

The Case For Paying Good Wages in Indianapolis

April 2022

In April 2022, the Good Wages Initiative publicly launched (press release [HERE](#)), certifying and showcasing employers who pay wages of \$18/hr and offer employer-sponsored health insurance for all full-time employees. Through this effort, the Initiative seeks to reduce the number of Marion County workers who cannot pay for their basic needs because of depressed wages. Equally important, participating businesses will benefit from the Initiative's promotion of them as economically fair employers, which will attract entry-level job seekers needing sustaining wages, reduce turnover and its associated costs, improve employee productivity and engagement, and signal the employer's values to employees, customers, and the larger community. Additionally, participating businesses will gain access to exclusive events focused on hiring and recruitment, networking, and community-building.

This paper addresses fundamental questions about the premise of the Good Wages Initiative: paying wages that support a worker's ability to provide for themselves and their family benefits everyone – the employer, employees, and the community.

For more than a century, Indianapolis, known as the Crossroads of America, has been home to thriving businesses that drive a prosperous city. Unlike other cities, Indianapolis successfully evolved from a city based on manufacturing to a diverse economic center that is now a powerhouse for bioscience, technology, hospitality, and more.

This has been noticed nationally. Kiplinger named Indianapolis as one of the 10 Great Cities to Start a Business¹. Forbes put the city as one of the top cities for young professionals². Glassdoor named Indianapolis as the 3rd best city for jobs,³ and Livability included Indianapolis in its Top Ten Downtowns.⁴

Despite this recognition, Indianapolis faces many challenges.

Jobs, Wages, and Racial Inequity in Central Indiana

The start of the 21st Century for Indianapolis came with mixed news for local workers. On one hand, in the decade spanning 2006-2016, Central Indiana added more jobs than predicted for the area and more than the national average. This positive news is countered by the fact that nearly two-thirds of the net new jobs paid less than the regional average. During the same period, pay increases for *existing* jobs actually slowed. Per the *Advancing Opportunity in Central Indiana* report published by Brookings with the support of the Central Indiana Corporate Partnership, "...Central Indiana's industries increased earnings only about half as fast as their national counterparts, on average."⁵

¹ <https://www.kiplinger.com/slideshow/business/t006-s001-10-great-cities-for-starting-a-business/index.html>

² <https://www.forbes.com/sites/samanthasharf/2017/05/22/full-list-the-best-cities-for-young-professionals-2017/?sh=676d1e4a5f17>

³ https://www.glassdoor.com/List/Best-Cities-for-Jobs-LST_KQ0,20.htm

⁴ <https://livability.com/in/indianapolis>

⁵ [Advancing opportunity in Central Indiana](#), Pages 13-16

As a result, more than half of the jobs in Central Indiana today do not provide family-sustaining wages as well as access to health insurance⁶. **In other words, most local jobs put the middle class out of reach for workers.**

With the majority of Indianapolis' jobs not paying sustaining wages, it follows that over 30% of the region's residents (approximately 560,000 individuals) struggle to pay for essentials including food, housing, transportation, and healthcare.⁷ The racial disparity within this struggling portion of our community is startling. Forty percent of Hispanic adults and 34% of Black adults struggled to make ends meet, compared to 14% of White adults.⁸ (Note that these figures reflect pre-COVID 19 data.)

It is important to note within this pool of struggling residents, many of the adults are employed. These residents who work but cannot make ends meet are referred to by the United Way as ALICE (Asset Limited, Income Constrained and Employed),⁹ or the "working poor." Subsidies such as SNAP (Supplementary Nutrition Assistance for People, commonly known as "food stamps"¹⁰), vouchers for childcare (CCDF, or Childcare Development Fund), food pantries, free breakfasts and lunches through schools and more are required in order for full-time workers in our community to pay for their basic needs.

