



## The Changing Face of Poverty in Michigan: More Families Slide Into Troubled Times

Families in Michigan are losing economic ground. As costs, particularly energy and health care, increase and personal incomes stagnate or grow slower than the national average, more and more families are slipping into poverty. Recent data show:<sup>1</sup>

- The 2006 United States poverty rate was 12.3 percent representing approximately 36.5 million people;
- The poverty rate in Michigan for 2006 was 13.3 percent, representing 1.3 million people (out of a total state population of approximately 9.95 million people);
- Michigan's 2005-2006 two-year average poverty rate increased 3 percentage points compared to the 2000-2001 two-year average of 9.6 percent. This increase is the sixth-highest in the country;
- Michigan ranked 20th, out of 50 states and the District of Columbia in terms of the percentage of people living in poverty in 2006;

- Michigan's family poverty rate for 2006 was 9.6 percent (248,142 families). This is a minor drop from 2005. Of more significance, however, is the increase from 2001 when 206,366 families were living in poverty, or 7.9 percent of all families in Michigan.

Additionally, Michigan's unemployment rate continues to be among the highest in the nation:

- In October 2007, Michigan's seasonally adjusted unemployment rate was 7.7 percent, the highest it has been since 1992 and a jump of 0.6 percent over last year; the national unemployment rate was 4.7 percent;<sup>2</sup>
- Since 2003 Michigan has consistently ranked between 48th and 51st (United States and the District of Columbia) in the country in unemployment. The national unemployment rate for 2006 was 4.6 percent, and Michigan ranked 51st in the country with an unemployment rate of 6.9 percent.

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<sup>1</sup> Data sources include the American Community Survey (ACS) and the Current Population Survey (CPS). The American Community Survey 2006 includes individuals residing in Group Quarters which were not included in previous years. In addition, weighting methodologies were modified to ensure that estimates were consistent across multiple measures. Therefore, data from the ACS may differ from that of previous years data and in all cases, may not be comparable over certain time periods, as CPS data may be. A more detailed explanation may be found at: <http://www.census.gov/acs/www/UseData/compACS.htm>

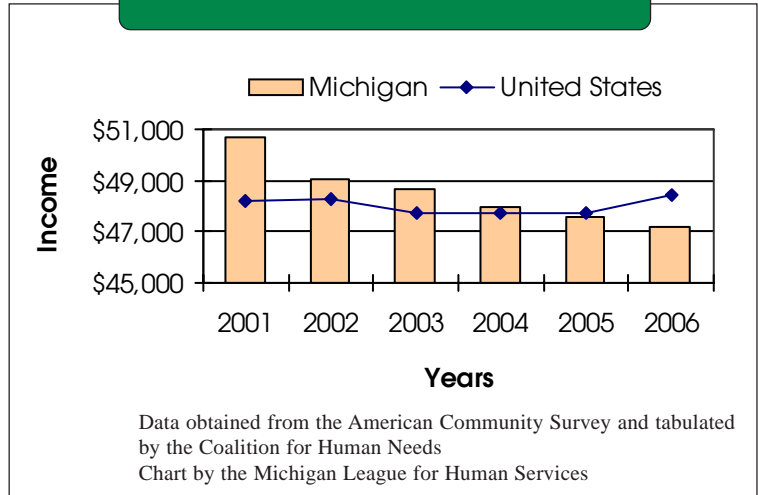
<sup>2</sup> U.S. Department of Labor, Bureau of Labor Statistics. <http://www.bls.gov/lau/home.htm>. Retrieved October 31, 2007.

## Median Household Income Declines as Living Expenses Increase

Michigan's personal income in metropolitan areas grew 2.41 percent between 2005 and 2006. This is far below the national average of 6.6 percent in metropolitan statistical areas nationwide.<sup>3</sup> After adjusting for inflation, however, the median household income in Michigan has been steadily declining. In 2001, the median household income was (in 2006 dollars) \$50,698, and is now \$47,182.<sup>4</sup> This represents a 7.5 percent decline in median household income since 2001. Additionally, Michigan's income is now statistically significantly lower than the national median income of \$48,451.

