

# ALICE: A STUDY OF FINANCIAL HARDSHIP IN INDIANA

LIVE UNITED

2018  
REPORT



ALICE® is an acronym for Asset Limited, Income Constrained, Employed.

The United Way ALICE Project is a collaboration of United Ways in Connecticut, Florida, Hawai'i, Idaho, Indiana, Iowa, Louisiana, Maryland, Michigan, New Jersey, New York, Ohio, Oregon, Texas, Virginia, Washington, and Wisconsin.



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# LETTER TO THE COMMUNITY

Dear Fellow Hoosiers,

Since the release of the original United Way ALICE Report in 2014, we continue to learn more about the hundreds of thousands of working families in our state that are struggling to make ends meet. Indiana United Ways helps bring attention to these Hoosier households by providing up-to-date, data-driven research about **ALICE**, shorthand for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed individuals.



In Indiana, we care about ALICE and our hard-working neighbors. ALICE is Melissa in Kendallville, working three shifts per day to make ends meet. ALICE is David in Vincennes, who was laid off during the recession and now works at the local school cafeteria. ALICE gets up each day to go to work, but still faces financial barriers — working jobs that offer no health care, vacation, or paid sick leave. These workers hold jobs that are critical to the success and vitality of our communities, yet they often struggle to afford food, rent, child care, and transportation, and have little left over for saving and investing.

Family-sustaining employment is the foundation of financial stability. Communities with a stable, skilled workforce are more economically competitive and have the potential to attract business and revitalize neighborhoods. Indiana's United Ways and Funds are working with community, business, and faith-based leaders to mobilize real solutions to help ALICE become financially stable and make our state stronger. As our state continues to consider ways to build a 21<sup>st</sup> century workforce, we want the ALICE data to serve as a resource.

This updated Report will help you learn more about the households that need our help. We need to understand ALICE families' impact on the community and how we can better support them. Please join us as we continue to raise awareness and serve ALICE in our communities. Together, we can provide ALICE an opportunity to succeed and reach financial stability in Indiana.

Sincerely,

A handwritten signature in blue ink that reads "Ron Turpin". The signature is fluid and cursive.

*Ron Turpin, Chair, Board of Directors, Indiana United Ways*

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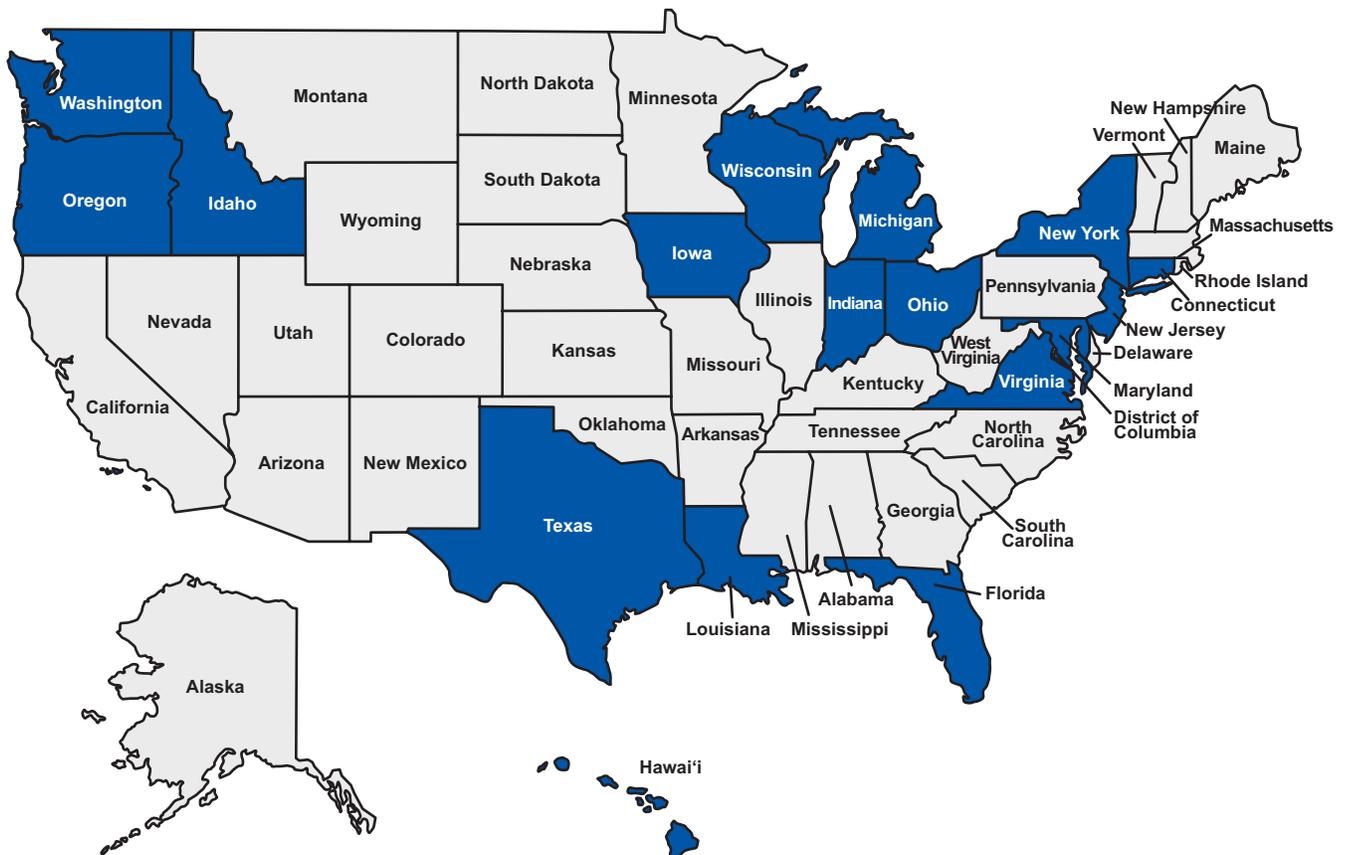
The United Way *ALICE Project* provides a framework, language, and tools to measure and understand the struggles of a population called **ALICE** — an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. ALICE is the growing number of households in our communities that do not earn enough to afford basic necessities. This research initiative partners with state United Way organizations to present data that can stimulate meaningful discussion, attract new partners, and ultimately inform strategies for positive change.

Based on the overwhelming success of this research in identifying and articulating the needs of this vulnerable population, the United Way *ALICE Project* has grown from a pilot in Morris County, New Jersey in 2009, to the entire state of New Jersey in 2012, and now to the national level with 18 states participating. Indiana Association of United Ways are proud to join the more than 540 United Ways in these states that are working to better understand ALICE's struggles. Organizations across the country are also using this data to address the challenges and needs of their employees, customers, and communities. The result is that ALICE is rapidly becoming part of the common vernacular, appearing in the media and in public forums discussing financial hardship in communities nationwide.

Together, United Ways, government agencies, nonprofits, and corporations have the opportunity to evaluate current initiatives and discover innovative approaches that give ALICE a voice, and create changes that improve life for ALICE and the wider community.

To access reports from all states, visit [UnitedWayALICE.org](http://UnitedWayALICE.org)

## States With United Way ALICE Reports



# THE ALICE RESEARCH TEAM

The United Way *ALICE Project* provides high-quality, research-based information to foster a better understanding of who is struggling in our communities. To produce the United Way ALICE Report for Indiana, a team of researchers collaborated with a Research Advisory Committee, composed of 11 representatives from across Indiana, who advised and contributed to the report. This collaborative model, practiced in each state, ensures each report presents unbiased data that is replicable, easily updated on a regular basis, and sensitive to local context. Working closely with United Ways, the United Way *ALICE Project* seeks to equip communities with information to create innovative solutions.

## Lead Researcher

**Stephanie Hoopes, Ph.D.**, is the lead researcher and director of the United Way *ALICE Project*. Dr. Hoopes began this effort with a pilot study of a more accurate way to measure financial hardship in Morris County, New Jersey in 2009. Since then, she has overseen its expansion into a broad-based, state-by-state research initiative now spanning 18 states across the country. Her research on the ALICE population has garnered both state and national media attention.

Before joining United Way full time in 2015, Dr. Hoopes taught at Rutgers University and Columbia University. Dr. Hoopes has a doctorate from the London School of Economics, a master's degree from the University of North Carolina at Chapel Hill, and a bachelor's degree from Wellesley College.

Dr. Hoopes is on the board of directors of the McGraw-Hill Federal Credit Union, and she received a resolution from the New Jersey General Assembly for her work on ALICE in 2016.

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# EXECUTIVE SUMMARY

**In 2016, 979,538 households in Indiana — 39 percent — could not afford basic needs such as housing, child care, food, transportation, health care, and technology.**

This United Way ALICE Report for Indiana provides the most comprehensive look at the population called **ALICE** — an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. ALICE households have incomes above the Federal Poverty Level (FPL) but struggle to afford basic household necessities. Since it is well established that economic conditions worsened during the Great Recession, this Report focuses on the recovery that started in 2010 and how households have fared since.

Despite recent reports of overall improvement in employment and gains in median incomes, the economic recovery in Indiana has been uneven. Many families continue to face challenges from low wages, depleted savings, and the increasing cost of basic household goods. The total number of Indiana households that cannot afford basic needs increased 10 percent between 2010 and 2016.

This Report shows what has changed in Indiana since the first United Way ALICE Report for Indiana was published four years ago. It updates the cost of basic needs in the **Household Survival Budget** for each county in Indiana and the number of households earning below the amount needed to afford that budget (**the ALICE Threshold**). The Report delves into county and municipal data and looks at the demographics of ALICE and poverty-level households by race/ethnicity, age, and household type to reveal variations in hardship that are often masked by state averages. Finally, the Report highlights emerging trends that will affect ALICE families in the future.

For the period of 2010 to 2016, the data reveals an ongoing struggle for ALICE and a range of obstacles to achieving financial stability:

- **The extent of hardship:** Of Indiana's 2,530,581 households, 14 percent lived in poverty in 2016 and another 25 percent were ALICE households. Combined, 39 percent (979,538 households) had income below the ALICE Threshold, an increase of 10 percent since 2010.
- **The basic cost of living:** The cost of basic household expenses in Indiana increased steadily to \$52,836 for a family of four (two adults with one infant and one preschooler) and \$19,620 for a single adult — significantly higher than the FPL of \$24,300 for a family of four and \$11,880 for a single adult. The cost of the family budget increased by 23 percent from 2010 to 2016.
- **Jobs:** Low-wage jobs continued to dominate the landscape in Indiana, with 65 percent of all jobs paying less than \$20 per hour. Although unemployment rates fell during this period, wages remained low for many occupations. With more contract work and on-demand jobs, job instability also increased, making it difficult for ALICE workers to meet regular monthly expenses or to save.
- **The role of public assistance:** Public and private assistance continued to provide support to many households living in poverty or earning slightly above the FPL, but it provided less support to ALICE households whose income is above eligibility levels. Spending on health care and health insurance outpaced spending in other budget areas. There were large gaps in assistance, especially in housing and child care.
- **Emerging trends:** Going forward, several trends could change the economic landscape for ALICE families:

- *The Changing American Household* — Shifting demographics, including the rise of the millennials, the aging of the baby boomers, and domestic and foreign migration patterns, are having an impact on who is living together in households and where and how people work. These changes, in turn, influence the demand for goods and services, ranging from the location of housing to the provision of caregiving.
- *Market Instability* — Within a global economy, economic disruptions, natural disasters, and technological advances in other parts of the world trigger rapid change across U.S. industries and cause shifts in supply and demand. This will increasingly destabilize employment opportunities for ALICE workers.
- *Growing Health Inequality* — With technological advances in health care outpacing the ability of many households to afford them, there will be increasing disparities in health according to income. The societal costs of having large numbers of U.S. residents in poor health will also grow.

Using the best available information on those who are struggling, this Report offers an enhanced set of tools for stakeholders to measure the real challenges ALICE households face in trying to make ends meet. The FPL is an outdated calculation, and inaccurate information about the number of people struggling distorts the identification of problems related to poverty, misguides policy solutions, and raises questions of equity, transparency, and fairness in the allocation of resources. The United Way *ALICE Project* develops these resources in order to move beyond stereotypes and judgments of “the poor,” and instead encourages the use of data to inform programmatic and policy solutions for these households and their communities.

## GLOSSARY

**ALICE** is an acronym that stands for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mloyed — and represents households with income above the Federal Poverty Level but below the basic cost of living. A household consists of all the people who occupy a housing unit. In this Report, households do not include those living in group quarters such as a dorm, nursing home, or prison.

**The Household Survival Budget** calculates the actual costs of basic necessities — housing, child care, food, transportation, health care, technology (smartphones), and taxes — in Indiana, adjusted for different counties and household types.

**The ALICE Threshold** is the average income that a household needs to afford the basic necessities defined by the Household Survival Budget for each county in Indiana. (Unless otherwise noted in this Report, households earning below the ALICE Threshold include both ALICE and poverty-level households.)

**The Household Stability Budget** is greater than the basic Household Survival Budget and reflects the cost for household necessities at a modest but sustainable level. It adds a savings category and an expanded technology category (smartphone and basic home internet), and it is adjusted for different counties and household types.

**The ALICE Income Assessment** is the calculation of all sources of income, resources, and assistance for ALICE and poverty-level households. Even with assistance, the Assessment reveals a shortfall, or Unfilled Gap, between what these households bring in and what is needed for them to reach the ALICE Threshold.

# DATA & METHODOLOGY

## WHAT'S NEW

Every two years, the United Way *ALICE Project* engages a national Research Advisory Committee of external experts to scrutinize the ALICE methodology and sources. This rigorous process results in enhancements to the methodology that ensure that the best local data is presented. While these changes impact specific calculations, the overall trends have remained the same.

**For this Report, the following improvements have been incorporated:**

**The Household Survival Budget now includes the cost of a smartphone plan for each adult:**

Technology has become a regular part of life, and smartphones in particular are an expectation for employment. The Household Stability Budget includes the cost of a smartphone for each adult in the family as well as basic home internet service.

**The source for state taxes has been updated:** To provide greater consistency across states and reduce the complexity of calculations while maintaining accuracy, the Report uses the Tax Foundation's individual income tax rates and deductions for Indiana instead of state-level tax sources. Indiana's *Form Individual Income Tax Forms and Instructions* are used to confirm state tax deductions and exemptions, such as the Personal Tax Credit. This change resulted in slight changes in tax amounts; budgets have been recalculated for 2010, 2012, and 2014.

**Change over time:** The first United Way ALICE Reports measured change before and after the Great Recession, in 2007 and 2010. This Report focuses on the recovery, measuring change from the baseline of 2010, followed by the even years since — 2012, 2014, and 2016. To ensure consistency in change-over-time comparisons the data for previous years — 2010, 2012, and 2014 — has been recalculated and is presented in this Report. For example, the old Report stated that 912,947 households (36 percent) had income below the ALICE Threshold in 2014, the new Report presents that 912,288 households (36 percent) had income below the ALICE Threshold in 2014. The 2016 results will also serve as an important baseline from which to measure the effects of the rollout of the Affordable Care Act in 2014, as well as subsequent policies.

**Additional detail at the sub-county level:** More ALICE data is available at the local level on our website including by: subcounty, place, zip code, Public Use Microdata Area, and Congressional district.

## METHODOLOGY NOTES

This Report remains focused on the county level because state averages can mask significant differences between counties. For example, the percentage of households below the ALICE Threshold in Indiana ranges from 21 percent in Hamilton County to 52 percent in Monroe County. The Report examines issues surrounding ALICE households from different angles to draw the clearest picture with the range of data available. Sources include the American Community Survey, the U.S. Department of Housing and Urban Development, the U.S. Department of Agriculture, the Bureau of Labor Statistics at the U.S. Department of Labor, the Internal Revenue Service, the Tax Foundation, and the Indiana Family and Social Services Administration. State, county, and municipal data is used to provide different lenses on ALICE households. The data are estimates; some are geographic averages, others are one- or five-year averages depending on population size.

Due to different rounding conventions in different data sources, total percentages may vary by +/-1 percent from 100 percent for a group. Typically, we present rounded numbers to make the ALICE data as clear as possible to a general audience.

For a more detailed description of the methodology and sources, see the Methodology Overview on our website, [UnitedWayALICE.org/methodology](http://UnitedWayALICE.org/methodology). For a breakdown of the data by county and municipality, see the County Pages and Data File on the website (under "Downloads" at [UnitedWayALICE.org/Indiana](http://UnitedWayALICE.org/Indiana)).

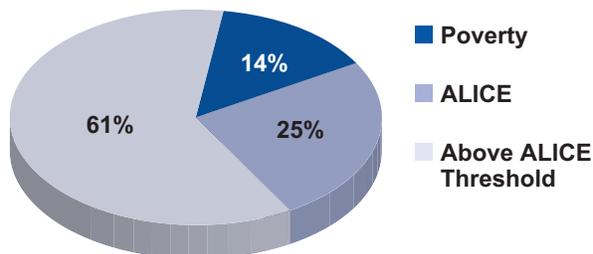
# AT-A-GLANCE: INDIANA

2016 Point-in-Time Data

Population: 6,633,053 | Number of Counties: 92 | Number of Households: 2,530,581

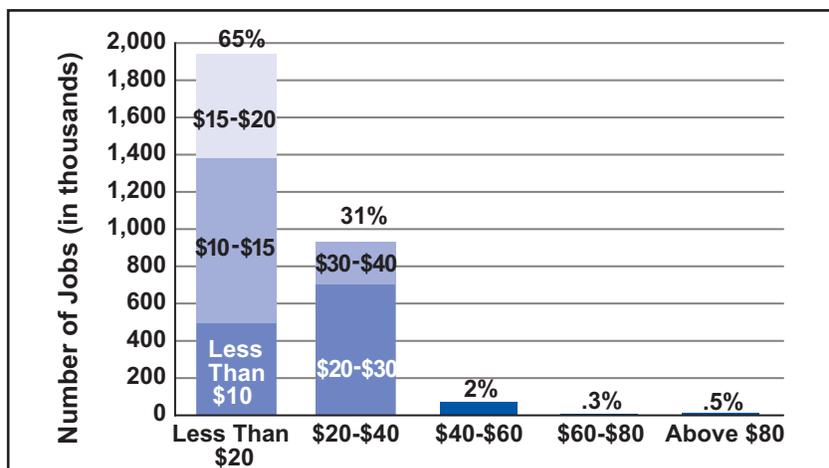
## How many households are struggling?

**ALICE**, an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mloyed, are households that earn more than the Federal Poverty Level (FPL), but less than the basic cost of living for the state (the ALICE Threshold). Of Indiana's 2,530,581 households, 342,667 earn below the FPL (14 percent) and another 636,871 (25 percent) are ALICE.



## How much does ALICE earn?

In Indiana, 65 percent of jobs pay less than \$20 per hour, with more than two-thirds of those jobs paying less than \$15 per hour. Another 31 percent of jobs pay between \$20 and \$40 per hour. Less than 4 percent of jobs pay more than \$40 per hour.



## What does it cost to afford the basic necessities?

Despite low national inflation during the Recession recovery (9 percent from 2010 to 2016), the bare-minimum Household Survival Budget increased by 23 percent for a family and 21 percent for a single adult. Affording only a very modest living, this budget is still significantly more than the Federal Poverty Level of \$11,880 for a single adult and \$24,300 for a family of four.

Household Survival Budget, Indiana Average, 2016		
	SINGLE ADULT	2 ADULTS, 1 INFANT, 1 PRESCHOOLER
<b>Monthly Costs</b>		
Housing	\$487	\$714
Child Care	\$-	\$832
Food	\$158	\$525
Transportation	\$348	\$695
Health Care	\$214	\$800
Technology	\$55	\$75
Miscellaneous	\$149	\$400
Taxes	\$224	\$362
<b>Monthly Total</b>	<b>\$1,635</b>	<b>\$4,403</b>
<b>ANNUAL TOTAL</b>	<b>\$19,620</b>	<b>\$52,836</b>
<b>Hourly Wage*</b>	<b>\$9.81</b>	<b>\$26.42</b>

\*Full-time wage required to support this budget

## AT-A-GLANCE: INDIANA

## Indiana Counties, 2016

COUNTY	TOTAL HOUSEHOLDS	% ALICE & POVERTY
Adams	12,260	43%
Allen	142,762	36%
Bartholomew	31,626	34%
Benton	3,388	43%
Blackford	5,207	46%
Boone	23,427	27%
Brown	5,953	35%
Carroll	7,770	32%
Cass	14,536	41%
Clark	42,498	40%
Clay	10,541	39%
Clinton	11,769	38%
Crawford	4,076	46%
Daviess	11,483	42%
Dearborn	18,639	32%
Decatur	10,120	31%
DeKalb	16,221	34%
Delaware	46,720	48%
Dubois	16,311	34%
Elkhart	72,487	38%
Fayette	9,420	44%
Floyd	29,199	39%
Fountain	6,963	40%
Franklin	8,710	34%
Fulton	7,962	39%
Gibson	13,297	34%
Grant	26,528	47%
Greene	12,688	41%
Hamilton	118,521	21%
Hancock	27,968	29%
Harrison	14,524	39%
Hendricks	58,677	27%
Henry	17,926	44%
Howard	34,195	41%
Huntington	14,532	37%
Jackson	16,517	42%
Jasper	12,091	35%
Jay	8,062	44%
Jefferson	12,642	38%
Jennings	10,519	42%
Johnson	54,542	31%
Knox	14,655	41%
Kosciusko	30,494	38%
LaGrange	11,850	40%
Lake	185,575	37%
LaPorte	42,074	36%
Lawrence	18,426	40%
Madison	50,964	44%
Marion	368,349	47%
Marshall	17,093	40%
Martin	4,219	38%
Miami	13,268	43%
Monroe	54,513	52%
Montgomery	14,852	35%
Morgan	25,881	33%

## Indiana Counties, 2016

COUNTY	TOTAL HOUSEHOLDS	% ALICE & POVERTY
Newton	5,482	42%
Noble	18,013	37%
Ohio	2,427	34%
Orange	7,720	44%
Owen	8,581	39%
Parke	6,150	46%
Perry	7,318	43%
Pike	4,957	34%
Porter	62,986	31%
Posey	10,017	30%
Pulaski	5,174	38%
Putnam	12,962	39%
Randolph	10,483	37%
Ripley	10,981	37%
Rush	6,747	40%
Scott	8,844	42%
Shelby	17,309	38%
Spencer	8,065	29%
St. Joseph	97,071	43%
Starke	8,727	45%
Steuben	13,451	35%
Sullivan	7,713	45%
Switzerland	4,102	48%
Tippecanoe	68,405	42%
Tipton	6,401	30%
Union	2,917	41%
Vanderburgh	74,968	40%
Vermillion	6,600	39%
Vigo	40,328	46%
Wabash	12,767	36%
Warren	3,327	24%
Warrick	23,290	32%
Washington	10,540	43%
Wayne	26,538	42%
Wells	10,828	34%
White	9,670	33%
Whitley	13,232	29%

**Sources:** *Point-in-Time Data:* American Community Survey, 2016. *ALICE Demographics:* American Community Survey and the ALICE Threshold, 2016. *Wages:* Bureau of Labor Statistics, 2016. *Budget:* U.S. Department of Housing and Urban Development; U.S. Department of Agriculture; Bureau of Labor Statistics; Internal Revenue Service; Tax Foundation; and Indiana Family and Social Services Administration, 2016.

# I. ALICE BY THE NUMBERS

In 2016, six years after the end of the Great Recession, many households in Indiana were still struggling to find jobs with high enough wages and long enough hours to cover their basic monthly household expenses. More than one in three households in Indiana (39 percent) could not afford basic needs such as housing, child care, food, transportation, health care, and a smartphone. While many of Indiana’s households were living below the Federal Poverty Level (FPL), an even greater number were households with incomes above the FPL, but not high enough to afford basic necessities. These households are **ALICE** – **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed.

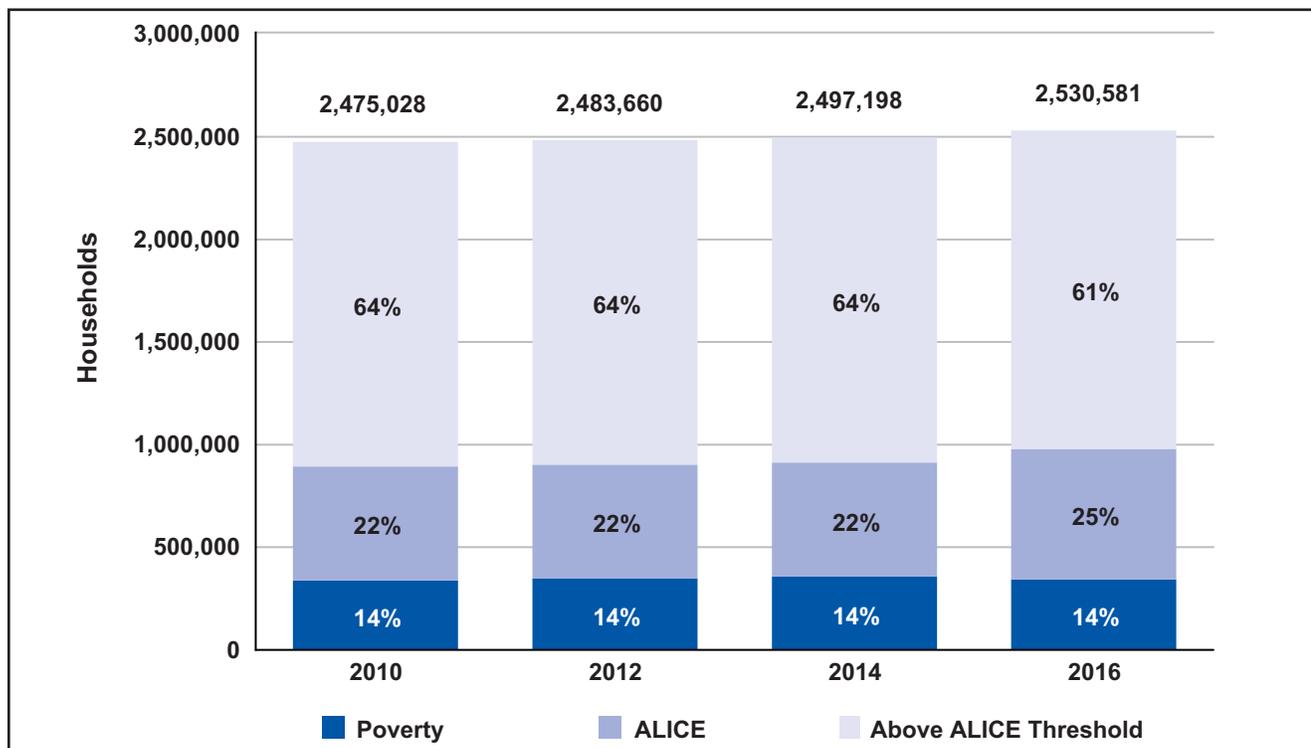
This section drills down to reveal demographic differences of ALICE and poverty-level households by age, race and ethnicity, and household type over time. Also reported are important local variations that are often masked by state averages. The first United Way ALICE Report for Indiana, published in 2014 with 2012 data, showed that during the Recession there was an increase in the number of households with income below the ALICE Threshold, increasing from 33 percent in 2007 to 36 percent in 2010. This Report focuses on how Hoosiers fared from 2010, the technical end of the Recession, to 2016. Despite an improvement in the overall economic climate since 2010, wages at the low end have remained flat, while the cost of basic necessities continued to rise, pushing up the number of ALICE and poverty-level households to 39 percent of all Indiana households in 2016.

## OVERVIEW

In Indiana, the total number of households increased by 2 percent between 2010 and 2016 to 2,530,581. But the number of ALICE and poverty-level households increased by even more (10 percent) (Figure 1):

- **Poverty:** The number of households in poverty — defined as those earning at or below \$11,880 for a single adult and \$24,300 for a family of four — rose from 338,374 in 2010 to 342,667 in 2016, a 1 percent increase. The proportion of poverty-level households remained flat at 14 percent.
- **ALICE:** The number of ALICE households rose from 555,459 in 2010 to 636,871 in 2016, a 15 percent increase. The proportion of ALICE households rose from 22 percent to 25 percent during that period.

**Figure 1.**  
**Household Income, Indiana, 2010 to 2016**



Source: American Community Survey, 2007-2016, and the ALICE Threshold, 2007-2016. For the Methodology Overview and additional data, visit our website: [UnitedWayALICE.org](http://UnitedWayALICE.org)

# ALICE DEMOGRAPHICS

The number of households living below the ALICE Threshold in Indiana increased in almost all age and racial/ethnic groups from 2010 to 2016. Yet two major age-related population bubbles are changing the state's overall demographics: the baby boomers and the millennials.

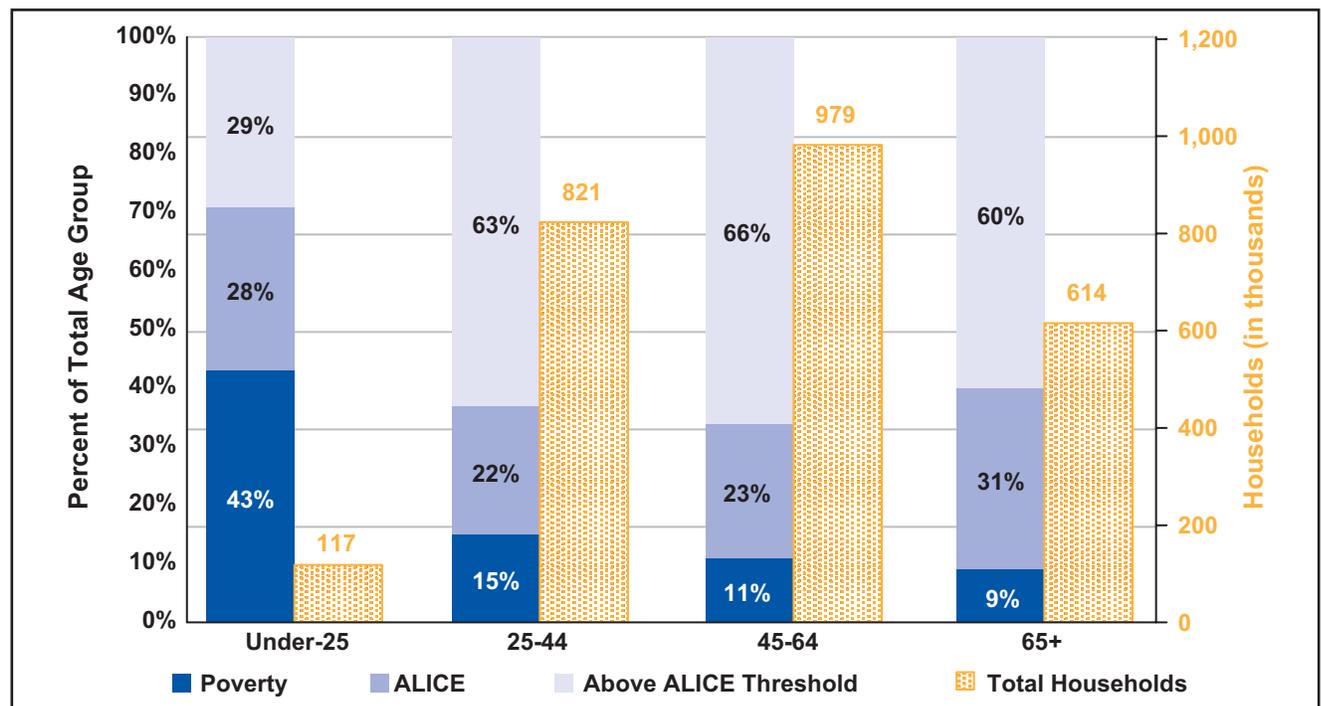
## Households by Age

The baby boomers are the largest generation in the U.S., and since they were born, they've affected many cultural and economic aspects of the country. As they age, their needs and preferences are changing, and continue to impact demand for goods and services. The second largest group is the millennials (adults born between 1981 and 1996, also known as Generation Y), who are making different lifestyle and working choices than previous generations. Between the two population bubbles is the smaller Generation X, made up of adults born between 1964 and 1980. To analyze general trends, the ALICE data on age is presented by household in more precise Census breaks: under-25 years, 25–44 years, 45–64 years, and 65 and older. Millennials are covered by the youngest two brackets and baby boomers by the oldest two (Dimock, 2018).

**Millennials:** Even though the population of millennials is increasing, the number of households headed by them is decreasing in Indiana. The youngest segment of the millennials, households headed by under-25-year-olds, decreased 5 percent, from 123,009 households in 2010 to 116,734 in 2016, and the number with income below the ALICE Threshold fell by 9 percent (Figure 3). The older segment of millennials, households headed by 25- to 44-year-olds, decreased by 3 percent overall, yet the number with income below the ALICE Threshold increased by 4 percent (American Community Survey, 2010 and 2016).

