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INCLUSIVE GROWTH IN INDIANAPOLIS A framework for equitable economic growth

BACKGROUND

Since 2017, the Indy Chamber has worked with Brookings Institute and other partners to assess progress on achieving inclusive economic growth in the Indianapolis region. They found that while the area's job growth exceeded national trends in recent years, Indianapolis trailed its peers in wage growth and the provision of high-quality jobs and services to all residents.

These local issues are representative of broader challenges for economic inclusion throughout the United States. Despite the economic growth seen in the past 40 years, inflation-adjusted wages for the bottom 50% of workers have been stagnant and upward mobility has declined.¹ At the same time, households across the country are experiencing increased housing cost burden,^A a trend that acutely impacts low-income households.² These economic challenges are further compounded by racial, ethnic, and gender inequities.

Given this context, this brief introduces a new data-driven framework for measuring inclusive growth and applies it to Indianapolis to track the city's progress on these goals. It identifies many significant challenges facing communities of color throughout the city and outlines several key recommendations for policy makers to consider as they work to foster economic inclusion for all regional households.

FRAMEWORK OVERVIEW

The new framework is built around four key categories of economic inclusion: existing assets and wealth, access to opportunity, economic pathways, and equitable

communities (Figure 1). The framework was based upon specific recommendations from prior research about indicators of economic inclusion. These recommendations stressed the importance of taking a multi-indicator approach,³ analyzing the geographic aspects of inclusion,⁴ and measuring outcomes for historically marginalized populations.⁵ Furthermore, research has shown that an adult's income is often determined by their starting position in life and where they lived as a child.⁶ The framework accounts for this by including measures of assets, wealth, and neighborhood equity. The framework also follows a human-focused approach,⁵ centering on people's needs and the ways in which they interact with broader social and economic systems.

The resulting framework can be viewed as a comprehensive life cycle model of economic inclusion. Comparing outcomes across race, gender, and community characteristics at each step of this journey illustrates how each interrelated factor impacts different populations across Indianapolis.