Of course, adults are not the only ones impacted by severe financial constraints. Thirty-nine percent of Central Indiana children live in homes where there are major challenges covering basic needs, with 84% of them living with a working adult.¹¹ Precarious finances at home have long-term effects on children. Out of the 100 largest metropolitan areas in the country, Indianapolis ranks 90th for intergenerational economic mobility, meaning that children growing up poor in Indianapolis have some of the lowest chances for earning more than their parents.¹² Per Brookings, "...the trends point to deepening multi-generational challenges— challenges that could inhibit the region's growth and prosperity in the future if left unaddressed."

Employers themselves feel negative effects from insufficient wages, as they lead to lower productivity and higher absenteeism.¹³ For example, the stresses of haggling with a landlord to avoid eviction this month and figuring out what food pantries can be visited so the kids can eat a substantive dinner can be quite consuming. For many low-wage workers, stresses like this are constant.

⁶ <https://indianagpsproject.com/explore-regions/central-indiana/>

⁷ [Advancing opportunity in Central Indiana](#), Page 19

⁸ [Advancing opportunity in Central Indiana](#), Page 21

⁹ More about ALICE is at www.unitedforalice.org

¹⁰ Although SNAP is often spent at a grocery store, it cannot be used to purchase everything found at a grocery store. Essentials such toilet paper, soap, laundry detergent, and feminine hygiene products cannot not be paid for with one's SNAP card (it looks like a debit card). SNAP benefits are quite limited. A household of 4 people in Indiana could receive a maximum of \$646/month total.

¹¹ [Advancing opportunity in Central Indiana](#), Pages 20 and 22

¹² [Advancing opportunity in Central Indiana](#), Page 22

¹³ <https://www.pii.com/blogs/realtime-economic-issues-watch/higher-wages-low-income-workers-lead-higher-productivity>

It is important to apply a racial equity lens in examining wages and household income. Per the Indy Hunger Network, Black residents in Central Indiana are 50% more likely than non-Blacks to face food insecurity.¹⁴

Weaving these facts together, a vicious cycle begins to appear. Most jobs in Central Indiana pay wages that don't support a worker's basic needs. A low-wage worker with extreme stresses around basic needs is not able to perform optimally at work. This holds back their employer's success, and limits the worker's chance for advancement, which keeps them in low-wage work. And it is Black residents who suffer this cycle most frequently.

A Way Forward

The COVID-19 pandemic and racial reckoning in 2020 are prompting changes within families, businesses, schools, philanthropy, social service providers, communities and our entire country. In conversations at all levels, "the way we've done things" is being scrutinized as we reflect on where history has gotten us and what is most important. The year of disruption has shifted our community – and our country – into a period of creativity and innovation focused on doing better in all ways as we move forward.

Doing better inclusively is central to the strategy of the Good Wages Initiative, because good wages benefit all: businesses, workers and families, and our community's racial equity. Additionally, given the disproportionate representation of Black residents in low-wage jobs, raising wages will likely lead to an increase in racial equity, as well.

The Good Wages Initiative utilizes a voluntary, market-based approach to inclusive growth, different than mandatory, policy-based efforts like raising the minimum wage. Through the Good Wages Initiative (LWI), employers who pay Central Indiana's good wage of \$18/hour to full-time employees and offer health insurance¹⁵ may be certified as Good Wage Employers, a status that is then broadly marketed by LWI and incorporated into marketing and branding of certified employers. No one is called out for lower wage levels. Rather, the spotlight simply focuses on employers who are paying good wages, thus allowing job seekers and consumers to seek out these businesses and organizations.

So, what could be expected by raising wages to at least \$18/hour?

Impact On Employers

Benefits to employers have been documented in numerous studies of the impact of actual wage increases.