In many ways, millennials differ from previous generations. First, they are more racially and ethnically diverse. Nationally, a much smaller percentage of millennials (56 percent) are White. And while the share of Black millennials resembles that of previous generations, a larger percentage of millennials (nearly 30 percent) are either Hispanic, Asian, or people identifying as two or more races. Indiana is less ethnically diverse than the rest of the country, but millennials in Indiana include a wider range of race/ethnicities than older generations. Second, millennials, especially millennials of color, tend to prefer to live in urban centers. In Indiana, there has been an influx of millennials to Indianapolis. Third, many millennials cannot afford to live on their own. Instead, they are more likely than previous generations to live with their parents or with roommates; and nationally, for the first time in more than a century, they are less likely to be living with a romantic partner. Of those under-25-year-olds who head a household in Indiana, 71 percent have income below the ALICE Threshold (Cilluffo & Cohn, 2017; Cohn & Caumont, 2016; Frey W. H., 2018) (Figure 2).

**Figure 2.**  
**Household Income by Age of Head of Household, Indiana, 2016**

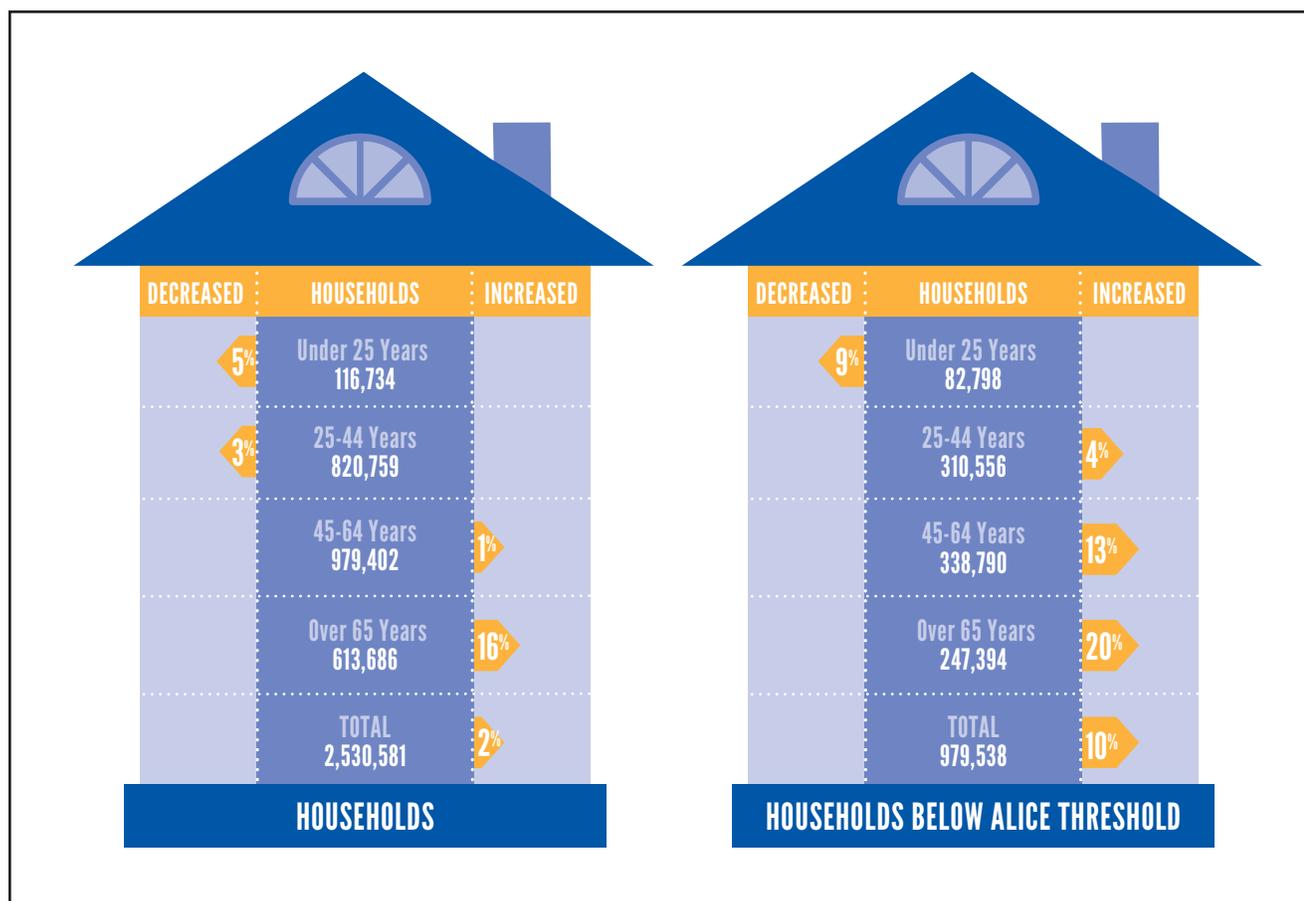


Source: American Community Survey, 2016, and the ALICE Threshold, 2016

**Aging Population:** The increase in the number of ALICE households in Indiana is driven by older households, both seniors (65+) and those aged 45 to 64. From 2010 to 2016, the number of senior households increased by 16 percent, to 613,686 households (Figure 3). Yet senior households with income below the ALICE Threshold grew even faster, increasing by 20 percent. Even with Social Security benefits, 40 percent of Indiana seniors have income below the ALICE Threshold (American Community Survey, 2010 and 2016).

The number of households headed by those aged 45 to 64 years grew only 1 percent from 2010 to 2016, but the number of households in this age group with income below the ALICE Threshold jumped 13 percent. For a group in their prime earning years, it is surprising to see 35 percent with income below the ALICE Threshold (American Community Survey, 2010 and 2016).

**Figure 3.**  
**Household Income by Age of Head of Household, Indiana, 2010 to 2016**



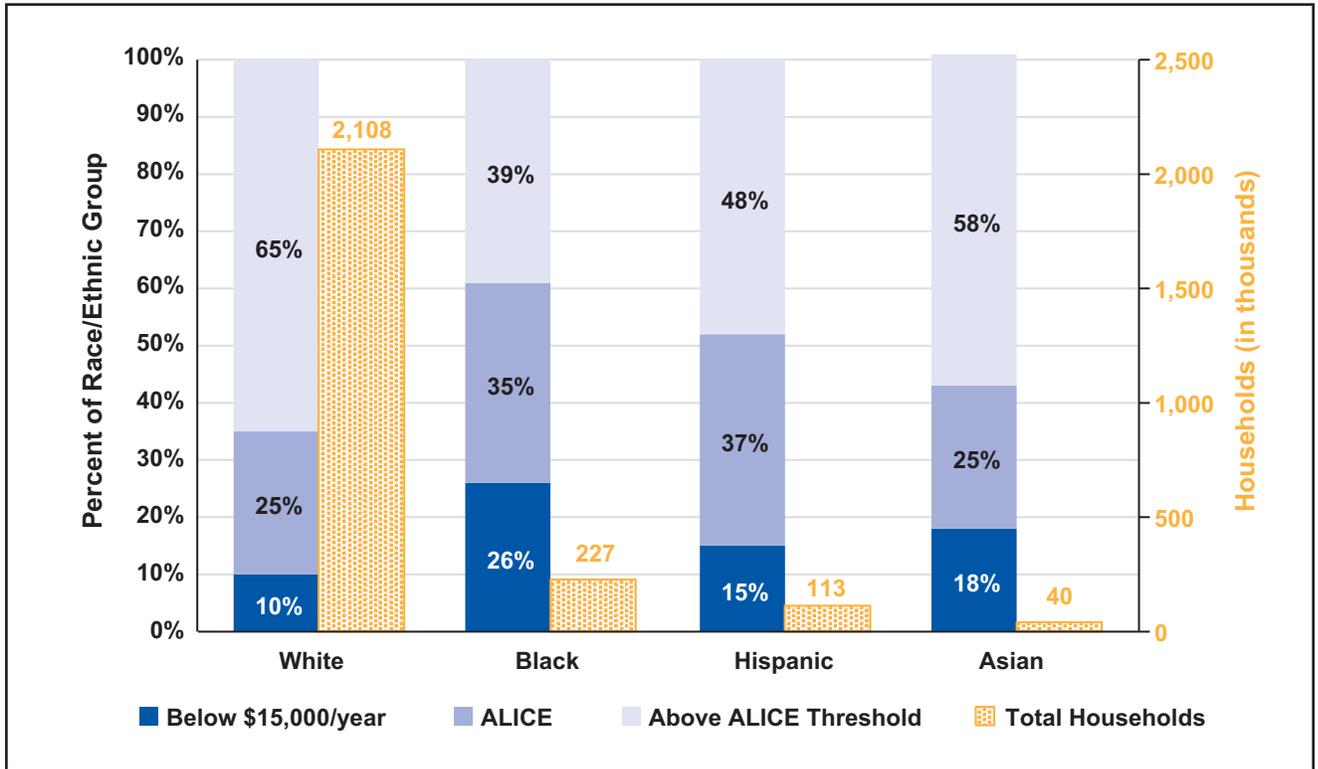
Source: American Community Survey, 2016, and the ALICE Threshold, 2016

## Households by Race and Ethnicity

The United Way ALICE Reports follow U.S. Census classifications for the largest non-White populations — Black, Asian, Hispanic, and American Indian/Alaska Native, as well as people identifying as two or more races. Because people of any race, including Whites, can also be of Hispanic ethnicity, the ALICE data looks at White, Black, Asian, and American Indian/Alaska Native categories “alone” (i.e., not also Hispanic), as well as at Hispanic populations.

White households are the largest racial group in Indiana with 2,108,301 households in 2016, compared to 227,114 Black households, 112,559 Hispanic households, 40,221 Asian households, 7,020 American Indian/Alaska Native households, 42,437 households reporting some other race, and 31,134 households reporting two or more races (Figure 4). ALICE and poverty-level households exist in every racial and ethnic group in Indiana.

**Figure 4.**  
**Households by Race/Ethnicity and Income, Indiana, 2016**



Note: Because household poverty data is not available for the American Community Survey's Race/Ethnicity categories, annual income below \$15,000 is used as a proxy for poverty.

Source: American Community Survey, 2016, and the ALICE Threshold, 2016

Statewide numbers, however, often mask important changes in smaller racial and ethnic groups. For example, the number of Black, Hispanic, and Asian households grew faster from 2010 to 2016 than the state average, while the number of White households did not grow at all. Asian households increased by 31 percent, Hispanic households by 19 percent, and Black households by 7 percent.

**White households:** White (non-Hispanic) households are the largest racial group in Indiana by far, but their percentage of total households has been declining, falling from 85 percent in 2010 to 83 percent in 2016. These households are generally older than other groups, and are as likely to live in rural areas as in urban and suburban areas. Because White households are the largest group, they account for the largest number of households below the ALICE Threshold. But a smaller percentage of White households live below the ALICE Threshold (35 percent) compared to the percentages of ALICE and poverty-level households in other racial/ethnic groups.

**Black households:** The Black (non-Hispanic) population is the largest population of color in Indiana and has the highest percentage of households below the ALICE Threshold. Indiana's Black population has increased slowly from 2010 to 2016 and is becoming more diverse. In addition to African-Americans who have lived in Indiana for generations or who migrated from other parts of the country, there is an increasing number of African immigrants, who now account for 7 percent of Indiana's foreign-born residents — up from 4 percent in 2000. This population includes recent African refugees, many from the Democratic Republic of the Congo and Sudan. Among all immigrant groups in the nation, African immigrants have settled most recently: Almost two-thirds (63 percent) arrived in the U.S. in 2000 or later, and 19 percent have settled in the Midwest. Indiana's Black residents live predominantly in urban centers, with the largest numbers living in Gary, Merrillville, East Chicago, Westville, and Indianapolis (Migration Policy Institute, 2016; Anderson, 2015; Kolmar, 2018).

**Hispanic households:** The Hispanic population is the next largest population of color in Indiana, and is increasing in total numbers as well as in the number of households living below the ALICE Threshold. Indiana’s Hispanic population is becoming more diverse. Waves of Hispanic immigration over the last seven decades have brought immigrants from different parts of Latin America. Nationally, Mexico has historically sent the largest numbers of immigrants to the U.S., starting in the late 1800s. More recent waves include Puerto Rican immigrants in the 1940s and 1950s, Cuban immigrants in the 1960s and early 1970s, immigrants from the Central American nations of El Salvador, Guatemala, Honduras, and Nicaragua in the 1970s and 1980s, and immigrants from Argentina, Chile, Colombia, Peru, and Ecuador between 2000 and 2010. Date of entry also impacts income; Hispanic immigrants who have lived in the U.S. the longest earn higher incomes than those who immigrated more recently (Flores A. , 2017; Gutiérrez, 2013).

In 2016, Hispanic immigrants accounted for 40 percent of foreign-born residents in Indiana, with the largest numbers by country coming from Mexico. However, since 2000, the primary source of growth of the Hispanic population in Indiana has been U.S. births (American Community Survey, 2010 and 2016; Migration Policy Institute, 2016; Strange, 2013).

**Asian households:** In Indiana, the Asian population is the smallest demographic group, but it is the fastest-growing racial/ethnic group in the state, increasing by 15 percent since 2010. With that increase, the number of Asian households with income below the ALICE Threshold has also increased. Approximately one-quarter of the country’s Asian population was born in the U.S., and 15 percent of Asian residents identify as two or more races — much higher than the comparable mixed-race share of Blacks (7 percent), Hispanics (6 percent), or Whites (3 percent) (Migration Policy Institute, 2016; Shawgo, 2017; Pew Research Center, 2017).

Unlike most immigrant groups, Asian households vary less in income status by year of entry to the U.S. and more by country of origin. For example, Indian Americans lead all other groups by a significant margin in their levels of income and education. Immigrants from India are more likely to have a college degree, followed by those from the Philippines, and Japan. Immigrants from Vietnam are more likely to have higher rates of poverty than the overall U.S. population. There is also a wide range of immigrants from Korea and China, including some of the best educated but also some with the lowest incomes. In addition, there are more than 10,000 recent refugees from Burma/Myanmar (Pew Research Center, 2017; Omaha World-Herald, 2017; Albert, 2018).

**Other racial/ethnic categories:** Some racial and ethnic groups in Indiana are extremely small so the Census does not report their income, and therefore ALICE data is not available. Less than 1 percent of households in Indiana identify themselves as American Indian/Alaska Native; another 2 percent identify as “Some Other Race”; and 1 percent identify as being of “Two or More Races” (American Community Survey, 2016).

## Trends in Race and Ethnicity in Indiana

**Refugees:** Immigration to Indiana includes refugee resettlement. From 2012 to 2016, Indiana received more than 1,000 refugees annually, with the most (1,885) arriving in 2015. Most of the refugees have come from Burma/Myanmar as political refugees, but 28 other countries are represented. Most refugees have settled around Indianapolis, mostly in Marion County, and some in Allen County (Indiana State Department of Health, 2015; U.S. Department of State, 2018; American Community Survey, 2016).

**Young households:** The number of the youngest White and Black households is decreasing. The number of White under-25-year-old households fell by 9 percent from 2010 to 2016, driving a decrease in the overall number of young households in Indiana. Adding to the decline, the number of Black under-25-year-old households fell by 5 percent. However, Asian and Hispanic under-25-year-old households saw an increase — 20 percent for Asian households and 15 percent for Hispanic households — but because their overall numbers are small, those increases did not offset the overall loss of households in this age group. Among households headed by 25- to 44-year-olds, White

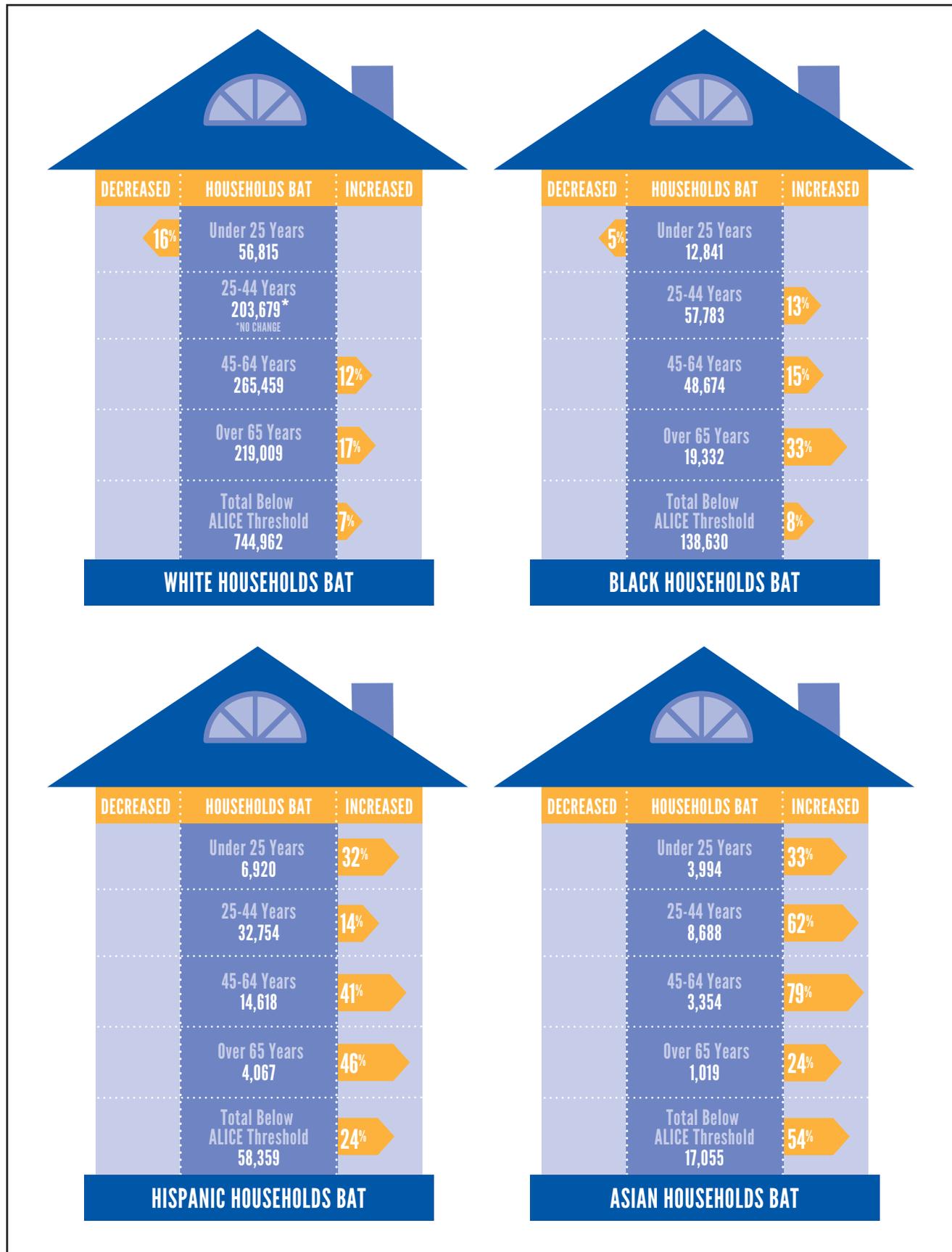
households declined by 3 percent, while all other groups increased — Asian households by 30 percent, Hispanic households by 10 percent, and Black households by 2 percent.

**Senior households:** The number of senior households (65+ years) of all races and ethnic groups is increasing. White senior households are driving the overall growth in the senior population in Indiana, increasing by 14 percent from 2010 to 2016, but other senior groups are experiencing significant growth as well. Hispanic senior households increased by 53 percent, Asian senior households by 42 percent, and Black senior households by 21 percent. On a slightly different trajectory, White 45- to 64-year-old households actually fell by 2 percent, yet all other ethnicities increased in this age group: Asian households by 36 percent, Hispanic households by 31 percent, and Black households by 8 percent.

**Households below the ALICE Threshold (Figure 5):** Households earning below the ALICE Threshold increased across almost all age and racial/ethnic groups from 2010 to 2016. The largest increases were among older Hispanic, Asian, and Black households. Hispanic 45- to 64-year-old households below the ALICE Threshold increased by 41 percent and Hispanic senior households by 46 percent, while Asian 45- to 64-year-old households below the ALICE Threshold increased by 79 percent and Asian senior households by 24 percent. Black senior households below the ALICE Threshold increased by 33 percent.

White and Black under-25-year-old households, groups that saw a decrease in total households, also experienced a decrease in households below the ALICE Threshold.

**Figure 5.**  
**Households Below ALICE Threshold (BAT), by Age and Race/Ethnicity, Indiana, 2010 to 2016**



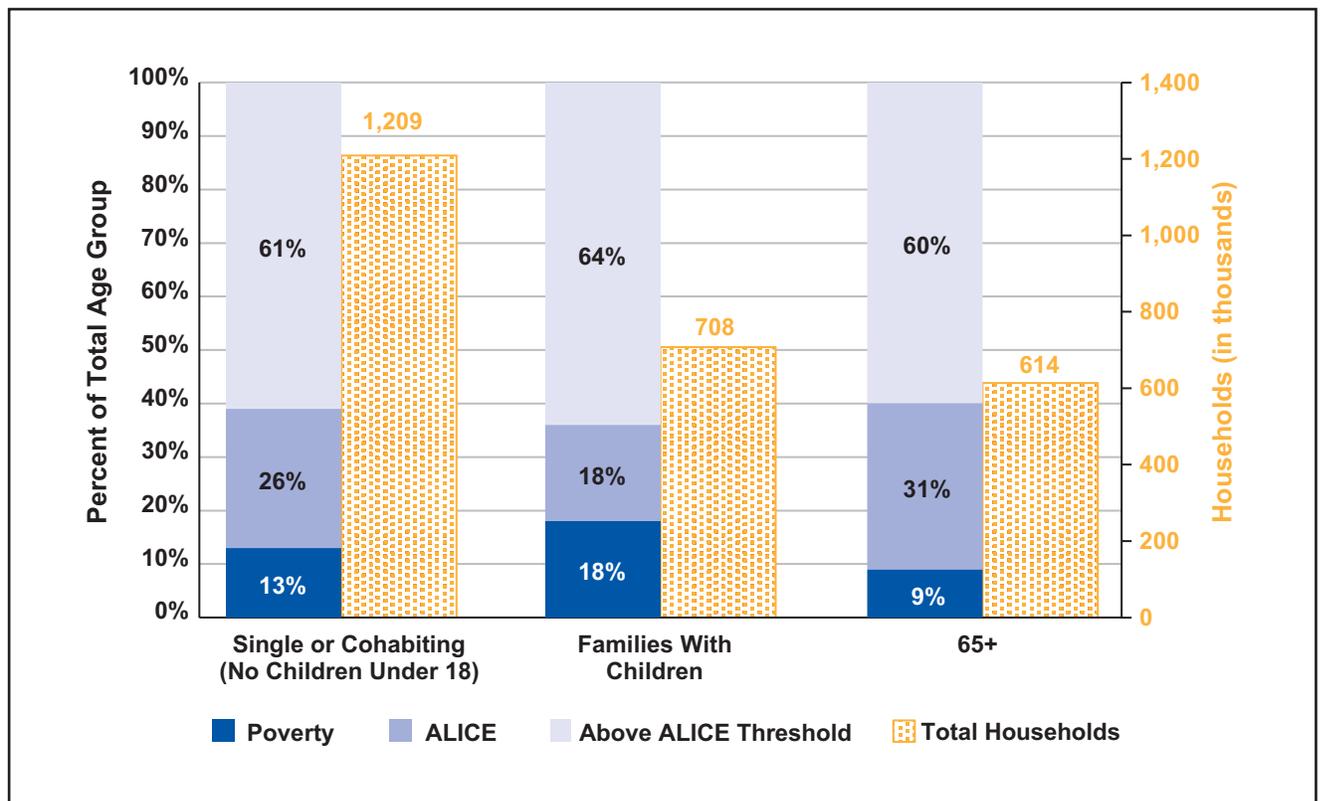
Source: American Community Survey, 2010-2016, and the ALICE Threshold, 2010-2016

# THE AMERICAN HOUSEHOLD IS CHANGING

There are longstanding preconceptions about what types of families tend to be low-income — homes headed by single mothers, for example. Yet ALICE and poverty-level families exist in all configurations. There have been such dramatic changes in the living arrangements of Americans that it is important to re-evaluate these old stereotypes.

After decades of declining marriage rates and rising levels of divorce, remarriage, and cohabitation, the household made up of a married couple with two children is no longer typical. Since the 1970s, there has been a trend toward smaller households, fewer households with children, and fewer married-couple households. There are also more people living alone, especially at older ages. People are increasingly living in a wider variety of arrangements, including singles living alone or with roommates, and grown children living with parents. The share of American adults who have never been married is at an historic high. Single or cohabiting adults under age 65 with no children under age 18 make up the largest household type in Indiana, accounting for 48 percent of households (Figure 6). Nationally, approximately 27 percent of all households are single-adult households younger than age 65 (Cohn & Caumont, 2016; Vespa, Lewis, & Kreider, 2013).

**Figure 6.**  
**Household Types by Income, Indiana, 2016**



Source: American Community Survey, 2016, and the ALICE Threshold, 2016

These single or cohabiting households without children under age 18 are also the group with the largest number of households below the ALICE Threshold in Indiana. In 2016, 472,631 of these households, 39 percent, had income below the ALICE Threshold (Figure 6), up from 37 percent in 2010 (American Community Survey, 2010 and 2016).

## Families With Children

Families with children are also changing with mothers doing more paid work outside the home as the cost of living continues to rise. Nationally, 42 percent of mothers were sole or primary breadwinners in 2015, bringing in 50 percent or more of family earnings, and another 22 percent were co-breadwinners, bringing home 25 to 49 percent of earnings. Gender roles are changing as well, with fathers doing more housework and child care. Over the last 30 years, the number of stay-at-home fathers has doubled to 2.2 million, and the amount of housework fathers report doing has also doubled, to an average of nine hours a week (Glynn, 2016; Cohn & Caumont, 2016; Parker & Livingston, 2017; Livingston, 2014).

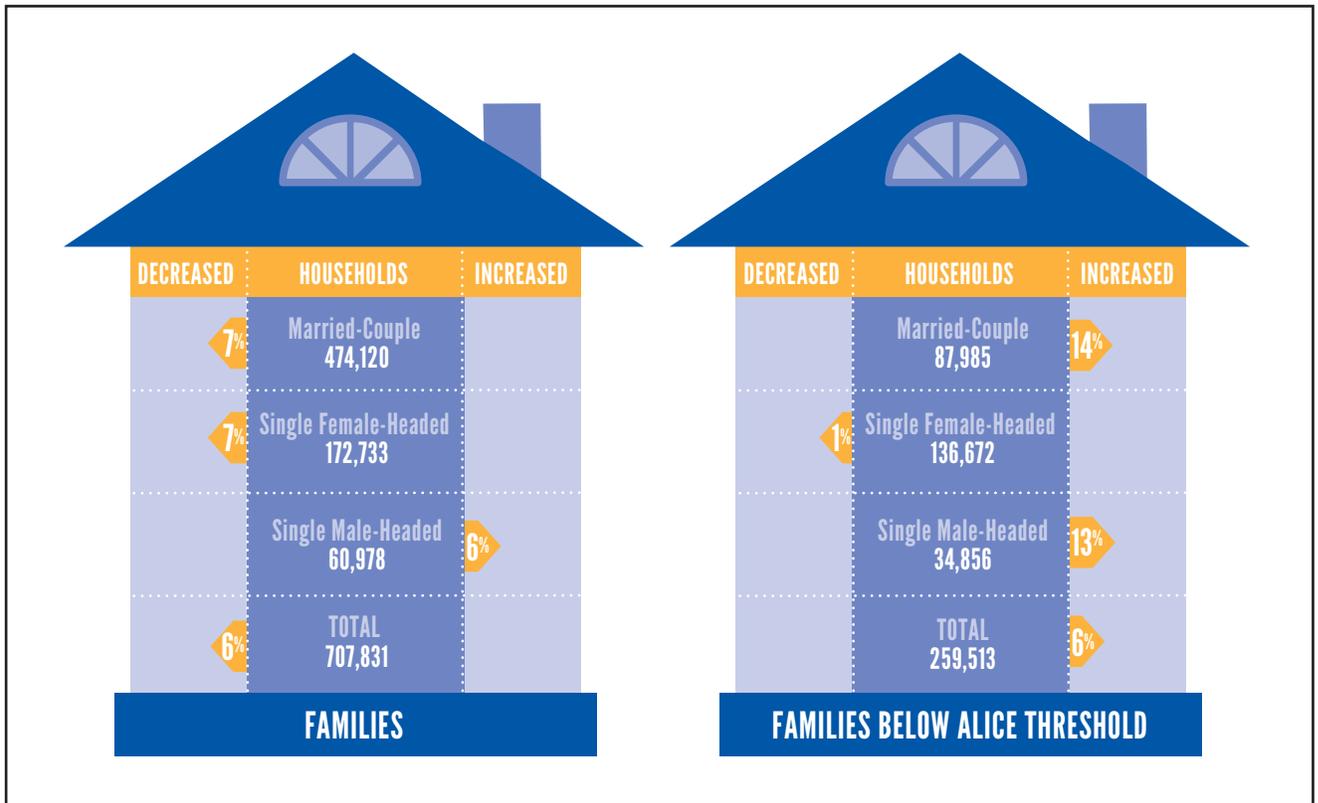
The composition of families with children is also changing. There are more families with several cohabiting generations, and more with lesbian, gay, bisexual, and transgender (LGBT) parents. Households with combined children from parents' prior relationships are also on the rise. Almost one in six children under the age of 18 now lives in a family with parents and their children from previous relationships. More than a quarter of married LGBT couples are now raising children, and the number of same-sex marriages more than doubled nationally from just before the Supreme Court ruling in 2013, which required the federal government to recognize state-sanctioned marriages of same-sex couples, to the 2015 ruling that enabled same-sex marriage nationwide (Cohn & Caumont, 2016; Gates & Brown, 2015; Pew Research Center, 2015).

From 2010 to 2016, the number of Indiana families with children decreased by 6 percent, but the number below the ALICE Threshold increased by 6 percent (Figure 7). **By 2016, more than one-third (36 percent) of all Indiana families with children had income below the ALICE Threshold.** In particular:

- **Married-parent families** decreased by 7 percent, while the number below the ALICE Threshold increased by 14 percent. This group made up one-third (34 percent) of Indiana families with children below the ALICE Threshold in 2016.
- **Single female-headed families** decreased by 7 percent, and the number below the ALICE Threshold decreased by 1 percent. This group made up more than half of Indiana families with children below the ALICE Threshold in 2016.
- **Single male-headed families**, the smallest group, increased by 6 percent, and the number below the ALICE Threshold increased far more, by 13 percent. This group made up 13 percent of Indiana families with children below the ALICE Threshold in 2016.

The increase in the number of single-parent families may be in part due to how that arrangement is defined as well as people becoming more comfortable self-identifying as single parents. According to the U.S. Census, the category of single-parent households includes one parent as the sole adult (37 percent nationally), a parent with a cohabiting partner (11 percent), or a parent with another adult age 18 or older who lives in the home, such as a grown child or grandparent (52 percent). In other words, in most single-parent families, there are nonetheless two adults in the home, and therefore potentially two income-earners (Vespa, Lewis, & Kreider, 2013).

**Figure 7.**  
**Families With Children by Income, Indiana, 2010 to 2016**



Source: American Community Survey, 2010-2016, and the ALICE Threshold, 2010-2016

## CHANGES AT THE LOCAL LEVEL

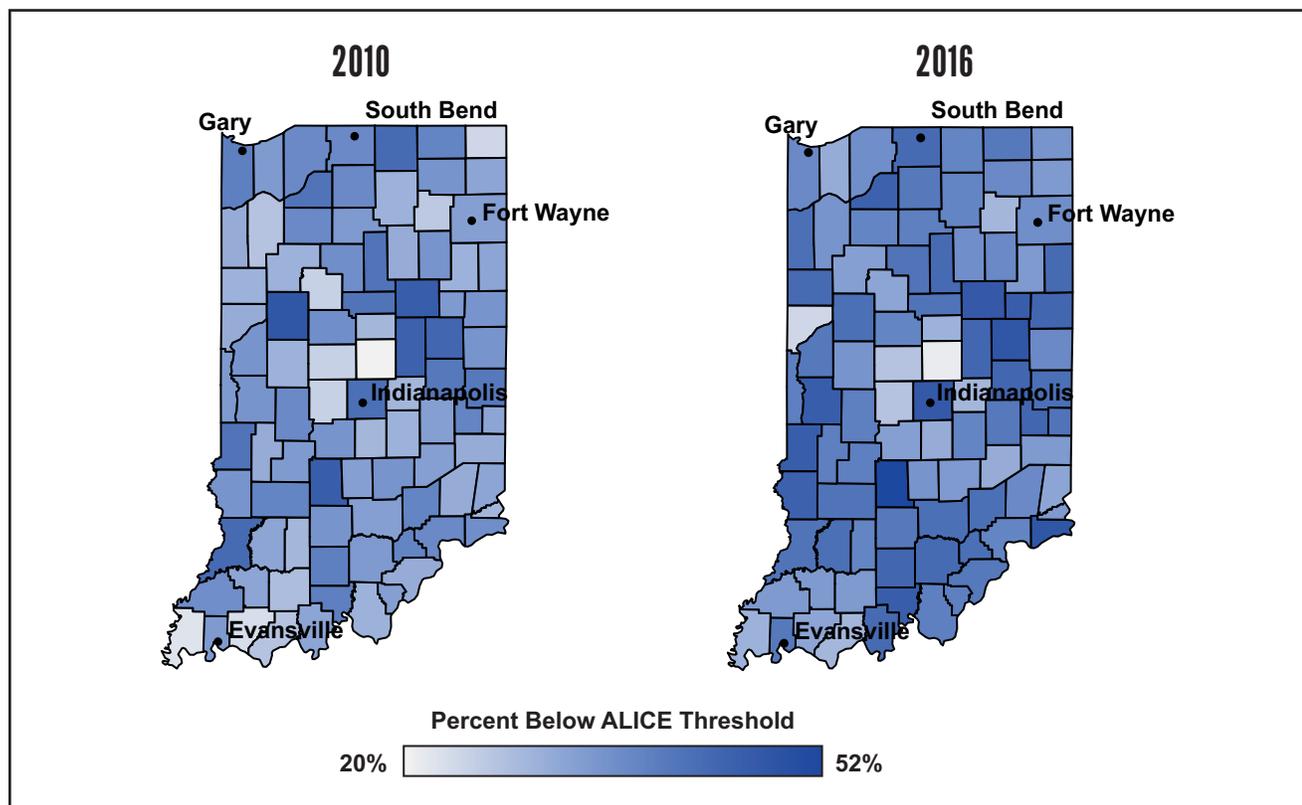
The importance of where we live — particularly where we grow up — in determining the directions that our lives take has been well demonstrated by the Harvard Equality of Opportunity Project (Chetty & Hendren, 2015). Local economic conditions largely determine the number of households that struggle financially in a given county or state. Examining these conditions gives a clearer localized picture of the minimum income families need to afford basic household necessities.