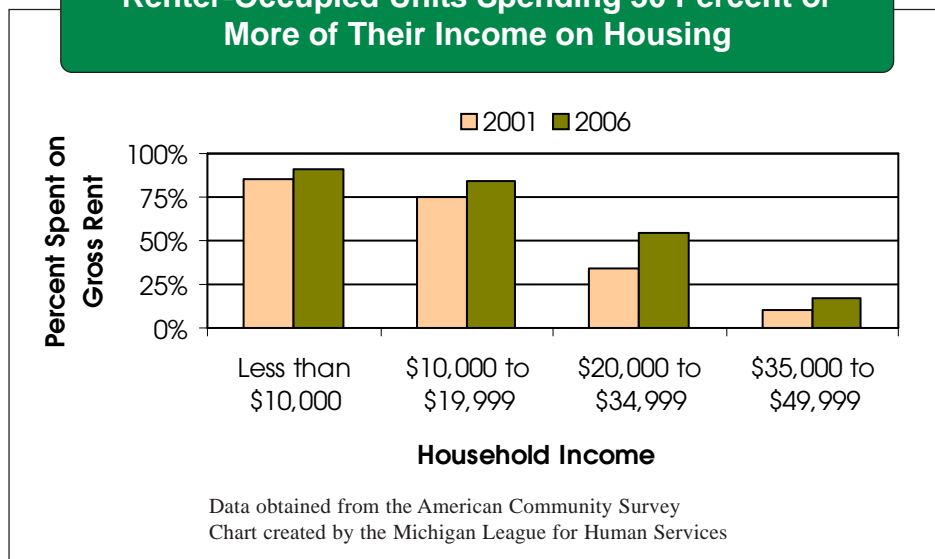
With incomes on the decline, more and more Michigan households are spending a greater percentage of their income on mortgages and gross rent per month. This is especially true for low-income households. Of the 194,890 households earning between \$10,000 and \$19,999 for which gross rent was computed, 84 percent of them are

### Median Household Income



spending more than 30 percent of their income on housing. This is up from 74.6 percent in 2001.<sup>5</sup> Even starker is the increase in the percentage of households in the near poor category, earning \$20,000-\$34,999. In 2001, 34.5 percent of households in this income range were paying more than 30 percent of their incomes on gross rent. By 2006, this percentage had jumped to 54.3 percent.

### Renter-Occupied Units Spending 30 Percent or More of Their Income on Housing



According to the 2006 American Community Survey, Michigan's median gross rent (monthly rent, including utilities) when adjusted for inflation increased 3.3 percent from 2001 to 2006. The median gross rent was \$675 per month in 2006, while the median household income for renter-occupied housing units was \$24,500.

<sup>3</sup> U.S. Department of Commerce, Bureau of Economic Analysis. Personal Income for Metropolitan Areas, 2006

<sup>4</sup> U.S. Census Bureau, American Community Survey, 2006.

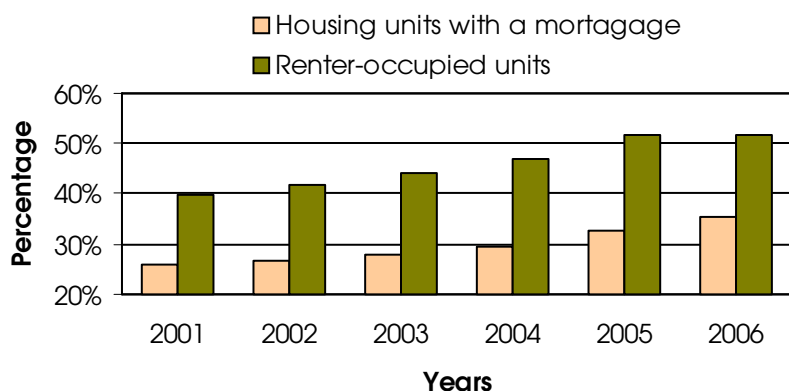
<sup>5</sup> It is generally accepted that affordable housing should consume no more than 30 percent of a household's annual income.

Of particular note is the fact that 51.8 percent of all rental households are now paying 30 percent or more of their household income on rent payments (including utilities). This is up from 39.8 percent of households in 2001, when the median 2006 inflation adjusted rent in Michigan was \$653.

## More Working Families Facing Foreclosure, Bankruptcy

Closely related to the high cost of housing is the rate of foreclosures, which remain high in Michigan. At the end of the third quarter of 2007, Michigan ranked fourth in the country in the number of foreclosures, with a total of 29,655 properties in some stage of foreclosure.<sup>6,7</sup> This represents one foreclosure for every 102 owner-occupied households, which is significantly higher than the national average of one per every 196 households. This is a 56.3 percent increase from the second quarter, and a 78.6 percent increase from the third quarter of 2006. However, the economic cost of the more than 65,000 estimated subprime foreclosures alone between the third quarter of 2007 through the fourth quarter of 2009 is projected to be more than \$3.1 billion. This will impact not only the homeowner, but

