
Michigan League for Human Services



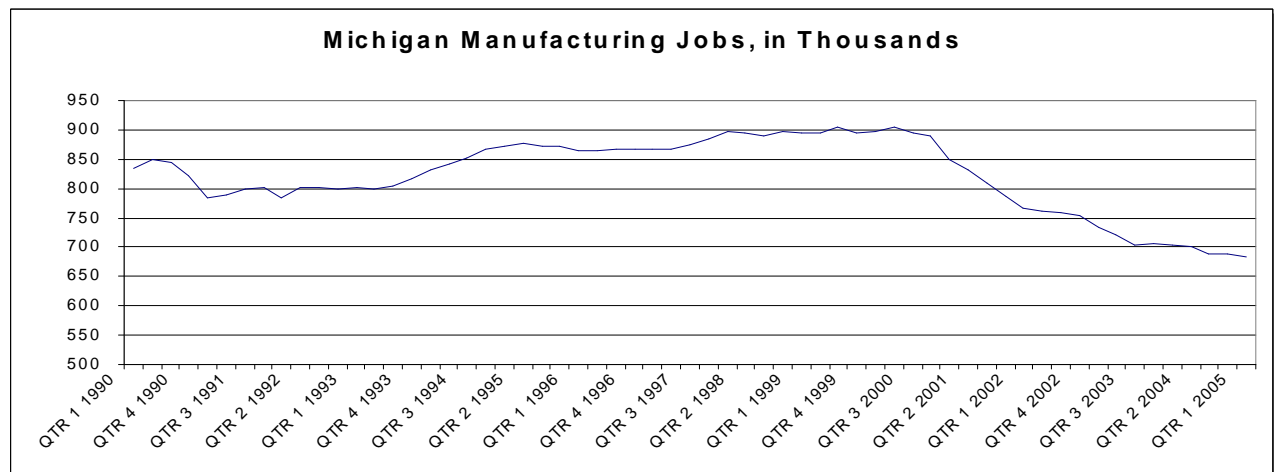
June 2005

MICHIGAN S' GROWING LOW-WAGE LABOR FORCE

Michigan's Changing Economy

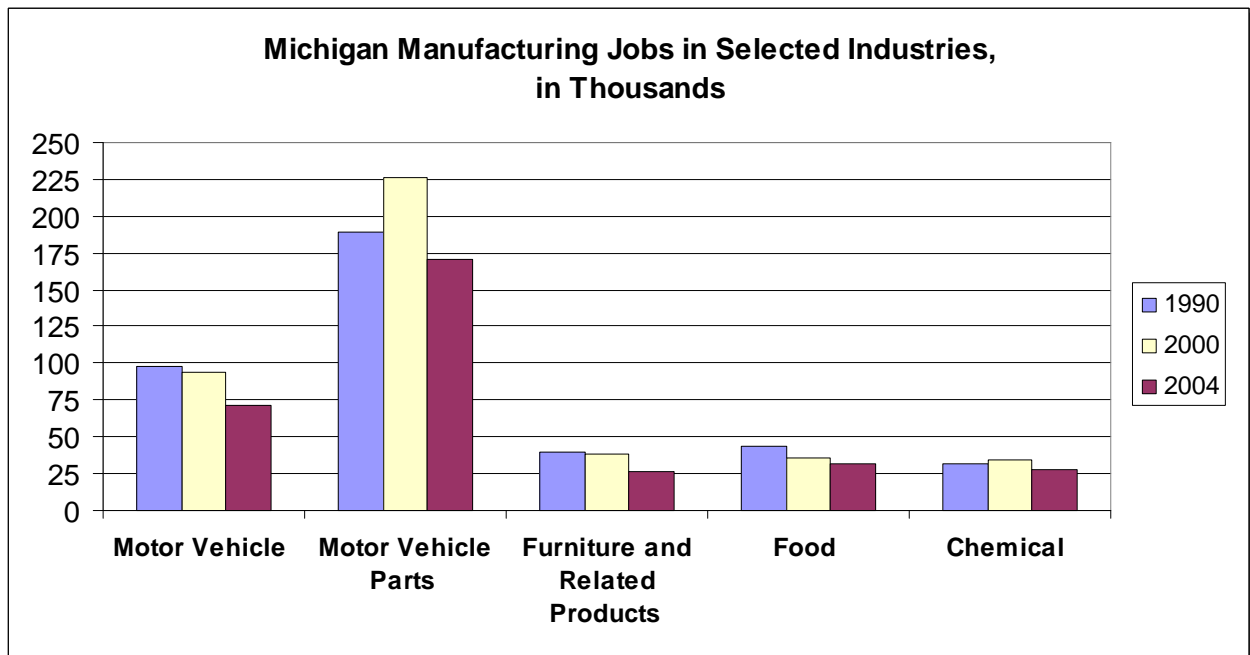
Michigan's economy has traditionally been based on its manufacturing sector, and in the popular mind, it still is. The Detroit area in particular has enjoyed a prominent place in history books as the birthplace of American automobile production, and Henry Ford's assembly-line innovations and the mass immigration of southern workers seeking employment in his factories are legendary. While several other cities followed Detroit in becoming automobile manufacturing centers, other metropolitan areas in Michigan have put themselves on the map with large-scale production and distribution of furniture, appliances, chemical products and processed foods. Many of these manufacturing jobs paid well, particularly those requiring a high amount of skill, and the families and communities who depended on these jobs saw decisive increases in their standard of living.