### ALICE by County

Counties are small enough to reveal regional variation and large enough to provide reliable, consistent data. Behind the Indiana state average, there is enormous variation among counties in the percentage of ALICE and poverty-level households, ranging from 21 percent in Hamilton County to 52 percent in Monroe County. Contrary to stereotypes that suggest financial hardship only exists in inner cities, ALICE families live in every county in Indiana, across rural, urban, and suburban areas (Figure 8).

County data also provides a useful lens on changes in financial hardship from 2010 and 2016. Overall, more Indiana counties had a higher percentage of households with income below the ALICE Threshold in 2016 than in 2010.

**Figure 8.**  
**Percentage of Households With Income Below ALICE Threshold, by County, Indiana, 2010 and 2016**



Source: American Community Survey, 2010 and 2016, and the ALICE Threshold, 2010 and 2016. Details on each county's household income and ALICE demographics, as well as further breakdown by municipality, are listed in the ALICE County Pages and Data File at [UnitedWayALICE.org/Indiana](http://UnitedWayALICE.org/Indiana)

## ALICE by Towns and Cities

Looking at household income by towns and cities provides another view of financial hardship in Indiana. In 2016, ALICE and poverty-level households represented more than 30 percent of households in Indiana towns and cities. Data from Indiana's smaller towns and cities is limited to five-year estimates, making it more difficult to track. However, there is reliable data on change over time for the state's largest cities and towns.

Indiana's largest cities — those with more than 20,000 households — are leading many of the demographic changes in the state, and this is reflected in their changing numbers of households and the proportion of those households earning below the ALICE Threshold. From 2010 to 2016, most cities experienced growth in total population, five by more than 10 percent: Carmel, Fishers, Lafayette, Noblesville, and Kokomo (which grew by 32 percent). And all but one (Hammond) experienced an increase in the percentage of households below the ALICE Threshold; Greenwood, Kokomo and Noblesville by more than 30 percent and Fishers by 63 percent (Hammond's overall population fell by 9 percent as many young residents moved away, and households below the ALICE Threshold there also fell by 18 percent) (Figure 9).

**Figure 9.**  
**Households Below the ALICE Threshold, Largest Cities and Towns in Indiana, 2016**

Largest Cities and Towns (Above 20,000 Households)	Number of Households 2016	Percentage of Households Below ALICE Threshold 2016	Percent Change 2010–2016	
			TOTAL HOUSEHOLDS	HOUSEHOLDS BELOW ALICE THRESHOLD
Indianapolis	332,643	47%	3%	15%
Fort Wayne	103,942	41%	5%	15%
Evansville	51,199	49%	2%	18%
South Bend	37,234	54%	-8%	2%
Carmel	32,433	17%	12%	18%
Lafayette	31,819	49%	11%	5%
Gary	31,809	62%	6%	3%
Fishers	30,735	19%	13%	63%
Bloomington	30,366	63%	-1%	4%
Muncie	28,042	57%	1%	6%
Hammond	27,332	44%	-9%	-18%
Kokomo	25,242	46%	32%	37%
Anderson	23,404	58%	2%	14%
Terre Haute	22,505	58%	0%	13%
Noblesville	21,796	30%	14%	33%
Greenwood	20,996	40%	9%	51%
Mishawaka	20,651	53%	-3%	15%

Source: American Community Survey, 2010–2016, and the ALICE Threshold, 2010–2016; For additional data, visit our website: [UnitedWayALICE.org/Indiana](http://UnitedWayALICE.org/Indiana)

## COMPOUNDING FACTORS

This Report highlights the great variation among ALICE households by age, race and ethnicity, and location — variations often masked by state and national averages. As discussed in detail in the 2014 United Way ALICE Report for Indiana, other factors can also cause households to be ALICE or in poverty. These include being a household headed by a recent immigrant, especially those who are undocumented or unskilled; by someone with low proficiency in English; by an LGBT individual (though gay men, particularly those in married couples, are less likely to be low-income than other LGBT groups); by someone with a low level of education; or by someone living with a disability. Groups with more than one of these factors — younger combat veterans, for example, who may have both a disability and a low level of education, or ex-offenders, many of whom are Black and may have a low level of education — are even more likely to fall below the ALICE Threshold. Awareness of these challenges has increased, and this Report highlights some examples of structural change in the workplace designed to increase opportunity for these groups. However, these systemic trends persist in Indiana, as they do across the country (Bui, 2016).

# II. WHAT DOES IT COST TO LIVE IN TODAY'S ECONOMY?

## THE HOUSEHOLD SURVIVAL BUDGET

The Household Survival Budget reflects the bare minimum cost to live and work in the modern economy. In 2016, the average Household Survival Budget in Indiana was \$52,836 for a four-person family and \$19,620 for a single adult (Figure 10). These costs continue to outpace the national rate of inflation. The hourly wage necessary to support a family budget is \$26.42 for one parent working 40 hours per week, 50 weeks per year (or \$13.21 per hour each, if two parents work), and \$9.81 per hour, full time, for a single adult.

**Figure 10.**  
**Household Survival Budget, Indiana Average, 2016**

Household Survival Budget, Indiana Average, 2016			Percent Change 2010-2016	
	SINGLE ADULT	2 ADULTS, 1 INFANT, 1 PRESCHOOLER	SINGLE ADULT	2 ADULTS, 1 INFANT, 1 PRESCHOOLER
<b>Monthly Costs</b>				
Housing	\$487	\$714	1%	8%
Child Care	\$-	\$832	N/A	-3%
Food	\$158	\$525	0%	10%
Transportation	\$348	\$695	15%	15%
Health Care	\$214	\$800	89%	76%
Technology*	\$55	\$75	N/A	N/A
Miscellaneous	\$149	\$400	21%	23%
Taxes	\$224	\$362	27%	77%
<b>Monthly Total</b>	<b>\$1,635</b>	<b>\$4,403</b>	<b>21%</b>	<b>23%</b>
<b>ANNUAL TOTAL</b>	<b>\$19,620</b>	<b>\$52,836</b>	<b>21%</b>	<b>23%</b>
<b>Hourly Wage**</b>	<b>\$9.81</b>	<b>\$26.42</b>	<b>21%</b>	<b>23%</b>

\*New to budget in 2016

\*\*Full-time wage required to support this budget

Source: U.S. Department of Housing and Urban Development, 2016; U.S. Department of Agriculture, 2016; Bureau of Labor Statistics, 2016; Internal Revenue Service; Tax Foundation; and Indiana Family and Social Services Administration, 2016. For the Methodology Overview and additional data, visit our website: [UnitedWayALICE.org](http://UnitedWayALICE.org).

The cost of household basics in the Household Survival Budget — housing, child care, food, transportation, health care, technology, and taxes — increased by 21 percent for a single adult and 23 percent for a family of four in Indiana from 2010 to 2016. At the same time, median earnings increased by only 13 percent in Indiana and 11 percent nationally, putting greater strain on households. And the national inflation rate, which measures the change in cost of a much larger group of budget items, showed an increase of only 9 percent during this period. The cost of the specific items in the Household Survival Budget increased at a greater rate.

In Indiana, the total Household Survival Budget increased significantly, largely due to the addition of a smartphone and substantial increases in the cost of both health care and transportation. Somewhat surprisingly, the cost of child care decreased by 3 percent from 2010 to 2016, though this only reflects the cost of home-based child care, the least expensive option. During this time, the average cost of all types of child care, including more expensive center-based options, increased, according to the Indiana Early Learning Advisory Committee (Bureau of Labor Statistics, 2010 and 2016; Bureau of Labor Statistics, 2018; Lopez, 2017).

# SURVIVAL BUDGET COMPONENTS

**Housing:** The housing budget uses the U.S. Department of Housing and Urban Development’s Fair Market Rent for an efficiency apartment for a single adult and a two-bedroom apartment for a family. The cost includes utilities but not telephone service, and it does not include a security deposit.

**Child Care:** The child care budget represents the cost of registered home-based child care for an infant and a 4-year-old. Home-based child care sites may or may not be registered based on state laws, so the quality of care is not fully regulated and may vary between locations. Licensed and accredited child care centers, which are fully regulated to meet standards of quality care, are significantly more expensive.

**Food:** The food budget is based on the U.S. Department of Agriculture’s (USDA) Thrifty Food Plan, which is also the basis for benefits provided by the Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

Like the original Economy Food Plan, the USDA Thrifty Food Plan was designed to meet the nutritional requirements of a healthy diet, but it includes foods that need a lot of home preparation time with little waste, plus skill in both buying and preparing food. The cost of the Thrifty Food Plan takes into account broad regional variation across the country but not localized variation, which can be even greater, especially for fruits and vegetables (Hanson, 2008; Leibtag & Kumcu, 2011).

**Transportation:** The transportation budget is calculated using average annual expenditures for transportation by car and by public transportation from the Bureau of Labor Statistics’ Consumer Expenditure Survey (CES). Since the CES is reported by metropolitan statistical areas and regions, counties are matched with the most local level possible.

**Health Care:** The health care budget includes nominal out-of-pocket health care spending, medical services, prescription drugs, and medical supplies using the average annual health expenditure reported in the CES plus a penalty for not purchasing insurance as mandated by the Affordable Care Act (ACA). Because ALICE does not qualify for Medicaid and yet cannot afford even the Bronze Marketplace premiums and deductibles, the budget uses the cost of the “shared responsibility payment” — the penalty for not having coverage that was required of households in 2016. That year, the penalty was \$695 annually for a single adult and \$2,085 for a family of four.

**Technology:** Because cell phones have become essential for workers, the cost of a smartphone plan is added to the Household Survival Budget for each adult in the household. The cost is based on the cheapest available as reported by Consumer Reports. While there are government subsidies for low-income residents, the income eligibility threshold (135 percent of the Federal Poverty Level) is significantly less than the ALICE Threshold, so these subsidies are excluded.

**Miscellaneous:** The miscellaneous category includes 10 percent of the budget total (including taxes) to cover cost overruns. This category also covers items many consider additional essentials, such as toiletries, diapers, cleaning supplies, or work clothes.

**Taxes:** The tax budget includes both federal and state income taxes where applicable, as well as Social Security and Medicare taxes. These rates include standard federal and state deductions and exemptions, as well as the federal Child Tax Credit and the Child and Dependent Care Credit as defined in the Internal Revenue Service’s *Form 1040: Individual Income Tax, Forms and Instructions*. They also include state tax deductions and exemptions such as the Personal Tax Credit and renter’s credit as defined in each state Department of Revenue’s *Form 1040: Individual Income Tax, Forms and Instructions*. In most cases, ALICE households do not qualify for the Earned Income Tax Credit eligibility limit.

Across the country, the cost of basic necessities has risen faster than the cost of the wider range of goods included in the Consumer Price Index over the last 30 years. While steady increases are difficult for ALICE families, volatility presents another set of challenges, especially for budgeting. Of all expenses, food and energy costs experienced the greatest swings throughout a year (Church, 2015; Church & Stewart, 2013; Bureau of Labor Statistics, 2014a).

The Household Survival Budget varies across Indiana's counties. In 2016, the basic essentials were least expensive for a family in Randolph and Union counties, at \$48,060 per year, and for a single adult in Greene, Pulaski, and Spencer counties, at \$18,180. They were most expensive for a family in Hamilton County, at \$63,792, and for a single adult in Monroe County at \$22,992. A Household Survival Budget for each county in Indiana is presented in the County Pages, available on our website: [UnitedWayALICE.org/Indiana](http://UnitedWayALICE.org/Indiana).

## COST OF LIVING FOR SENIORS

As the U.S. population ages, it is particularly important to understand the financial challenges that seniors face. As people age, health issues increase along with associated costs of care. Even with Social Security and Medicare, many seniors struggle financially. As Figure 11 illustrates, Social Security provides, on average, sufficient funds for seniors to live above the Federal Poverty Level (FPL). According to a study by the Pew Foundation, without Social Security, the poverty rate among seniors in the U.S. would have been more than 50 percent in 2014 — more than triple the actual rate of 15 percent. Yet Social Security is not enough to cover a basic household budget, and the gap between benefits and expenses is getting wider. The purchasing power of Social Security payments dropped by 30 percent from 2000 to 2015, according to a study by the nonpartisan Senior Citizens League (Grofum, 2014; Johnson, 2017).

While Medicare provides crucial health care coverage and many seniors would be far worse off without it, the benefit does not cover all health care. It notably omits most dental and foot care, eye exams and glasses, home health aides, and most health care equipment. Nor does it cover short-term custodial care or long-term care (Centers for Medicare & Medicaid Services, 2016a; Centers for Medicare & Medicaid Services, 2018; Foster A. C., 2016).

The Household Survival Budget does not take into account different spending patterns for some seniors; its costs for housing, food, and transportation are on target for seniors who are healthy and working. However, many seniors face additional health care related expenses, including in-home health care, residential assisted-living care, and residential nursing care. These are compared in Figure 11.

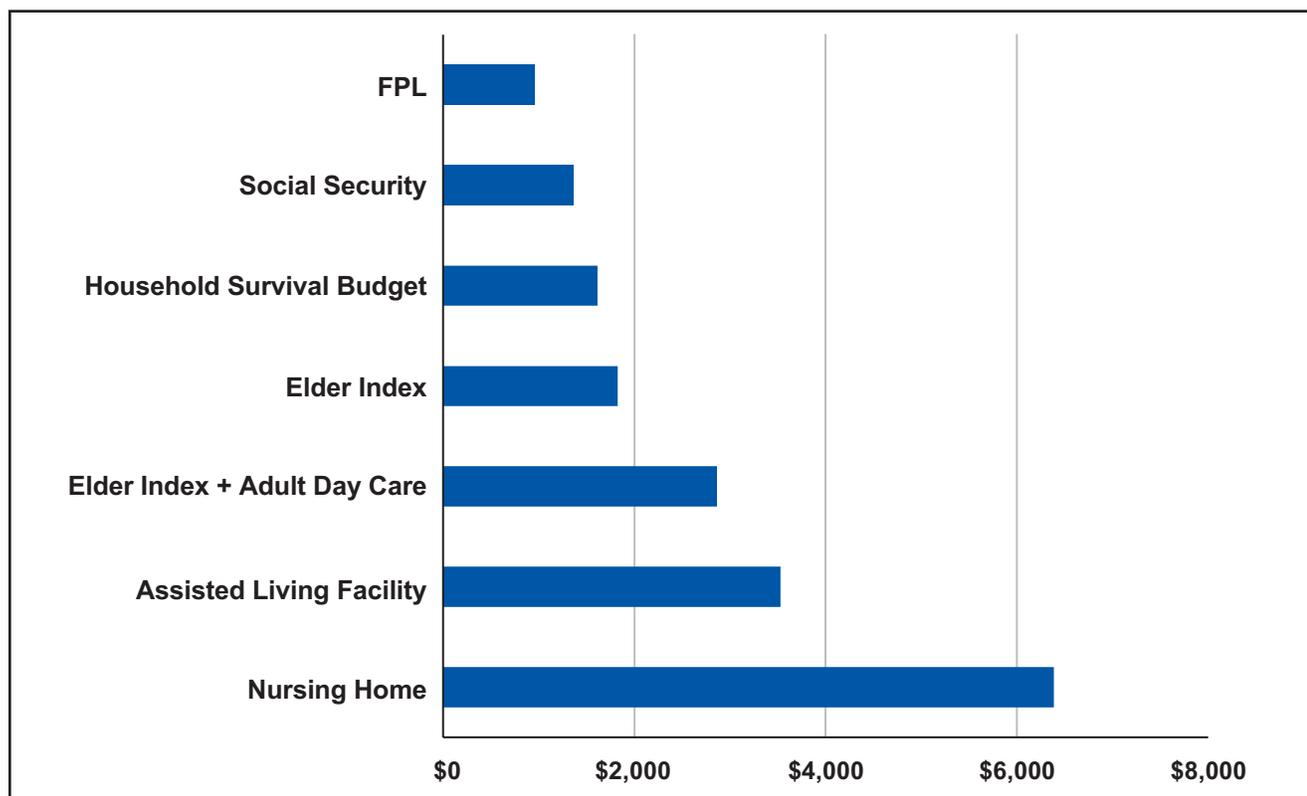
The Elder Economic Security Standard™ Index (the Elder Index), a budget tool from the Gerontology Institute at the University of Massachusetts Boston and the National Council on Aging, includes additional expenses that older people often incur, primarily in health care. The Elder Index is a measure of how much money seniors require in order to meet basic needs and age in place with dignity. As a basic budget, it does not include the cost of auto or home repairs, homemaker services such as cooking or cleaning, home health-aide services for personal care such as bathing and dressing, or adult day health care. Yet even at this basic level, for a senior renter in 2016 in Indiana, the budget needed according to the Index is just 2 percent higher than the Household Survival Budget (Genworth, 2016; National Council on Aging, 2017).

As more health care is required, basic budget costs for seniors increase:

- **Adult day care:** Adding three days per week of adult day care to the Elder Index budget increases the budget by 63 percent in Indiana, an additional expense almost as large as a mortgage. If a senior is injured, Medicare covers skilled nursing care necessary for recovery — 100 percent of the cost for the first 20 days and 80 percent for up to the 100-day mark — but it does not cover care for longer-term conditions (Genworth, 2016).

- **Assisted living:** The cost of assisted living arrangements adds even more expense — and the number of seniors needing these arrangements is increasing rapidly, in part due to higher rates of debilitating chronic conditions such as diabetes, cancer, high cholesterol, and high blood pressure. The median monthly rate for a semi-private room in an assisted living facility with personal care and health services in Indiana was \$3,528 (\$42,330 annually) in 2016 — more than double both the Household Survival Budget and the Elder Index budget.
- **Nursing home care:** A nursing home with 24-hour, on-site nursing care is even more expensive, at \$6,388 (\$76,650 annually) for a semi-private room in Indiana — more than 260 percent higher than both the Household Survival Budget and the Elder Index budget. Medicare covers the cost of medically necessary care during short-term stays in a nursing facility, but not custodial care (such as help with bathing and dressing) or long-term care. Medicaid pays for an estimated half of total nursing-home costs in the U.S. annually and is the largest payer of nursing home care. Yet it has strict eligibility guidelines: 100 percent of costs are covered only for those who make less than \$26,460 annually and have financial resources of less than \$2,000, though requirements vary depending on age, marital status, veteran status, and state of residence (Bradley, 2017; Genworth, 2016).

**Figure 11.**  
**Comparison of Senior Budgets for a Single Adult, Indiana, 2016**



Source: ALICE Household Survival Budget, 2016; Genworth, 2016; Mutchler, Li, & Xu, 2016; Social Security Administration, 2017; U.S. Department of Health and Human Services, 2016

## HOW DOES THE SURVIVAL BUDGET COMPARE?

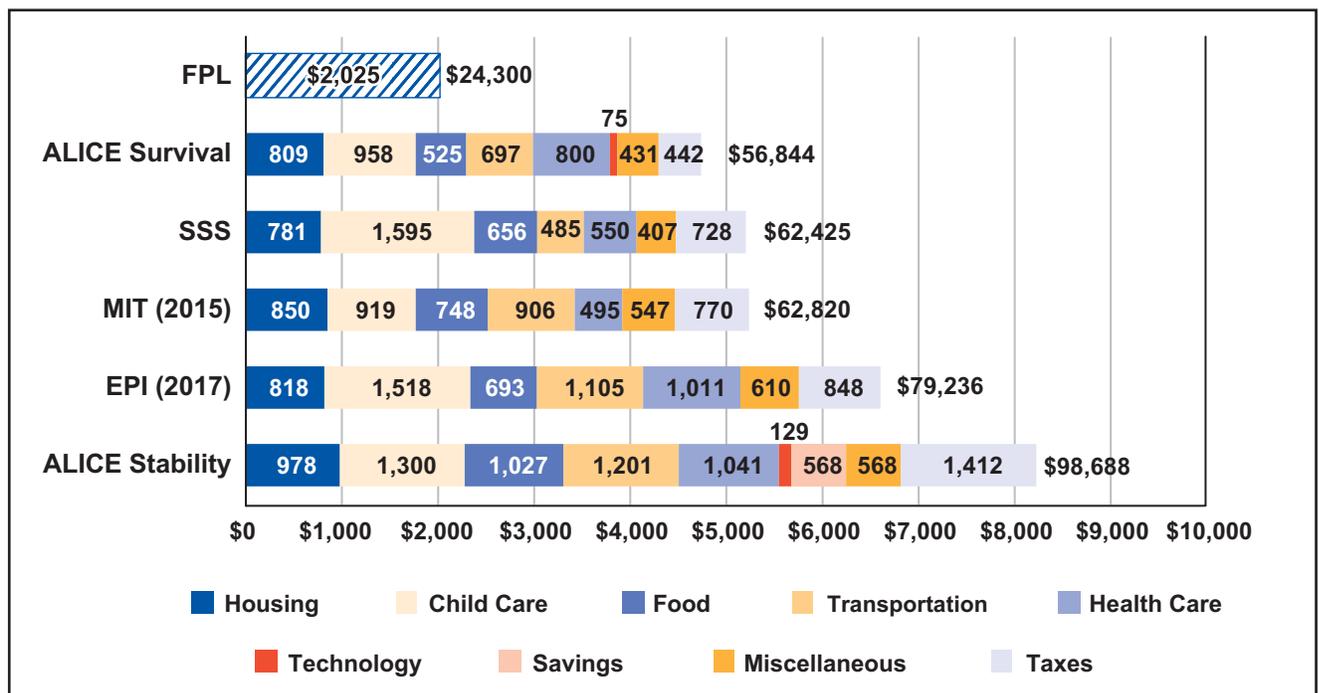
The Household Survival Budget measures the bare-minimum costs for a household to live and work in the modern economy, calculated for actual household expenditures. Here, it is compared to less modest budgets created by other organizations, which use different sets of measures. The Massachusetts Institute of Technology (MIT) Living Wage Calculator measures the minimum employment earnings necessary to meet a family’s basic needs while also maintaining self-sufficiency. The Economic Policy Institute’s (EPI) Family Budget Calculator measures the cost to attain a modest yet adequate standard of living. The Self-Sufficiency Standard (SSS) measures the cost for a family to make ends meet without public or private assistance.

In addition, this Report presents another budget, the Household Stability Budget, which provides for stability over time, a reasonable quality of life, and a measure of future financial security. It is the most expensive of the budgets because it estimates what it costs to support and sustain a secure and economically viable household; this budget highlights how far short of that level an ALICE household's earnings fall. The average Indiana Household Stability Budget for a family with two children is moderate in what it includes, yet it still totals \$95,916 per year — almost double the Household Survival Budget of \$52,836 and more than the Indiana median family income of \$57,617 per year. To afford the Household Stability Budget for a two-parent family, each parent must earn \$47.96 per hour or one parent must earn \$23.98 per hour.

The Household Stability Budget for a single adult totals \$31,704 per year, 62 percent higher than the single-adult Household Survival Budget, and slightly more than the Indiana median earnings for a single adult of \$30,906. To afford the Household Stability Budget, a single adult must earn \$15.85 per hour. The Stability Budget for various household types is available at [UnitedWayALICE.org/Indiana](http://UnitedWayALICE.org/Indiana).

Comparing these four budgets and the FPL for Marion County, Indiana, helps put these different tools in perspective (Figure 12).

**Figure 12.**  
**Comparison of Household Budgets (Family of Four), Marion County, Indiana, 2016**



Source: American Community Survey; U.S. Department of Housing and Urban Development; U.S. Department of Agriculture; Bureau of Labor Statistics; Internal Revenue Service; Tax Foundation; and Indiana Family and Social Services Administration, 2016; MIT, 2016; Economic Policy Institute, 2018; Pearce, 2016

Using the example of Marion County, the FPL provides the lowest measure — \$24,300 per year for a family of four (U.S. Department of Health and Human Services, 2016). After the FPL, the Household Survival Budget has the lowest costs. The Self-Sufficiency Standard is 10 percent higher than the Household Survival Budget, the MIT budget is 11 percent higher (using 2015 prices, the latest provided), and the EPI budget is 39 percent higher (in 2017 costs). The Household Stability Budget is the most expensive, at 74 percent higher. A detailed comparison of the budgets is outlined below (Economic Policy Institute, 2015; Glasmeier A. K., 2018) (Figure 13).

The budgets all use similar calculations for taxes, but as each total budget increases, the income needed to cover the expenses also increases, and higher income results in a larger tax bill (Gould, Mokhiber, & Bryant, 2018; Glasmeier & Nadeau, 2017; Pearce, 2016; U.S. Department of Health & Human Services, 2016).

**Figure 13.**  
**Comparison of Household Budgets by Category, Indiana, 2016**

	<b>Household Survival Budget</b>	<b>Self-Sufficiency Standard</b>	<b>MIT Living Wage Calculator</b>	<b>EPI Family Budget Calculator</b>	<b>Household Stability Budget</b>
<b>Objective</b>	Calculate the bare minimum needed to live and work in the modern economy	Make ends meet without public or private assistance	Meet a family's basic needs while also maintaining self-sufficiency	Provide a reasonably secure yet modest standard of living	Support and sustain a secure and economically viable household
<b>Housing</b>	U.S. Dept. of Housing and Urban Development (HUD)'s 40 <sup>th</sup> rent percentile for a two-bedroom apartment (which includes all utilities whether paid by landlord/owner or by renter)	HUD's 40 <sup>th</sup> rent percentile for a two-bedroom apartment	HUD's 40 <sup>th</sup> rent percentile for a two-bedroom apartment, plus additional utilities above HUD's estimate	HUD's 40 <sup>th</sup> rent percentile for a two-bedroom apartment, plus additional utilities above HUD's estimate	Median rent for single adults and single parents, and a moderate house with a mortgage for a two-parent family
<b>Child Care</b>	Home-based child care for an infant and a preschooler	Full-time care for infants and preschoolers and part-time before and after school care for school-age children using market-rate costs	Lowest-cost child care option available (usually home-based care) for a 4-year-old and a school-age child, whose care is generally less costly than infant care	Lowest-cost child care option available (center care in metro area or family care in non-metro area) for a 4-year-old; after-school and summer care for an 8-year-old; all generally less costly than infant care	Licensed and accredited center for an infant and a preschooler
<b>Food</b>	USDA's Thrifty Food Plan for a family of four	USSA's Low-Cost Food Plan, varying food costs by the number and ages of children and the number and gender of adults	USDA's Low-Cost Food Plan for a family of four	USDA's Low-Cost Food Plan national average for a family of four, adjusted for county-level variation	USDA's Moderate Food Plan, plus one meal out per month
<b>Transportation</b>	Operating costs for a car, or public transportation where available	Operating and ownership costs for one car per adult, or public transportation where available	Operating costs for a car, vehicle expenses and financing, and public transportation	Operating costs for a car based on county-level data	Operating costs for a car, plus cost for leasing one car
<b>Health Care</b>	Out-of-pocket health care expenses plus the Affordable Care Act (ACA) penalty	Employer-sponsored health insurance plus out-of-pocket health care costs	Employer-sponsored health insurance, medical services and supplies, and prescription drugs	ACA's least expensive plan, plus out-of-pocket health care costs	Employer-sponsored health insurance, plus out-of-pocket health care costs
<b>Technology</b>	Lowest-cost smartphone plan for each adult in household	Included in Miscellaneous	None	Included in Miscellaneous	Cost of smartphone plan for each adult in family and basic home internet service
<b>Miscellaneous</b>	Cost overruns, estimated at 10 percent of budget	All other essentials including clothing, shoes, paper products, diapers, nonprescription medicines, cleaning products, household items, personal hygiene items, and telephone service. Estimated at 10 percent of budget	Includes essential clothing and household expenses	"Other Necessities" includes apparel, entertainment, personal care expenses, household supplies, telephone services, and school supplies	Cost-overruns contingency as well as savings; each is 10 percent of budget
<b>Savings</b>	None	Amount needed to cover living expenses minus unemployment benefits.	None	None	To ensure stability over time, monthly savings set at 10 percent of budget
<b>Latest year data available</b>	2016	2016	2015	2017	2016

Source: Economic Policy Institute, March 2018; Gould, Cooke, Kimball, & Davis, 2015; Glasmeier & Nadeau, 2017; Pearce, 2016; and ALICE Methodology Overview, 2018 (available at [UnitedWayALICE.org](http://UnitedWayALICE.org))

# III. ALICE IN THE WORKFORCE

Today, ALICE workers primarily hold jobs in occupations that build and repair our infrastructure and educate and care for the workforce. This range of jobs is broader than the service sector, and it ensures that the economy runs smoothly. These workers were aptly described as “maintainers” by technology scholars Lee Vinsel and Andrew Russel in 2016. Yet despite how essential these workers are to the economy, improvements in employment and productivity still have not enabled many of them to earn enough to afford a basic household budget (Frey & Osborne, September 2013; Vinsel & Russell, 2016).

ALICE workers across the U.S. are still struggling for several reasons:

- **The structure of the new economy** has shifted more risk to workers, but none of the gains from increased productivity, and automation is changing the job landscape.
- **Low wages** and increasingly unstable work schedules make it harder to earn a viable regular income.
- **Barriers to job opportunities** come from many directions, including barriers by race/ethnicity, sex, gender identity, sexual orientation, education, immigration status, and the location and size of businesses.

## THE NEW ECONOMY: NATIONAL TRENDS

While discussion of the economy today often focuses on new jobs (such as Uber drivers) and automation, there are some larger, underlying national trends that are reshaping the financial landscape for families as well as for businesses. These include the shift of risk from employers to workers, technological disruption of processes and services, and the increasing importance of short-term productivity gains.

### Workers at Risk

In 2016, as the economy approached full employment (defined as less than 5 percent unemployment) in many places in Indiana, ALICE workers were more likely to be employed, but their income still lagged behind the cost of living in most areas. In some cases, the problem is simply low wages. But there is also the challenge of finding full-time, continuous work.

Over the last decade there has been a shift away from traditional full-time, full-benefit jobs. In 2017, up to one-third of the workforce nationally was working as a consultant or contingent worker, temp, freelancer, or contractor within the so-called gig economy. As a result, more and more workers are experiencing gaps in employment and less regular schedules, and going without retirement plans, health insurance, and worker safety protections. Many gig-economy workers struggle to pay ongoing monthly expenses or to qualify for loans or other financial products that require regular income. In addition, they are significantly more likely to report economic anxiety than regular full-time workers (Abraham, Haltiwanger, Sandusky, & Spletzer, 2016; Katz & Krueger, 2016; Freelancers Union & Elance-oDesk, 2016; Wald, 2014; Gaggl & Eden, 2015; Edison Research, 2018; U.S. Government Accountability Office, 2015).

There are significant numbers of potential workers who are currently not participating in the labor force (defined as people aged 16 to 64 years old) and who are not included in unemployment rates. There are workers who are underemployed (working fewer hours than they want, in either the traditional or the gig economy), and those who have accepted a lower income than they had in the past. The overall U.S. labor-force participation rate, after rising for more than three decades, peaked in early 2000 at 67 percent, and subsequently trended down to 63 percent in 2016 (Bureau of Labor Statistics, 2016; Bureau of Labor Statistics, 2016; Hipple, 2015).

In addition, workers older than 65 years are a huge labor reserve, as many want — or need — to work beyond the traditional retirement age of 65. The average retirement age rose from 62 in the mid-1990s to 64 in 2015 for men, and from 60 to 62 for women. The proportion of the population aged 65 and over in the labor force increased from 12 percent in 1990 to 18 percent in 2016. The increase in working senior women was one of the main drivers of this trend (Kromer & Howard, 2013; Desilver, 2016; Munnell, 2011; Munnell, 2015).

## Automation

Companies are increasing the number of tasks being automated to improve outcomes and reduce costs. The automation of tasks has also improved safety, reducing the risk of injury for workers such as coal miners, and increasing quality control in services such as pharmaceutical dispensing. The automation of these processes reduces room for human error and will continue to improve public safety through real-time monitoring and reaction in occupations such as long-distance driving and emergency response (McKinsey Global Institute, 2017; FERSI Road Safety Research, 2018).