- **Higher productivity:** Gains in productivity alone nearly paid for the wage increases.¹⁶
- **Lower turnover:** In one study, annual turnover of security screeners dropped from 95% to under 19%.¹⁷ In another study, nearly doubling the wages for homecare workers over a 52-

¹⁴ <https://www.indyhunger.org/wp-content/uploads/2020/11/IHN-Unmet-Need-Infographic-Flyer.pdf>

¹⁵ [Advancing opportunity in Central Indiana](#), Page 26

¹⁶ https://www.jstor.org/stable/2234379?seq=1#page_scan_tab_contents

¹⁷ https://irle.ucla.edu/old/publications/documents/LivingWage_fullreport.pdf

month period resulted in retention rising from 39% to 74%.¹⁸ Of course, decreased turnover also **reduces recruiting and training costs**.

- **Improved sales performance:** In a retail setting, a wage increase of \$1/hour for an associate resulted into a sales increase of \$4-28/hour. Simply by reallocating payroll, a sales lift of 2.6% could be achieved with no additional costs.¹⁹
- **Improved productivity:** Following a pay increase from \$16/hour to \$18/hour, warehouse employee productivity rose 6.7%, as measured by the number of boxes moved per hour.²⁰
- **Decreased absenteeism:** Higher pay correlated with few days missed from work because of the worker’s own health.²¹

“At Costco, we know that paying employees good wages and providing affordable benefits makes sense for our business and constitutes a significant competitive advantage for us. It helps us in the long run by minimizing turnover and maximizing employee productivity, commitment and loyalty.”

*Craig Jalenik, CEO, Costco
Testimony to U.S. Senate Budget Committee
February 2021*

Following the implementation of Los Angeles’ living wage ordinance, a control group analysis study found, “Living wage establishments have witnessed a sizeable reduction in low-wage worker turnover, a drop in absenteeism, reduced overtime hours, and reduced job training relative to the control group of establishments.” Just as importantly, the study captured what did not occur following the wage increases. **“The ordinance appears to have had no significant impact on the use of part-time workers, the intensity of supervision, or the tendency of living wage firms to fill vacancies from within.”**²²

Paying workers sustaining wages provides **external benefits** in addition to the internal benefits noted above.

- **Customers shop with their values** - A 2020 study by IBM uncovered that 40% of shoppers are “purpose-driven” and want spend with companies that mirror their values²³.
- **Employee wages matter to buyers** – In a study testing the customer perspective on employers paying a minimum of \$12/hour versus \$16/hour, 71% of consumers indicated that they would prefer to buy from the business paying higher wages²⁴.

¹⁸ <https://escholarship.org/content/qt8km9s5m7/qt8km9s5m7.pdf>

¹⁹ <https://d1c25a6gwz7q5e.cloudfront.net/papers/1336.pdf>

²⁰ https://scholar.harvard.edu/files/emanuel_jmp.pdf

²¹ <https://www.degruyter.com/document/doi/10.1515/bejeap-2017-0097/html>

²² <https://economics.ucr.edu/wp-content/uploads/2019/11/10-17-03-Fairris-LWpaper2.pdf>

²³ <https://www.ibm.com/downloads/cas/EXK4XKX8>

²⁴ <https://www.gobankingrates.com/money/business/consumers-are-more-likely-to-support-brands-that-treated-employees-well-during-the-pandemic/>

Emerging from 2020's fresh examination of racism in the United States, consumers are increasingly interested in a company's actions to address racial inequality. Polling revealed that 84% of Americans felt that companies should pay good wages as part of addressing racial diversity, equity and inclusion²⁵.

In total, paying wages that sustain workers has tremendous benefits to employers.

Impact On Workers and Families

United Way agencies across the country, as well as academics, economists, city leaders, and non-profits, use the ALICE framework to capture – and even personify – low wage workers. ALICE stands for Asset Limited, Income Constrained, Employed. The United Way's ongoing research into the world of ALICE includes capturing the impact on households with sufficient income (i.e., good wages).²⁶

- Physical health improves
- Mental health improves
- Life expectancy increases
- Likelihood of children's developmental delays behavioral problems decreases
- Better educational performance outcomes
- Higher graduation rates