During the past three decades, however, the role of manufacturing in Michigan's overall economy has begun to wane. Manufacturing jobs currently account for approximately 15.8 percent of Michigan's non-farm jobs as opposed to 21 percent in 1990, and durable goods manufacturing has fallen to 12.5 percent from 16.7 percent during the same period.¹ Each of the five major manufacturing industries has experienced a significant decrease in the number of jobs, with motor vehicle and motor vehicle parts manufacturing showing the most pronounced decreases.



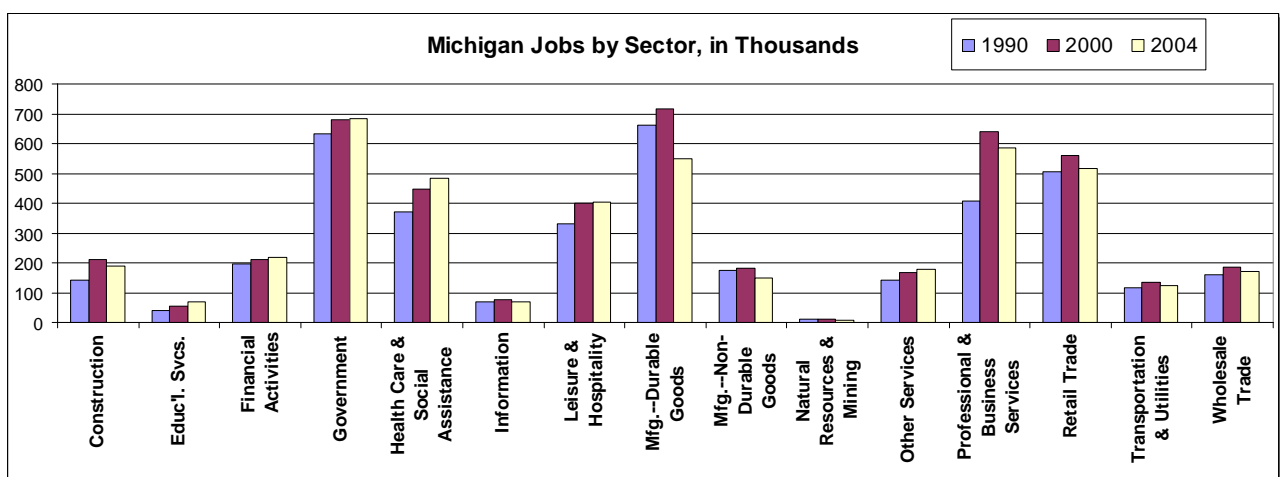
Source: U.S. Department of Labor, Occupational Employment Statistics
Produced by Michigan League for Human Services

¹ These figures are derived from Michigan League for Human Services analysis of U.S. Department of Labor Bureau of Labor Statistics data.



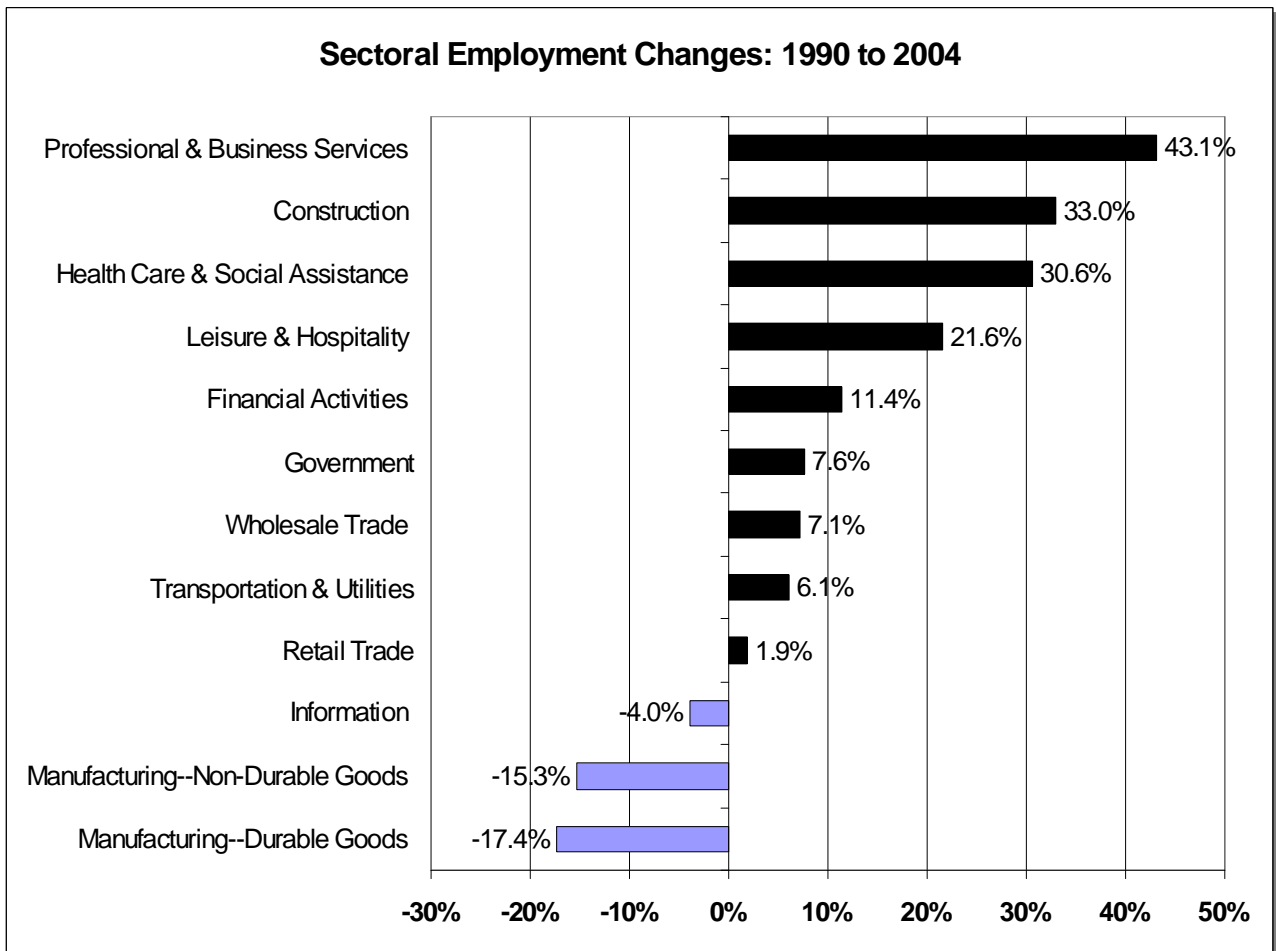
Source: U.S. Department of Labor, Occupational Employment Statistics
Produced by Michigan League for Human Services