### Percentage of Households Spending 30 Percent or More of Their Income on Housing Costs



Data obtained from the American Community Survey  
Chart created by the Michigan League for Human Services

With more homeowners taking out subprime mortgages, high rates of unemployment, and falling incomes, many homeowners are now spending a greater percentage of their income on housing costs. As the chart above demonstrates, the increase in the percentage of households spending 30 percent or more of their household income on housing expenses is becoming a growing concern for those who own their own homes. In 2001, only 26 percent of those living in housing units with a mortgage were paying 30 percent or more of their household income towards housing. By 2006, this had grown to 35.4 percent.

will contribute to the decline in property values of homes in neighborhoods with foreclosures and loss in revenues gained through property taxes.<sup>8</sup>

In addition to foreclosures, filings for personal bankruptcy increased between 2001 and 2005, peaked at more than 88,000 filings and then showed a marked decline in 2006. This decrease, however, should be viewed with caution as bankruptcy laws changed in the fall of 2005, making it harder for individuals to have their debts erased. Therefore, many of the individuals and families that filed for bankruptcy may have filed later, but

<sup>6</sup> RealtyTrac. <http://www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=3567&acct=64847> Retrieved November 1, 2007

<sup>7</sup> The stages of foreclosure are: Default, Auction, and Real Estate Owned.

<sup>8</sup> The Subprime Lending Crisis: The Economic Impact on Wealth, Property Values and Tax Revenues and How We Got Here. October, 2007.

did so soon enough to avoid law changes. Even with this decline in the number of bankruptcy filings in 2006, Michigan still ranked 6th out of 50 states and the District of Columbia with one bankruptcy filing per every 136.77 households. The United States average is one filing per every 208.24 households.<sup>9</sup>

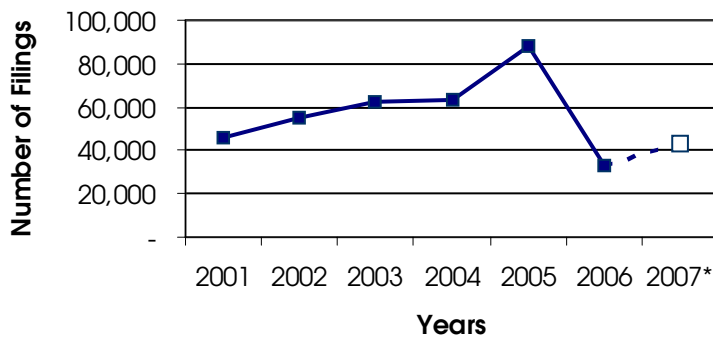
## Fewer Employers Offering Health Care Coverage

In addition to the hardships a growing number of families face with regard to housing, there were nearly 450,000 fewer people covered by private health insurance plans in 2005-2006 than in 2000-2001. This represents the third-largest loss in the country. In addition, the percentage of employers offering health care coverage has declined. In 1995, nearly three-quarters of employers offered health care coverage. By 2000, this percentage had slipped to 69 percent and slid to 60 percent by 2005.<sup>10</sup>

This is obviously having a significant impact on the number of individuals receiving employer-based health insurance. Between 2000-2001 and 2005-2006 the rate of people receiving employer-based health insurance has declined nearly 6 percent, compared with a national drop of 4.5

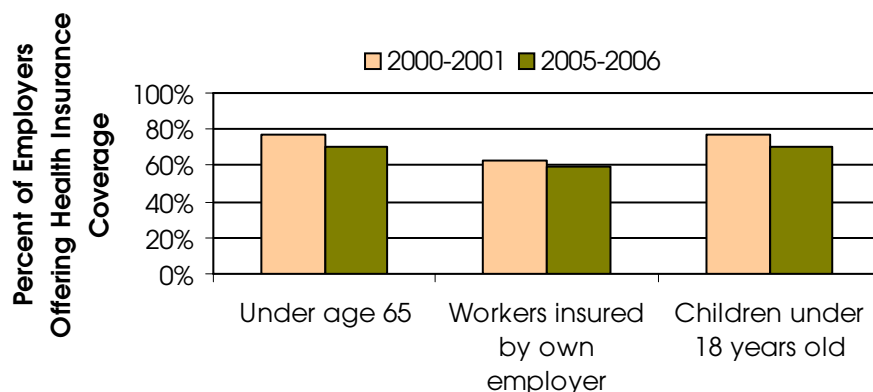
percent over the same period. This decline represents 449,433 fewer people than five years ago whose employer does not offer them health insurance coverage. There were also 297,763 fewer workers in 2006 receiving insurance through their own jobs, as opposed to a spouse or family member. This represents the second-highest drop in the country.