The impact of low wages and subsequent food insecurity on children is worth looking at more closely. The broad repercussions of food insecurity are well documented. In a macro-study of the the intersection of food insecurity, poverty and child development, researchers are clear. "Food insecurity, even at the *least* severe household levels, has emerged as a highly prevalent risk to the growth, health, cognitive, and behavioral potential of America's poor and near-poor children."²⁷

Specifically related to income, a longitudinal study of low-income households receiving a \$4,000 income boost showed a 15% higher probability of the youth completing high school. Additionally, the likelihood of youth in these families committing a crime at ages 16-17 decreased by 22%.²⁸

Higher wages can shift families into a virtuous cycle where by increased income leads to less stresses, more capacity for learning, and increased school achievement, which then leads to higher earnings and an altogether more positive trajectory.

Impact On Racial Equity

Looking at Black and White residents in Marion County, each group's presence in the workforce is nearly equal (65.5% and 66.4% respectively).

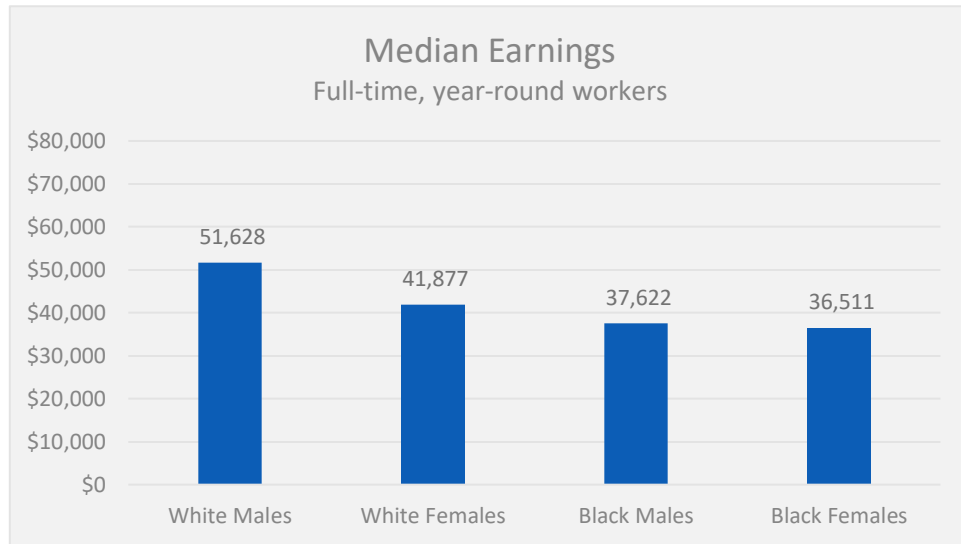
However, the race (and gender) wage inequities are stark. The chart below shows the median earnings points based on race and gender for full-time, year-round workers.

²⁵ <https://justcapital.com/news/the-american-public-wants-companies-to-take-action-on-advancing-racial-equity-especially-black-americans/>

²⁶ https://iuw.org/wp-content/uploads/2020/06/2020ALICEReport_IN-FINAL-5-26-20-Copy.pdf

²⁷ <https://pubmed.ncbi.nlm.nih.gov/17954670/>

²⁸ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2891175/>



Predictably, when Black workers earn as much as 30% less than White workers, the yield on work differs dramatically. Compared to White households, Black households...

- Are twice as likely to be in poverty
- Are half as likely to own home
- Are 50% more likely to have unaffordable rental housing²⁹

Conclusion

The Good Wages Initiative honors the complexity of labor markets. Our local economy and the general U.S. economic system require a plethora of differing jobs with varying compensation levels.

The good wage is a high bar - higher than recent national discussions for an increased minimum wage and significantly greater than the current minimum wage. There is - and will remain - a place in our economy for jobs that pay less than a good wage, especially jobs that provide critical opportunities for employees to provide labor while also building their foundation for success in the workforce.