As shown in the preceding charts, there has been a decisive decline not only in manufacturing in general but in each of the five major manufacturing sectors since 1990. This decline has been accompanied by an increase in other sectors, some of which consist largely of lower-paying jobs. Sectors showing the largest increases since 1990 are health care and social assistance (which, in addition to high-salary health care practitioner and medical technology occupations, also includes a large number of low-paying direct care and paraprofessional jobs) and professional and business services (which includes low-wage occupations in security, janitorial and office services, in addition to high-salary positions). The leisure and hospitality sector, which includes many low-wage jobs in the dining and accommodation industries, has increased by 21.6 percent since 1990.



Source: U.S. Department of Labor, Occupational Employment Statistics
Produced by Michigan League for Human Services

While all sectors except Natural Resources and Mining showed increases between 1990 and 2000, many of the sectors decreased as a result of the 2001 recession. During the forty months since the end of the recession, Michigan's economy has failed to replace many of the jobs lost. Furthermore, as the following two charts demonstrate, when comparing sectoral trends from November 2001 (when the recession officially ended) to November 2004, it is clear that many of the jobs with higher average weekly earnings are being replaced with lower-paying jobs.² Retail trade, another low-wage sector, suffered modest losses during the recession after increasing during the 1990s, but nevertheless accounts for nearly 12 percent of all nonfarm jobs in Michigan.



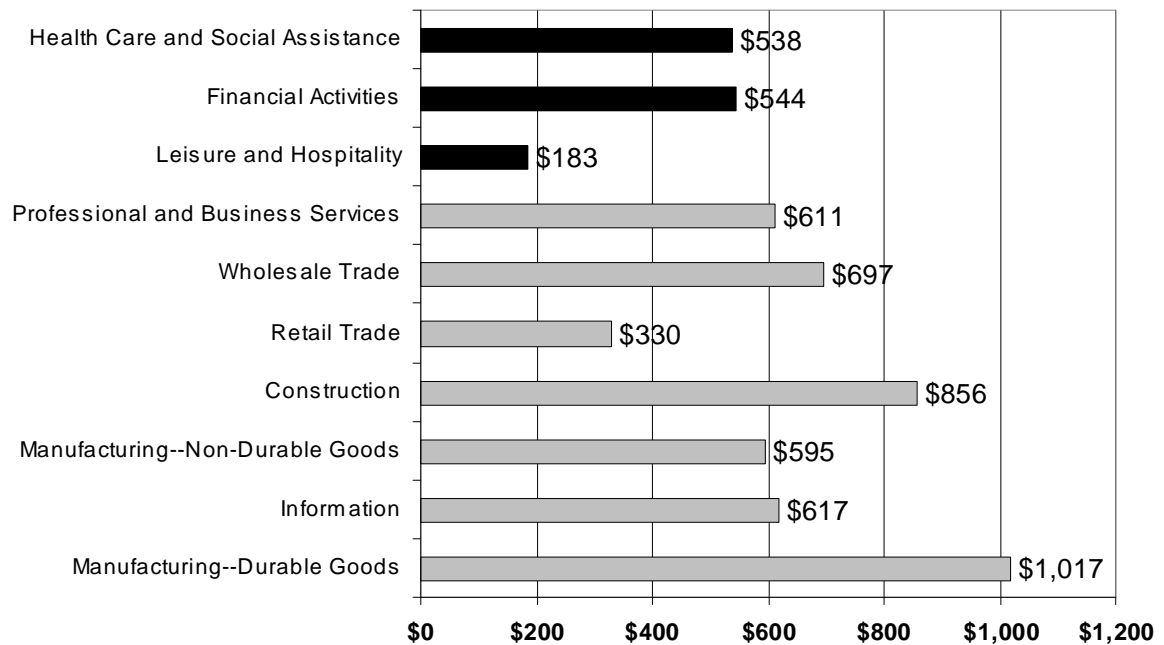
Source: U.S. Department of Labor, Occupational Employment Statistics
 Produced by Michigan League for Human Services

² Because seasonally adjusted figures are unavailable for some sectors, the chart compares November 2001 (the month the recession ended) with the same point in time during 2004 rather than a more recent month (i.e. March 2005).