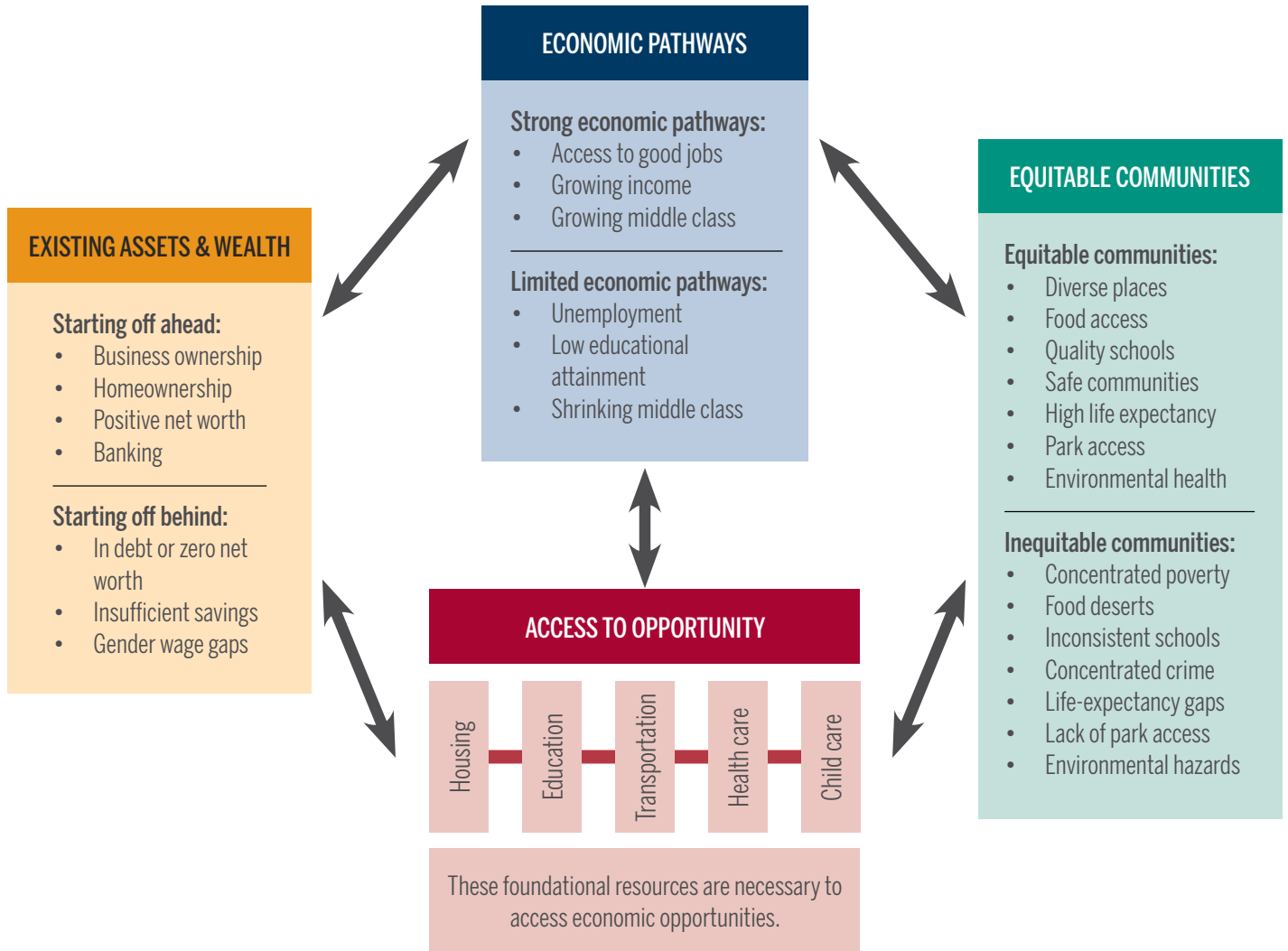
INCLUSIVE GROWTH FRAMEWORK

EXISTING ASSETS AND WEALTH

People's economic outcomes are heavily influenced by their starting positions in life—regardless of work ethic or innate abilities. These starting positions are often impacted by legacies of racism, gender inequity, and inequitable housing access. Wealth gaps can impact households in many ways, including household net worth, bank account access, home ownership, and business ownership. Built-in income discrepancies—such as poverty wages, gender wage gaps, and differences in business revenue—can amplify these wealth gaps.

A Housing cost burden is defined by HUD as spending 30% or more of a family's monthly income on housing expenses.

FIGURE 1. Inclusive growth framework



For example, Black and Hispanic/Latinx populations have higher levels of debt and less savings than other households in Marion County.⁷ These households also have home ownership rates that are more than 20% lower than those of white households. Additionally, while business revenue grew for most groups from 2012 to 2017, these changes have reinforced existing wealth disparities by favoring men and white business owners over other population groups.⁸ Furthermore, about 25% of Hispanic/Latinx households and 19% of Black households in Marion County do not have a bank account, a crucial asset for economic security.⁷

Women also face wage and ownership gaps. They have lower rates of business ownership, and the businesses they do own bring in less revenue than those owned by men.⁸ In addition, women earn only 81% of what men in the same occupations earn.⁹

ACCESS TO OPPORTUNITY

Access to opportunity can be best described as having the prerequisites for survival and participation in the economy. This category includes housing costs and homelessness, minimum education levels, availability of certified child care services, and transportation access.