### Personal Bankruptcy Filings



\*Projected rate for 2007 based on the first, second, and third quarter. Data obtained from the Administrative Office of the U.S. Courts. Chart created by the Michigan League for Human Services

### Share of Employers Offering Employer Based Health Insurance Coverage



Data obtained from the Current Population Survey. Analysis by the Economic Policy Institute. Chart created by the Michigan League for Human Services

<sup>9</sup> American Bankruptcy Institute, Households Per Consumer Filing, Rank, 2006. <http://www.abiworld.org/statcharts/householdStat2006.pdf> Retrieved November 1, 2007.

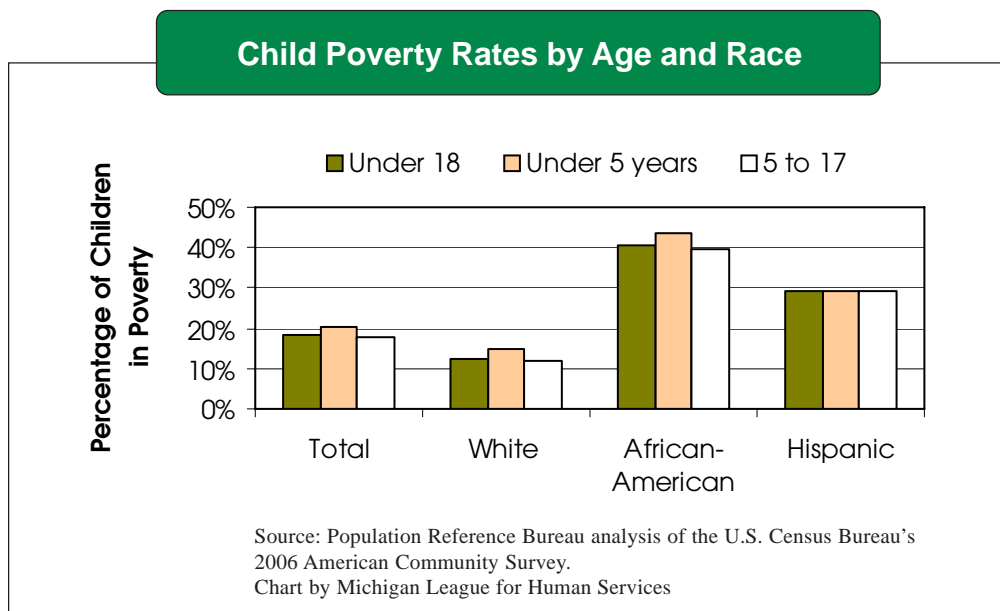
<sup>10</sup> Michigan League for Human Services, Medicaid: The Facts, 2007.

## Child Poverty Impacts Urban and Rural Areas Alike

According to the American Community Survey, 17.8 percent of Michigan's children are currently living in poverty, representing 430,545 children. This is a significant increase from 2001 when the child poverty rate was 14.2 percent, representing 339,308 children. Taking into account all families in Michigan in 2001, children under the age of 5 had a poverty rate of 16.7 percent, compared with 13.3 percent for children ages 5-17. This has increased to 20 percent for children under the age of five and 17 percent for children ages 5-17. Additionally, as the chart on Page 4 shows, 127,716 fewer children received health care coverage through their parents' jobs in 2005-2006 compared with 2000-2001. Further, between 1997 and 2005 the percentage of Michigan public school students qualifying for free or low-cost lunch rose from 32 percent to 37 percent.