**Sectoral Employment Changes: End of 2001 Recession to Present
(November 2001- November 2004, Not Seasonally Adjusted)**



**Average Weekly Earnings in Michigan Sectors
(November 2004)***

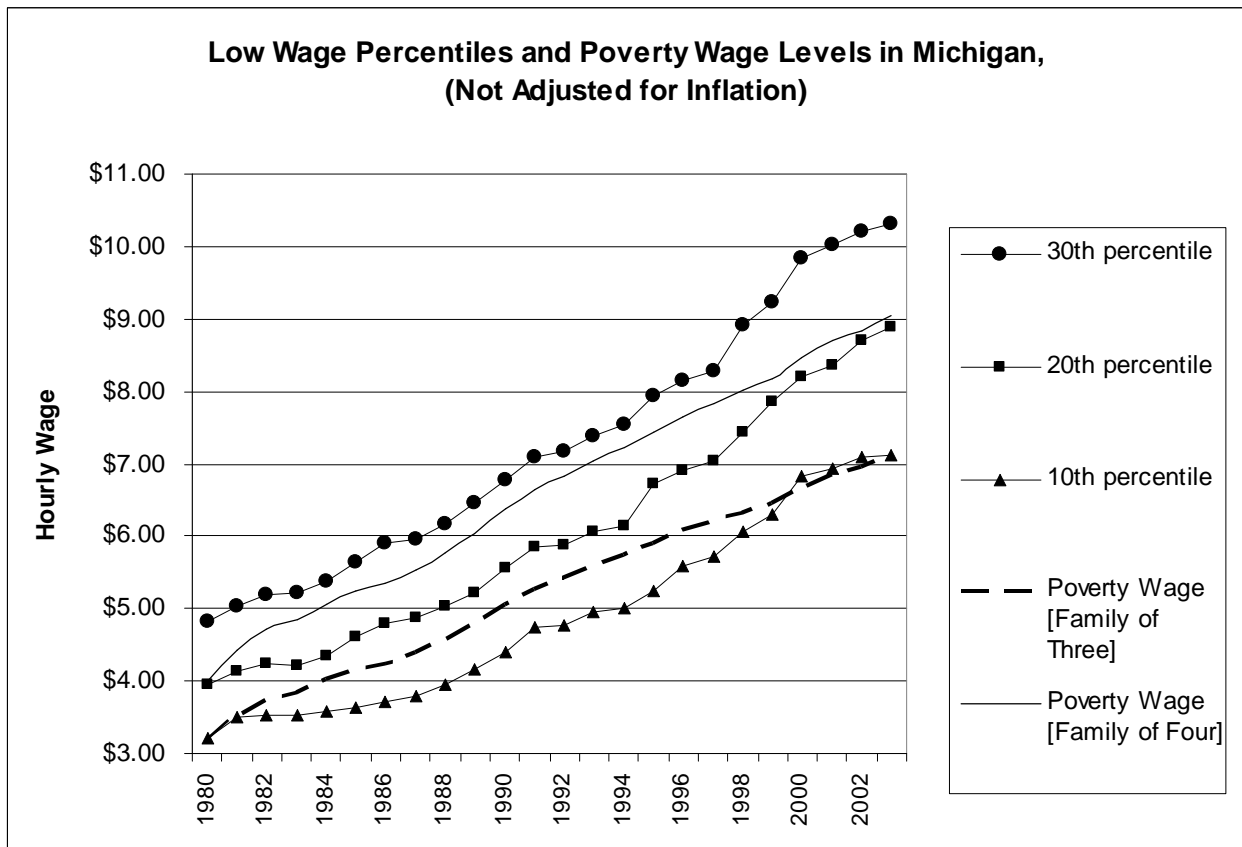


*Earnings information unavailable for some sectors
 Source: U.S. Department of Labor, Occupational Employment Statistics
 Produced by Michigan League for Human Services

Poverty Wage Jobs in Michigan

As a result of the changes that have taken place in Michigan's economy, a large number of jobs in Michigan pay wages below the poverty wage, defined as the hourly wage that a full-time, year-round worker must earn to sustain a family at the federal poverty level.³ The poverty wage is a useful benchmark for discussing low-wage jobs. It should be noted, however, that it is impossible to draw inferences about family poverty from wage data alone, given that many poverty-wage workers have spouses or partners who also bring earnings into the household and that some workers routinely work overtime or at second jobs to enhance their earnings. It is likely, in other words, that there are many workers who earn poverty wages but their families are not in poverty per se.

20.4 percent of all Michigan workers in 2002 were employed in jobs paying less than the poverty wage level for a family of four. Moreover, as the chart below shows, the 20th wage percentile has remained below the poverty wage level for a family of four since 1980—in other words, more than 20 percent of all Michigan workers are working at a job paying an hourly wage that would not lift a family of four out of poverty. Roughly ten percent of all Michigan workers earn wages at the poverty wage level for a family of three.