Housing cost burden is a significant problem in Indianapolis and affects 31% of the city's households.¹⁰ This challenge is more common in majority-Black and racially diverse neighborhoods. When housing costs are high, households are more vulnerable to sudden shocks, such as increased rent or job loss. These events can trigger homelessness. In Indianapolis, Black residents experience homelessness more frequently than other racial or ethnic groups.¹¹

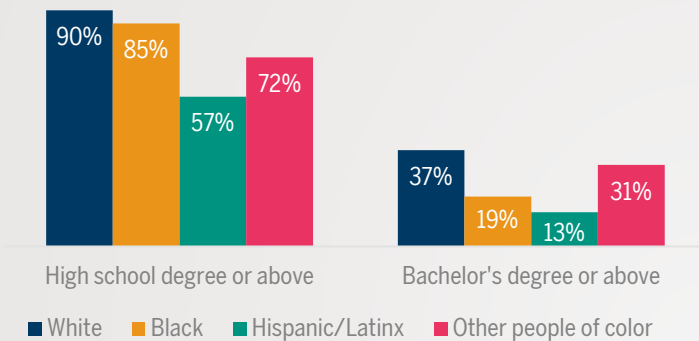


INCLUSIVE GROWTH IN INDIANAPOLIS

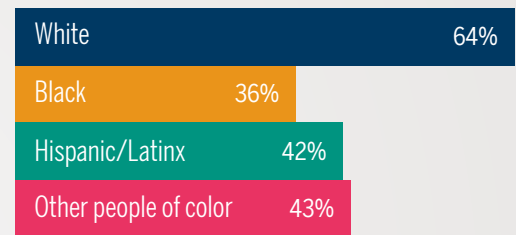
DEMOGRAPHICS



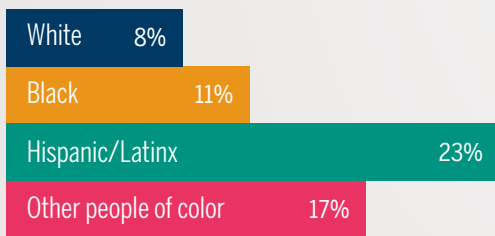
Educational attainment



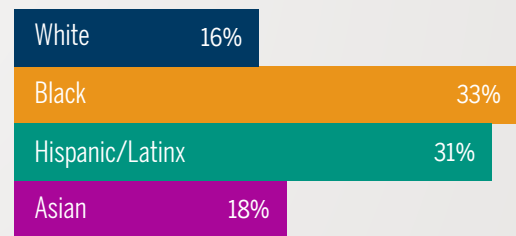
Homeownership rates



Percentage lacking health insurance



Households with debt/zero net worth



WOMEN



\$35,207

Median occupation-adjusted wages

2,844

businesses owned exclusively by women

\$1.7M

average revenue of women-owned businesses

ON AVERAGE

Women make 81% of the wages of men with the same occupation.

Men own 80% of businesses even though they make up 48% of the population.

Men-owned businesses generate nearly 3x the revenue generated by women-owned businesses.

MEN



\$43,285

Median occupation-adjusted wages

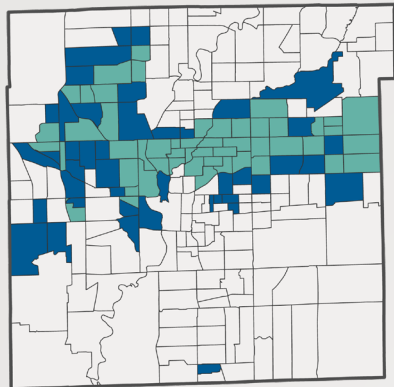
9,675

businesses owned exclusively by men

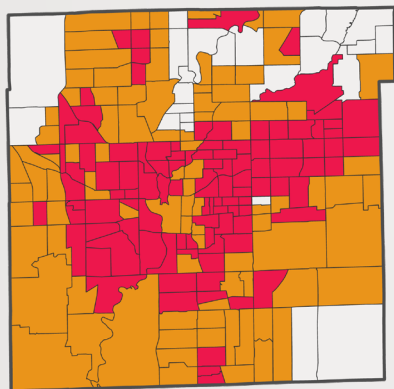
\$4.4M

average revenue of men-owned businesses

COMMUNITY TYPE







- Majority-Black
- Majority-white
- Racially diverse



- High income
- Moderate income
- Low income

MAJORITY-BLACK COMMUNITY RESIDENTS

RACIALLY DIVERSE COMMUNITY RESIDENTS

	8-YEAR LOWER LIFE EXPECTANCY than residents in majority-white communities	2-YEAR LOWER LIFE EXPECTANCY than residents in majority-white communities
	3X AS LIKELY to live in a food desert	2X AS LIKELY to live in a food desert
	8X AS LIKELY to live in concentrated poverty	12X AS LIKELY to live in concentrated poverty
	18% MORE LIKELY to have a low-wage job (<\$17/hr)	14% MORE LIKELY to have a low-wage job (<\$17/hr)