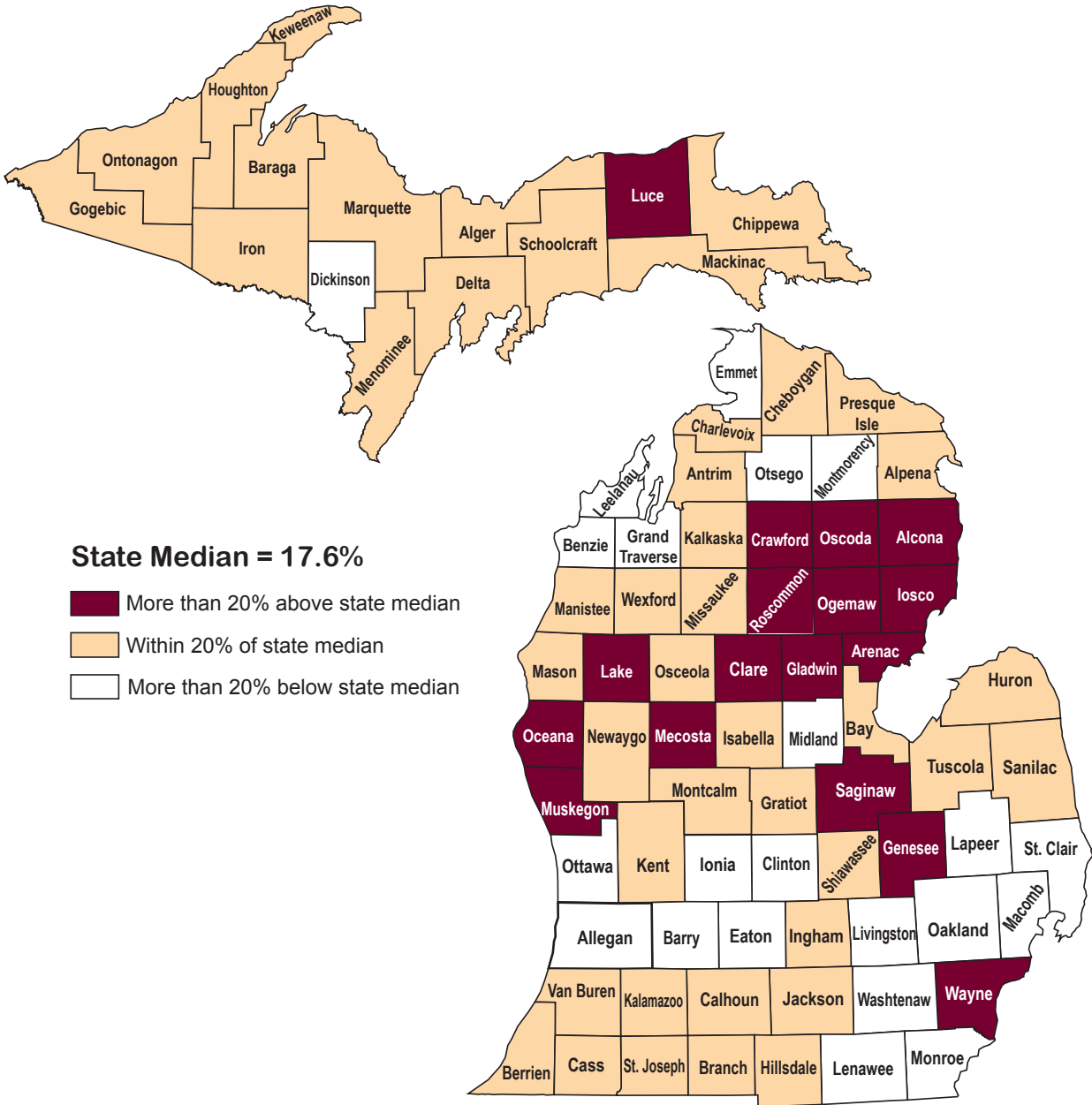
As poverty engulfs more families in Michigan, minority children throughout the state are disproportionately impacted, particularly African-American children. In Michigan, the percentage of children under age 17 living in poverty is 17.6 percent. The percentage of Hispanic children in poverty is approximately 30 percent. This percentage is nearly 41 percent for African American children.

Child poverty is not found just in urban areas. In Michigan's 83 counties, 18 counties are more than 20 percent above the state median child poverty rate of 17.6 percent as of 2004.<sup>11</sup> The counties that are more than 20 percent above the state median rate include both urban counties (Wayne, Saginaw, Genesee) and rural counties (Luce, Lake, and Oscoda) alike.



<sup>11</sup> U.S. Census Bureau. Small Area Income and Poverty Estimates (SAIPE), 2004.