Many are predicting the demise of ALICE workers' maintainer jobs due to automation; recent research and media coverage often focus on innovations that automate jobs, such as self-checkout lines at the grocery store. Yet jobs that repair the physical infrastructure and care for the workforce are actually predicted to grow faster than all other types of occupations in the coming decades. And many innovations, like online customer service, have created new maintainer jobs rather than replacing them with automation. It is more realistic to acknowledge that maintainer jobs, in one form or another, are here to stay (Frey & Osborne, September 2013; Vinsel & Russell, 2016).

## Productivity

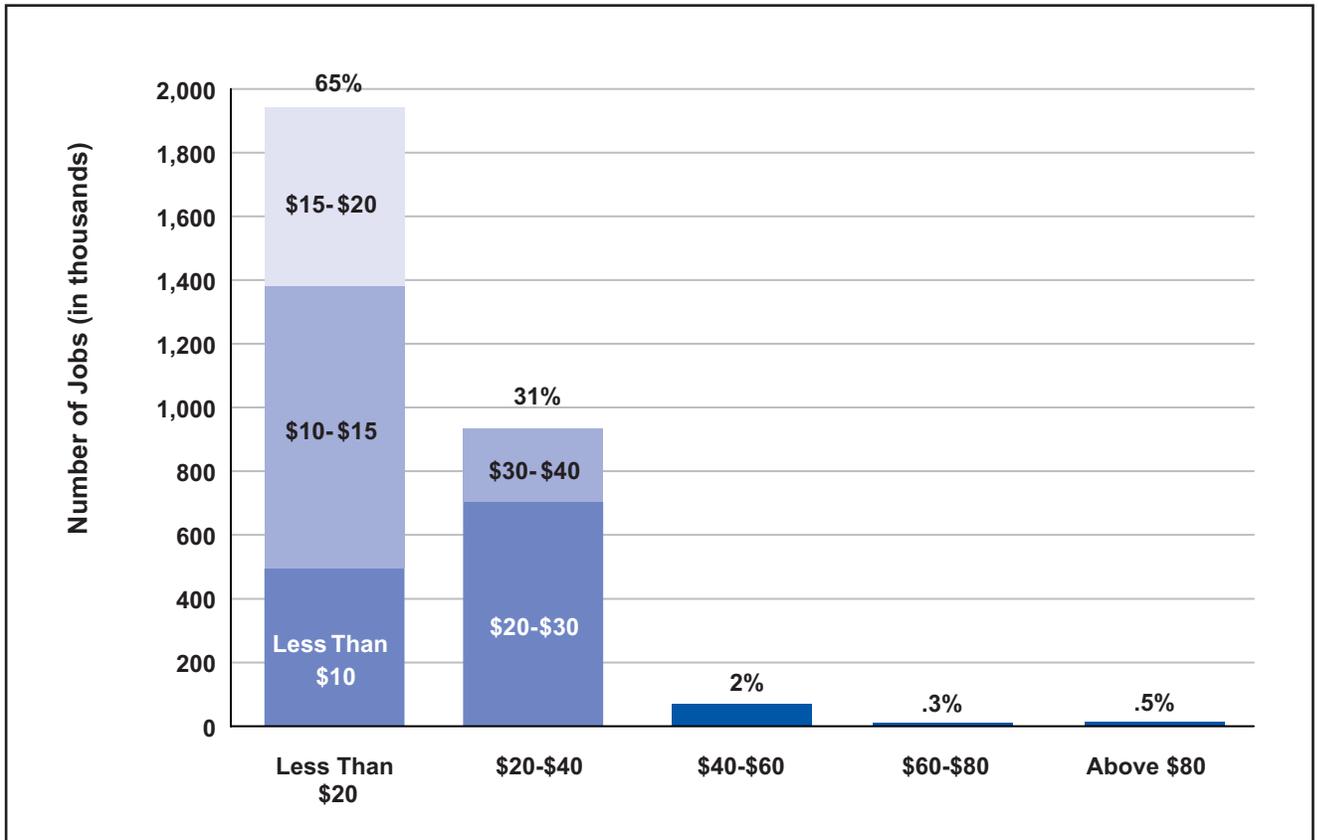
Gains in productivity have traditionally been shared across the economy with workers, management, and even communities. In the last few decades, there has been a shift away from this shared prosperity. Compensation for most workers, especially in maintainer jobs, has not increased with the cost of living, even in cases where there have been significant gains in productivity. Instead of sharing gains in productivity with employees, companies have chosen to spend more on capital, and more recently on profits and dividends to increase stock prices. Since most corporate leaders' compensation is directly linked to stock prices, they have benefited hugely from this practice; the compensation of top U.S. executives has doubled or tripled since the first half of the 1990s, while workers' wages have remained flat. Investment in capital can have long-term benefits, but the shift in strategy to focus on short-term stock prices reduces prosperity — for wages and stock prices alike — in the long term (Economic Policy Institute, 2017; Lazonick, 2014; Sprague & Giandrea, 2017).

# THE INDIANA ECONOMY: LOW WAGES

Low-wage jobs continue to dominate the Indiana economy. The continued decline in the share of income going to workers — and the fact that medium-wage jobs have not returned — make it more challenging for workers to find jobs with wages that can support even a basic household budget.

With 3 million total jobs in Indiana recorded by the Bureau of Labor Statistics in 2016, the job market has shown improvement since 2010, but it has not returned to its 2007 size. In Indiana, **65 percent of jobs pay less than \$20 per hour, with 71 percent of those jobs paying less than \$15 per hour** (Figure 14). A full-time job that pays \$15 per hour grosses \$30,000 per year, well below the Household Survival Budget's \$52,836 for a family of four in Indiana (Bureau of Labor Statistics, 2007 and 2016).

**Figure 14.**  
**Number of Jobs by Hourly Wage, Indiana, 2016**



Source: Bureau of Labor Statistics, Occupational Employment Statistics Wage Survey – All Industries Combined, 2016

The top 20 occupations in Indiana in terms of total employment are predominantly maintainer jobs, which are more likely to pay low wages. In 2016, only three of the top 20 most common occupations — general and operations managers, registered nurses, and sales representatives — paid enough to support the family Household Survival Budget, a minimum of \$26.42 per hour (Figure 15).

The most common occupation in Indiana, retail sales, pays a wage that is well below what is needed to make ends meet. The state’s 92,400 retail salespeople make an average of \$9.86 per hour, or \$19,720 if working full time year-round. These jobs fall short of meeting the family Household Survival Budget by more than \$33,000 per year. Even if both parents in a two-parent family worked full time at this wage, they would fall short of the Household Survival Budget by more than \$13,000 per year.

The impact of automation can be seen by looking at which jobs are experiencing decreasing numbers. Some jobs, such as bookkeepers, office clerks, and cashiers, are decreasing, at least in part due to automation. The jobs that are increasing are not new innovative jobs, but rather jobs that are being augmented by technology, for instance by working alongside robots, utilizing data analysis software, and delivering work schedules by smartphone. They include team assemblers, which increased by 51 percent from 2010 to 2016, general and operations managers, which increased by 119 percent, and personal care aides, which increased by 130 percent.

There has also been growth in median hourly wages of the top 20 jobs from 2010 to 2016, with wages in half of the occupations growing faster than the rate of inflation, but only one — office clerks — saw wages increase at the same rate as the increase in the cost of the Household Survival Budget. Yet at \$14.13 per hour, the increased wage is still not nearly enough to support a family (Bureau of Labor Statistics, 2010 and 2016).

**Figure 15.**  
**Top 20 Occupations by Employment and Wage, Indiana, 2016**

OCCUPATION	2016		Percent Change 2010-2016	
	NUMBER OF JOBS	MEDIAN HOURLY WAGE	NUMBER OF JOBS	MEDIAN HOURLY WAGE
Retail Salespersons	92,400	\$9.86	7%	7%
Combined Food Prep, Including Fast Food	85,810	\$8.75	10%	6%
Team Assemblers	82,450	\$14.72	51%	6%
Laborers and Movers, Hand	72,920	\$13.17	24%	14%
Cashiers	70,440	\$9.06	-2%	6%
Registered Nurses	63,870	\$28.27	6%	5%
Office Clerks, General	57,280	\$14.13	-7%	23%
Waiters and Waitresses	52,880	\$9.09	5%	5%
Heavy and Tractor-Trailer Truck Drivers	52,640	\$20.91	9%	13%
General and Operations Managers	49,210	\$37.52	119%	-19%
Customer Service Representatives	49,170	\$15.60	35%	10%
Janitors and Cleaners	44,630	\$11.28	-2%	10%
Secretaries and Administrative Assistants	39,210	\$14.89	31%	4%
Stock Clerks and Order Fillers	38,810	\$11.35	3%	13%
Maintenance and Repair Workers	33,090	\$17.90	13%	5%
Bookkeeping and Auditing Clerks	31,440	\$17.03	-16%	13%
Nursing Assistants	30,910	\$11.65	-12%	6%
Sales Representatives	30,610	\$27.32	0%	13%
Personal Care Aides	27,790	\$9.77	130%	4%
Cooks, Restaurant	27,090	\$10.32	35%	10%

Source: Bureau of Labor Statistics, Occupational Employment Statistics Wage Survey – All Industries Combined, 2010 and 2016

# THE INDIANA ECONOMY: JOB OPPORTUNITIES

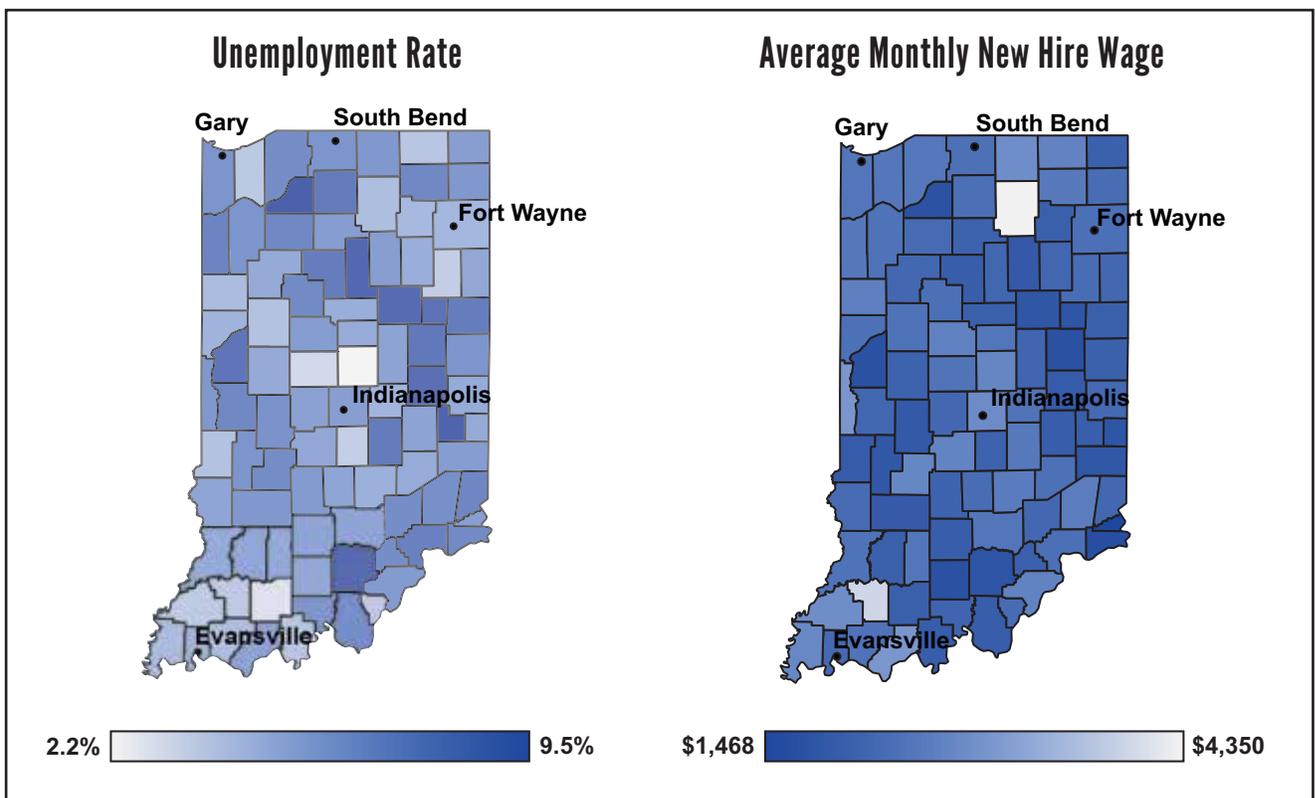
Wage and salary income growth has been bumpy in Indiana from 2010 to 2016. As the economy approaches full employment, wages are expected to increase more, though there is still potential additional labor if companies tapped into part-time workers and those out of the work force. The economy is seeing growth in manufacturing, health and human services, state and local government, financial services, and more recently, construction. Yet low-wage jobs continue to dominate Indiana’s economy. Technology is often said to be at the root of the split between “high-skill, high-wage” and “low-skill, low-wage” jobs. Yet there are other factors that better explain job inequality in Indiana, including job location, company size, and barriers to opportunity by gender, education, or race/ethnicity (Schmitt, Shierholz, & Mishel, 2013; Jackson, 2017; Slaper & Brewer, 2016).

## Job Location

Location often determines the availability of jobs and wages. Across Indiana, there is wide variation in both wages and unemployment rates.

In 2016, the unemployment rate in Indiana was 5 percent, compared to the U.S. rate of 5.8 percent. But within Indiana there is wide variation by county, with unemployment ranging from 9.5 percent in Starke County to 2.2 percent in Hamilton County. Rates also vary by region across the state. Unemployment tends to be lower in counties around Indianapolis and Evansville (Figure 16).

**Figure 16.**  
**Unemployment and Average New-Hire Wage by County, Indiana, 2016**



Source: American Community Survey, 2016; Bureau of Labor Statistics, Occupational Employment Survey, 2016

Location also impacts wages, with the average monthly wage for a newly hired employee ranging from \$1,468 in Ohio County to \$3,993 in Pike County and \$4,350 in Kosciusko County (Figure 16). Wages and employment rates are often inversely correlated: Workers in the areas around Evansville, Fort Wayne, and Indianapolis, where unemployment rates are low, tend to earn higher wages, while those in rural areas with higher rates of unemployment have lower wages. In addition, wages are affected by firm size, as discussed further down.

## Barriers to Opportunity

Beginning in the 1970s, income disparities began to widen across the country. The average income for the top 0.01 percent of households grew 322 percent, to \$6.7 million, between 1980 and 2015, whereas the average income of the bottom 90 percent increased only 0.03 percent. By 2015, half of all U.S. income went to the top 10 percent of earners. Though there have been some recent improvements in median wages, the most striking trend is that disparities continue to grow not only between income groups, but also within them, divided by knowledge and education; sex, gender identity, and sexual orientation; and race and ethnicity. This is true both nationally and in Indiana (Gilson & Rios, 2016; Gould, 2016; Saez, 2017; Stone, Trisi, Sherman, & Horton, 2017).

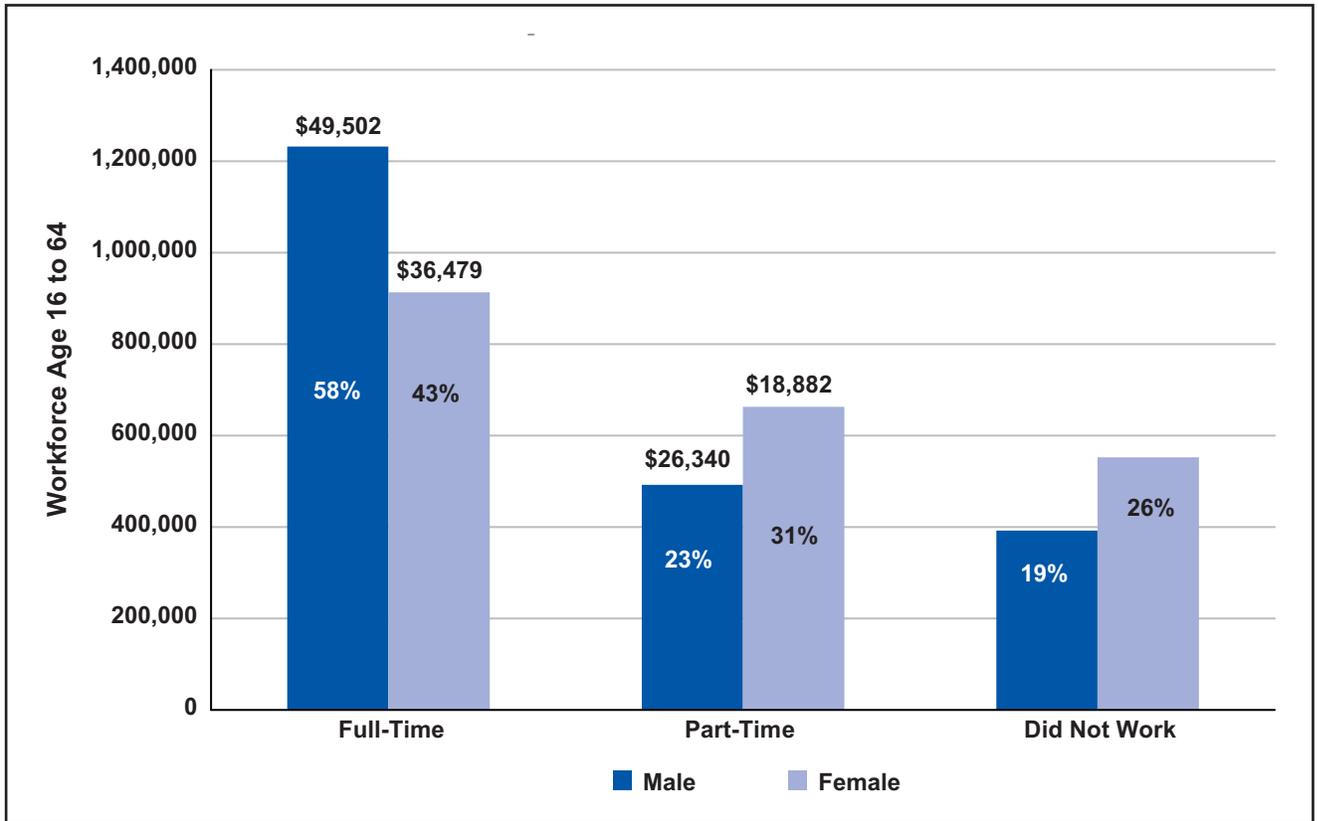
**Sex, gender identity and sexual orientation:** In general, women's wages are lower than men's in Indiana (Figure 17); men earn 36 percent more in full-time jobs and 39 percent more in part-time jobs. However, there appears to be some slow but consistent closing of the gender wage gap for all but the highest earners. Nationally from 2000 to 2015, the gender wage gap at the median fell, with median women's wages rising from 78 percent to 83 percent of median men's wages. Unfortunately, the primary reason for this narrowing has been *falling* men's wages. For the bottom 70 percent of male workers, wages have stagnated or declined since 2007 (Gould, 2016; Gould & Davis, 2015).

Nationally, among the college-educated, men's wages grew more than twice as fast as women's wages between 2000 and 2015. While gender wage gaps narrowed during those years for people without a college degree, they grew among people with an advanced degree (Gould, 2016).

Lack of opportunity can be an even more persistent barrier than lack of equal pay for equal work. According to the research website PayScale, men and women tend to work at similar job levels, most starting in similar entry-level positions. Over the course of their careers, both men and women move into manager- or supervisor-level roles, and eventually to director- and executive-level roles. But men tend to move into these roles more often and more quickly than women (PayScale, 2016).

Since 2010, unemployment rates in Indiana have improved, but underemployment or not consistently working enough hours remains an issue for many workers. Women are more likely to work part-time (31 percent, compared to 23 percent of men). Perhaps more important is the percentage by gender who are out of the workforce: 26 percent of women and 19 percent of men in 2016 (American Community Survey, 2016). Nationally, for women 25 to 54 years old, the most common reason for not working was in-home responsibilities. According to a 2016 Brookings Institute and The Hamilton Project survey, the primary reason for women not working was caregiving for a relative or friend (36 percent of respondents); men were far less likely to be caregivers, at only 3 percent (Hipple, 2015; McCarthy, 2017).

**Figure 17.**  
**Full- and Part-time Employment and Wages for Men and Women, Indiana, 2016**

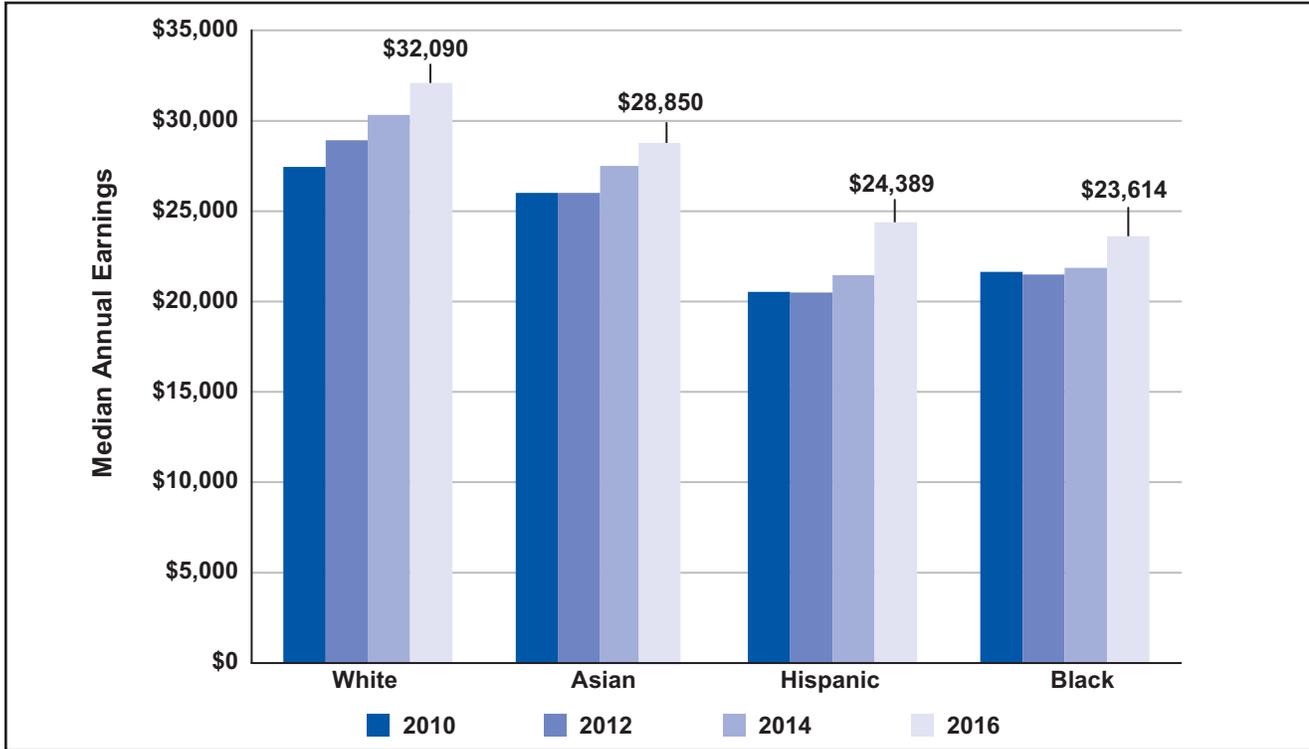


Source: American Community Survey, 2016

Differences in employment and wages are even greater for the more than 4 percent of U.S. workers who identify as lesbian, gay, bisexual, or transgender (LGBT). Despite having more education than the general population, these workers are more likely to earn less than their non-LGBT counterparts, and more likely to experience financial hardship as a result, such as poverty and food insecurity (Badgett, Durso, & Schneebaum, 2013; Brown, Rhee, Saad-Lessler, & Oakley, March 2016; Flores, Herman, Gates, & Brown, 2016; The Williams Institute, 2015).

**Race and ethnicity:** In both earnings and employment, the differences between racial and ethnic groups in Indiana are stark. Since 2010, White workers have had the highest median earnings and they have increased steadily, to \$32,090 in 2016. Asian workers have the next-highest earnings, at \$28,850 in 2016. Hispanic workers median earnings were fairly flat through 2014, but then increased to \$24,389 in 2016. Black workers have the lowest median earnings, which increased only slightly from 2014 to 2016, reaching \$23,614 (American Community Survey, 2007, 2010, 2012, 2014 and 2016) (Figure 18).

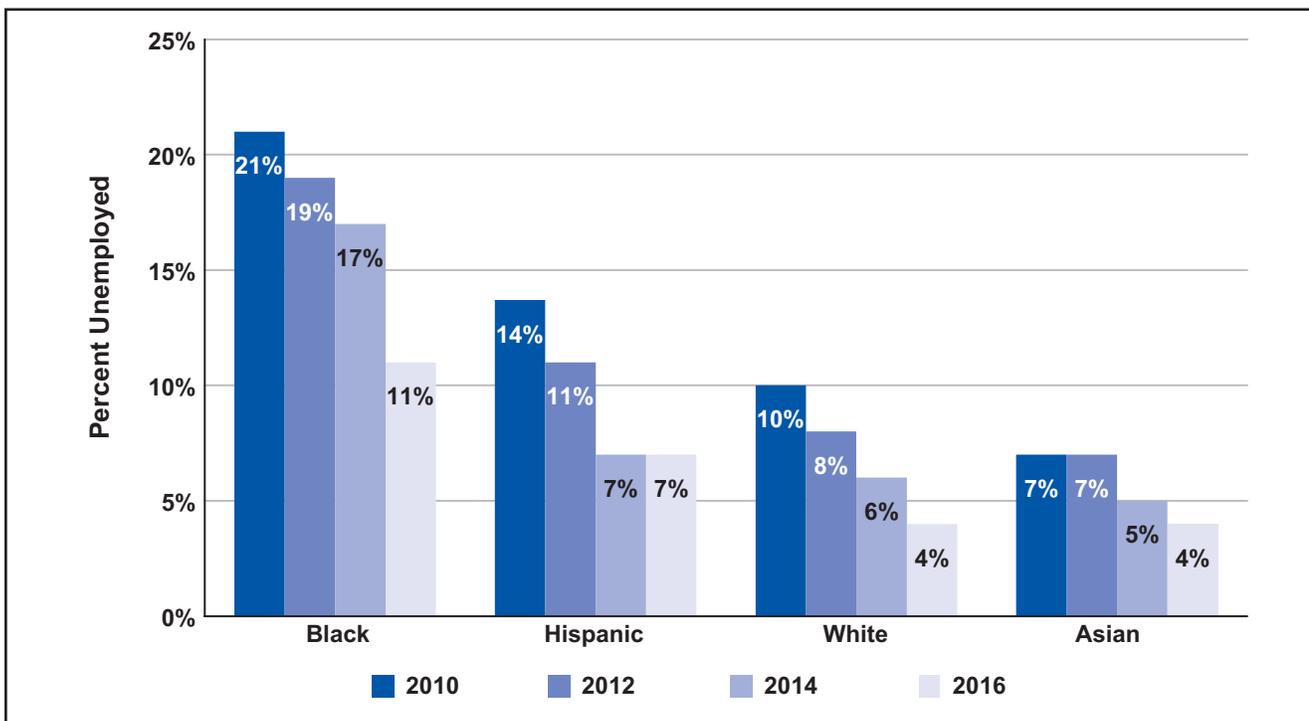
**Figure 18.**  
**Median Earnings for White, Asian, Hispanic, and Black Workers, Indiana, 2010 to 2016**



Source: American Community Survey, 2010–2016

Black and Hispanic workers in Indiana — both men and women — are also more likely to be unemployed than Asian and White workers (Figure 19). Unemployment steadily improved for all workers between 2010 and 2016, but gaps still exist. Unemployment for White and Asian workers reached a low of 4 percent in 2016. Unemployment for Hispanic workers dropped by half, from 14 to 7 percent. Unemployment for Black workers also fell dramatically from 21 to 11 percent, but was still nearly three times the rate for White and Asian workers.

**Figure 19.**  
**Unemployment Rates for Black, Hispanic, Asian and White Workers, Indiana, 2010 to 2016**



Source: American Community Survey, 2010–2016

In addition to differences between racial and ethnic groups, there is significant and growing variation within these groups. Most notably, while wages for Black workers in the U.S. as a whole have increased slightly, wages for the lowest-earning Black workers actually fell from 2000 to 2015. For both Asian and White workers, there has been increased variation within each group, primarily due to stronger growth at the top of the income distribution than at the bottom. For Hispanic workers, wages have increased slightly both at the lower end and across the board, so the gap between higher and lower earners has not widened (Gould, 2016).

**Education:** As the complexity of a job (and the knowledge required) rises, average hourly pay also rises. In Indiana, the average hourly wage for workers in lower-skilled jobs such as cashiers and stock clerks is \$9.06 and \$11.35 respectively. Wages steadily rise with each skill level, reaching \$17.03 for bookkeeping clerks and \$15.60 for customer service representatives, \$28.27 for registered nurses, \$52.16 for architects, and \$52.91 for engineers. Access to medical and retirement benefits, paid sick leave, paid vacation, and holidays also improves significantly in jobs with higher wages. These differences have increased over time: Wages for those without a college degree dropped from 2007 to 2013, started to improve in 2014, but have not yet rebounded to their 2007 levels (Gould, 2016; U.S. Census Bureau, 2016).

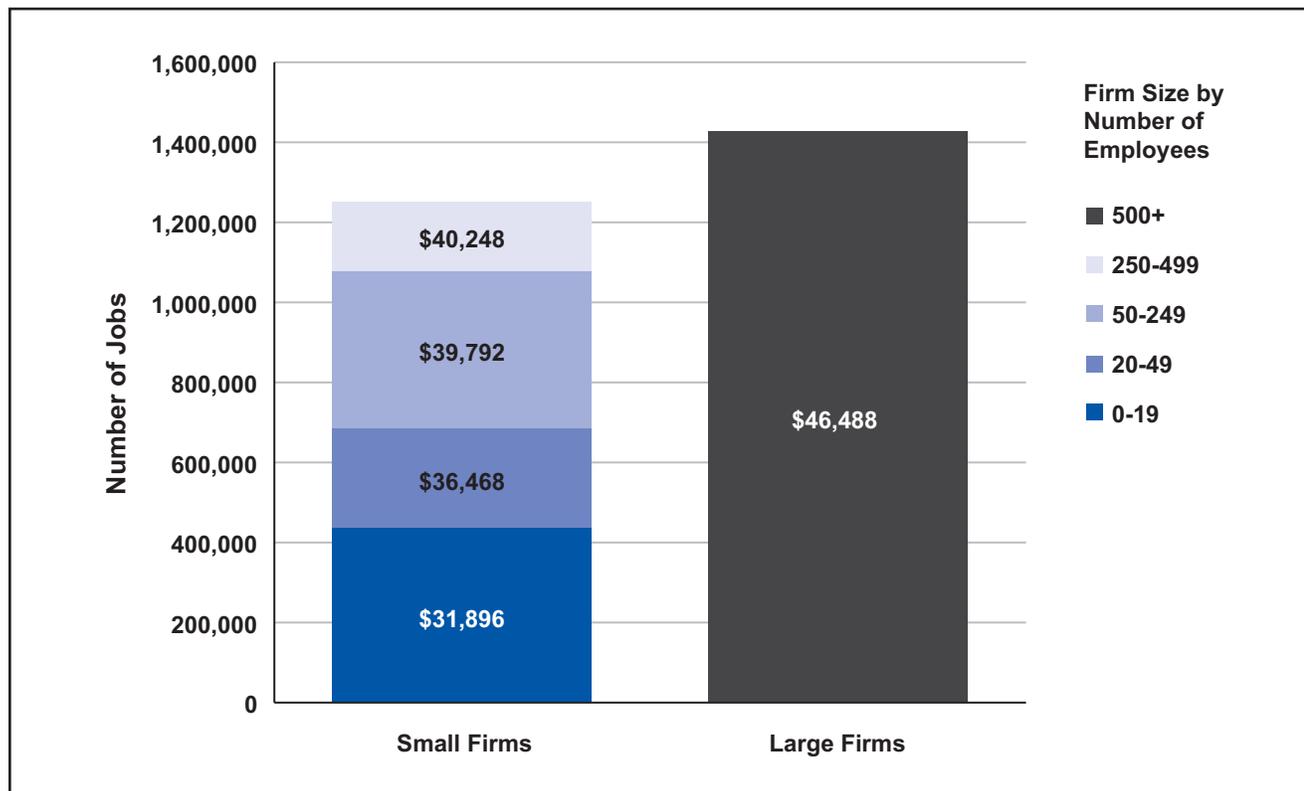
In terms of K–12 education, the evidence is clear on the importance of needing, at a minimum, a solid high school education to achieve economic success. Hoosiers with more education earn more: Those with a high school diploma earned an average of \$30,846 in 2016, those with an associate degree earned \$33,681, and those with a bachelor’s degree earned \$48,790. Nationally, the difference in lifetime earnings between high school graduates and those who hold a bachelor’s degree is estimated to be \$830,800. The difference in earnings between high school graduates and those with an associate degree is estimated at \$259,000. And estimates of the difference in the net earnings of a high school graduate versus a high school dropout range from \$260,000 to \$400,000 (when including income from tax credits, and minus the cost of government assistance, institutionalization, and incarceration)(Carnevale, Rose, & Cheah, 2011; Center for Labor Market Studies, 2009; Daly & Bengali, 2014; Klor de Alva & Schneider, 2013; Tyler & Lofstrom, 2009).