Simultaneously, a number of Indianapolis employers already pay full-time employees \$18/hour and more. Another contingent of employers nearly pays a good wage and could bear the added costs with the expense offsets of lower turnover, higher productivity, and the enhanced branding that good wage certification brings. Further out, are employers who strongly identify with the business, worker/family, racial equity benefits that good wages brings, and they are ready to take on the work figuring out how to be part of a good wage network.

The presence of these employers combined with notable wage inequities, challenging trajectory for low-income households, and concerns about the economic growth of our city point to now being the time to chart a new direction for businesses, workers and our community.

Businesses, non-profit organizations, faith institutions and government entities who pay a good wage can proudly unite around an effort that positively progresses Indianapolis.

²⁹ <https://data.census.gov> based on 2019 American Community Survey

Appendix A - Additional Facts

If the minimum wage had kept track with U.S. productivity, it would be approximately \$24/hour today. Even if it had only kept pace with inflation, it would be \$12/hour.

<https://www.commondreams.org/views/2020/01/21/if-worker-pay-had-kept-pace-productivity-gains-1968-todays-minimum-wage-would-be-24>

Based on the multiplier effect, for every \$1/hour wage increase for low-wage workers, \$1.21 goes into the economy. https://ips-dc.org/wall_street_bonuses_and_the_minimum_wage/

Total cost of turnover averages \$3,500 per low-wage employee.

<https://www.investopedia.com/financial-edge/0711/the-cost-of-hiring-a-new-employee.aspx>

More than 40% of those living in poverty in Central Indiana are working.

<https://www.ibj.com/articles/68964-the-low-wage-job-trap-leaves-many-families-flailing>

As the Monon Trail in Indianapolis travels south from 96th Street to 10th street, life expectancy drops 14 years. <https://www.ibj.com/articles/68785-in-5-indianapolis-residents-lives-in-poverty-and-many-areas-are-getting-worse>

Wage inequity by the numbers (Marion County):

<https://data.census.gov> based on 2019 American Community Survey

- 14.9% of Black households considered “in poverty” compared to 7.7% (i.e., nearly half) of White residents
- The median income for Black households is 64% of White households (\$36,687 and \$57,399 respectively)
- 36% of Black households own homes compared to 62% of White households
- 44% of renters who are Black have rent under the recommend ceiling of rent (30% of household income) compared to 51% of White renters
- 74% of Black households have internet, compared to 87% of White households

A May 2018 [article](#) by the Indianapolis Business Journal compared the zip codes 46220 (88% White) and 46218 (26% White) in order to illustrate how the trajectory of one’s neighborhood varies greatly.

46218 (26% White): Median household income dropped 16% to \$23,203. Percent of families in poverty rose to nearly 38%. Median property values dropped 14.4% to \$34,000.

46220 (88% White): Median household rose 7% to \$66,279. Percent of families in poverty dropped to 2.2%. Median property values rose by 11.3% to \$180,300.

Across the state of Indiana, women make up 48% of the overall workforce, but 70% of the low-wage workforce. https://www.nwlc.org/sites/default/files/pdfs/final_nwlc_lowwagereport2014.pdf

Because low-wage workers spend additional wages rather than save, wage increases have a broader impact when applied to low-wage workers compared to wealthy individuals. Per [analysis](#) by the non-partisan Institute for Policy Studies:

"Every extra dollar going into the pockets of low-wage workers, standard economic multiplier models tell us, adds about \$1.21 to the national

economy. Every extra dollar going into the pockets of a high-income American, by contrast, only adds about 39 cents to the GDP.

These pennies add up considerably on \$26.7 billion in earnings. If the \$26.7 billion Wall Streeters pulled in on bonuses in 2013 had gone to minimum wage workers instead, our GDP would have grown by about \$32.3 billion, over triple the \$10.4 billion boost expected from the Wall Street bonuses."