LOW-INCOME COMMUNITY RESIDENTS

MODERATE-INCOME COMMUNITY RESIDENTS

	300X MORE EXPOSURE to toxic chemicals than high-income communities	3,000X MORE EXPOSURE to toxic chemicals than high-income communities
	8X AS LIKELY to lack access to a vehicle	3X AS LIKELY to lack access to a vehicle
	23% MORE HOUSEHOLDS experience housing cost burden	9% MORE HOUSEHOLDS experience housing cost burden
	18% LESS LIKELY to pass third grade reading tests	8% LESS LIKELY to pass third grade reading tests
	10X AS MUCH EXPOSURE to violent crime	4X AS MUCH EXPOSURE to violent crime

Sources: American Community Survey. (2019). Five- and one-year estimates.; Prosperity Now Scorecard. (2014).; Census Annual Business Survey. (2017).; CDC. (2015). Small-area Life Expectancy Estimates.; USDA. (2019). Food Access Research Atlas.; EPA. (2010-2019). Toxic Release Inventory Program.; Indianapolis Department of Education. (2019).; Indianapolis Metropolitan Police Department. (2018). Uniform Crime Report.

Challenges in other areas may restrict access to economic opportunities. For example, graduation rates are nearly 33% lower for Hispanic/Latinx populations than their white counterparts.¹² They also have less access to health insurance compared to other groups in Marion County. Further, most Indianapolis neighborhoods are not very walkable¹³ and a substantial portion of transit users face commutes of 60 minutes or more.¹⁰ In the absence of walkable communities or quality public transportation, access to a vehicle is necessary for most Marion County households. However, nearly 15% of households in Marion County's low-income communities lack vehicle access.

ECONOMIC PATHWAYS

Even if households have all of the basics needed to participate in the economy, economic pathways are necessary to obtain a quality standard of living. Many development policies focus on growing jobs at a regional level but do not address racial and ethnic disparities in job access, education, and corresponding unemployment rates. Therefore, this framework includes traditional metrics for economic pathways and evaluates them along community and racial lines.

In Marion County, the unemployment rate for residents in majority-Black communities is double the rate in majority-white communities. Additionally, access to jobs paying \$17/hour or more is 15% to 20% higher in majority-white communities than in other places.¹⁰ There are also significant disparities in educational attainment. The percentage of Hispanic/Latinx adults with bachelor's degrees is around one-third that of white adults, while the percentage of Black adults with bachelor's degrees is about half that of white adults.¹²

Given these challenges, it is not surprising that most people of color in Marion County earn less than the U.S. middle-class. In 2019, the median Black household earned just 61% of the median income for white households. Hispanic/Latinx households did not fare much better, bringing in 67%.

EQUITABLE COMMUNITIES

Finally, where an individual lives within their community influences access to amenities, such as safe neighborhoods, good schools, and a healthy environment. Significant gaps in these factors contribute to disparities in quality of life.

Across Marion County, economic factors interact with environmental factors to increase barriers faced by individuals pursuing prosperity in disadvantaged neighborhoods. A baby born in a majority-Black community has a life expectancy eight years less than that of babies born in a majority-white community and 13 years less than the U.S. average. Although all categories of neighborhoods in Indianapolis have much higher rates of asthma than the U.S. average, the problem is particularly acute among majority-Black communities. Some moderate- and low-income communities also face chemical exposure levels that are much higher than Indiana's statewide average. Furthermore, residents in Marion County's low-income communities face increased exposure to violent crime and property crime compared to their peers in other neighborhoods.