## Firm Size

One of the key determinants of ALICE workers’ wages, benefits, and job stability is their employers’ firm size. Large companies have greater resources to offer career growth opportunities, continuous employment, and better benefits. Small businesses (defined by the Bureau of Labor Statistics as those with fewer than 500 workers nationally) have been an important engine for growth in the U.S. economy — driving job creation, innovation, and wealth — and traditionally have grown to become medium or large employers. However, small businesses are more vulnerable to changes in demand, price of materials, and transportation costs, as well as to cyberattacks and natural disasters. As a result, their employees face more instability, reduced wages, and a greater risk of job loss. The past two decades have been particularly tough for small businesses, with entrepreneurial growth in the U.S. largely down from the levels experienced in the 1980s and 1990s (Ewing Marion Kauffman Foundation, 2017; Haltiwanger, Jarmin, Kulick, & Miranda, 2017).

Small firms employed half of the private-sector workforce in Indiana in 2016 (Figure 20). The very smallest firms — those with fewer than 20 people — account for the largest share of small-business employment.

**Figure 20.**  
**Private-Sector Employment by Firm Size With Average Annual Wage, Indiana, 2016**

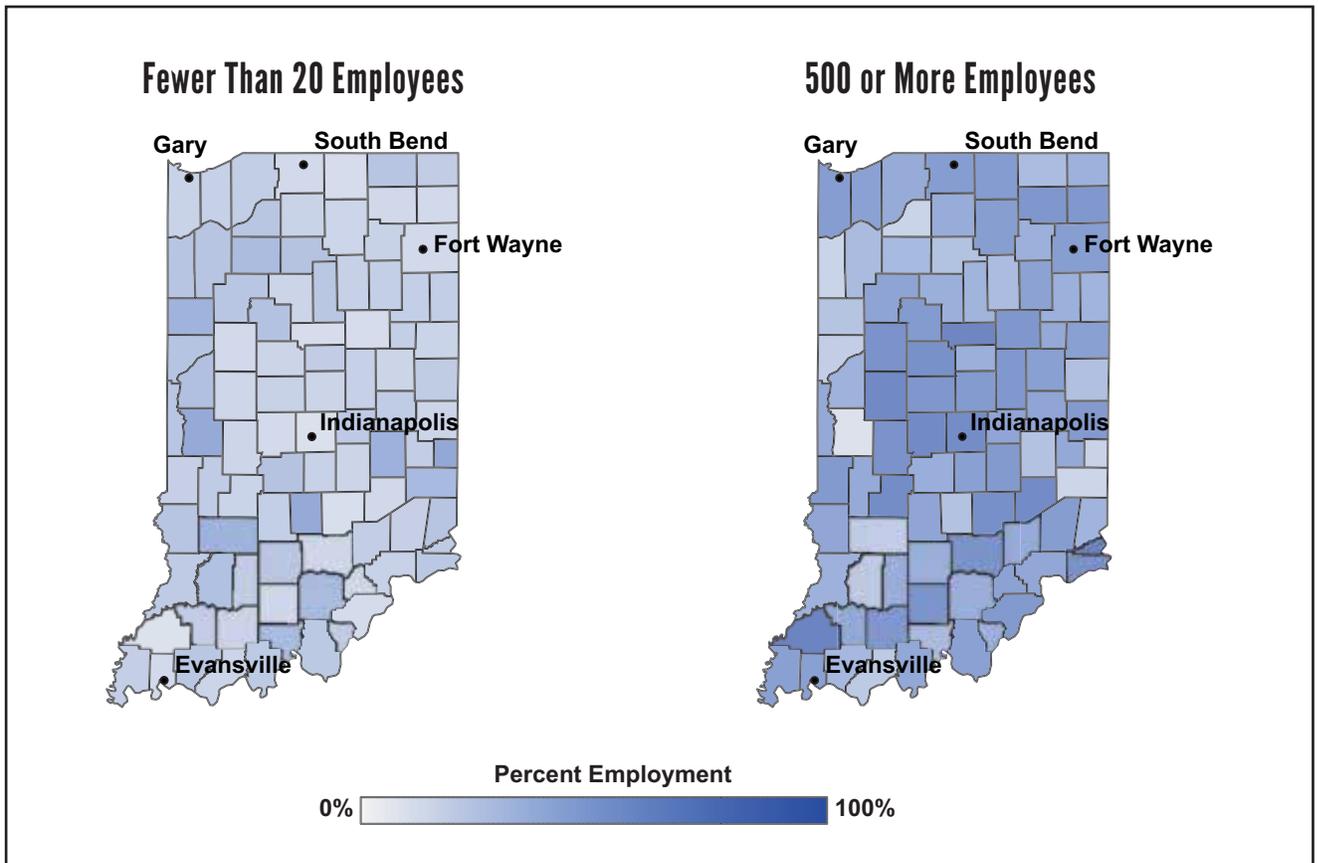


Source: U.S. Census Bureau, Quarterly Workforce Indicators, 2016

The wages of employees in the smallest firms increased from 2010 to 2016: by 12 percent for employees in firms with fewer than 20 employees; 11 percent in firms with 20 to 49 employees; and 14 percent for those in firms with 50 to 249 employees. Those in larger firms started with higher wages and those wages increased even more over the time period. While higher than the 9 percent national inflation rate, these increases were well below the 23 percent increase in the cost of the family Household Survival Budget. Workers in firms with 250 to 499 employees saw their wages increase by 10 percent, and wages for those in companies with 500 or more employees increased by 13 percent.

Firm size in Indiana varies widely by location and by sector. Small businesses operate across the state; areas dominated by small firms tend to have lower wages and less job stability. This is particularly the case in many rural counties, where more than half of employment is in firms with fewer than 20 employees (Figure 21). Large companies — those with 500 or more employees — are more concentrated around Indiana’s largest cities.

**Figure 21.**  
**Percent Employment by Firm Size and Location, Indiana, 2016**



Source: U.S. Census Bureau, Quarterly Workforce Indicators, 2016. Further breakdown by county is included on the ALICE County Pages at [UnitedWayALICE.org/indiana](http://UnitedWayALICE.org/indiana)

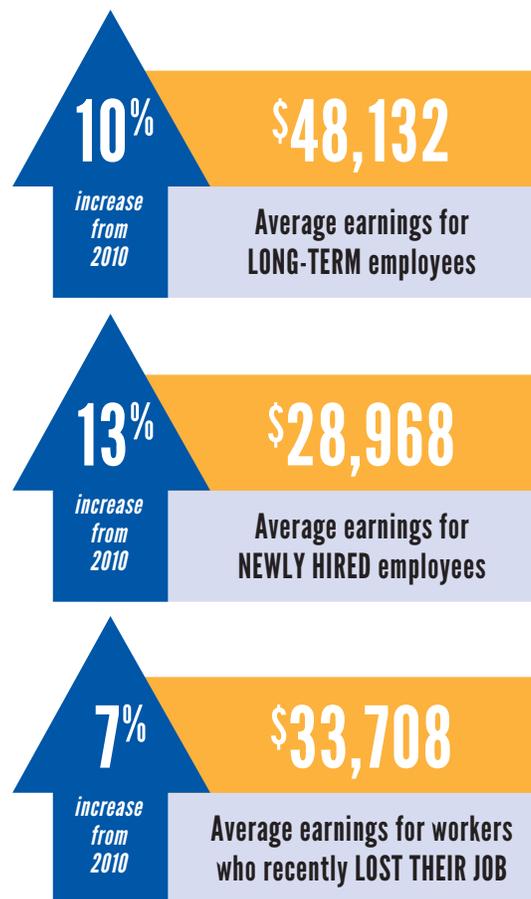
Small businesses and their employees experienced the largest shifts during the Great Recession, a trend that continued through 2016. In the second quarter of 2014, for example, 3,021 small businesses started up in Indiana and 2,974 exited (i.e., closed, moved to another state, or merged with another company). Small business startups generated 12,997 new jobs, while exits caused 11,256 job losses (U.S. Small Business Administration, 2016; U.S. Bureau of Labor Statistics, 2016).

These changes affect the wages of workers moving in and out of employment. Workers who are newly hired or who have recently lost their jobs tend to have lower wages than long-term, stable employees. Because new-hire wages are slightly higher than the wages of those losing their jobs, some losing jobs may be workers leaving a low-paying job for a higher-wage job. New employees and those losing jobs typically have the least seniority or the lowest-level positions — and they are the least likely to have resources to weather a period of unemployment (Figure 22).

In terms of sectors, small businesses in Indiana are generally concentrated in service industries, ranging from auto repair to personnel services to civic services (where 87 percent of employees work in small businesses) and construction (77 percent work in small businesses) (Figure 23). These sectors tend to have less stability in daily and weekly schedules and in job security. They also tend to have lower wages. Accommodation and Food Services is one of the largest sectors in Indiana's economy and while expected to grow, it also pays some of the lowest wages. With 57 percent of the sector made up of small businesses, there will be less stability in daily and weekly schedules as well as a lack of job security (Small Business Administration, 2016).

For many small businesses, there is a dual challenge when ALICE workers are both the employee and the customer. This is true in child care centers, where more than 90 percent of operators are sole proprietors. On the one hand, child care workers are ALICE; there are 9,560 child care workers in Indiana, earning an average wage of \$9.49 per hour (\$18,980 annually full time). On the other hand, ALICE families use child care so that parents can work, and it is often the most expensive item in an ALICE family budget — even more expensive than housing. The conundrum is that if these small businesses increase the wages of their employees (who are ALICE workers), those expenses are passed on to customers (who are also ALICE workers). Certain ALICE workers will earn more money, but child care will become more expensive for ALICE families overall (SBDCNet, 2014; U.S. Census Bureau, 2016; U.S. Small Business Administration, 2016).

**Figure 22.**  
**Earnings by Duration of Employment,**  
**Indiana, 2016**



**Figure 23.**  
**Small Business Employment by Sector, Indiana, 2013**

	Small-Business Employment Share of Sector	Total Employment (excluding government positions)
Other Services (except Public Administration)	87%	122,171
Construction	77%	116,325
Agriculture, Forestry, Fishing and Hunting	70%	1,599
Real Estate and Rental and Leasing	70%	32,383
Professional, Scientific, and Technical Services	67%	106,114
Arts, Entertainment, and Recreation	66%	35,202
Wholesale Trade	59%	114,092
Accommodation and Food Services	57%	260,662
<b>Total for all Sectors</b>	<b>46%</b>	<b>2,500,085</b>

Source: U.S. Small Business Administration, 2016

# IV. BEYOND INCOME: ASSETS, CREDIT, AND ASSISTANCE

When families do not have enough income to cover current expenses, they cannot save, and without savings, they cannot generate returns that improve a household's well-being over time. The lack of savings limits an ALICE family's ability to make a down payment on a house, for example, even if the monthly mortgage payments would be cheaper than renting. It limits their ability to invest in the future, such as in higher education or retirement savings. The lack of savings also leaves ALICE households vulnerable to unexpected economic events and emergencies. Savings and other assets are at least as powerful as income in reducing material hardship after an involuntary job loss or other negative event. Without them, families with income below the ALICE Threshold often find themselves in a vicious cycle of financial instability (Lerman & McKernan, 2008; Hendey, McKernan, & Woo, 2012; McKernan, Ratcliffe, & Vinopal, 2009).

While savings and assets are a crucial aspect of an ALICE family's financial status, little information on household savings, assets, income, and wealth is collected at the state or local level. For this reason, this Report relies on national data for overall trends along with the few state-level data points available in the sections below.

Overall, American household wealth has not fully recovered from the Great Recession. In 2016, the median wealth of all U.S. households was \$97,300, well below median wealth levels from before the Recession began in late 2007 (\$139,700 in 2016 dollars). Wealth is much more concentrated than income, and as a result, disparities in wealth are even greater than those in income. The recovery has been uneven for different income groups, and despite gains in wealth in recent years for lower- and middle-income families, differences in wealth have actually grown. The median household net worth for lower-income families was \$10,800 in 2016, 33 percent lower than in 2007; for middle-income families it was \$110,000, also 33 percent lower than in 2007; and for upper-income families it was \$810,800, 10 percent higher than in 2007. As a result, wealth inequality between upper-income families and lower- and middle-income families is currently at the highest levels ever recorded (Kochhar & Cilluffo, 2017).

This inequality is exacerbated by race and ethnicity, explaining why some groups are more likely to be ALICE. Black and Hispanic households have substantially less wealth than White households, a gap that has been widening in recent years. Nationally (wealth data is not available at the state level), the median wealth of White households was 13 times the median wealth of Black households in 2013, compared with eight times the wealth in 2010, according to the Pew Research Center (Kochhar & Fry, 2014).

Disparities by race and ethnicity also exist within income groups. Among lower- and middle-income households, White families have four times as much wealth as Black families and three times as much as Hispanic families. These gaps have narrowed since 2007, primarily because lower-income White families lost roughly half of their wealth during the Great Recession, while losses for lower-income Black and Hispanic households were less than 5 percent. The larger losses for lower-income White families predominately stem from their greater exposure to the housing market crash. In 2007, the homeownership rate for White lower-income households was 56 percent, compared to 32 percent for Black and Hispanic lower-income households. The homeownership rate among White lower-income households fell to 49 percent in 2016, while the rate for Black and Hispanic households remained the same (Kochhar & Cilluffo, 2017).

Finally, there is a common misconception that working families do not need public or charitable assistance, but many ALICE households do turn to government and private sources for assistance with income and basic household necessities. This section looks at how much assistance is available, how close it brings families to the ALICE Threshold, and what gaps remain in specific budget areas.

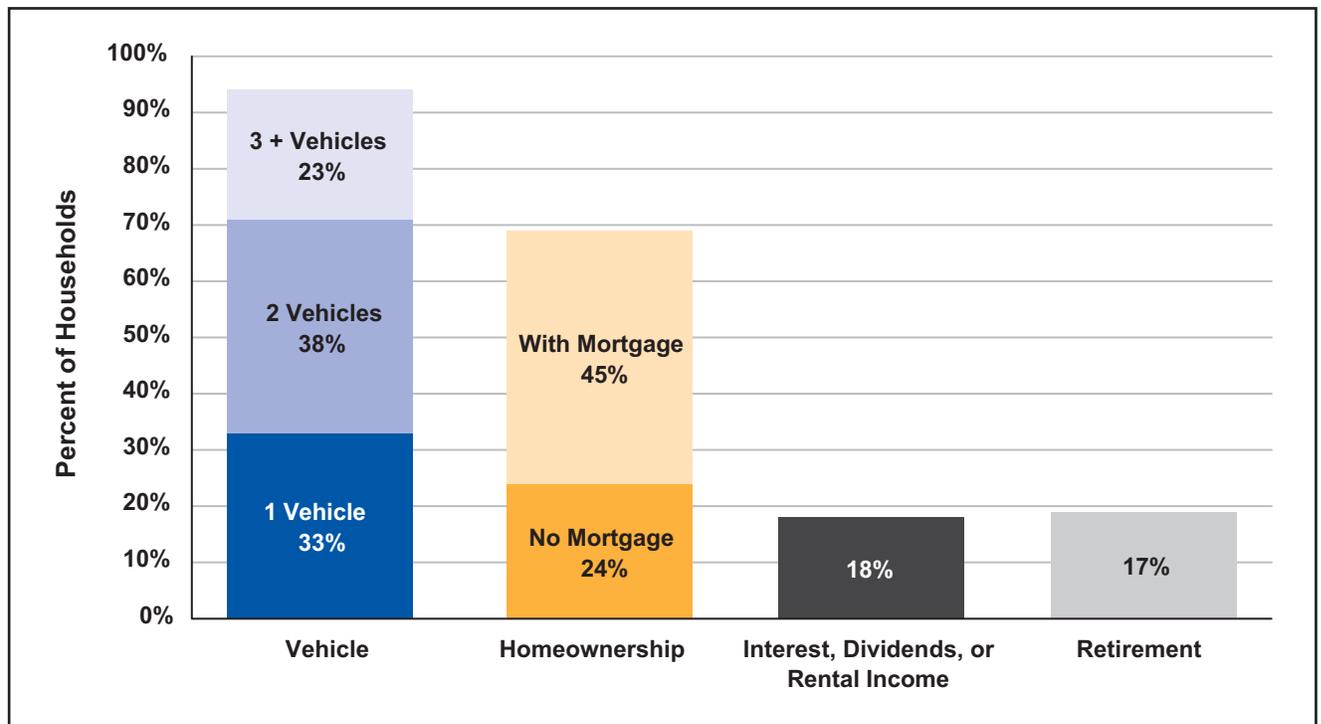
# ASSETS

With so many ALICE families not able to keep up with the cost of living, accumulating assets is difficult in Indiana. The cost of unexpected emergencies, ranging from natural disasters to personal health crises, can deplete savings. Job losses have forced people to tap into their retirement savings, or to take out second mortgages or home-equity lines of credit. Having few or no assets can also increase overall costs for ALICE households when they have to use alternative financing, with fees and high interest rates that make it difficult or impossible to save money or amass more assets.

Having savings can help families navigate job loss, pay unexpected bills, buy a home, start a business, or work toward a secure retirement. Yet in 2015, 47 percent of Indiana residents did not have money set aside to cover expenses for three months as protection against an emergency such as illness or the loss of a job (McKernan, Ratcliffe, & Shanks, 2011; FINRA Investor Education Foundation, 2016).

While data on savings and investments is minimal, levels of ownership of three of the most common assets in Indiana — vehicles, homes, and investments — show what resources families have to cope with emergencies and to accumulate wealth (Figure 24).

**Figure 24.**  
**Households With Assets, Indiana, 2016**



Source: American Community Survey, 2016

## Car Ownership

Most Indiana households have at least one vehicle, often a necessity to get to work. In 2016, 33 percent of all households had one vehicle, 38 percent had two, and 23 percent had three or more. Car ownership has been linked to positive employment outcomes. Yet while cars offer benefits beyond their cash value, they are not an effective means of accumulating wealth because the value of a car normally depreciates over time. In addition, many ALICE households need to borrow money in order to buy a vehicle (Jones, 2014; Center for Responsible Lending, 2014; Kiernan, 2016; Zabritski, 2016; McKernan, Ratcliffe, & Shanks, 2011).

## Homeownership

The second most common asset is a home, an asset that has traditionally provided financial stability and the primary means for low-income families to accumulate wealth. Homeownership can increase both financial and social stability for families: Children whose parents own their home tend to have higher educational attainment and lower rates of teen pregnancy. But not all families can ride out housing market downturns. Since the subprime housing crisis in 2007, coupled with a slow rate of increase in housing prices since the Recession, homeownership has become a less reliable way of building assets. In 2016, close to 70 percent of Indiana households owned a home, according to the Federal Reserve, down from the peak of 76 percent in 2004 (McKernan, Ratcliffe, & Shanks, 2011; Federal Reserve Bank of St. Louis, 2016).

In many locations, it would be more economical for ALICE households to buy a home than rent, but they often cannot save enough for a down payment and cannot qualify for a traditional low-rate mortgage. Many ALICE families have chosen non-traditional mortgage products as their use and outreach have expanded. But the higher borrowing costs of these products reduce the borrower's overall investment opportunity (Acolin, Bostic, An, & Wachter, 2016; Federal Reserve Bank of St. Louis, 2016; Federal Reserve, 2014; Herbert, McCue, & Sanchez-Moyano, September 2013; McKernan, Ratcliffe, & Shanks, 2011; FINRA Investor Education Foundation, 2016).

## Investment and Retirement Assets

Income from an investment provides families with an effective resource to weather an emergency. Yet in 2016, only 18 percent of households in Indiana (below the national average of 21 percent) received income from an investment, which can range from a checking account to a rental property to a stock or bond. In addition, there is likely a large overlap between households receiving investment income and those receiving retirement income. In 2016, 17 percent of Indiana households received retirement, survivor, or disability income from a former employer, a labor union, the government, or the U.S. military, or regular income from IRA and Keogh plans (above the national average of 19 percent) (FINRA Investor Education Foundation, 2016; American Community Survey, 2016).

Investment assets also provide the means to accumulate more assets. By investing money in starting a small business or by owning a home, for example, families can increase their resources over time. Assets also enable families to improve their situation, socially and economically, through education and new technology, and allow them to finance a secure retirement (McKernan, Ratcliffe, & Shanks, 2011).

The number of households with investment income dropped during the Great Recession, as the assets lost value in the stock market crash or were used to cover emergencies and periods of unemployment and underemployment. These events led many families to become ALICE and made things harder for those who were already struggling. The recovery of investment has been slow: Nationally, the number of households with interest or dividend income decreased from 34 percent in 2010 to 24 percent in 2016. Interestingly, the number of households with retirement, survivor, or disability income increased from 2010 to 2016, but as a percent of total households, they fell from 21 percent in 2010 to 17 percent in 2016 (though a recent U.S. Census report suggests that retirement income is underreported) (Bricker, et al., 2014; Federal Reserve, 2014; Bee & Mitchell, 2017; American Community Survey, 2016).

In terms of retirement assets, several indicators show that Americans are not financially prepared to maintain their standard of living in retirement:

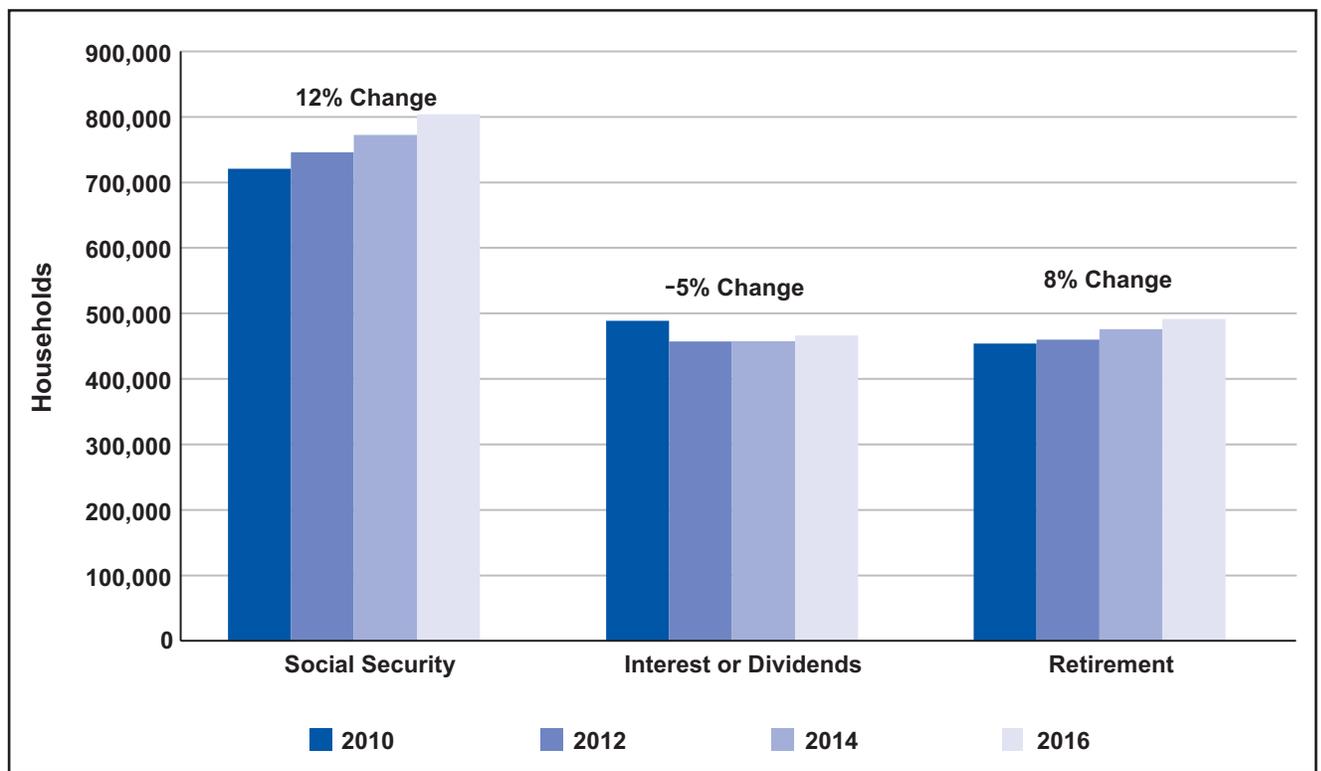
- According to the National Retirement Risk Index, 52 percent of Americans are at risk of being unable to maintain their standard of living in retirement, even if households work to age 65 and annuitize all their financial assets, including the receipts from reverse mortgages on their homes (Munnell, Hou, & Sanzenbacher, 2017; Board of Governors of the Federal Reserve System, 2017).

- The National Institute on Retirement Security has found that the median retirement account balance is \$3,000 for all working-age households and \$12,000 for near-retirement households (Oakley & Kenneally, 2017).

The makeup of retirement plans has shifted since the 1970s, from defined benefit plans (traditional pensions that provide benefits for the lifespan of the participant) to defined contribution plans such as a 401(k). By 2000, defined contribution plans accounted for more than 90 percent of retirement plans nationally. In 2016, 34 percent of private sector workers had no employer-sponsored plan, 44 percent had employee-managed defined contribution plans, and 15 percent had employer-funded defined benefit plans (U.S. Government Accountability Office, 2017).

The most common source of income for retirement, however, is Social Security. The aging of the U.S. population is evident in the 12 percent increase in the number of Indiana households receiving Social Security between 2010 and 2016 — larger than the 8 percent increase in the number of Indiana households receiving retirement income. In contrast, the number receiving investment income fell by 5 percent (American Community Survey, 2010 and 2016) (Figure 25).

**Figure 25.**  
**Retirement and Investment Income, Indiana, 2010 to 2016**



Source: American Community Survey, 2010–2016

## ACCESS TO CREDIT

An additional tool for weathering a financial emergency or investing in the future is borrowing. The ability to borrow varies greatly by income and assets: The higher the income and greater the assets, the more borrowing options at better rates a family has. Families with low incomes and no assets are often unable to borrow, and as a result, in the face of an emergency, they often cannot afford emergency repairs or supplies, and household hardship increases (McKernan, Ratcliffe, & Shanks, 2011).

When these families do borrow, it is often in high-risk markets, at high interest rates and at an increased risk of predatory lending practices. The continued use of high-risk lending, despite these higher costs, underlines the degree of hardship that these families are experiencing (McKernan, Ratcliffe, & Shanks, 2011; McKernan, Ratcliffe, & Vinopal, 2009; Mills & Amick, 2011).

The most common way to access credit is borrowing from a bank. But not all adults have access to traditional banking, due to low income, location, immigration status, or, in some cases, cultural norms. Families living in low-income neighborhoods often have only high-cost lending options available to them. In these neighborhoods, there is less saving and less borrowing. In Indiana, 10 percent of adults do not have access to credit because they do not have a credit file or even a credit score (below the national average of 11 percent), and 33 percent of adults have a subprime (or poor) credit score (below the national average of 31 percent). This sharply increases costs for borrowers. Nationally, 7 percent of the overall adult population is unbanked, meaning they do not have a checking, savings, or money market account, and 19 percent are underbanked, defined as having a depository account but also having used at least one alternative financial service in the prior year (Federal Reserve of New York, 2017).

Another common way to access credit, especially in the short term, is with a credit card. There is large variation in credit card usage by income level; for example, the share of families with at least one credit card is 60 percent for families with income below \$40,000 but more than 90 percent for families with income above that level (Hendey, McKernan, & Woo, 2012; Board of Governors of the Federal Reserve System, 2018).

Without access to quality financial products, lower-income households (including many Black and Hispanic families, who are disproportionately lower-income) are more likely to use alternative financial services, which charge higher interest rates. The impact is cumulative, with high rates leading to greater need and a vicious cycle of high-risk borrowing. Conversely, lower rates lead to greater savings and a better chance to pay off a loan. Such savings make an enormous difference in a family's budget and can also help them build equity and wealth (Hendey, McKernan, & Woo, 2012; Lerman & McKernan, 2008; Board of Governors of the Federal Reserve System, 2017; Lerman & Hendey, 2011).

## PUBLIC AND PRIVATE ASSISTANCE

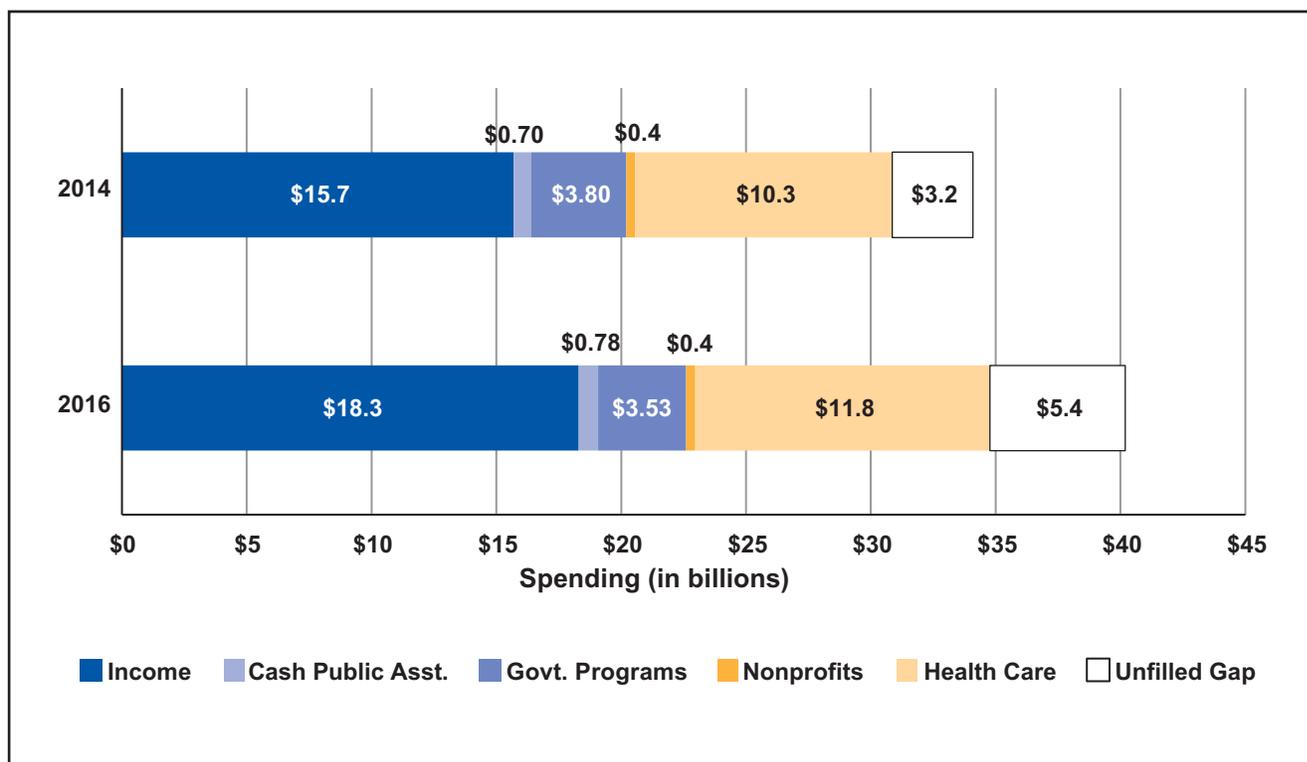
There is a common misconception that working families do not need public or charitable assistance. In addition to the wage and budget data presented here, national studies and surveys show that working families make up a majority of households facing the greatest need. As a result, many ALICE households have turned to government and charitable supports and services for assistance with income, food, health care, education and training, housing and utility assistance, and counseling. More than half of government spending on public assistance goes to working families (U.S. Department of Agriculture, 2017; Feeding America, 2014; Jacobs, Perry, & MacGillvary, 2015; Dube & Jacobs, 2004; The Pew Charitable Trusts, 2013; Allegretto, 2013; Wider Opportunities for Women, 2011). But even with this assistance added to their income, many working families cannot cobble enough together to make ends meet.

The **ALICE Income Assessment** quantifies the total need of all households below the ALICE Threshold and then compares it to their income and to the amount of public and nonprofit assistance directed toward low-income households. Even though assistance makes a significant contribution to financial stability for many families, there has not been enough assistance to bring all families above the ALICE Threshold in any state where the Income Assessment has been applied.

The picture in Indiana has not improved since the 2016 United Way ALICE Report. The average amount of assistance each Indiana household received in 2016 was \$16,770 in federal, state, and local government and nonprofit assistance, about the same as was provided in 2014. From 2014 to 2016, the number of households below the ALICE Threshold increased, and the earnings of these households also increased, from \$15.7 billion to \$18.3 billion. But the cost of basic necessities grew as well, from \$34.1 billion to \$40 billion.

Federal and state government spending on cash public assistance (excluding health care) increased from \$700 million in 2014 to \$780 million in 2016. Spending by government programs (also excluding health care) increased by 39 percent to \$3.5 billion. Health care spending increased by 15 percent to \$11.8 billion. As a result, the size of the Unfilled Gap — the amount still needed, after income and assistance, to bring all households to the ALICE Threshold — increased by 60 percent to \$5.4 billion (Office of Management and Budget, 2017; National Association of State Budget Officers, 2017; U.S. Department of Agriculture, 2017; Urban Institute, 2012; American Community Survey, 2017; for more details, see the Methodology Overview on our website: [UnitedWayALICE.org](http://UnitedWayALICE.org)) (Figure 26).