Source: Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey (CPS) data.
Produced by Michigan League for Human Services

³ The poverty level used to determine poverty wage, unless otherwise noted, is the Census Bureau's estimate of the weighted average poverty threshold for a family of four, divided by 40 hours per week and 52 weeks per year to equal an hourly wage.

In November 2003, four out of the five occupations with the highest employment in Michigan had a median wage below the poverty wage for a family of four, with those four occupations alone comprising 424,260 jobs, or 10 percent of all non-farm jobs in Michigan.⁴ During that month, 752,600 jobs in Michigan —17.5 percent of all nonfarm jobs —were in occupations in which the median wage was below the poverty wage for a family of four. When farming and seasonal work are added, this number becomes much higher.

Michigan Occupations with Highest Employment (November 2003)

Occupation Title	Number Employed	Median Hourly	% of Poverty Wage*	
			Family of Three	Family of Four
1 Retail Salespersons	150,080	\$8.75	123.9%	96.8%
2 Cashiers	118,120	\$7.80	110.5%	86.3%
3 Office Clerks, General	82,560	\$11.56	163.7%	127.9%
4 Combined Food Prep. & Serving Workers, Incl. Fast Food	78,880	\$7.10	100.6%	78.5%
5 Waiters & Waitresses	77,180	\$6.38	90.4%	70.6%
6 Registered Nurses	76,740	\$24.73	350.3%	273.6%
7 Janitors & Cleaners, except Maids & Housekeeping Cleaners	66,780	\$10.37	146.9%	114.7%
8 Laborers & Freight, Stock, & Material Movers, Hand	66,290	\$10.88	154.1%	120.4%
9 Team Assemblers	64,050	\$13.45	190.5%	148.8%
10 Customer Service Representatives	57,840	\$13.71	194.2%	151.7%
11 Secretaries, except Legal, Medical, & Executive	57,340	\$12.70	179.9%	140.5%
12 Bookkeeping, Accounting, & Auditing Clerks	55,950	\$13.71	194.2%	151.7%
13 Stock Clerks & Order Fillers	55,700	\$9.97	141.2%	110.3%
14 Truck Drivers, Heavy & Tractor-Trailer	48,980	\$16.79	237.8%	185.7%
15 Sales Representatives, Wholesale & Manufacturing, except Technical & Scientific Products	48,020	\$22.67	321.1%	250.8%
16 Elementary School Teachers, except Special Ed.	46,640	NA	NA	NA
17 Nursing Aides, Orderlies, & Attendants	43,250	\$10.80	153.0%	119.5%
18 Maintenance & Repair Workers, General	41,480	\$16.52	234.0%	182.7%
19 Teacher Assistants	40,830	NA	NA	NA
20 First-Line Supervisors/Mgrs of Office & Admin. Support	40,370	\$19.55	276.9%	216.3%
21 General & Operations Managers	39,320	\$38.93	551.4%	430.6%
22 First-Line Supervisors/Managers of Retail Sales Workers	37,650	\$15.29	216.6%	169.1%
23 Receptionists & Information Clerks	35,340	\$11.07	156.8%	122.5%
24 Executive Secretaries & Administrative Assistants	34,290	\$16.85	238.7%	186.4%
25 Accountants & Auditors	33,490	\$25.21	357.1%	278.9%
26 First-Line Supervisors/Mgrs of Production & Operating Workers	31,000	\$24.22	343.1%	267.9%
27 Packers & Packers, Hand	30,490	\$7.61	107.8%	84.2%
28 Carpenters	29,360	\$18.45	261.3%	204.1%
29 Cooks, Fast Food	29,240	\$6.88	97.5%	76.1%
30 Security Guards	28,820	\$9.99	141.5%	110.5%

*Based on the 2003 U.S. Census Bureau poverty thresholds (\$14,680 for a family of three and \$18,810 for a family of four) and assuming year-round employment at 40 hours per week, the poverty wage is \$7.06 per hour and \$9.04 per hour respectively.

Source: U.S. Department of Labor, State Occupational Employment and Wage Estimates

Produced by Michigan League for Human Services

⁴ This does not include self-employed workers or occupations for which employment information is unavailable.