# Children in Poverty in Michigan Counties Ages 0-17, 2004



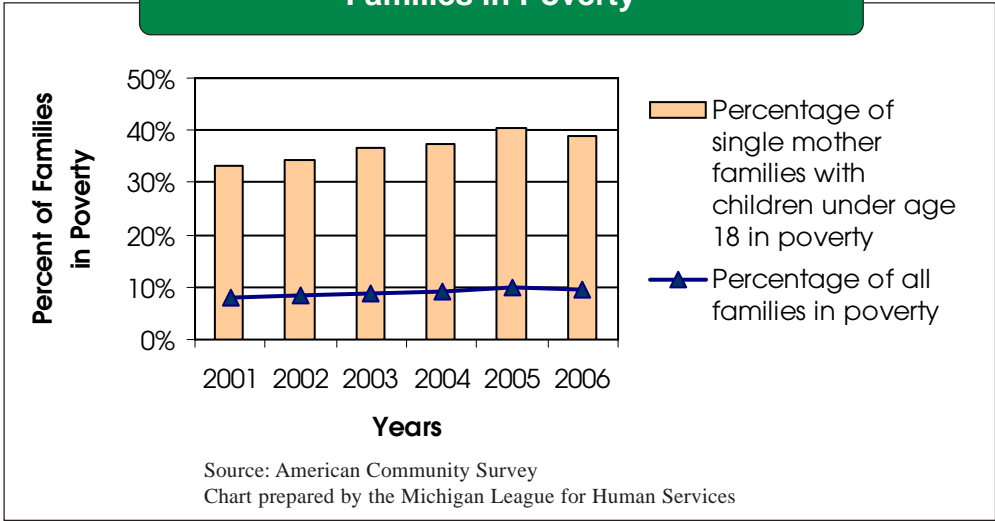
Source: U.S. Census, Small Area Income and Poverty Estimates, (SAIPE) 2004.



## More Michigan Families Live in Poverty

According to the American Community Survey, the overall percentage of families in Michigan whose incomes fall below the poverty level has gradually increased. Of all Michigan families in 2001, 7.9 percent were living in poverty; this has slowly increased to 9.6 percent in 2006. Thirty-nine percent of Michigan's single-mother families lived below the poverty level in 2006, which was \$16,242 for a single parent with two children. That's up from 33 percent of single-mother families living below the poverty line in 2001.