**Figure 26.**  
**Public and Private Assistance, Indiana, 2014 to 2016**

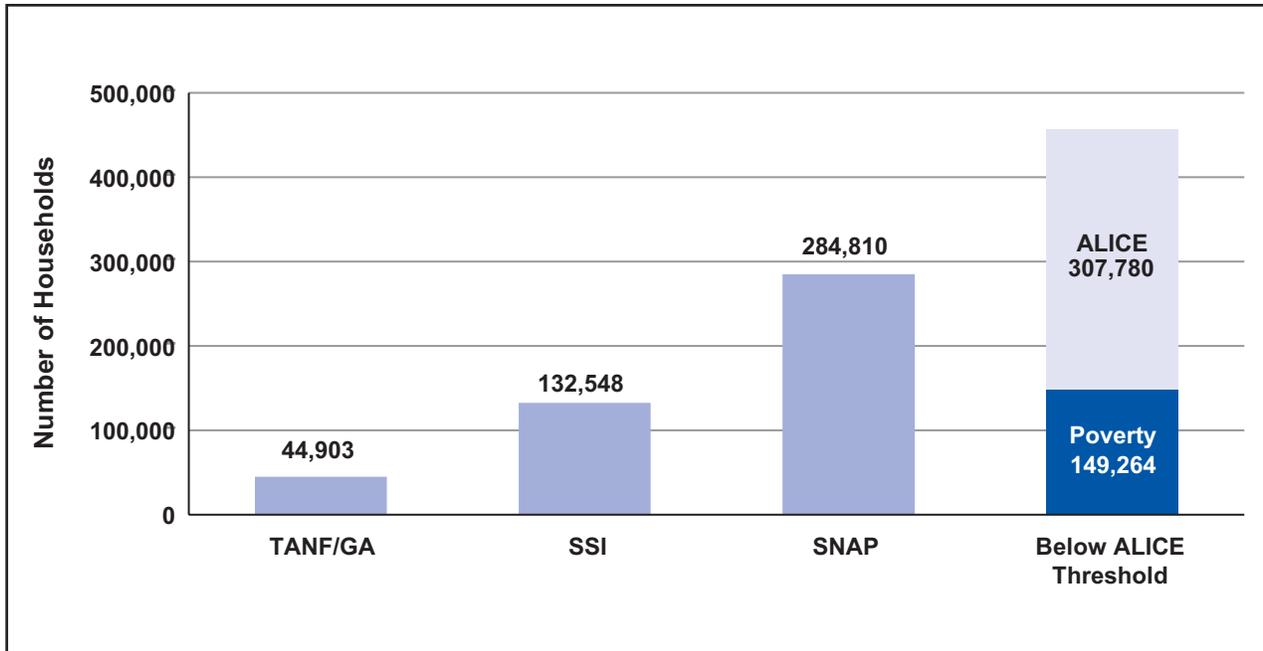


Source: Office of Management and Budget, 2015 and 2017; American Community Survey, 2014 and 2016; National Association of State Budget Officers, 2015 and 2017; Urban Institute, 2012; U.S. Department of Agriculture, 2014 and 2016

Programs like the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), Medicaid, and food banks provide a critical safety net for basic household well-being, and enable many households to work (Dowd & Horowitz, 2011; Coleman-Jensen, Rabbitt, Gregory, & Singh, September 2015; Grogger, 2003; Feeding America, 2014; Rosenbaum, 2013; Sherman, Trisi, & Parrott, 2013). While this assistance is critical in keeping ALICE households functioning, there are four significant barriers to offering the level of assistance that meets basic needs:

- Duration of benefits:** The majority of government programs are intended to fill short-term needs, such as basic housing, food, clothing, health care, and child care. By design, their goal is not to help households achieve long-term financial stability but to fill short-term gaps and alleviate immediate poverty. Benefits are often structured to end before a family reaches stability, known as the “cliff effect.” In Indiana, SNAP benefits disappear once income reaches 200 percent of the Federal Poverty Level (FPL), or just \$48,600 for a family of four — about \$4,236, less than the Household Survival Budget (Ben-Shalom, Moffitt, & Scholz, 2012; Kaiser Family Foundation, 2015; O’Dea, 2016; Shaefer & Edin, 2013; Indiana Family and Social Services Administration, 2018) (Figure 27).

**Figure 27.**  
**Households (Under 65) by Benefits and Income Status, Indiana, 2016**



Source: American Community Survey, 2016; ALICE Threshold, 2016

- Eligibility thresholds:** Crucial resources are often targeted to households near or below the FPL, meaning that many struggling ALICE households are not eligible for assistance. Federal public assistance programs do not have enough resources to reach all those in need. SNAP, the government’s largest program, reached 284,810 households in Indiana in 2016, falling short of meeting the needs of almost all ALICE households requiring assistance in covering the cost of food (Figure 27). Other programs cover even fewer households: Temporary Assistance for Needy Families or General Assistance — which provide payments from state or local welfare offices — reached about 44,903 families in 2016, just 10 percent of those below the ALICE Threshold. And Supplemental Security Income, which includes welfare payments to low-income people who are 65 and older and to people of any age who are blind or disabled, supported 132,548 households — only 30 percent of households below the ALICE Threshold (Kaiser Family Foundation, 2015; U.S. Department of Health and Human Services, 2009, 2014).
- Uneven funding or distribution of assistance:** Resources may not be available where they are needed, either because there are geographic disparities in distribution across Indiana — such as food pantries in some locations but not all — or because there is not enough funding for a program. For example, recent budget cuts lowered the average household SNAP benefit in Indiana by 5 percent, from \$109.21 per month in 2010 to \$103.75 in 2016 (Kaiser Family Foundation, 2015).

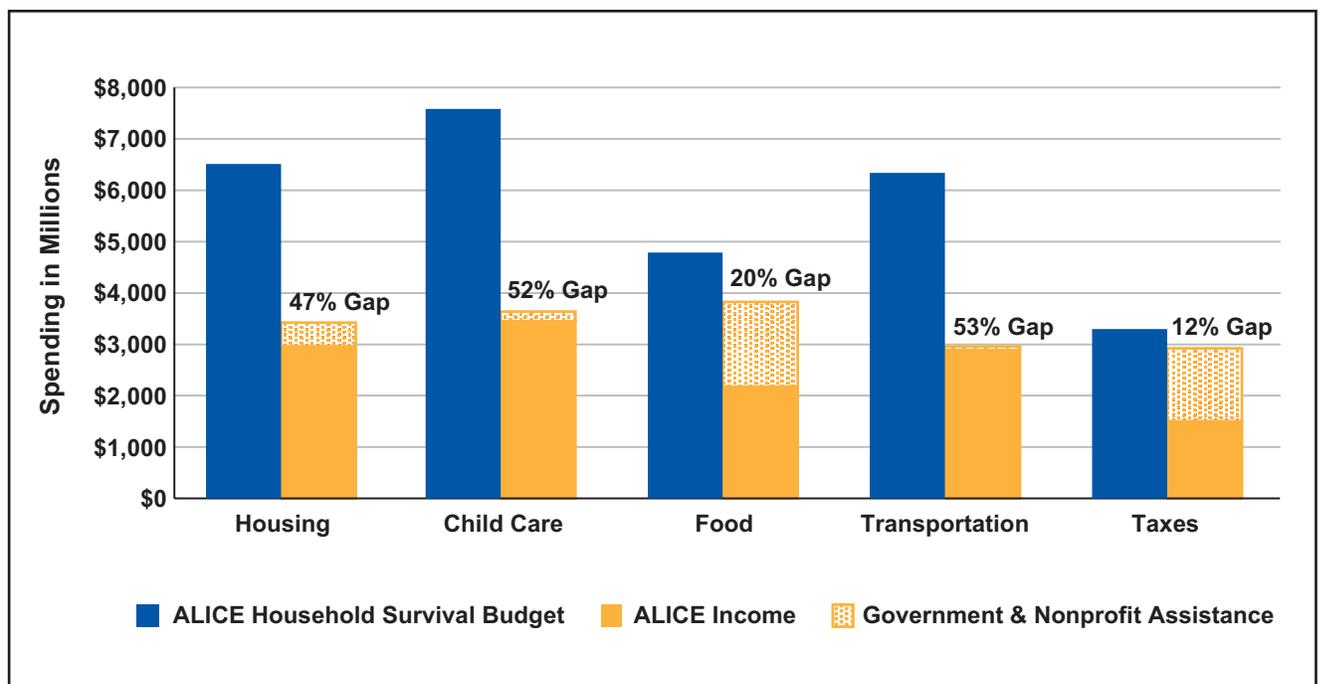
4. **Targeted assistance and services:** Because public and nonprofit assistance is allocated for specific purposes and often delivered as services, it can only be used for specific parts of the household budget. Only 5 percent of the assistance provided in Indiana is done through cash transfers, which households can use toward any of their most pressing needs. The remainder is earmarked for specific items, like food assistance or health care. This means that not all households benefit equally from assistance. For example, a household that only visits a doctor for an annual checkup does not receive its share of the spending put toward health care assistance in Indiana, while a household that experiences a medical emergency receives far more than the average.

## Spending by Category

As outlined above, public and nonprofit assistance is often distributed to households in specific forms and for intended purposes, as opposed to cash assistance that can be used by households to cover needs as appropriate. Therefore, we analyze public and nonprofit assistance for families with children by spending category, to assess a household's ability to meet each necessity.

This analysis reveals large gaps in key areas, particularly housing, child care, and transportation. Figure 28 compares the Household Survival Budget numbers in each category for a family of four with the income earned by households below the ALICE Threshold, in addition to the public and nonprofit spending in each category. Program funding sources are assigned to their respective categories, earned income is appropriated based on its proportion of the Household Survival Budget, and nonprofit and cash assistance are evenly distributed across spending needs.

**Figure 28.**  
**Comparing Basic Need With Assistance by Category for Households Below the ALICE Threshold, Indiana, 2016**



Note: Excludes health care and miscellaneous expense categories.

Source: Office of Management and Budget, 2017; U.S. Department of Agriculture, 2016; Internal Revenue Service, 2016; American Community Survey, 2016; National Association of State Budget Officers, 2017; Urban Institute, 2012; ALICE Household Survival Budget, 2016; and the ALICE Threshold, 2016.

## Housing

In the Household Survival Budget for an Indiana family of four, housing accounts for 16 percent of the family budget. Yet if households spend 16 percent of their income on housing, they are left far short of what is needed to afford rent at the U.S. Department of Housing and Urban Development's 40<sup>th</sup> percentile. To make up the gap, federal housing programs, including Section 8 Housing Choice Vouchers, the Low Income Home Energy Assistance Program, the Public Housing Operating Fund, and the Community Development Block Grant Program provide \$390 million in assistance. In addition, we estimate that nonprofits in Indiana spend \$71.5 million on housing assistance. Despite this assistance, the state's households still fell \$3 billion — 47 percent — shy of their total need in 2016.

## Child Care

In the Household Survival Budget, child care accounts for 19 percent of the Indiana family budget. Yet for many ALICE households, 19 percent of earned income is not enough to pay for even home-based child care, the least expensive organized care option. Additional child care resources available to Indiana families include \$115 million from the U.S. Department of Health and Human Services' Head Start program and Indiana's early-education program. Nonprofits provide additional child care assistance, including vouchers and child care services estimated at \$71.5 million. Yet even with these resources combined with income, Indiana's households below the ALICE Threshold still had less than half of what they needed to afford basic child care in 2016: This gap was 52 percent of what was required to meet their needs.

## Food

In the Household Survival Budget, food accounts for 12 percent of the Indiana family budget, yet for many ALICE households, 12 percent of what they actually earn is insufficient to afford even the U.S. Department of Agriculture's Thrifty Food Plan. Food assistance for Indiana households includes \$1.6 billion of federal spending on food programs — primarily SNAP, school breakfast and lunch programs, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Nonprofits also provide approximately \$71.5 million in food assistance, including food pantries, food banks, and soup kitchens. Yet even with this assistance combined with income, Indiana's households below the ALICE Threshold still fell 20 percent short of what they required to meet their most basic food needs in 2016.

## Transportation

In the Household Survival Budget, transportation accounts for 16 percent of the Indiana family budget. Yet for many ALICE households, 16 percent of what they actually earn is not enough to afford even the running costs of a car. While Indiana's public transportation systems are state-funded, there is no government spending on transportation specifically for ALICE and poverty-level families. Nonprofits provide some assistance, spending an estimated \$71.5 million on programming. Yet even with income and nonprofit assistance combined, there was still a 53 percent gap in resources for all of Indiana's households below the ALICE Threshold to meet the basic cost for transportation in 2016.

## Taxes

In the Household Survival Budget, taxes account for 8 percent of the Indiana family budget. Though earning enough to afford the Household Survival Budget would put some ALICE households above the eligibility level for the EITC, many households below the ALICE Threshold benefit from the EITC; the median income for households receiving EITC in Indiana in 2016 was \$14,418. The federal EITC provided \$1.3 billion in tax credits and refunds for Indiana's working families in 2016. Eligible households collected an average federal tax refund of \$2,346, which helped 558,000 ALICE and poverty-level households in Indiana that year. Indiana's EITC provided an additional \$117 million in 2015 (National Conference of State Legislatures, 2016; Brookings, 2016).

The per-household tax burden depends on a recipient's income; for every additional dollar families with children earned above \$17,830 (\$23,260 for married families), the amount of credit they received decreased. Yet with income, government credits, and refunds combined, there remained a 12 percent gap in resources for all of Indiana's households below the ALICE Threshold to meet the basic cost of taxes in 2016.

## The Special Case of Health Care

Health care resources are separated from other government and nonprofit spending because they account for the largest single source of assistance to low-income households: \$11.8 billion, or 72 percent of all spending in Indiana. Health care spending includes federal grants (along with state-matching grants) for Medicaid and the Children's Health Insurance Program (CHIP), as well as those for hospital Charity Care programs; state-matching grants for Medicare Part D "clawback" payments; and the cost of unreimbursed or unpaid services provided by Indiana hospitals (Urban Institute, 2012; Office of Management and Budget, 2017; National Association of State Budget Officers, 2017). Between 2014 and 2016, this spending increased by 15 percent.

With the increasing cost of health care and the implementation of the Affordable Care Act, spending on health care has increased in Indiana, but it's important to note that the percentage of residents who are insured has also increased across all income groups. In 2016, spending on health care in Indiana surpassed the amount needed for each household below the ALICE Threshold to afford basic out-of-pocket health care expenses.

However, even this level of assistance does not necessarily guarantee good or improved health to low-income Indiana households. Because there is greater variation in the amount of money families need for health care than there is in any other single category of budget spending, it is difficult to estimate the average health care needs and costs per household, and it's even more difficult to deliver health care efficiently to ALICE families or those living in poverty. An uninsured (or even an insured) household with a severe and sudden illness could be burdened with hundreds of thousands of dollars in medical bills in a single year, while a healthy household would have few expenses. National research has shown that a small proportion of households facing severe illness or injury account for more than half of all health care expenses, and those expenses can vary greatly from year to year (Kaiser Family Foundation, 2012; Stanton, 2006; U.S. Department of Housing and Urban Development, 2010).

# V. LOCAL CONDITIONS: HOUSING AND COMMUNITY RESOURCES

According to the Harvard Equality of Opportunity Project, our lives are profoundly influenced by where we live, and especially where we grow up (Chetty & Hendren, 2015). This is particularly true for ALICE households; local economic conditions largely determine how many households in a county or state struggle financially. These conditions also determine how difficult it is to survive without sufficient income and assets to afford basic household necessities.

To understand the challenges that the ALICE population faces in Indiana, it is important to recognize that local conditions do not impact all socioeconomic and geographic groups in the same way. For example, focusing only on Indiana's cost of living obscures the problem of the lack of high-skilled jobs in many counties. Likewise, while county unemployment statistics clearly reveal where there are not enough jobs, having a job is only part of the economic landscape for ALICE households.

The full picture requires an understanding of the local conditions that matter most to ALICE households, in addition to the job opportunities, local wages, and public and private assistance discussed in Sections III and IV. The most important local conditions are housing affordability and the level of community resources in the areas of education, health, and social capital (represented here by preschool enrollment, health insurance coverage, and voter turnout) in each county. While the ideal for a county is to do well in each of these areas, the reality is that these conditions vary across Indiana's counties. This section reviews several indicators that help explain why so many households struggle to achieve basic economic stability throughout Indiana, and why that struggle is harder in some parts of the state than in others.

## HOUSING AFFORDABILITY

The more affordable housing there is in a county, the easier it is for a household in that county to be financially stable. In Indiana, housing is generally less expensive than in most other states, and since 2010, it has become easier to find affordable housing in many counties. Yet there is variation across counties, and a common challenge is to find job opportunities in the same counties that are affordable places for ALICE households to live.

The three key indicators of housing affordability for ALICE households in a given county are the affordable housing gap, the housing burden, and real estate taxes. These indicators, described below, show which counties offer an adequate supply of units that ALICE households can afford, have a relatively low percentage of households that are "housing burdened," and maintain low real-estate taxes.

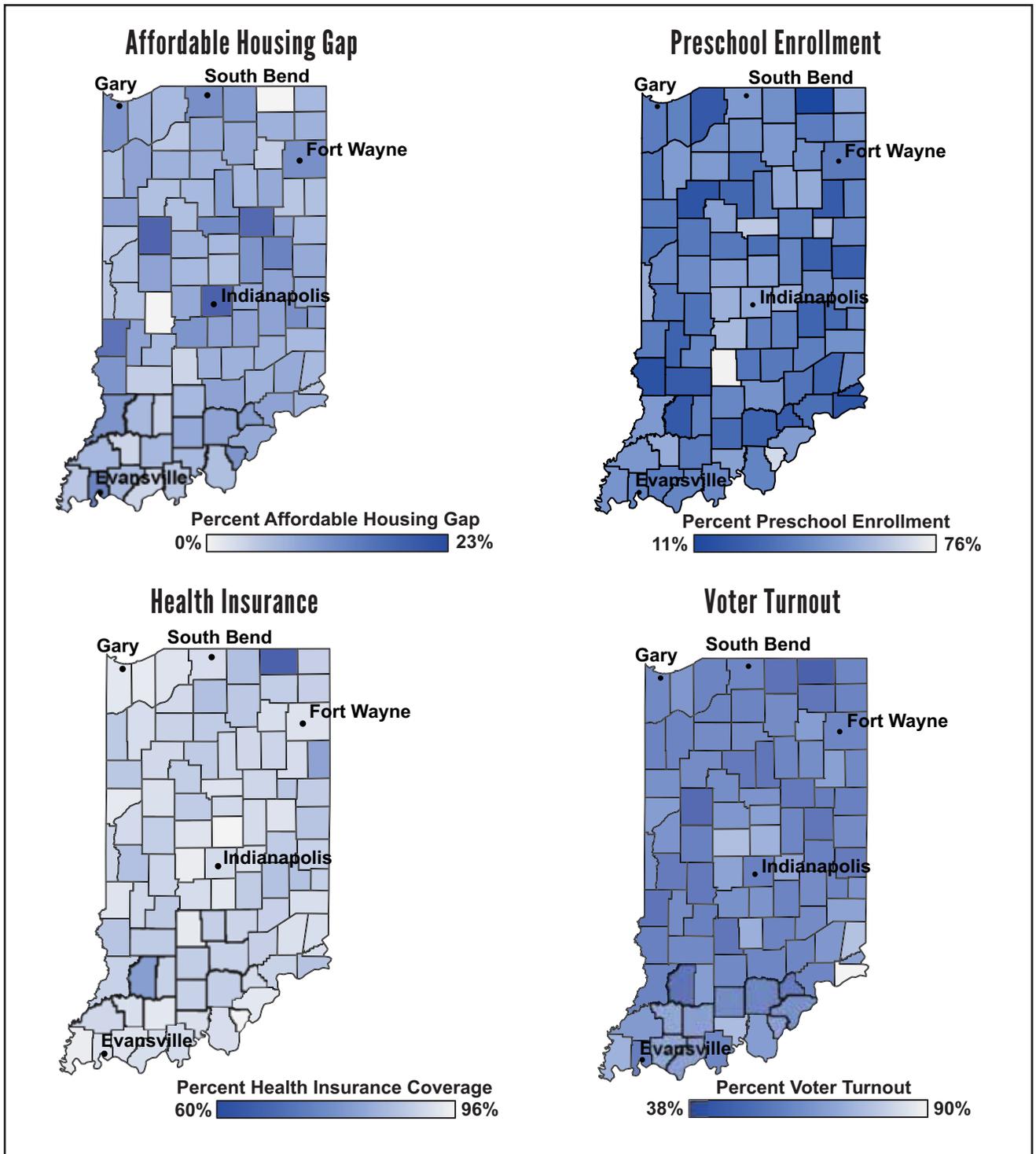
### The Affordable Housing Gap

In Indiana, housing is generally affordable for owners, but it continues to be a strain for those at the low end of the market. Ownership can be more affordable than renting in many areas of Indiana, but that is only an option for those who can afford a down payment and real estate taxes and who qualify for a mortgage. For these households, homeownership is typically affordable in all counties across the state.

While rental housing is more of a challenge, it became slightly more affordable across Indiana from 2010 to 2016. This is apparent from the affordable housing gap measure — an estimate of the difference between the total number of ALICE households (renters and owners) in a county and the number of available housing units that those households can afford while spending no more than one-third of their income on housing. This measure assesses the total housing stock in a county and includes subsidized as well as market-rate units that are affordable for both ALICE and poverty-level households. The larger the gap, the harder it is for households below the ALICE Threshold to find affordable housing. Statewide, the average gap in affordable units improved

slightly, falling from 11 percent in 2010 to 10 percent in 2016. Yet, Indiana's affordable housing gap varies between counties and regions (Figure 29). The largest gap in 2016 was in Marion County at 23 percent; by contrast, there was no housing gap in Putnam County (LaGrange County also had no housing gap but has a very small number of households). The largest gaps are in urban areas, especially around Indianapolis, Evansville, and Gary.

**Figure 29.**  
**Affordable Housing Gap, Preschool Enrollment, Health Insurance, and Voter Turnout by County, Indiana, 2016**



Source: American Community Survey, 2016, and the ALICE Threshold, 2016

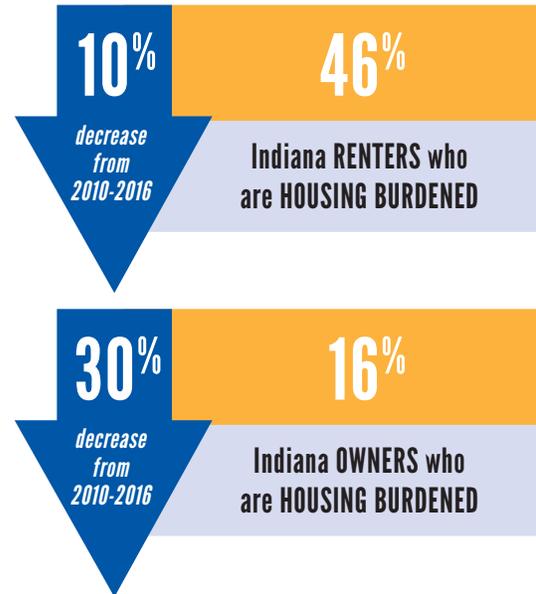
## Housing Burden

The second key indicator of housing affordability in a county is housing burden — housing costs that exceed 30 percent of household income, as defined by the U.S. Department of Housing and Urban Development. That standard evolved from the United States Housing Act of 1937; while rent thresholds shifted over the ensuing decades, since 1981 the standard has been that 30 percent of income is the most a family can spend on housing and still afford other household necessities (Schwartz & Wilson, 2008).

The rate of housing burden in Indiana is generally low for owners but remains much higher for renters, despite the fact that rates for both groups fell slightly from 2010 to 2016. In 2016, 46 percent of Indiana renters paid more than 30 percent of their household income on rent, down from 51 percent in 2010. Among homeowners, 16 percent paid more than 30 percent of their income on monthly owner costs (which included their mortgage) in 2016, down from 23 percent in 2010 (American Community Survey, 2010 and 2016) (Figure 30).

Rates vary across the state. In 2016, the highest rates of housing burden across both renters and owners were in Monroe and Marion counties at 33 percent, down from 40 and 37 percent respectively in 2010. Pike and Warren counties, both with small populations, had the lowest rates of housing burden at 15 percent (American Community Survey, 2016).

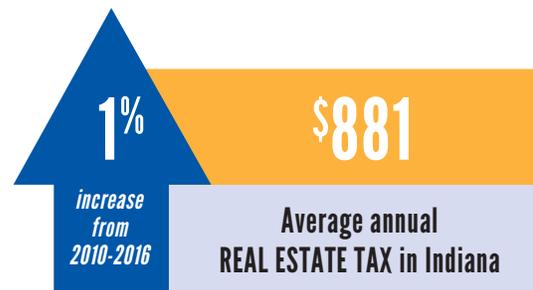
**Figure 30.**  
Housing Burden, Renters and Owners,  
Indiana, 2016



## Real Estate Taxes

While related to housing cost, real estate taxes also reflect a county's standard of living. Even for renters, real estate taxes raise the cost of housing. The average annual real estate tax Indiana residents paid was \$881 in 2016, virtually unchanged from 2010 (Figure 31). There is wide variation across counties, largely due to changes in housing prices. Average annual real estate taxes ranged from \$419 in Montgomery County to five times that in Hamilton County, at \$2,272. From 2010 to 2016, real estate taxes increased in half of Indiana's counties, but fell in the other half. The largest increase was in Vanderburgh County, where taxes rose by 39 percent (American Community Survey, 2010 and 2016; Indiana Department of Local Government Finance, 2016).

**Figure 31.**  
Real Estate Taxes, Indiana, 2016



## COMMUNITY RESOURCES

Community resources — in the areas of education, health, and social capital — provide a fundamental support structure for working families. These resources can make a difference to the financial stability of ALICE households in both the short and long term. Yet it is a challenge across all Indiana counties to find adequate key community resources, such as access to quality schools, high rates of health insurance coverage, and the types of community engagement that create social capital.

Although there are concerns about educational achievement gaps by race and ethnicity, overall, Indiana is on par with the rest of the country in providing health resources (represented by rates of health-insurance coverage), but behind most states in education resources (represented by preschool enrollment rates) as well as social capital (represented by rates of voter participation). While some community resources are fairly evenly spread across Indiana, others vary widely by county, suggesting that availability of these resources is determined by a combination of state-level factors and local policies.

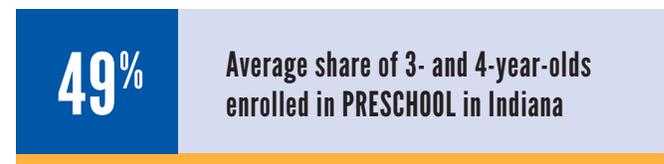
## Education Resources

Education is a fundamental American value and is widely regarded as a means to achieve economic success. Quality learning experiences, especially high-quality child care, have social and economic benefits for children, parents, employers, and society as a whole.

Education is also important for the health of communities: People with lower levels of education are often less engaged in their communities and less able to improve conditions for their families. Over half of people without a high school diploma report not understanding political issues, while 89 percent of those with a bachelor's degree have at least some understanding of political issues. Similarly, having a college degree significantly increases the likelihood of volunteering, even controlling for other demographic characteristics (Baum, Ma, & Payea, 2013; Campbell, 2006; Mitra, 2011).

Early learning in particular enables young children to gain skills necessary for kindergarten and beyond. In addition, it enables parents to work, which enhances the family's current and future earning potential. For these reasons, the quality of education available to low-income children could be one of the most important determinants of their future. The percent of 3- and 4-year-olds enrolled in preschool is a proxy for the level of education resources in a county. The average share of 3- and 4-year-olds enrolled in preschool in Indiana was 49 percent in 2016 (Figure 32). Indiana has made great progress in preschool education; in 2002, just 4 percent of 4-year-olds were enrolled in state preschools, and those programs met only three out of 10 benchmarks for quality standards. By 2016, 64 percent of 4-year-olds were served through two state programs meeting at least six benchmarks. However, the state still lags behind the national average, ranking second to last for state-funded preschool access for 4-year-olds (American Community Survey, 2016; National Institute for Early Education Research, 2016; National Institute for Early Education Research, 2017).

**Figure 32.**  
**Preschool Enrollment, Indiana, 2016**



Within Indiana, preschool enrollment varies widely between counties. In 2016, 76 percent of 3- and 4-year-olds were enrolled in preschool in Monroe County, while less than 20 percent were enrolled in LaGrange, Ohio, Sullivan, Switzerland, and White counties. This indicates that there are very different policies and resources devoted to early childhood education across the state (see Figure 29).

From early learning through post-secondary studies, ALICE households are challenged to find quality, affordable education at all levels in Indiana. The Education Equality Index reports that Indiana has a “massive achievement gap” where students from low-income families reach proficiency not only at a lower rate than their more advantaged Indiana peers but at a lower rate than low-income students in other states (Education Equality Index, 2016).

Secondary and higher education resources, including high school, two- and four-year colleges, and vocational training, are important to the functioning of the state economy. Ultimately, basic secondary education remains essential for any job. According to the Alliance for Excellent Education, if only 5 percent more male students graduated from high school in Indiana, annual earnings for that graduating class would increase by \$26 million, and annual crime-related savings across the state would be \$360 million (Alliance for Excellent Education, 2013).

Although Indiana's Black, Hispanic, and Asian populations are relatively small, the state's education system still does not produce equal results for all residents, as demonstrated by the educational achievement gap affecting students from low-income families and families of color. These systemic differences affect high school performance and graduation rates. Among teenagers in Indiana, 75 percent of Black students, 83 percent of Hispanic students, and 84 percent of economically disadvantaged students (qualifying for free or reduced-price lunch) of all races and ethnicities graduated from high school compared to 90 percent of White students. As a result, their chances of going to college differ further: 62 percent of Black teens and 53 percent of Hispanic teens go on to college after high school, compared to 66 percent of White teens. Once in college, students who are Black or Hispanic are more likely to need remediation and have lower grade point averages than students who are White (National Center for Education Statistics, 2016; Kids Count; Indiana State Board of Education, 2016; Indiana Commission for Higher Education, 2017).

## Health Resources

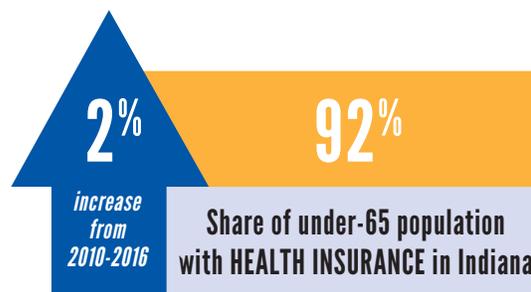
For people living below the ALICE Threshold, poor health is both a cause and a consequence of being low-income. Access to quality, affordable health care is essential, and a strong predictor of receiving good care is having health insurance. ALICE families fall into a critical gap in health-insurance coverage because they often earn more than Medicaid eligibility levels, yet not enough to afford the high deductibles of the lowest-cost Affordable Care Act plans.

The overall level of health insurance coverage in Indiana increased slightly over two decades, from 89.5 percent in 1994 to 91.9 percent in 2016 (U.S. Census Bureau, 1995; Barnett & Berchick, 2017). With the introduction of the Affordable Care Act in 2014, low-income households have had more access to health insurance, though they are still slightly less likely to have coverage than higher-income households. Of Indiana residents under age 65 with annual income below 200 percent of the Federal Poverty Level, 87 percent had health insurance in 2016, compared to 92 percent of residents under age 65 at all income levels (Kaiser Family Foundation, 2016) (Figure 33).

Coverage rates vary across Indiana; as rates have improved, differences across counties have decreased. The lowest rate of insured households is 60 percent in sparsely populated LeGrange County, and the highest is 96 percent in Floyd and Hamilton counties (American Community Survey, 2016) (see Figure 29).

Indiana was ranked 39<sup>th</sup> out of the 50 states in 2016, as measured by America's Health Rankings. Rankings are based on measures of behaviors, community and environment, policy, clinical care, and health outcomes. Indiana's primary strengths were high rates of high school graduation and a small disparity in health status by educational attainment. The state still struggles, however, with high infant mortality, a low number of dentists, as well as high levels of air pollution (United Health Foundation, 2016).

**Figure 33.**  
**Health Insurance Coverage, Indiana, 2016**

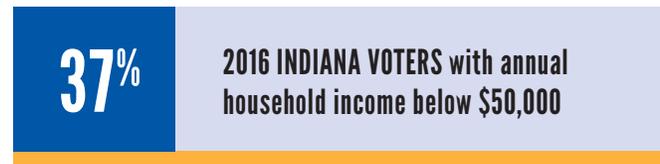


## Social Capital

For this Report, voter turnout rates are a proxy for the level of social capital in a county. The share of voting-age Indiana residents who voted in the 2016 presidential election (when turnout is traditionally highest) was 54 percent, below the national average of 60 percent. According to Indiana exit polls, ALICE residents accounted for more than one-third of the voting electorate: 37 percent of voters had household income below \$50,000, 35 percent had income between \$50,000 and \$100,000 and 28 percent had income above \$100,000 (U.S. Election Assistance Commission, 2016; CNN Politics, 2016; United States Elections Project, 2016) (Figure 34).

