis 2 and 3 which focused on single parents and wages were not found to be statistically significant and the null hypothesis could not be rejected for these suppositions. Further research is recommended to strengthen the proposed model and seek to best understand the relationship between public aid and low wages. Firstly, better control variables need to be identified with low correlation to each other and high correlation to the public assistance for increased precision of predictors. Furthermore, the United Way has prepared ALICE data for California, Florida, and New Jersey creating the potential to analyze sample states regionally for national implications.

ALICE rates provide an updated understanding the relationship between low wages and high public aid enabling policy makers to look beyond employment as the solution to poverty. Policy mak-

ers should consider the implications of public aid rates as a result of ALICE rates. Repealing Indiana code IC 22-2-2-10.5 would allow communities the opportunity to adjust wage floors as related to local basic survival guidelines. The more earning potential available to the community, the lower the reliance will be on public funds. Indiana needs a raise.

Endnotes

- 1 Volle, C. (2008). Indiana Economic Analysis Report (United States, Indiana Department of Workforce Development). IN.
- 2 Baer, C. (2015). Indiana Economic Analysis Report (United States, Indiana Department of Workforce Development). IN.
- 3 Halpin, S. (2014). A Study of Financial Hardship in Indiana. Retrieved November 4, 2015, from <http://www.iauw.org/ALICE/indiana-alice-report-study-of-financial-hardship.pdf>; Pearce, D. (2016) The Self-Sufficiency Standard for Indiana 2016. The Indiana Institute for Working Families. Retrieved November 4, 2015, from <http://www.in-cap.org/iiwf/self-sufficiency/2016-Self-sufficiency-report.pdf>
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- 5 Weigt, J. (2006). Compromises to carework: The social organization of mothers' experiences in the low-wage labor market after welfare reform. *Social Problems*, 53(3), 332-351.
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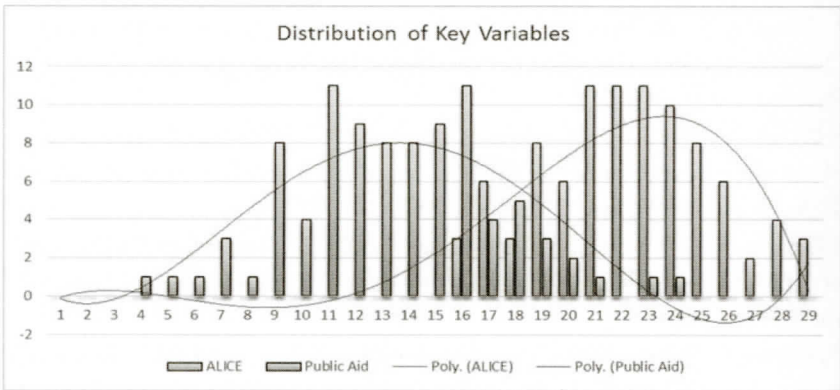
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Table 1: Descriptive Statistics

Variables	Min	Max	Mean	S.D.
Public Aid Rate	3.6%	23.3%	12.9%	3.8%
ALICE Rate	16%	29%	22.3%	3.3%
Single Parent Households	305	105332	5658	12645
Unemployment Rate	5%	11%	8.45%	1.36%
Avg. Weekly Wage	\$460	\$1,219	\$685	\$114
Job Gains by Education Level*	1.0	2.0	1.4	0.5
County Government Structure*	1.0	4.0	1.1	0.5
Total Births	68	14585	905	1762
Labor Force Participation	3183	458784	34474	58431
Child Care Voucher Recipients	6	16435	577	1897
Free and Reduced Lunch Recipients	332	95365	5450	11447
Net Total Migration	-3212	3992	-32	671
N	92			

*Nominal Dummy Variables

Graph 1: Distribution of Key Variables



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Table 2: Regression analysis results on public assistance rate

Variables	Coefficient	S.E.	t-value	Sig
ALICE Population	0.308	0.096	3.213	0.002**
Single Parent Households	-2.26E-06	0	-2.181	0.032*
Avg. Weekly Wage	-2.86E-05	0	-0.984	0.328
Job Gains by Education Level	0.011	0.007	1.501	0.137
County Government Structure	-0.02	0.008	-2.606	0.01**
Total Births	-8.59E-06	0	-0.29	0.772
Labor Force Participation	-1.03E-06	0	-1.839	0.07
Child Care Voucher Recipients	4.78E-06	0	0.456	0.65
Free and Reduced Lunch Recipients	9.36E-06	0	2.642	0.01**
Net Total Migration	3.55E-07	0	0.038	0.969
<i>R</i> ² .541				
<i>F</i> -value 9.559				
N 92				

Note: * *p* < .05; ** *p* < .01; *** *p* < .001.

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Public Aid	1																	
ALICE	.455**	1																
Parent	.295**	0.143	1															
Unemp	.753**	.396**	0.031	1														
Wage	-0.089	-0.104	.361**	-.313**	1													
ED	0.095	0.049	.290**	-0.039	.301**	1												
Gov	0	0.075	.300**	-0.019	0.192	0.025	1											
Birth	.256*	0.153	.953**	-0.015	.403**	.356**	.426**	1										
Child Care	.225*	0.143	.941**	-0.038	.418**	.398**	.398**	.993**	1									
Sch. Lunch	.361**	0.182	.959**	0.078	.352**	.306**	.403**	.968**	.946**	1								
Migrate	.355**	0.196	.964**	0.082	.368**	.315**	.421**	.982**	.969**	.984**	1							

Note: * *p* < .05; ** *p* < .01