### Families in Poverty

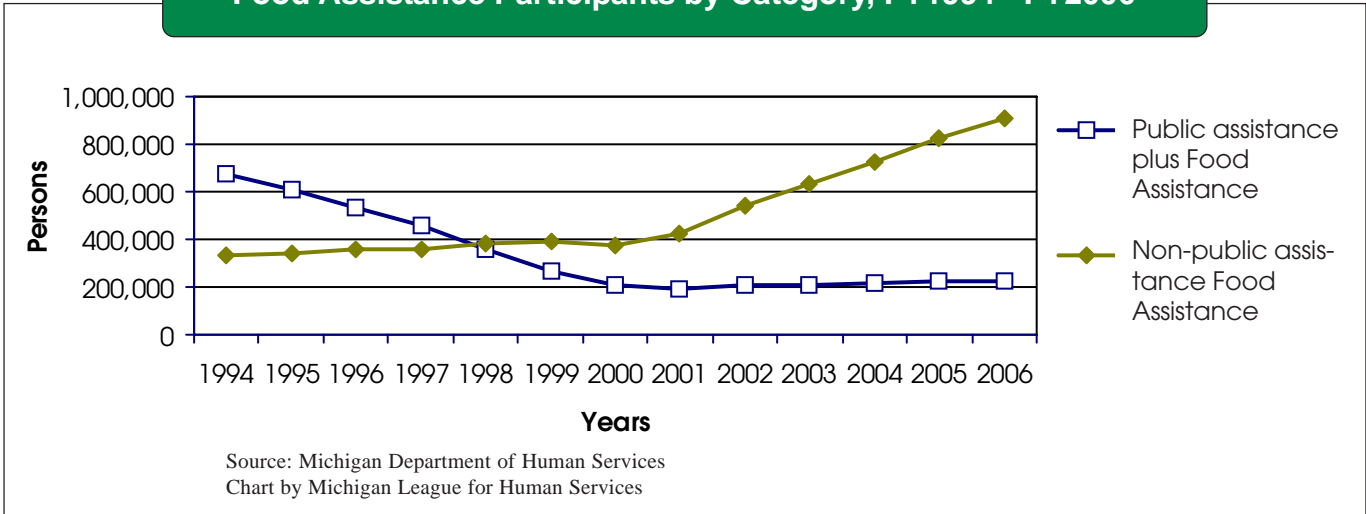


## More Working Families Turning to Public Supports

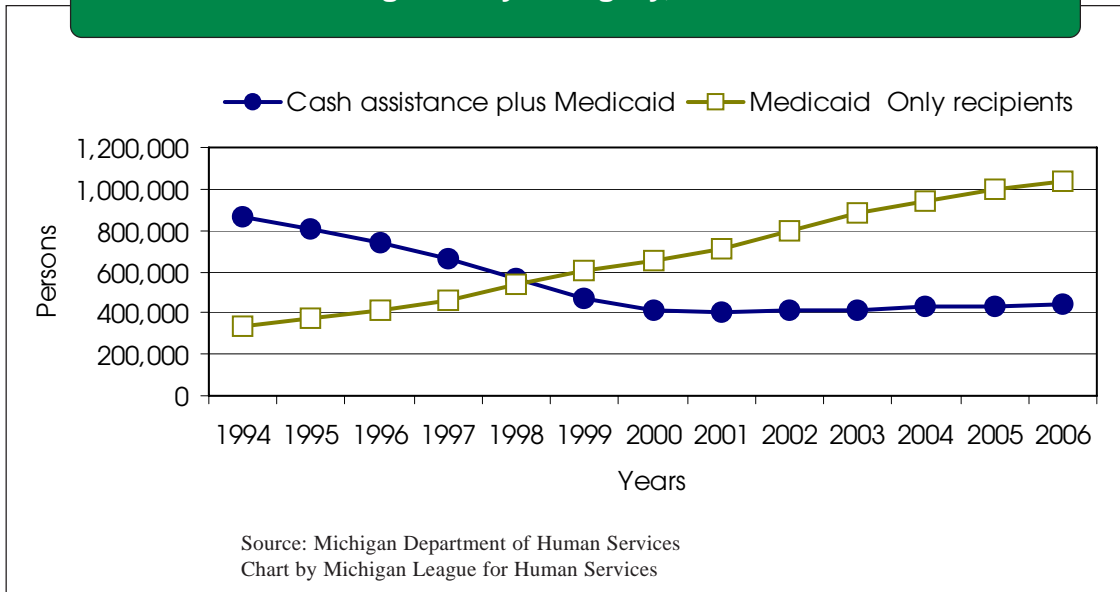
As Michigan continues to lead the country in unemployment and more families struggle to

afford daily necessities, the result has been unprecedented increases in the number of individuals eligible for Medicaid and Food Assistance in Michigan and reflects the changing nature of poverty in Michigan. The following charts display the trends since 1994 of both the Food Assistance and Medicaid programs. The growth in the number of non-public assistance recipients receiving Food Assistance and Medicaid is startling, as reflected in the charts below. Both charts highlight the increase in the number of non-public assistance individuals receiving Food Assistance or Medicaid.

### Food Assistance Participants by Category, FY1994 - FY2006



## Medicaid Eligibles by Category, FY1994 - FY2006

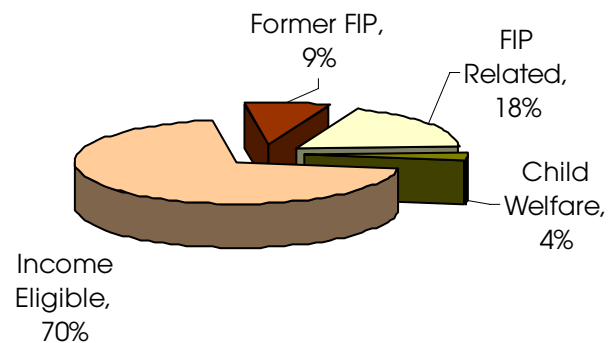


The number of individuals who only need health care services from Medicaid, and not other public assistance, continues to climb as families lose their jobs, their health care coverage, or are no longer able to afford the premiums, co-pays and deductibles offered by employers. It should be noted that for very low-income families at or below poverty, only 20 percent have employer-sponsored or other private coverage. Economic factors, including long-term unemployment and inadequate wages, are likely responsible for the majority of the food assistance caseload increase for non-public assistance participants.

Working families with children are often in need of child care to maintain employment. Despite the fact that parents are working, the high rate of child poverty means that large numbers of families with low incomes are eligible for subsidized child care. As the following chart shows, of the families eligible for child care assistance, 70 percent are eligible due to their low-incomes and only 27 percent are eligible due to receipt of cash assistance (Family Independence Program related) or are

former cash assistance clients.<sup>12</sup> This further demonstrates that, just as the Medicaid and Food Assistance charts displayed, the majority of eligible individuals are working, but have incomes so low that they qualify for available assistance programs.

## Family Eligibility for Subsidized Childcare (under 144% of poverty)



Data obtained from the Michigan Department of Human Services  
Chart created by the Michigan League for Human Services

<sup>12</sup>The Family Independence Program (FIP) is Michigan's cash assistance program. As a part of this program, certain families are eligible for child day care assistance.