There was also great variation in voter turnout across the state: In LaGrange and Tippecanoe counties, less than 45 percent of voting-age residents voted in 2016, while 90 percent voted in Switzerland County. Variation in voting is not only due to candidates and issues on the ballot for local elections, but to the percent of residents who are citizens and therefore eligible to vote. As a rough indicator, voter turnout shows that citizens are more active in some areas of the state than in others (American Community Survey, 2016; U.S. Election Assistance Commission, 2016) (see Figure 29).

**Figure 34.**  
**Voter Turnout, 2016 Presidential Election, Indiana, 2016**



# VI. EMERGING TRENDS

While ALICE families differ in their composition, challenges, and level of need, there are three broad trends that will impact the conditions they will face and their opportunities to change their financial status over the next decade: the changing American household; increasing market instability, both in the U.S. and globally; and growing inequality of health. These trends will have significant implications for both local communities and Indiana as a whole.

## THE CHANGING AMERICAN HOUSEHOLD

Decades of shifting demographic trends have created new household configurations, many of them in ALICE families. In the U.S., Indiana ranks 17<sup>th</sup> in population growth, at a fraction of a percent (0.49) annually since 2010. As a result, demographics within the state are shifting: Baby boomers are aging, millennials are driving social change with lifestyles that differ from their parents and grandparents, and immigration trends are changing the racial and ethnic composition of communities. These changes impact the demand for housing, health care, transportation, and community services. The resulting households are creating different kinds of communities, with many implications for who is ALICE and where ALICE families live and work (World Population Review, 2018).

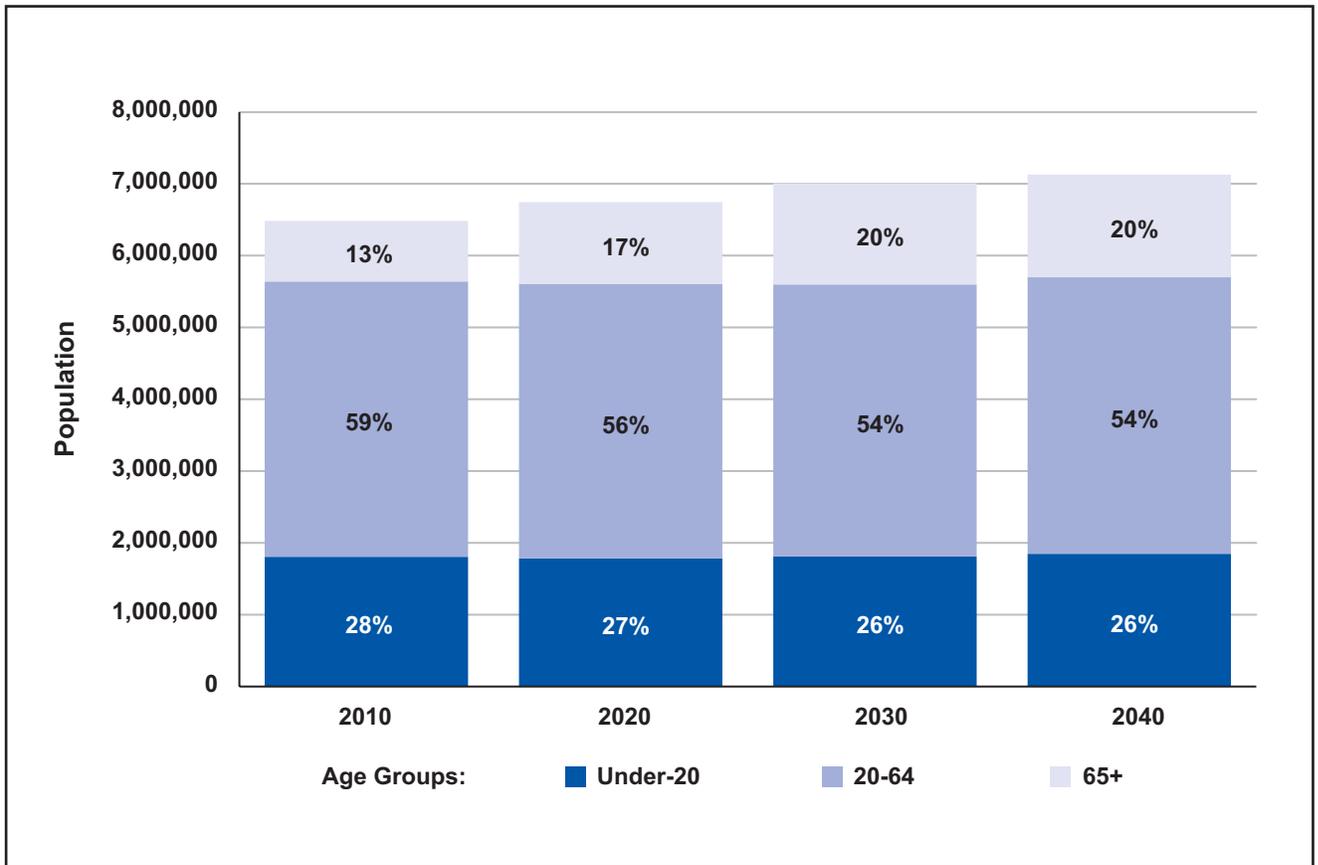
### Growing Populations: Millennials and Baby Boomers

The growth of certain age groups is changing the landscape in Indiana and across the country. Both millennials and baby boomers are powerful demographic forces. Millennials have different lifestyle preferences than past generations, including choosing to live in urban areas and delaying both marriage and having children. The large boomer cohort encompasses a group that is working longer, remains involved in a wide array of activities, and is generally healthier than previous generations.

Seniors (65 years and over) are currently Indiana's smallest population cohort by age, but the elderly population is projected to grow from 841,108 (13 percent) in 2010 to 1.4 million (20 percent) by 2040, a 70 percent increase (Figure 35). In contrast, demographers predict that by 2040, the rest of the population will grow much more slowly, and their percentage of the overall population will actually decline. The number of 0- to 19-year-olds will grow from 1.81 million to 1.85 million, but their share of the state population will decline from 28 percent to 26 percent. And the number of 20- to 64-year-olds will grow from 3.84 million to 3.85 million, but their share will decline from 59 percent to 54 percent (Weldon Cooper Center for Public Service, 2016).

Another change in American households is the record number (nearly 61 million in 2014) living in multigenerational households — those that include two or more adult generations or those with grandparents and grandchildren. Growing racial and ethnic diversity in the U.S. helps explain some of the rise in multigenerational living. The Asian and Hispanic populations overall are growing more rapidly than the White population, and these groups are more likely than Whites to live in multigenerational family households (Cilluffo & Cohn, 2017).

**Figure 35.**  
**Population Projection, Indiana, 2010 to 2040**



Source: Weldon Cooper Center for Public Service, 2016

Growth in Indiana’s population is also predicted to vary across the state. The Indianapolis metro area and smaller metro-area communities are projected to grow, while a large number of mid-sized and rural communities are projected to see a decline in the population (Kinghorn, 2018).

**Millennials:** Millennials are the most racially diverse generation in American history: 43 percent of millennials are non-White, the highest share of any generation. They are also on track to be the most educated generation. Yet at the same time, they are more likely than previous generations to be in debt and living in their parents’ homes (Cilluffo & Cohn, 2017; Cohn & Caumont, 2016).

Young workers are a state’s future economic growth, but college debt, low wages, and underemployment limit their economic contribution and may cause them to become part of the ALICE population. Indiana’s college-loan default rate was 14 percent in 2014, slightly higher than the national rate of 12 percent. As a result, many recent graduates and young workers have delayed living on their own, getting married, and having children. This is reflected in the decline in the number of Indiana households headed by a younger millennial (someone under 25 years old), in the high rate of ALICE and poverty-level households among young people living alone, and in millennials having the lowest geographic mobility among young adults in 50 years. The financial constraints of the under-25 population have a ripple effect on the wider economy as well: Housing construction slows, as do furniture and appliance manufacturing, and there are indirect effects on retail and utilities, which all dampen economic growth (Cilluffo & Cohn, 2017; U.S. Department of Education, 2017; Keely, van Ark, Levanon, & Burbank, 2012).

**Baby Boomers:** On the other end of the population spectrum, the senior population (older baby boomers) is growing even faster than the millennials. This senior generation also faces increased financial challenges — the added expenses of living longer, the increasing cost of health care, and minimal retirement savings. Because of these issues and the difficulties of working and saving as we age, the situation of the baby boomers raises well-founded concerns that extend beyond the impact on individual seniors to the potential slowing of the entire economy (Bloom, Canning, & Fink, 2011).

Workforce challenges have been especially severe for baby boomers. Because the demands of the labor market have changed — with job losses, lower-wage jobs, and less available work — many seniors do not have the retirement savings that they had planned on. In 2014, 18 percent of those over age 55 had no savings for retirement and 35 percent had less than \$10,000 (though this did not include the value of a primary residence or defined benefit plan) (Employee Benefit Research Institute and Greenwald & Associates, 2014).

As a result, those on the brink of retirement are finding that they often cannot afford to fully leave the workforce. Even younger baby boomers feel these pressures: Nationally, those aged 55 and over are expected to make up a larger share of the labor force in the next decade. The over-55 age-group steadily increased its share of the U.S. labor force from 12 percent in 1992 to 14 percent in 2002, and further to 21 percent in 2012 and is projected to increase to 26 percent by 2022. In Indiana, 29 percent of the 65- to 69-year-old population was still in the workforce in 2016, as was 17 percent of the 70- to 74-year-old population, and 6 percent of those 75 years and older (Bricker, et al., 2014; Bureau of Labor Statistics, 2014; American Community Survey, 2016).

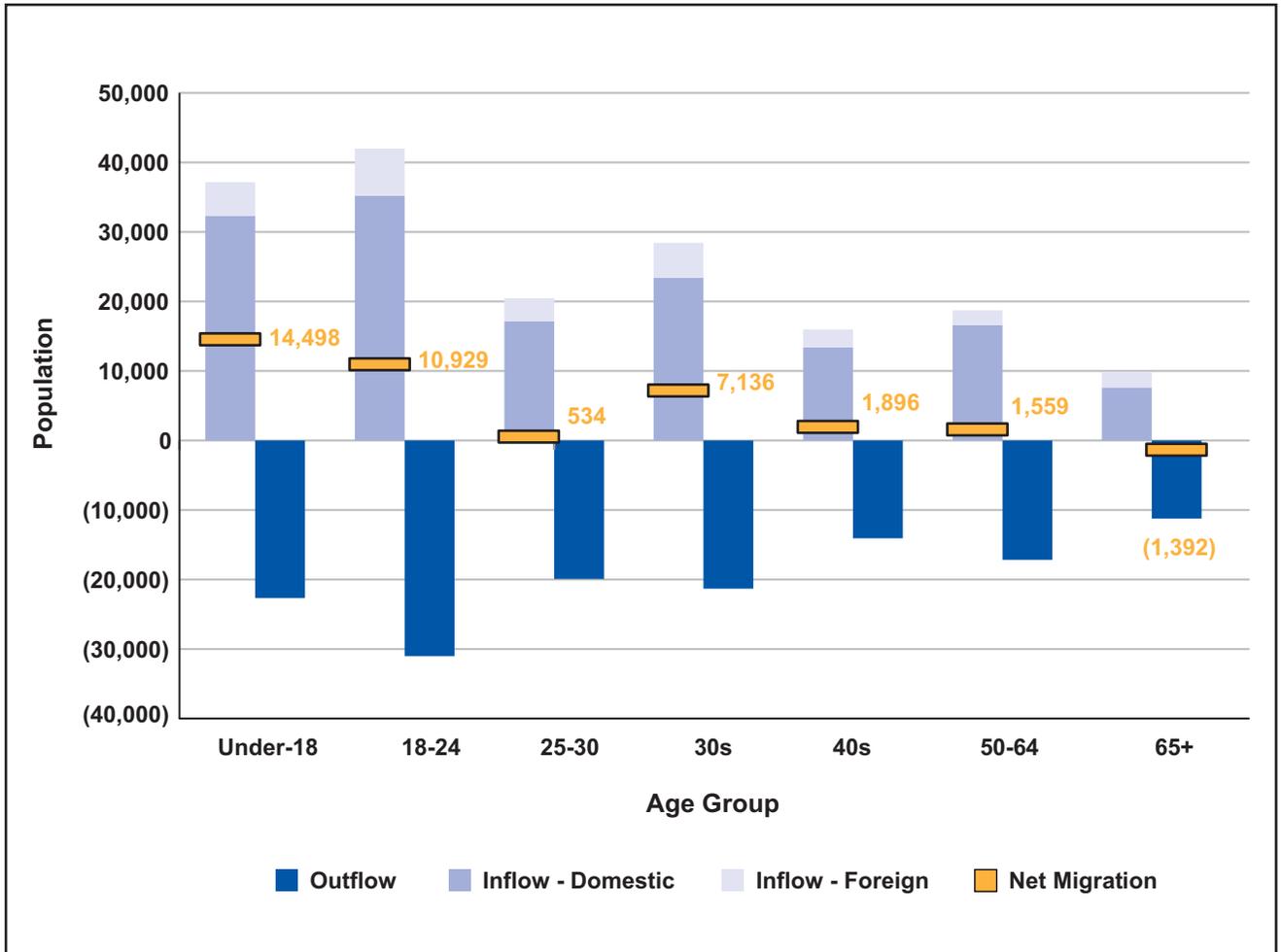
Many ALICE seniors are healthy and continue to work. But for those whose health has declined, the costs of managing their health conditions are often prohibitive. Health care expenses rise considerably for seniors; 80 percent of adults 65 and older have at least one chronic condition, and 68 percent have at least two conditions and count for three-fourths of health care spending in the U.S. Costs rise sharply for seniors who need residential health care, which can become essential for those with debilitating illnesses such as diabetes, cancer, or heart disease. The most expensive conditions, however, are Alzheimer's disease and other dementias, costing more than cancer and heart disease combined. The average Medicare spending for seniors with Alzheimer's is almost three times higher than average per-person spending for all other seniors. Today, there are about 5.2 million individuals treated for this disease in the U.S., and by 2050, the number is expected to triple (Alzheimer's Association, 2017; National Council on Aging, 2017; Centers for Disease Control and Prevention, 2017; Bradley, 2017).

As the population of U.S. seniors ages and needs more care, that demand will take a toll on younger ALICE workers who will struggle to continue working while providing caregiving to family members. Because the number of seniors is projected to increase at a faster rate than the workforce, there will be more pressure on the current workforce for caregiving. There will also be pressure on the government for additional revenue both to sustain Medicare and to accommodate the new infrastructure demands that seniors will make, which are discussed later in this section.

## Growing Populations: Immigrants

In addition to internal growth and aging, Indiana's population is changing through migration, both domestic (primarily from Illinois, Kentucky, and other Midwest and Southern states) and foreign. In Indiana, there was significant variation in migration by age group in 2016, with the largest movement being a net gain of almost 14,500 children under 18 years old, most likely brought by their parents. There was also a net gain of almost 11,000 college-aged students and more than 7,000 people in their 30s. The only age group with net migration out of the state were people 65 years and older, who saw a net decline of about 1,300 people. Blacks, Hispanics, Asians, and immigrants are more common in the younger age groups, making those groups more diverse than the older cohort (Aisch, Gebeloff, & Quealy, 2014) (Figure 36).

**Figure 36.**  
**Population Inflows and Outflows, Indiana, 2016**

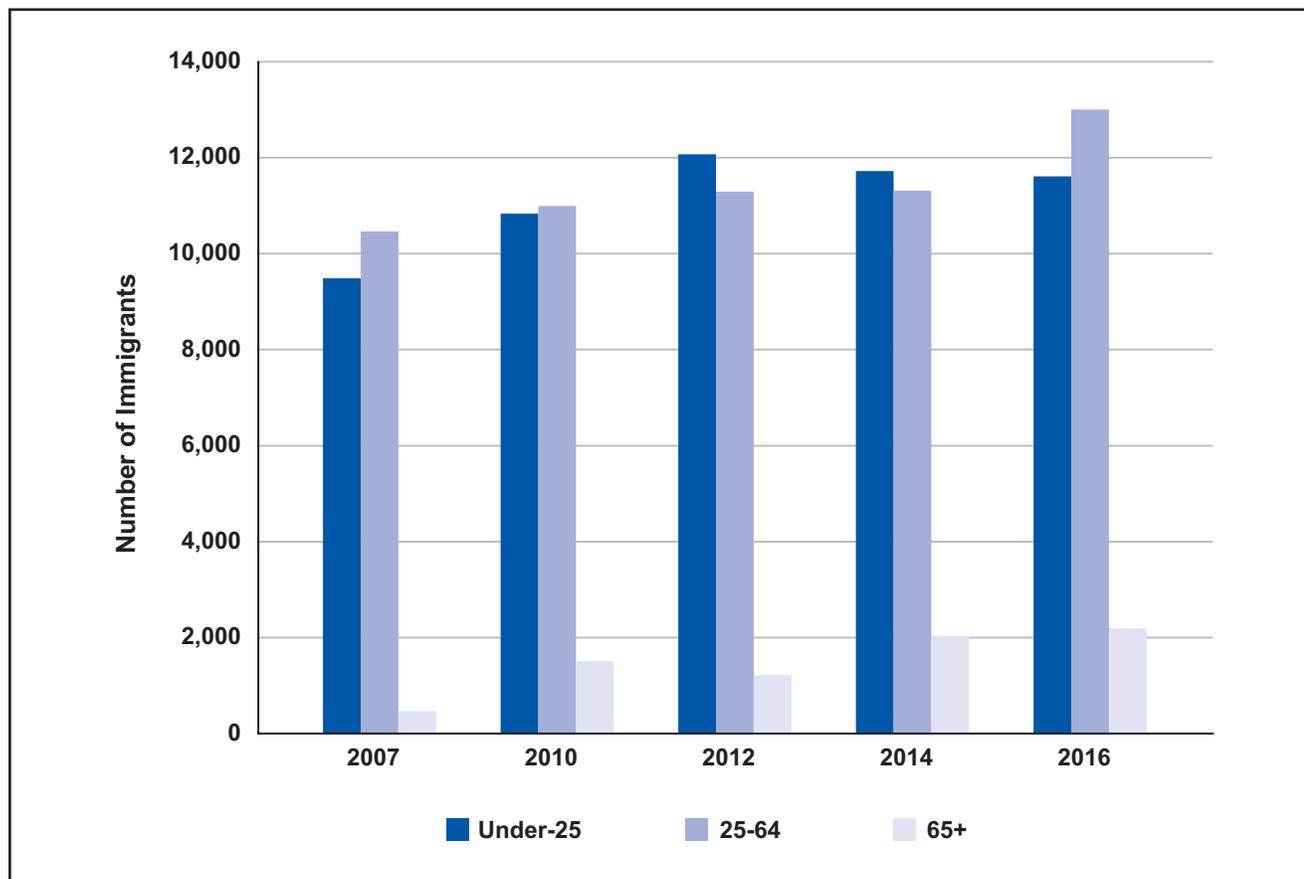


Source: American Community Survey, 2016

**Immigration:** Immigration plays an increasing role in Indiana’s racial and ethnic composition. The number of immigrants has risen over time, from 20,452 in 2007 to 26,787 in 2016 (Figure 37). The number of immigrants is split almost evenly between those under the age of 25 and those 25 to 64 years old. Only a small portion of immigrants are 65 years or older, though the number of senior immigrants is increasing. In addition, there are almost 85,000 second-generation Americans living in Indiana (American Community Survey, 2007, 2010, 2012, 2014 and 2016; U.S. Census Bureau, 2010, 2015; Wiechmann, 2017).

By 2016, the foreign-born population had grown to 5.3 percent of Indiana’s total population, up from 3.1 percent in 2000. Almost 40 percent have become citizens, 33 percent are legal permanent residents, and 27 percent are undocumented. Current immigrants in Indiana have come from Mexico and Central American countries (43 percent), followed by Asia (36 percent), Africa (7 percent), and Eastern Europe (5 percent) (Migration Policy Institute, 2016; American Community Survey, 2016; Aisch, Gebeloff, & Quealy, 2014; Migration Policy Institute, 2014).

**Figure 37.**  
**Immigration by Age, Indiana, 2007 to 2016**



Source: American Community Survey, 2016

Immigrants in Indiana vary widely in language, education, age, and skills, as well as in their financial stability. Within Indiana’s foreign-born population aged 25 and older, 29 percent have less than a high school education, compared to 10 percent of the native-born population. However, 15 percent of the foreign-born population has a graduate or professional degree, compared to 7 percent of the native-born population. They work in both low-skill and high-skill jobs, mainly in agriculture, manufacturing, logistics, warehousing, and the hospitality industry (American Community Survey, 2016; Cilluffo & Cohn, 2017; American Immigration Council, 2017; Colombo, 2016).

There are many well-educated and financially successful immigrants in Indiana. Yet there are also immigrant families with distinct challenges that make them more likely to be unemployed or in a struggling ALICE household. These challenges can include lower levels of education, minimal English proficiency, and lack of access to support services if their citizenship status is undocumented (American Community Survey, 2016; Aspen Institute, 2013).

As both workers and entrepreneurs, immigrants are an important source of economic growth in Indiana, making up 6 percent of the state’s workforce (194,611 workers) in 2015, according to the U.S. Census Bureau. Across the state, there were almost 20,000 immigrant-owned businesses that employed 8 percent of all self-employed residents and had combined sales receipts totaling \$515 million in 2015, according to the U.S. Census Survey of Business Owners. As consumers, the state’s immigrants had a combined purchasing power of about \$5.8 billion in 2014 (New American Economy, 2017; New American Economy, 2017a; American Immigration Council, 2017).

Indiana's undocumented workers make up less than one-third of the overall immigrant population. Nationally, the estimated number of undocumented immigrants in the U.S. roughly doubled from about 5.7 million in 1995 to about 11.1 million in 2014 with the undocumented population remaining stable since 2009 (about the same number of new undocumented immigrants arriving and leaving each year). In terms of race and ethnicity, Hispanic immigrants make up the largest share of the U.S. undocumented population — almost three-quarters — and Asian immigrants account for about 10 to 11 percent (National Academies of Sciences, Engineering, and Medicine, 2017; Pew Research Center, 2017; Gee, Gardner, Hill, & Wiehe, 2017).

Though undocumented residents make up a small subgroup of Indiana's immigrants, their fiscal impact is hotly debated. Undocumented workers make significant contributions to the economy and tax base; in 2014 they paid about \$92 million in state and local taxes. In addition, they are responsible for both economic activity and jobs: The Perryman Group estimates that if all undocumented immigrants were removed from the state, Indiana would lose \$9 billion in economic activity and almost 48,000 jobs. According to the U.S. Chamber of Commerce, removing undocumented workers nationwide would not lead to the same number of job openings for unemployed Americans for two reasons: first, because it would remove millions of entrepreneurs, consumers, and taxpayers from the U.S. economy; and second, because immigrants and native-born workers typically do not compete for the same jobs (U.S. Chamber of Commerce, 2013; Perryman Group, 2008; Colombo, 2016).

Critics, however, argue that undocumented workers use community resources. Yet these are primarily local government services such as K–12 education, parks, and highways — services available to all Indiana residents. Indiana does not provide any other types of assistance for undocumented residents (Pew Charitable Trusts, 2014; Pereira, et al., 2012).

The fiscal impact of undocumented residents also shifts as the children of immigrants become adults. At working ages, these second-generation immigrants are among the strongest economic and fiscal contributors within the U.S. (National Academies of Sciences, Engineering, and Medicine, 2017).

Overall, immigrants have a positive impact on long-term U.S. economic growth. Immigrant workers run businesses and pay taxes, contribute to a range of fields from engineering and science to the service sector, and in 2012 were 30 percent more likely to start their own businesses than native-born residents. One-quarter of public U.S. companies backed by venture capital have been founded by immigrants — companies including Google, Intel, and eBay. At the other end of the occupational spectrum, in service jobs, lower-skilled immigrant workers such as child care providers or caregivers form the foundation that enables higher-income parents to pursue full-time careers while having children. All of these disparate factors contribute to economic growth and the tax base (National Academies of Sciences, Engineering, and Medicine, 2017; Furman & Gray, 2012).

Immigrants and their children will account for the vast majority of current and future U.S. workforce growth. Nationally, the portion of the labor force that is foreign-born has risen from about 11 percent to just over 16 percent in the last 20 years. Without immigrants, there would be an estimated 18 million fewer working-age adults in the country in 2035, and U.S. population growth would be less than 1 percent annually, slow by historical standards (National Academies of Sciences, Engineering, and Medicine, 2017). The full size of the next wave of immigrant workers and their children is not yet clear and could impact the growth trajectories of all age groups in Indiana.

## Implications of Demographic Trends

The growth of Indiana's millennial, baby boomer, and immigrant populations will have an impact both on the wider economy and on the communities where ALICE lives and works. As these changes unfold, there will be opportunities to improve financial stability for ALICE families in Indiana, but there will also be additional pressures, particularly in two areas — infrastructure and elder care.

### Infrastructure

There will be greater pressure on the state's infrastructure, especially the housing market for smaller, affordable rental units. Different groups prioritize different amenities for these units: Many young millennials prefer units near urban centers with shopping, restaurants, and public transportation; seniors generally want housing that is accessible to family, health care, and other services; and many immigrants want locations close to schools, jobs, and public transportation. However, unless changes are made to Indiana's infrastructure or housing stock, the current shortage of affordable housing units will increase, pushing up prices for low-cost units and making it harder for ALICE households to find and afford basic housing.

Changes in modes of transportation may offer Hoosiers more options in the future. With the rise of new forms of transportation, from ride-sharing companies like Uber to the prospect of self-driving cars, there are more ways to be mobile than owning a car or using public transportation. With many millennials preferring not to own cars and many older adults no longer driving, these services will be desirable. For example, for seniors in rural areas who are no longer able to drive, self-driving cars could enable them to get to doctor's appointments, family, and grocery stores. While we have yet to see the definitive shift toward automation predicted to happen in the next decade, self-driving technology is already being used in the long-haul trucking industry, enabling more goods to be transferred to and from rural areas. Ride-sharing companies have already altered the urban transportation landscape, providing new options for passengers but also impinging on the traditional taxi and livery industries, where many drivers are ALICE workers (Securing America's Future Energy, 2017).

The changing transportation dynamic could also impact social service and health care delivery. For example, Uber is currently working with Meals on Wheels to provide rides to volunteers doing food deliveries. In the future, fleets of publicly-owned self-driving cars could provide transportation for seniors and those with a disability to doctor's visits and social services at a fraction of the cost of building a new and easily accessible public transportation system (Cakebread, 2017; Arcadis, HR&A Advisors, and Sam Schwartz, 2017; Zimmer, 2016).

Housing could also be impacted by the evolution of self-driving cars. If they can offer lower-cost transportation and more productive commuting time, the proximity of housing to work and amenities might become less important, thereby increasing the range of locations for affordable housing. In addition, a reduced need for car ownership will change the demand for houses with garages, and for on-street parking (Jiao, Miró, & McGrath, 2017).

### Elder Care

The aging population will increase demand for geriatric health services, including assisted-living and nursing facilities, and home health care. There will be increasing challenges to ensure seniors get the care they need, including not having enough savings and relying on fewer available caregivers.

**Numbers of available caregivers:** In Indiana, the caregiver support ratio — the number of potential caregivers aged 45 to 64 for each person aged 80 and older — was 7.2 to 1 in 2010 and is projected to fall to 4.3 to 1 by 2030 and then to 3.2 to 1 in 2050. Out of the 50 states, the Long-Term Services and Supports State Scorecard ranked Indiana last in 2014 in its support for family caregivers and 47<sup>th</sup>

overall in its long-term support and services for older adults on a scale that measures affordability, access, and quality of life. Indiana’s poor performance was driven by the high cost and lack of availability of home- and community-based caregiving options (Reinhard, et al., 2014; AARP Public Policy Institute, 2015; Redfoot, Feinberg, & Houser, 2013).

With the increased demand for caregivers, there is a growing need for more paid direct-care workers (home health aides, personal care aides, and nursing assistants), who are themselves likely to be ALICE. Personal care aides, one of the fastest-growing jobs in Indiana, are paid \$9.77 per hour and require reliable transportation, which can consume a significant portion of the worker’s wage. These jobs do not require extensive training and are not well regulated, yet they involve substantial responsibility for the health of vulnerable clients. Together, these factors may lead to poor-quality caregiving and the risk of physical, mental, and financial abuse and neglect — an issue that is on the rise in Indiana and across the country (MetLife Mature Market Institute, 2011; U.S. Bureau of Justice Statistics, 2015; Indiana Department of Workforce Development, 2018).

**Immigrants in the caregiving workforce:** Immigrants make up a large share of employees at the nation’s nursing homes, assisted-living facilities, and home-care agencies. A recent study found that one in four direct care workers is foreign-born, and that share is probably much higher among “gray market” workers — home care workers hired directly by families and often paid under the table (Espinoza, 2017).

The immigrant direct-care workforce is economically and politically vulnerable. These workers are largely women who work mostly part-time or seasonal jobs with a median annual income of \$19,000, despite the fact that immigrant direct-care workers are more likely to have higher education degrees than U.S.-born direct-care workers. Fewer immigrant direct-care workers are nursing assistants, who earn more and more often have employer-sponsored health insurance. A large majority of immigrant direct-care workers come from Central American, Caribbean, and Southeast Asian countries that have been the target of immigration restrictions in the last year. Losing direct-care workers from these populations at a time when the U.S. senior population is growing would both increase the cost and reduce the quality of care, adding pressure to families to provide their own care (Espinoza, 2017).

**Unpaid family caregivers:** While families of all income levels may choose to care for family members themselves, many ALICE caregivers are forced into the role because they cannot afford to hire outside care. Half of all family caregivers report that they had no choice in taking on their caregiving responsibilities, and almost half (47 percent) report household income of less than \$50,000 per year (AARP Public Policy Institute, 2015).

Family caregiving has significant value; the presence of an informal caregiver can improve well-being and recovery and defray medical care and institutionalization costs. Yet caregiving is also costly for families in several ways, including, mental and physical strain on the caregiver, direct costs, and lost income due to decreased hours or job loss, which also impact future earnings (Rainville, Skufca, & Mehegan; AARP Public Policy Institute, 2015; Dixon, 2017; MetLife Mature Market Institute, 2011; Ramchand, et al., 2014; Tanielian, et al., 2013).

# MARKET INSTABILITY

There are a few trends converging to destabilize markets and reshape the American, if not the global, workforce: the ripple effects of natural and human-made disasters through a connected global economy; the shifting of risk from companies to workers and from high- to low-wage jobs; and the effects of technology on jobs and workplaces.

Each of these trends is likely to become more prevalent going forward — and because ALICE workers have the fewest resources to weather instability and risk, these changes will impact them disproportionately. According to a recent workforce survey, more than three-quarters of U.S. workers live paycheck-to-paycheck at least some of the time, and nearly that many are in debt. What makes market instability especially difficult for ALICE families is their lack of financial resilience: They do not have savings or other resources that might sustain them through a low period of income or an unexpected disaster. Instead, an emergency can quickly spiral into a crisis, with devastating consequences for households (CareerBuilder, 2017).

## Disasters Felt Globally

The global economy is a complex, integrated system, which shares technological advances as well as disruptions. Technology has expanded international connections and increased the speed of these interactions; but that connectedness can function both for better (fresh fruit in winter from South American countries) and for worse. When an earthquake and tsunami pummeled Japan in 2011, the global supply chain of semiconductor equipment and materials was disrupted. With Japan responsible for 20 percent of the global semiconductor market, the cost of the world's semiconductor products increased, including those made for Apple's iPad. Unlike the U.S. with the Federal Reserve, there is no governing body to help moderate the effects of global disasters, inflation, or dot.com bubbles (Amadeo, 2011; Morgenstern, 2011; van Paasschen, 2017; World Economic Forum, 2017).

## Workers at Risk

The changing economy has put pressure on businesses to seek new ways to improve productivity and reduce costs. A common practice has been to shift the risk of market fluctuations in supply and demand from the business to the worker. For example, when crops are reduced after a drought, there are lower wages for field hands due to less work even if farm owners can charge more for limited output; and when demand for vacations falls after a hurricane in a tourist destination, hotels and restaurants can cut their losses by sending home workers. Risks from environmental hazards, natural and human-made, are also often pushed onto workers and low-income communities. Lower-income workers are particularly likely to be exposed to hazards such as pollutants in factory work, chemicals and pesticides in farming and manufacturing, and injuries in nursing and construction.

Since these costs are often cumulative, intensifying as the volume of risk increases, years of such practices are being more harshly felt today, such as with the global effects of pollution and climate change. ALICE families are especially vulnerable to droughts, floods, crop failures, violent weather, rising sea levels, and ocean acidification — events that directly threaten their homes and their jobs (NASA, 2018; van Paasschen, 2017).