Food access is another important issue for low-income households, especially those without vehicles. As of 2018, 60% of people in majority-Black communities and 49% of those in racially diverse communities lived in food deserts.¹⁴

Challenges associated with access to quality food, environmental hazards, or exposure to concentrated poverty can also create barriers for children in academic achievement. In Indiana, all third graders are required to take a standardized reading test to assess basic literacy. In 2019, 89% of third graders at schools in high-income communities passed this test compared to 81% in moderate-income communities and 71% in low-income areas.¹⁵

IMPLICATIONS

While regions with more equality can better sustain economic growth over time,¹⁶ there are also consequences for focusing only on the economy. For example, economic inequality is associated with higher crime rates,¹⁷ increased risks of low-weight babies and preterm births,¹⁸ and large differences in educational achievement.^{19,20} Yet local governments cannot reduce inequality by redistributing income, because wealthy residents can move to areas where taxes are lower—limiting any opportunity for redistribution.²¹ To foster true economic inclusion, a community needs to reduce asset poverty, ensure each resident has access to the components to meet their basic needs, increase economic opportunity, and eliminate spatial and racial concentrations of poverty, inaccessibility, and environmental hazards.

In this regard, Indianapolis has a long way to go. Children born in the city's majority-Black communities are more likely to live in food deserts, be surrounded by concentrated poverty, have parents with low-wage jobs, and have lower life expectancies than those born in a slightly different location within the same county. If they also live in a low-income community, these children are more likely to be exposed to higher levels of environmental pollution, to have worse elementary school education outcomes, and to face higher risks of becoming crime victims. Systemic racism has left people of color in Indianapolis behind on nearly every metric of economic inclusion.

Women also have been left behind. They have substantially lower rates of business ownership than men and make less money than men in the same occupations. Of course, the challenges of racial and gender disparities intersect for many people, making the fight for economic inclusion even more difficult.

RECOMMENDATIONS

Any region that hopes to achieve full economic inclusion and prosperity must address institutional disparities at face value. As a growing community, Indianapolis has an opportunity to rectify environmental and economic disparities that often dictate lifelong outcomes for children by pursuing the following policy recommendations.

ECONOMIC DEVELOPMENT

- Focus economic development on initiatives that create entrepreneurship and wealth-building opportunities for systemically disadvantaged groups.
- Critically assess existing policies and discontinue any programs or incentives that reinforce systemic disparities in asset ownership and accumulated wealth.

HOUSING

- Recognize that redlining and single-family zoning have created long-lasting disparities in homeownership and made housing less affordable for those who have been locked out of the ownership equation.
- Focus policy on increasing ownership opportunities for systemically disadvantaged groups and reduce barriers to construction of affordable housing.

ACCESS TO ECONOMIC OPPORTUNITY

- Increase the availability of other pre-requisites for economic participation, such as health care and public transportation.
- Recognize these services are economic development imperatives. Actively advocate for expanding these services to help policy makers understand their importance.

COMMUNITY EQUITY

- Limit the use of special tax district mechanisms used in areas experiencing growth. Instead, direct public funding and small business development to the areas that need it most.
- Promote opportunities for residents and organizations to lead food production, green space expansion, and environmental cleanup within their neighborhoods.
- Utilize code enforcement and targeted land-use policy to phase out pollution in residential neighborhoods and create healthier environments for the residents who must live with the health impacts of these hazards.
- Adopt a "health in all policies" approach, which ensures public health and environmental justice metrics are considered in evaluating all new programs or investments.

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The Center for Research on Inclusion & Social Policy (CRISP) was created to address complex social issues and the effects of social policy through applied, data-driven, and translational research. CRISP analyzes and disseminates community-relevant research about social disparities and policy issues. CRISP is housed within the IU Public Policy Institute (PPI), which also supports the Center for Health & Justice Research (CHJR), the Manufacturing Policy Initiative (MPI), and the Indiana Advisory Commission on Intergovernmental Relations (IACIR).

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