Lowest Wage Nonfarm Occupations in Michigan (November 2003)¹

Occupation Title	Median Hourly	Number Employed ²
1 Waiters and Waitresses	\$6.38	77,180
2 Dining Room & Cafeteria Attendants	\$6.75	11,720
3 Cooks, Fast Food	\$6.88	29,240
4 Hosts/Hostesses (Restaurant, Lounge, Coffee Shop)	\$6.88	9,590
5 Dancers	\$6.90	340
6 Bartenders	\$6.91	18,070
7 Shampooers	\$7.02	280
8 Combined Food Prep. & Serving, Incl Fast Food	\$7.10	78,880
9 Counter Attendants (Cafeteria, Fd Concession, Coffee Shop)	\$7.11	9,090
10 Dishwashers	\$7.23	16,390
11 Ushers, Lobby Attendants, and Ticket Takers	\$7.28	2,580
12 Packers and Packagers, Hand	\$7.61	30,490
13 Hairdressers, Hairstylists, and Cosmetologists	\$7.78	12,330
14 Cashiers	\$7.80	118,120
15 Gaming Dealers	\$7.82	2,390
16 Amusement and Recreation Attendants	\$7.83	7,330
17 Motion Picture Projectionists	\$7.94	480
18 Graders and Sorters, Agricultural Products	\$7.95	640
19 Cooks, Short Order	\$8.07	9,180
20 Nonfarm Animal Caretakers	\$8.18	2,220
21 Locker Room/Coatroom/Dressing Rm Attendants	\$8.18	1,060
22 Sewers, Hand	\$8.26	N/A
23 Crossing Guards	\$8.29	2,040
24 Personal and Home Care Aides	\$8.36	13,590
25 Hotel, Motel, and Resort Desk Clerks	\$8.40	4,980
26 Tour Guides and Escorts	\$8.41	530
27 Pharmacy Aides	\$8.44	3,230
28 Service Station Attendants	\$8.44	3,330
29 Counter and Rental Clerks	\$8.45	14,550
30 Parking Lot Attendants	\$8.46	2,350
31 Food Servers, Nonrestaurant	\$8.55	5,840
32 Food Preparation Workers	\$8.64	24,780
33 Maids and Housekeeping Cleaners	\$8.72	24,800
34 Recreation Workers	\$8.74	8,470
35 Retail Salespersons	\$8.75	150,080
36 Home Health Aides	\$8.81	21,970
37 Baggage Porters and Bellhops	\$8.84	1,960
38 Laundry and Dry-Cleaning Workers	\$8.85	7,300
39 Child Care Workers	\$8.94	18,990
40 Tailors, Dressmakers, and Custom Sewers	\$8.96	1,120
41 Gaming and Sports Book Writers and Runners	\$8.98	80
42 Library Assistants, Clerical	\$9.00	5,010
43 Bicycle Repairers	\$9.02	270

¹Farm jobs are not included because employment data is not available for some farm sectors. It should be noted, however, that farm jobs constitute a significant portion of low-wage jobs in Michigan.

²Estimates do not include self-employed workers.

Source: U.S. Department of Labor, State Occupational Employment and Wage Estimates

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Share of Michigan's Workforce Earning Poverty Wages, 2002		
	Percent Earning Below Poverty Wage for a Family of four	Percent Earning Below Twice the Poverty Wage for a Family of Four
<i>All</i>	20.4%	64.9%
<i>Gender</i>		
Male	15.6%	56.4%
Female	25.6%	73.9%
<i>Race / Ethnicity</i>		
White	19.5%	62.9%
Black	27.0%	78.4%
Hispanic	NA	NA
Asian / Pacific Islander	NA	NA

Source: Economic Policy Institute analysis of Current Population Survey data.

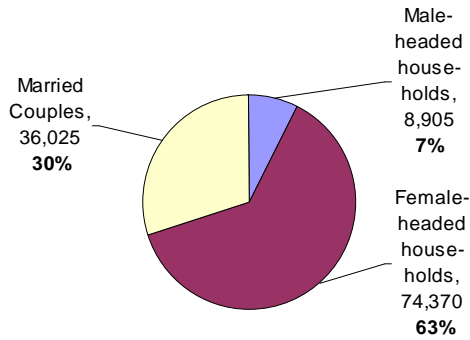
Who Works in Michigan's Low-Wage Jobs?

There is a persistent misconception that workers employed in most low-wage jobs are primarily teenagers or single adults without children, and that for such workers the job is often transitional or short-term. This argument has been used to oppose increases in the minimum wage and other proposals to help low-wage workers. While it is true that some of the most visible low-wage jobs, such as in the fast-food industry, tend to attract many teenagers and college students, in fact a very large number of low-wage workers are adults with families to support.

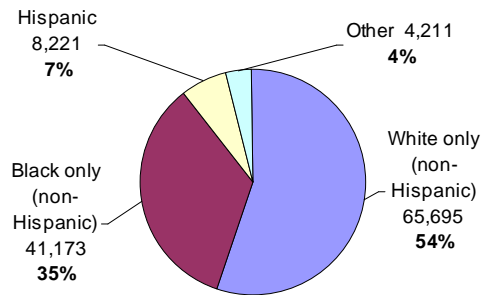
According to the most recent data available, fully ten percent of Michigan's working families with children can be classified as "working poor families" because their total household earnings are not enough to put them above the poverty threshold for their family size. (This includes not only the families of poverty-wage earners, but also those of workers who earn an hourly wage above the poverty wage but are not working enough hours to bring them above poverty.) The majority of these working poor families have a breadwinner who is employed at least 26 weeks out of the year, a large number of whom work full-time year-round. The heads of these families diligently show up for work each day, arrange for the care of their children, budget their paychecks and pay taxes, yet their jobs do not pay enough to enable them to meet all of their family's needs or to bring them out of poverty.

Michigan's Working Poor Families With Children (2003)