## Public Supports Augment Low Incomes But Poverty Remains

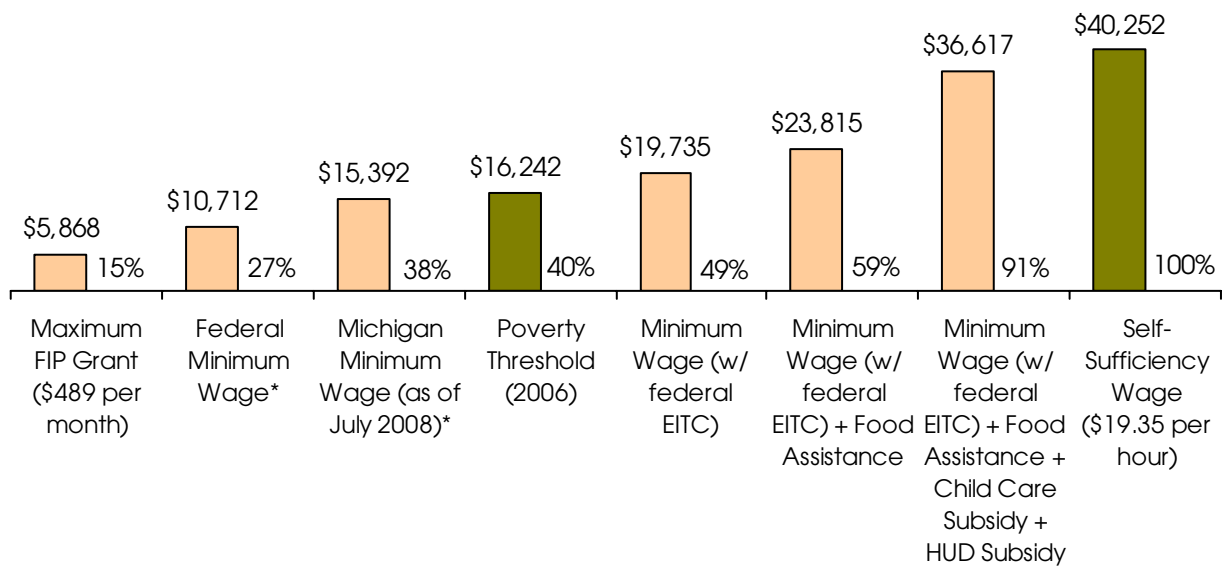
As more families slide into poverty, low-income working families are struggling all the more to attain or maintain self-sufficiency. Part of this challenge is earning a self-sufficiency wage, which is defined as the wage at which a family will meet all of its basic expenses without having to rely on government or non-profit assistance. However, attaining an income that will allow for this may often be difficult. As the following chart shows, a single parent with two children who works full-time at minimum wage, claims the federal Earned Income Tax Credit, and receives food, child care and housing assistance, has a combined household income just under the level considered necessary to be economically self-sufficient. Further, while many public supports are available, such as the

Earned Income Tax Credit or child care assistance, many low-income working families do not receive all the assistance for which they are eligible.<sup>13</sup>

## Families Slide Gradually Into Poverty

While more families in Michigan are finding it more difficult to meet their basic needs, the poverty rate is only increasing slightly over time. This indicates that families are not suddenly falling into poverty, but instead, gradually sliding into poverty as the costs of everyday necessities increase and incomes remain stagnant, or fall. Even while this is occurring, state policies are not adjusting to the changing economic needs of families. The state of Michigan has not increased

**Various Income Levels as a Percent of the Self-Sufficiency Wage: Single Parent in Wayne County with Two Children Under Six**  
(All figures represent pre-tax wages and assume full-time, year-round work)



\*Figure represents pre-tax wages and assumes full-time, year-round work  
Source: Michigan League for Human Services

<sup>13</sup> For further information on self-sufficiency and public supports, please see the League's publication, *Economic Self-Sufficiency in Michigan: A Benchmark for Ensuring Family Well-Being*.

its Unemployment Insurance benefit since 2002, even as more and more people are losing their jobs, new jobs are harder to find, and the cost of affording basic necessities is constantly increasing.

It has also become harder for families to receive cash assistance benefits. With recent changes to Michigan's welfare program, being able to obtain benefits has become more difficult and maintaining them is even harder. These changes, coupled with the new requirement that cash assistance recipients show valid proof of citizenship (such as a birth certificate), may be responsible for the decline in the number of cash assistance recipients. While unemployment remains

high, and poverty is slowly increasing, the cash assistance caseload has been falling this year, from its high of nearly 90,000 cases in March 2007.

Overall, the steady increase in the number of families struggling to make ends meet is having an impact, not only on families, but communities as well. More individuals and families are turning to community supports that were previously not needed such as food banks and private charities. These agencies in turn are finding it difficult to meet the increase in demand for services. As economic forces challenge more and more Michigan families, Michigan's safety net will continue to be strained.