As [shared](#) by Mark Cuban, owner of the Dallas Mavericks and co-star of Shark Tank:

"I am all for an indexed \$15 minimum wage for those 18 and older. Locations with a lower cost of living would get some amount less, and more expensive locations would get more. Three or four years ago, I went through the Mavs organization and the arena that we operate and asked who made less than \$15. For those who did, we put them on a program that got them there. We will continue to increase as we go forward. If we don't pay a good wage, then the people who work for me become dependent on government programs. That means that taxpayers would be subsidizing the costs of my companies. That is not just embarrassing--it's also the worst form of socialism."

Appendix B - Additional Resources

A 2019 Washington Post [article](#) examines the varied studies about the impact of wage increases and job loss.

Increasing wages does not have the negative effects on jobs, businesses, and inflation as commonly thought, offered a 2021 piece in [The Atlantic](#).

MIT professor Zeynep Ton's 2020 Harvard Business Review article "[Equality in the U.S. starts with better jobs](#)" highlights the fundamental importance of wages within the broad work of promoting racial inequity. Her book, **Error! Hyperlink reference not valid.**, and corresponding website (www.goodjobsinstitute.org) provide additional insights and resources, including tools for leaders to evaluate the status of their jobs and the business value in shifting to good jobs.

A closer look at the basic living costs for various household structures in Marion County can be explored with [MIT's Living Wage Calculator](#). Note that these household budgets do not include leisure activities, unpaid holidays or other time off, or any savings.

The Economic Policy Institute's briefing paper, "[The economic impact of local living wages](#)" summarizes and analyzes results from a host of studies about the impacts on workers, businesses and municipalities.

From the Indianapolis Business Journal (IBJ) in 2018: "[The low-wage trap leaves many families flailing](#)"








From the Indianapolis Business Journal (IBJ) in 2018: "[1 in 5 Indianapolis residents lives in poverty. And many areas are getting worse.](#)"

This [peer-reviewed piece from Investopedia](#) offers a summary of the arguments for and against the position that increasing wages increases inflation.

Appendix C – Benefits of Sufficient Income

The graphic below comes from the [Alice in Indiana: A financial hardship study: 2020 report](#) published by the United Way of Indiana. “Alice” is the acronym used for individuals often referred to as the “working poor.” ALICE = Asset limited, income constrained, employed

The Good Wages Initiative is grateful to United for Alice, the United Way of Indiana, and the United Way of Central Indiana for their ongoing research on ALICE and permission to use this infographic.

If households have sufficient income for...	Impact on ALICE	Impact on the Community
 Safe, Affordable Housing	Improved health through safer environments and decreased stress, improved educational performance and outcomes for children, greater stability for household members, a means to build wealth for homeowners	Less traffic, lower health care costs, better maintained housing stock, lower crime rates, less spending on homelessness/social services
 Quality Child Care and Education	Improved academic performance, higher lifetime earnings, higher graduation rates, improved job stability/access for parents, better health	Decreased racial/ethnic and socioeconomic performance gaps, decreased income disparities, high return on investment (especially for early childhood education)
 Adequate Food	Decreased food insecurity, improved health (especially for children and seniors), decreased likelihood of developmental delays and behavioral problems in school	Lower health care costs, improved workplace productivity, less spending on emergency food services
 Reliable Transportation	Improved access to job opportunities, school and child care, health care, retail markets, social services, and support systems (friends, family, faith communities)	Fewer high-emissions vehicles on the road, more diverse labor market, decreased income disparities
 Quality Health Care	Better mental and physical health (including increased life expectancy), improved access to preventative care, fewer missed days of work/school, decreased need for emergency services	Decreased health care spending, fewer communicable diseases, improved workplace productivity, decreased wealth-health gap
 Reliable Technology	Improved access to job opportunities, expanded access to health information and tele-health services, increased job and academic performance	Decreased “digital divide” in access to technology by income, increased opportunities for civic participation
 Savings	Ability to withstand emergencies without impacting long-term financial stability and greater asset accumulation over time (e.g., interest on savings; ability to invest in education, property, or finance a secure retirement)	Greater charitable contributions; less spending on emergency health, food, and senior services