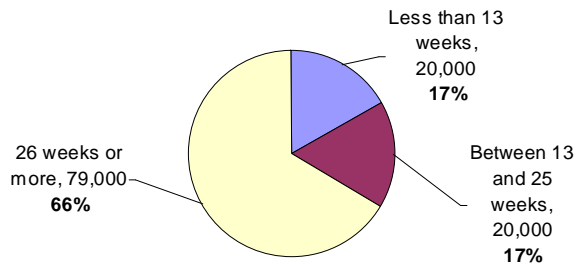
Family Type



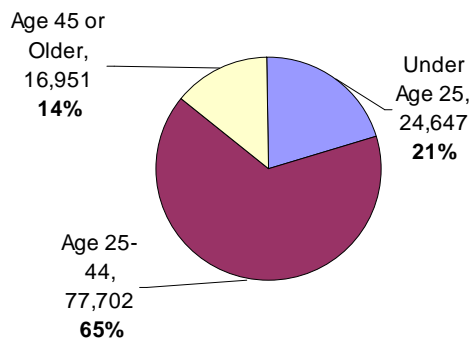
Race/Ethnicity



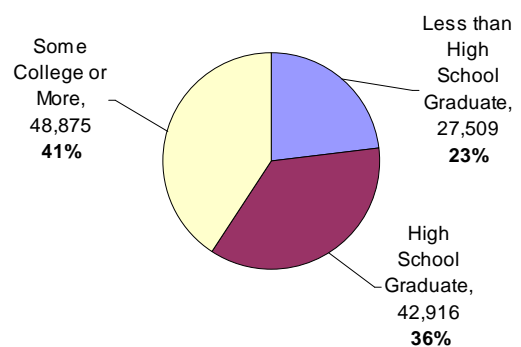
Weeks Worked in 2003



Age of Family Head



Education of Family Head



Working Poor Families with Children are defined as families with children under 18 in which either the head or spouse worked at any point during the year, and had an annual family income (counting all earnings, government cash benefits and other money income) below the U.S. poverty threshold. In 2003, the thresholds were \$14,680 for a family of three, and \$18,810 for a family of four.

Source: Center on Budget and Policy Priorities tabulations of U.S. Census Bureau American Community Survey (ACS) data.
Produced by Michigan League for Human Services

It is widely recognized that a college degree increases a worker's chance of full-time employment with a good salary.⁵ However, 41 percent of all Michigan's working poor families in 2003 had a primary wage earner who had some college education, while this was true of only 31 percent of working poor families in 1994-1996 and 25 percent in 1997-1999. The characteristics of many working poor families contradict commonly held notions about poor families in other ways as well: 65 percent of all working poor families in 2003 had a family head in his or her prime working years (age 25-44), less than half the working poor families were racial minorities, and nearly one-third of working poor families were headed by a married couple.

Michigan's Working Poor Families with Children

In 2003:

- There were 119,000 working poor families with children, comprising 10 percent of all Michigan working families with children. An additional 218,000 families with children are near-poor (between 100 percent and 200 percent of poverty).
- 250,000 children in Michigan lived in working poor families, comprising 10.1 percent of all children and 66.7 percent of all poor children in Michigan.
- 57 percent of individuals in working poor families are children.
- 78 percent of all poor families in Michigan had a parent who worked at some point during the year. (This does not include families in which each parent was out of the labor force due to disability or exceeding age 65.)
- Working poor families with children worked an average of 37 weeks, with more than two-thirds working at least 26 weeks.

Source: Center on Budget and Policy Priorities tabulations of U.S. Census Bureau American Community Survey data.

The Implications of a Growing Low-Wage Workforce

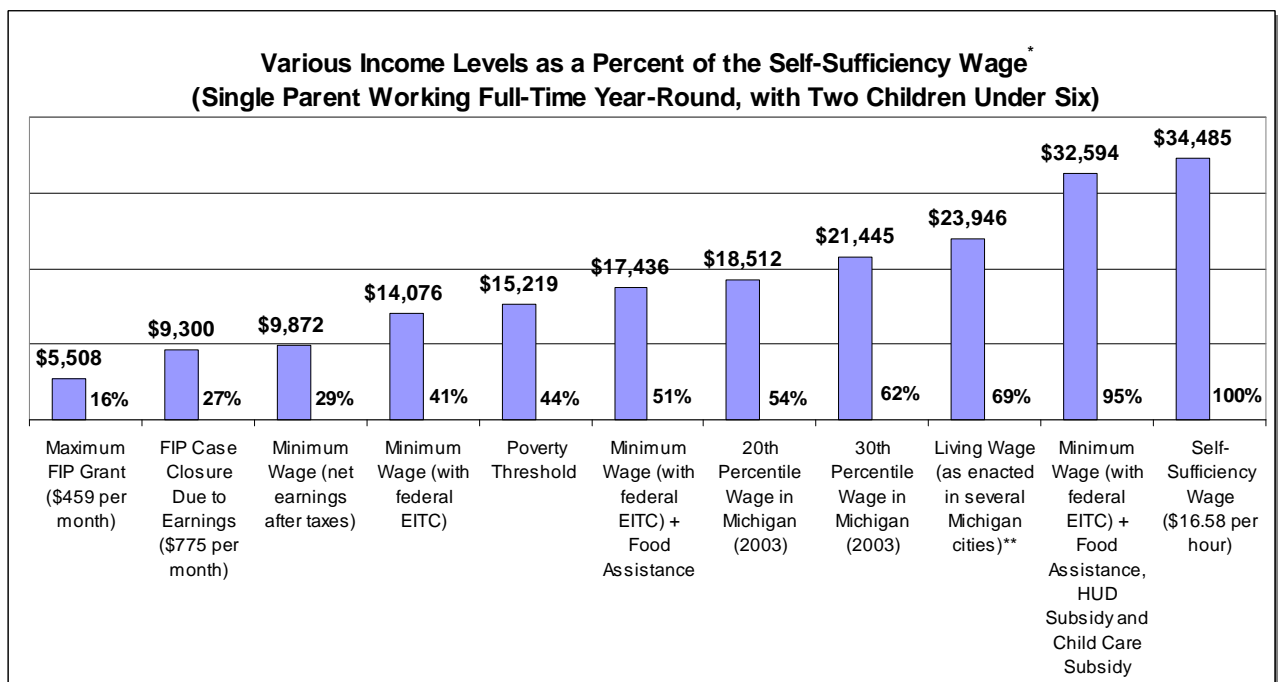
Many families of low-wage earners have a total household income below poverty level and are considered working poor, while many others earn too much to be considered poor yet cannot meet all of their needs without government or private help. The Michigan League for Human Services has calculated the wage a family needs to earn in order to meet all of its basic expenses without relying on