The growing use of a contingent workforce — another recent structural shift among U.S. businesses — enables companies to scale up or down more nimbly, but it subjects workers to unexpected gains or losses in work hours, making it difficult for ALICE households to pay bills regularly or to make long-term financial plans. Contingent work also reduces the responsibility of employers to provide benefits, such as health insurance and retirement plans. This increases costs to ALICE families and leaves them more vulnerable should they have a health crisis or have to retire early. And because some employer or government benefits — including paid and unpaid time off, health insurance, unemployment insurance, public assistance, and work supports — are tied to number of hours worked, unpredictable scheduling can put those benefits in jeopardy. For example, low-wage workers are 2.5 times more likely to be out of work than other workers, but half as likely to receive unemployment insurance (Garfield, Damico, Stephens, & Rouhani, 2015; Watson, Frohlich, & Johnston, 2014; U.S. Government Accountability Office, 2007).

## Disruptive Technologies and Job Turnover

The cost of disruption is often borne disproportionately by ALICE workers. For example, when a business invests in a technological innovation, it increases productivity, eliminates some jobs, and creates new ones. The business increases profits and the economy benefits from greater productivity. The employee with the new job only benefits if wages are high enough to cover the job transition costs that employee incurred. These include training to gain the skills needed for the job and the transaction costs of getting a new job (job search, relocation, new clothes, etc.). The employee in the old job, who may have been excellent in that role, may not have the skills for the new job and/or may be unable to relocate and therefore becomes unemployed, imposing huge immediate costs on his or her family.

One of the clearest examples of the impact that job turnover has on workers and the economy comes from the North American Free Trade Agreement. The agreement included funds to help workers whose manufacturing jobs move abroad as a result of foreign trade. In 2014, the cost to help more than 62,000 workers search for reemployment was just above \$300 million, and included job training, job search and relocation allowances, income support, and assistance with health care premium costs. That is more than \$4,800 per worker, savings that most ALICE workers who lose their jobs don't have (U.S. Department of Labor, 2014).

Employee turnover is also costly for businesses. From a human resources perspective, experts estimate that turnover costs account for 20 to 30 percent of the annual salary of workers making less than \$50,000, a cost that includes recruiting, interviewing, hiring, orientation and training, lost productivity, potential customer dissatisfaction, reduced or lost business, administrative costs, and lost expertise (Bersin, 2013; Bolden-Barrett, 2017; Boushey & Glynn, 2012; Merhar, 2016).

Finally, there are the costs of new technologies to consumers, including the time it takes to learn about a new product or process, the actual cost of the item, cancellation fees, and psychological effort and time to implement and incorporate it. ALICE families especially do not have the time or extra money to incur these costs and the disruption adds to ongoing stress of insufficient income (Klemperer, 1987; Zhang, Chen, Zhao, & Yao, 2014).

## Future Jobs

Indiana's workforce faces a future dominated by low-paying jobs requiring few advanced educational credentials. From 2014 to 2024, most of the fastest-growing jobs in Indiana will pay less than \$20 per hour. In terms of education, only 10 percent will require a bachelor's degree and 8 percent will require some college or post-secondary non-degree award. More than half of new jobs (52 percent) will not require any formal educational credential at all and 30 percent will require only a high school diploma (Figure 38) (Projections Central, 2016; Bureau of Labor Statistics, 2016; Iowa Workforce Development, 2017; Hall & Rogers, 2014; Hicks, 2014).

Many of these jobs are also at the greatest risk of being replaced by technology. In the next two decades, 81 percent of jobs in the top-20 fastest-growing occupations could be replaced by technology. According to a report by Ball State University, rural areas of Indiana are at greater risk to losing jobs due to automation than the Indianapolis metro area. In addition to automating existing jobs, technology is creating new on-demand jobs and services, with the most attention going to gig-economy jobs such as TaskRabbit work and Uber and Lyft driving (Frey & Osborne, September 2013; Center for Business and Economic Research, 2017).

**Predicting new occupations:** Moving beyond TaskRabbit and Uber, there is a wide array of new jobs predicted to arise in the next 20 to 30 years, including augmented reality architects, alternative currency bankers, waste data managers, 3-D printing engineers, privacy managers, wind-turbine repair techs, nano-medics, drone dispatchers, body part and limb makers, mass energy storage developers, and self-driving car mechanics (Frey T. , 2011; Hagan, 2017; Mejia, 2017; World Economic Forum, 2016).

While these jobs seem a long way from today's mechanics and personal-care providers, most are still maintainers jobs — largely filled by ALICE workers who care for the infrastructure and the workforce, in occupations that ensure the economy runs smoothly. In other words, our physical infrastructure may change, but it will still need maintenance, and the maintainer workforce will still need to be educated and cared for (Vinsel & Russell, 2016).

The new jobs, however, will not necessarily be filled by the same workers who held the jobs that these new titles replace. For example, a cashier does not necessarily have the skills to repair digital checkout kiosks. Jobs that remain, especially those that require lower levels of education, will be service jobs that cannot be automated — such as health aides, janitors, sales representatives, and movers — and will continue to be the lowest-paid. Yet even these jobs will increasingly require digital skills (Brynjolfsson & McAfee, 2014; Frey & Osborne, September 2013).

**Ability to work with technology:** In the face of rapidly rising computing power, an ability to work with data and make data-based decisions will become an increasingly vital skill even within maintainer jobs, so ALICE workers will need new skill sets. The ability to work with technology will be increasingly important for jobs at all levels, from retail assistants to more senior positions. With the increasing amount of digital information being generated and stored, there will be more value placed on utilizing data to improve business productivity. And with increased mechanization, many jobs will require working alongside machines as well as building and repairing them. In Indiana, this dynamic is already a big part of agriculture and manufacturing.

The McKinsey Global Institute estimates that in 60 percent of all occupations, an average of 30 percent of work activities are automatable, and therefore more workers will be required to work alongside machines (Manyika J. , 2017). For example, at Ford's Chicago Assembly Plant, operators used to spend 70 percent of their time scanning and 30 percent repairing defects. Now they spend 10 percent of their time scanning and 90 percent of their time finessing the final assembly of a vehicle (Hagan, 2017; Pete, 2013).

In addition, the pace of these changes may have to be faster than anticipated. For example, experts predict that 50 percent of subject knowledge acquired during the first year of a four-year technical degree in 2016 will be outdated by the time students graduate (OECD, 2016; World Economic Forum, 2016).

**More consultants, more risk:** Initially, the gig economy was seen as a way for many ALICE households to fill short-term gaps in standard employment, with work that might be more lucrative than jobs in the traditional employment market. However, the size of the contingent workforce has increased to up to one-third of the overall workforce, with estimates that it could reach 40 to 50 percent by 2020. With more and more workers solely reliant on contract work, the number of people experiencing gaps in income and going without benefits is also rising, and this trend is expected to increase (Abraham, Haltiwanger, Sandusky, & Spletzer, 2016; Edison Research, 2018; Freelancers Union & Elance-oDesk, 2016; Intuit, 2017; Katz & Krueger, 2016; Manyika, et al., 2016; Smith, 2016; U.S. Government Accountability Office, 2015; Gaggl & Eden, 2015).

**Figure 38.**  
**New Job Growth by Occupation, Indiana, 2014 to 2024**

Occupation	2014 Employment	Annual New Growth	Hourly Wage	Education or Training	Likelihood of Being Replaced by Tech
Retail Salespersons	92,130	4,270	\$9.53	None	92%
Combined Food Prep, Including Fast Food	83,210	3,890	\$8.56	None	92%
Team Assemblers	80,790	2,780	\$12.78	High school diploma or equivalent	97%
Cashiers	69,780	3,290	\$8.83	None	97%
Laborers and Movers, Hand	60,290	2,610	\$11.48	None	85%
Registered Nurses	59,050	2,510	\$27.77	Bachelor's degree	1%
Office Clerks	52,750	1,450	\$12.38	High school diploma or equivalent	96%
Heavy and Tractor-Trailer Truck Drivers	52,560	1,440	\$18.93	Postsecondary nondegree award	79%
Waiters and Waitresses	50,190	2,710	\$8.92	None	94%
Janitors and Cleaners	43,960	1,300	\$10.96	None	66%
Customer Service Representatives	43,060	1,550	\$14.90	High school diploma or equivalent	55%
Stock Clerks and Order Fillers	40,530	1,670	\$10.64	High school diploma or equivalent	64%
Bookkeeping and Auditing Clerks	37,230	370	\$16.43	Some college, no degree	98%
Secretaries and Administrative Assistants	36,810	590	\$15.07	High school diploma or equivalent	96%
General and Operations Managers	33,880	1,230	\$41.83	Bachelor's degree	16%
First-Line Supervisors of Retail Sales Workers	33,350	1,020	\$17.23	High school diploma or equivalent	28%
Nursing Assistants	32,070	1,140	\$11.08	Postsecondary nondegree award	16%
Sales Representatives	31,830	950	\$26.55	High school diploma or equivalent	85%
Maintenance and Repair Workers	30,540	1,100	\$17.48	High school diploma or equivalent	64%
Farmworkers and Laborers	28,620	1,090	\$10.31	None	5%

Source: Frey & Osborne, September 2013; Indiana Department of Workforce Development, 2018

# GROWING INEQUALITY OF HEALTH

The third trend that will affect ALICE households throughout Indiana is an increasing level of inequality in health. The cost of health care is increasing for all but the healthiest Indiana residents. That cost is also increasing for government and businesses — a trend that is not sustainable, and that will most likely result in less access to quality health care for ALICE families, more costly health emergencies, and poorer health overall.

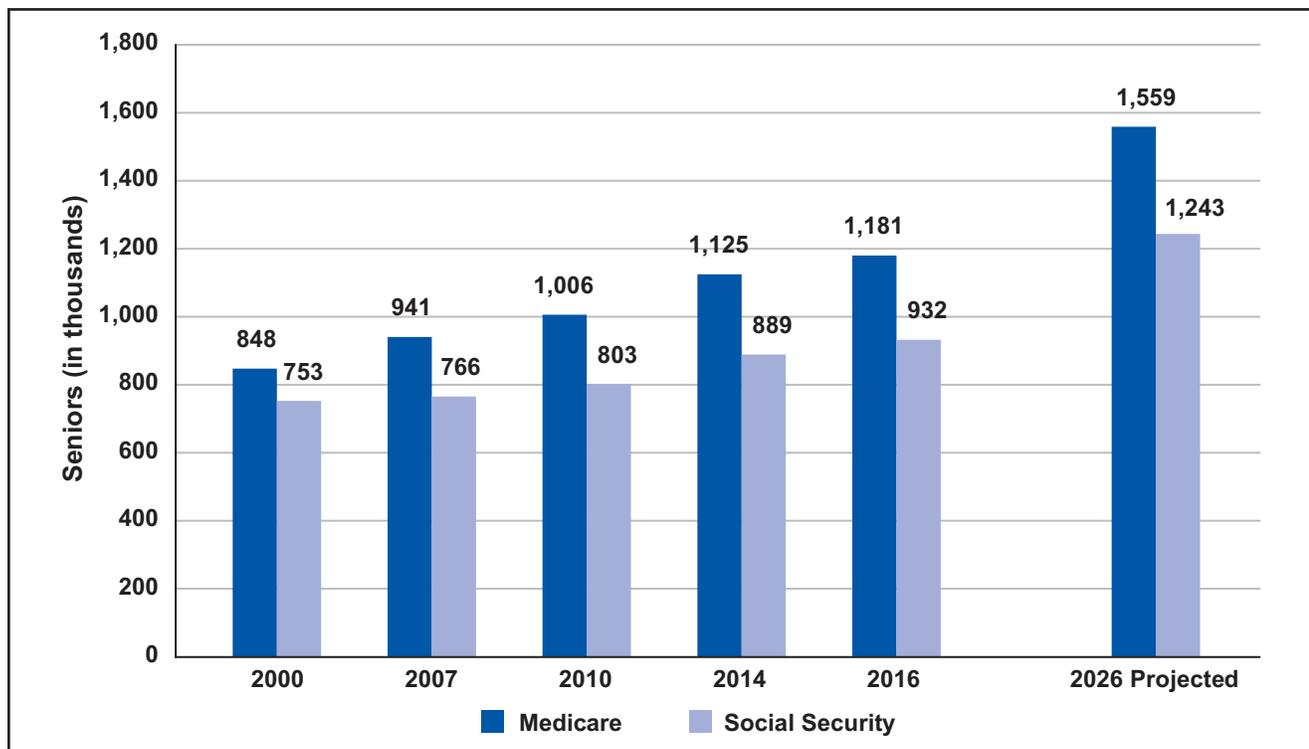
## Cost of and Access to Health Insurance

**The dwindling power of Medicare and Medicaid:** The recent uptick in the percentage of Hoosiers with health insurance is in large part due to the expansion of Medicaid. With more people covered and a falling ratio of workers to Medicaid recipients and seniors, there will be growing demand and falling sources of revenue.

Aging in particular adds significant costs to health care. While many seniors are active and healthy, as they live longer they require more health care than their younger counterparts. Chronic conditions such as cancer, dementia, and diabetes increase with age, and older bodies are more prone to injury. As a result, health care costs for seniors are higher than for other age groups. For example, nationally in 2010, health care spending amounted to \$18,424 per person for people aged 65 and older, tripling the \$6,125 that was spent on working-age individuals. And that spending gap only widens as seniors reach 80 and 90 years old (Leatherby, 2016; De Nardi, French, Jones, & McCauley, 2015; Neuman, Cubanski, Huang, & Damico, 2015).

An aging population and increasing health care costs will impact the effectiveness and demands of Medicare and Medicaid on health care providers, beneficiaries, and taxpayers. As the Indiana population ages, enrollment in Medicare and Social Security has increased steadily and is projected to increase even more. Medicare enrollment increased from 847,600 Hoosiers in 2000 to 1.2 million in 2016 and is projected to rise to 1.6 million in 2026 (a 32 percent increase from 2016 to 2026). The number of Indiana residents collecting Social Security increased from 753,000 in 2000 to 932,284 in 2016 and is projected to reach 1.2 million in 2026 (a 33 percent increase from 2016 to 2026) (Figure 39).

**Figure 39.**  
**Enrollment in Medicare and Social Security, Indiana, 2000 to 2026**



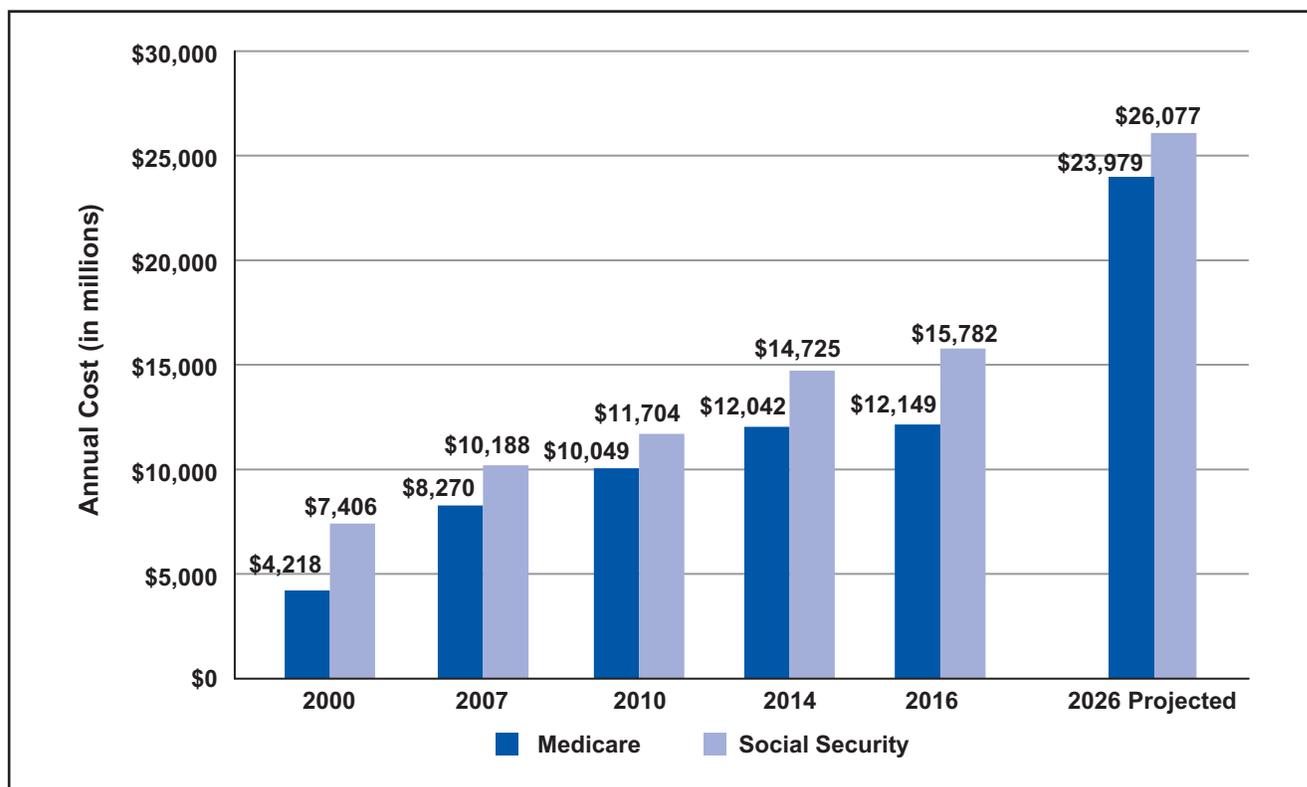
Source: Centers for Medicare & Medicaid Services, 2000, 2007, 2010, 2014; Centers for Medicare & Medicaid Services, 2017; Social Security Administration, 2000, 2007, 2010, 2014, 2016

Medicare provides health care coverage primarily to adults ages 65 and over, but also to younger adults with permanent disabilities, and it has different sources of funding for different services, such as hospital care, physician care, and prescription drugs. Medicaid, which provides health coverage for low-income Americans, is often used by seniors to cover the long-term cost of nursing home facilities (Centers for Medicare & Medicaid Services, 2016)

Medicare spending is growing at a faster rate than the growth in the senior population, Social Security, or the overall economy. In Indiana, spending on both Medicare and Social Security is growing faster than their rates of enrollment and outpaces state economy growth. From 2000 to 2016, Medicare spending increased by an astonishing 188 percent, while Social Security increased by 113 percent. Spending is expected to rise from 2016 to 2026, though not quite as fast — with a 97 percent increase in Medicare spending and a 65 percent increase for Social Security (Figure 40).

Nationally, Medicare expenditures are expected to grow at an average rate of 7.1 percent from 2016 to 2025, higher than the 5.4 percent rate of economic growth overall. As a percentage of the Gross Domestic Product (GDP), the cost of Medicare will increase from 3.6 percent in 2016 to 5.9 percent by 2091. Medicaid spending, which slowed in its growth from 2016 to 2017, is expected to quicken and to average nearly 6 percent each year through 2025 — a direct result of the increasing elderly and disabled U.S. population (Centers for Medicare & Medicaid Services, 2017; Van de Water, 2017; Cubanski & Neuman, 2017).

**Figure 40.**  
**Cost of Medicare and Social Security, Indiana, 2000 to 2026**



Source: Centers for Medicare & Medicaid Services, 2000, 2007, 2010, 2014; Centers for Medicare & Medicaid Services, 2017; Social Security Administration, 2000, 2007, 2010, 2014, 2016; Congressional Budget Office, 2018; Cubanski & Neuman, 2017

Seniors will bear additional costs because Medicare does not cover all of their health care. Excluded are long-term services and supports as well as dental care, premiums, deductibles, and cost-sharing for Medicare-covered services. These costs are increasing to the point at which out-of-pocket health care costs are likely to use up half of a Medicare beneficiary's average Social-Security income by 2030 (Cubanski, Neuman, Damico, & Smith, 2018).

**Decreased availability of employer-sponsored health insurance:** ALICE households also face the challenge of declining rates of employer-sponsored health insurance. Insurance through large employers has remained steady or even grown in some places, but some small employers have dropped insurance benefits. Nationally, while 96 percent of employers with 50+ employees offered health benefits in 2016 (up from 95 percent in 2014), the share of businesses with fewer than 50 employees offering coverage dropped from 32 percent in 2014 to 29 percent in 2016 (Stearns, 2017). These struggles are exacerbated by the increasing proportion of workers who rely on contingent work, which typically offers no insurance coverage (Noguchi, 2017). In addition, the repeal of the Affordable Care Act's individual mandate in the 2017 tax bill means that more younger, healthier people will be more likely to forgo health insurance going forward, making insurance more expensive for those remaining in the market (Pear, 2017).

## The Wealth-Health Gap

Socioeconomic status has long been a powerful determinant of health. The National Academies of Sciences, Engineering, and Medicine projects that of people born in 1960, those in the lowest-income quintile have a shorter life expectancy than those in the highest-income quintile: 13 years shorter for men (76 years compared to 89 years) and 14 years shorter for women (78 years compared to 92 years) (National Academies of Sciences, Engineering, and Medicine, 2015).

The health-wealth divide is exacerbated by differences in the safety of both living and working environments depending on income. Those with the fewest resources live and often work in areas with unhealthy conditions, such as contaminated water and polluted air, because those areas are less expensive. The impact of pollution, toxic exposure, and disease compounds over time, and without resources, these families cannot afford to move to safer areas, mitigate these hazards, or avoid risky workplaces.

Race and ethnicity are also tied to the level of adverse environmental exposure people face in their neighborhoods and at their jobs. A variety of large studies have revealed an association between low socioeconomic status and greater harm from air pollution. A comprehensive review from Harvard University researchers revealed that compared to the rest of the population, Black, Asian, Hispanic, and Medicaid-eligible individuals had a higher likelihood of death from any pollution-related cause, with Black people almost three times as likely to die from exposure to air pollutants than other groups (Di, Wang, Zanobetti, & Wang, 2017). Moreover, a 30-year analysis of 319 commercial hazardous-waste treatment and storage sites in the U.S. found a consistent pattern of placing hazardous-waste facilities in low-income and primarily Black and Hispanic neighborhoods (Mohai & Saha, 2015).

These differences are projected to grow wider as the compound impact of unsafe living and working environments produces even poorer health outcomes for those with the fewest resources, while technical advances in medical care offer even better health outcomes to those with the most resources (National Academies of Sciences, Engineering, and Medicine, 2015; Chetty, Stepner, Abraham, & al, 2016; Komlos & Kelly, 2016).

The health care gap could increase in two ways. First, precision medicine — the ability to personalize medical treatments, products, and intervention — is increasingly effective, but too costly and therefore out of reach for many patients. This is especially the case when it comes to treatments for cancer and rare diseases. Second, biotechnology and genetic engineering have made it possible to upgrade preventative health, beyond treatment of a specific injury and disease. Researchers are, for example, experimenting with procedures that could enable families to correct genes that cause illnesses like cystic fibrosis, or add genes that protect against infection or dementia, and pass those improvements on to future generations. Yet these types of innovations are extremely expensive (Harari, 2014; Komlos & Kelly, 2016; Regalado, 2015).

# THE DENTAL HEALTH DIVIDE

Nowhere is the wealth-health divide starker than in the disparity in dental care. Higher-income Americans have dental health insurance (most often separate from health insurance) and access to care that helps prevent tooth decay and breakage, and promotes jaw comfort, clear speech, and easier maintenance — all of which lead to better overall health. They often spend thousands of dollars on supplemental dental care to achieve whiter, straighter, stronger smiles, which leads to more social and job opportunities.

Those with the lowest incomes rarely have dental insurance and therefore forgo preventative care. They are far more likely to suffer from tooth decay and gum infection, which can increase the risk of cancer and cardiovascular diseases, and can affect speech and communication, eating and nutrition, sleeping, learning, playing, and quality of life. In addition, crooked or yellow teeth can stigmatize people in social settings and reduce job prospects, and they are associated with low educational achievement and social mobility. According to a 2015 American Dental Association survey, 29 percent of low-income respondents reported that the appearance of their mouth and teeth affected their ability to interview for a job.

Indiana's public health care plan, Hoosier Healthwise, provides coverage for children under the age of 19, pregnant women, and former foster care children through the age of 25 at little to no cost. And 93 percent of publicly insured children in Indiana live in areas where there is at least one Medicaid dentist per 2,000 publicly insured children within a 15-minute travel time. Yet, barriers to care, such as transportation and finding a dentist, still prevent children from getting preventative dental services. Indiana had the 12th largest relative gap in dental care utilization between Medicaid-enrolled children and children with private dental benefits of all U.S. states, at almost 20 percent.

The disparity in dental care is even greater for adults. In 2016, only 62 percent of Indiana adults visited the dentist or a dental clinic within the past year, ranking it 40<sup>th</sup> out of all 50 states. Dental care for adults is limited by the fact that many dental services require a co-pay, making them unaffordable for many ALICE families. Medicare does not cover routine oral health and dental care for seniors, but the state program Hoosier Care Connect for seniors and blind and disabled individuals provides low-cost care. Dental fees increased across all Indiana zip codes from 2011 to 2016, and one in five low-income adults in Indiana say that their mouth and teeth are in poor condition. Unable to afford expensive root canals and crowns, many adults simply have their teeth pulled. As a result, nearly one in five Americans older than 65 do not have a single real tooth. In Indiana, 18.5 percent of seniors have had all of their natural teeth removed, making Indiana the ninth highest ranking state by this metric.

Making matters worse, even those with dental coverage have difficulty accessing care in Indiana because there are 69 Dental Care Health Professional Shortage Areas (HPSAs), in both rural areas and urban areas, meaning that only 37 percent of need for care is met (Kaiser Family Foundation, 2017). In 2015, the mean ratio of citizens to dentists for the bottom 10 percent of counties in Indiana (based on dentist access) was 7,060 to 1 compared to the top 10 percent of counties, which had a 1,739 to 1 ratio.

*Sources: Frakt, 2018; Jordan & Sullivan, 2017; Health Policy Institute, 2015; Health Policy Institute, 2018; Paradise, 2014; Center for Health Care Strategies, 2018; Kaiser Family Foundation, 2017; Kaiser Family Foundation, 2016; Otto, 2017; Vujcic & Nasseh, 2015*

# NEXT STEPS

There is a basic belief in America that if you work hard, you can support your family. Yet the data presented in this Report shows that for nearly one million households in Indiana, this is not the case: Working families are still struggling due to the mismatch between the basic cost of living and the wages of many jobs across the state, exacerbated by systemic inequities in opportunity and wealth. By making this clear, the ALICE data challenges persistent assumptions and stereotypes about people who can't afford to pay their bills or are forced to visit a food bank — that they are primarily people of color, live only in cities, are unemployed, or are struggling as the result of some moral failing. The data on ALICE households shows that hardship in Indiana exists across boundaries of race, age, and geography.

With projected demographic changes and persistent barriers to stability, many ALICE and poverty-level families will continue to face hardship. In particular:

- At least 47 percent of Indiana households do not have enough money set aside to cover expenses for three months, let alone enough to be able to save for emergencies or for the future.
- The majority of adults under 25 years of age across the country are unable to afford to live on their own, and for both economic and cultural reasons are delaying getting married, having children, or moving for new job opportunities.
- More seniors are aging without saving for retirement.
- There are fewer workers to meet the growing demand for senior caregiving.
- Income and wealth disparities persist by race, ethnicity, sex, gender identity, and sexual orientation.

## OVERCOMING THE OBSTACLES: IDEAS BEING DEBATED, CONSIDERED, AND PILOTED

Economic change will continue, and these changes will both provide opportunity and inflict costs. Yet the distribution of opportunity and cost is not usually even or equitable. To have a positive impact on ALICE families, communities need to consider a range of system changes that would help ALICE to weather downturns in the short term and become more financially secure in the long term. Policymakers, academics, and advocates in the field have proposed a range of broad ideas that could be adapted on a local, statewide, or national front. The following are four of the biggest obstacles to financial stability for ALICE families, and a sample of ideas and pilot programs being debated and considered across the country.

### Widening Skills Gap

**1** Going forward, most jobs, and especially higher-paying jobs, will require digital skills. Since 2004, the share of occupations that require high levels of digital skills has more than doubled, from 10 to 22 percent (Liu, 2017). For ALICE to maintain employment over time, workers will need accessible, high-quality technology training throughout their lifetime. Public K–12 schools can incorporate digital skills into all aspects of the curriculum for students, higher education can offer more focused programs, and companies can invest in training for their employees.

## Lack of Stable and Viable Employment

2

For ALICE, finding well-paying jobs with security and financial stability is becoming harder as low-wage and gig-economy jobs continue to dominate the landscape. Fluctuating income — through unpredictable schedules and on-demand work — is one of the biggest problems ALICE workers face. At the same time, employers are also trying to navigate a changing business environment, remain competitive, and offer comprehensive benefit packages. The following are several possible solutions that address these challenges that ALICE workers and businesses face:

- **Fewer barriers to employment:** ALICE’s barriers can include lack of job skills, family care responsibilities, physical and mental health problems (including substance abuse), limited English proficiency, and lack of reliable transportation. There are several evidence-based solutions such as work programs that provide direct connections to employment (including apprenticeships); an individualized approach (to address a wide range of challenges, from soft skills to housing); and the development of career pathways over time through work and education. Successful outcomes require employers, government agencies, and nonprofits to weave together larger webs of connected programs and resources (Van Horn, Edwards, & Greene; Yellen, 2017; Tessler, 2013; Office of Planning, Research & Evaluation, 2012).
- **Portable benefits:** Benefits such as health insurance, retirement plans like a 401(k), or paid leave, could move with the worker from job to job, and across multiple jobs at once. These can be delivered in multiple forms — through programs that are not connected to work or the employer at all; or through programs that involve employers but establish benefits that can be provided across employers. Some examples of this approach already exist in the construction industry and business associations; legislators in New York and Washington are considering benefit management systems that would allow employers to pay into workers’ benefit funds (Foster, Nelson, & Reder, 2016; Strom & Schmitt, 2016; Guillot, 2017; Quinton, 2017; Maxim & Muro, 2018; Small Business Majority, 2017).
- **Small business support:** Because of the less stable nature of many small businesses, their employees would benefit from measures that helped them weather fluctuations in their schedule and long-term employment, which include establishing portable benefits as mentioned above. In addition, small business entrepreneurs and their employees need more support to help them overcome common barriers, including limited resources to invest in skill development; student debt, which limits an owner’s ability to invest in their businesses; and lack of access to affordable child care, which increases absenteeism and decreases their productivity (Small Business Majority, 2017; Small Business Majority, 2016; Beesley, 2016).
- **Lifetime employment:** Considering examples from other countries can expand thinking on this topic. For example, guaranteed employment is an innovative policy that has been utilized in Germany and Japan. Companies guarantee employment for large numbers of workers. To avoid layoffs, the practice allows for transfers and defined reductions in hours and wages in lean times (Noorderhaven, Sorge, & Koen, 2015).

## Lack of Savings and Assets

3

Without enough money for even current expenses, ALICE families find it nearly impossible to save for emergencies or invest in future goals like education or retirement. A lack of savings is one of the biggest problems facing low-income families. Programs and infrastructure are needed to help them weather emergencies and periods of low income. Here are two approaches for policy makers to consider:

- **Access to credit:** For those with low incomes, saving for emergencies is nearly impossible. Access to credit at low rates has proven to be effective to help ALICE workers and employers — especially small businesses — weather an emergency. However, ALICE families still need to have enough income to repay the loan, or they risk greater long-term financial crises (Collins & Gjertson, 2013; Mayer & Jencks, 1989).
- **Private and public financial instruments:** These range from new types of financial products to a guaranteed income or allowance. Employers could make wages more immediately available (rather than wait two weeks until payday), and banks could do the same for deposited funds. Financial institutions and the government could offer insurance or credit, as well as tax credits and savings incentives, to protect workers against dips in income. Going even further, for centuries economists, theologians, and policy makers have proposed a minimum guaranteed income for all families, though proposals run the gamut of approaches. The idea has received more bipartisan attention recently as more workers face periods of low-wages or unemployment (Murray, 2016; Schiller, 2017; Parijs & Vanderborght, 2017; Shaefer & Edin, 2013).

## Systemic Bias



Bias against marginalized groups persists in the workplace, the housing market, education, health care, and the law, despite positive shifts in public opinion and attitudes regarding differences in race and ethnicity, age, sex, gender identity, sexual orientation, and disability.

Racial bias is among the most persistent, despite research confirming that the gaps in education, income, and wealth that now exist along racial lines in the U.S. have little to do with individual behaviors. Instead, these gaps reflect systemic policies and institutional practices that create different opportunities for people of different races and ethnicities. Discriminatory practices have been embedded in our social structures and legal system, especially in terms of housing policies, immigration practices, voting rights, school funding, and health care programs. To make a difference for ALICE households, changes need to be made within institutions that impede equity in the legal system, health care, housing, education, and jobs (Shapiro, Meschede, & Osoro, 2013; Cramer, 2012; The Sentencing Project, 2018; Agency for Healthcare Research and Quality, 2015; Goldrick-Rab, Kelchen, & Houle, 2014).

**For solutions to be effective, they must be as comprehensive and as interconnected as the problems are.** Siloed solutions do not work. Because conditions vary across counties and states, the solutions to the challenges that ALICE and poverty-level households face will vary as well. Stakeholders — family, friends, nonprofits, businesses, policy makers, academics, and the government — will need to work together with innovation and vision, and be willing to change the structure of the local and national economy and even the fabric of their communities.

Ultimately, if ALICE households can become financially stable, Indiana's economy will be stronger and its communities more vibrant — improving life not just for ALICE, but for everyone. The data detailed in this Report can be a jumping-off point to create new and better ideas that can help working families move toward this goal. There is no one solution: A range of strategies will be needed to ensure that working people and their families aren't left behind.

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