⁵ For more information, see the Michigan League for Human Services, *Michigan's Weak Link: Unemployment, the Skills Gap, and the Declining Support for Adult Education*, April 2005.

government or nonprofit assistance.⁶ This economic self-sufficiency wage is considerably higher than the poverty wage, and factors in such considerations as rent, child care costs, food, transportation, health costs and taxes. In 2004 the self-sufficiency wage level was as follows:

- Single individual –\$8.28 per hour;
- Single-parent family with two children under six--\$16.58 per hour;
- Two-parent family with two children under six in which both parents work--\$9.23 per hour each;
- Two-parent family with two children under six in which one parent works--\$10.79 per hour

To illustrate the disparity between what many families earn and what they need to earn, the following chart shows various wage and income levels for a single parent with two children less than six years of age. The levels range from the maximum FIP grant (the amount of money that a public cash assistance recipient may receive per month) to the amount needed for economic self-sufficiency.



* All wage and income levels are for 2004 unless otherwise noted.

**In several Michigan cities the Living Wage is defined as 125% of the poverty threshold for a family of four.

Produced by Michigan League for Human Services

As the chart indicates, work supports such as the federal Earned Income Tax Credit and various state and federal assistance programs can greatly increase the household income of a working poor family. Such work supports reward work and can effectively function for many working families as a stepping stone out of poverty by relieving some of the costs of work such as child care and transportation. However, many work supports are inadequate as a result of Michigan's failure to regularly update payment levels. The child care assistance subsidy, for example, has not received an across-the-board increase since 1997 despite the rising costs of child care. Because of this, working poor families have been left to absorb a larger percentage of their child care expenses each year or are locked out of higher quality, more expensive care.

⁶ For more information, see the Michigan League for Human Services, *Economic Self-Sufficiency in Michigan: A Benchmark for Ensuring Family Well-Being*, March 2004.

Even when work supports are in place the financial situation of low-wage workers is such that long-term future economic security is unlikely due to the difficulty of saving to meet future needs such as retirement, college for children or long-term care.

Just as the growing low-wage labor force has implications for the lives of families, state government will also feel the effects. Michigan must absorb many financial costs when a large number of its resident families are living in or near poverty. The most obvious costs are those associated with assistance programs that are funded wholly or in part by state government, such as direct cash assistance, child care subsidies, and Medicaid. As poverty rises, these safety net programs incur more costs and put pressure on the state budget. Having large numbers of working families in poverty imposes many indirect costs on the state as well. Living in poverty poses serious health and safety risks to families, which in turn increase the need for public health and other state services.

At the same time that state spending needs increase, state revenues are impacted as well. Lower wages result in less income tax revenue and the diminished purchasing power results in lower sales tax revenue. The decrease in consumer spending also hurts businesses. When businesses go under as a result, the state loses business tax revenue; when they are forced to lay off employees, further pressure is put on state assistance programs.

While an array of policies and programs currently exist in Michigan, it cannot be said that Michigan has developed a policy framework that uniformly or consistently targets low-income families for appropriate forms of assistance. Some steps Michigan could take toward developing a comprehensive approach to meeting the needs of low-wage workers could include:

Maintain and upgrade work supports that reward work and encourage financial independence. As noted previously, some work supports in Michigan could more effectively help low-wage workers meet their families' needs if they were updated or improved. This includes raising the amount of the child care subsidy to better respond to the current market price of child care, supporting local transportation assistance efforts, and implementing a state earned income tax credit to ease the tax burden on poor and low-income workers.⁷

Expand Education and Training Opportunities for Working Poor Parents. Many Michigan workers could raise their employment prospects and their salaries by learning new skills through vocational education. More than two and a half million working age adults in Michigan lack the educational attainment that employers in high-wage occupations are seeking. Moreover, nearly one-third of working age adults in Michigan have only a high school diploma and more than ten percent do not have a high school diploma. A large number of family heads are not proficient in English, and the most recent literacy indicators show that 18 percent of Michigan adults function at a very low literacy level. Michigan must improve the employment prospects and wages of working poor families through a greater investment in vocational training and adult education, and by making the necessary policy changes to make these opportunities more accessible.

⁷ For more information on a Michigan earned income tax credit, see the Michigan League for Human Services, *Rewarding Work and Helping Families: Why a State Earned Income Credit Makes Sense for Michigan*, October 17, 2003.

Enact and support policies that increase worker earnings. Because the current federal minimum wage is not indexed to inflation, the earnings of those working at that level erode in value each year. Nearly all of the research on the economic impact of increasing the minimum wage suggests that resulting job losses are minimal and are far outweighed by the benefits to local economies and to working families. Michigan should consider establishing its own minimum wage that is higher than the current federal minimum, and is indexed to inflation.

Make the unemployment insurance system more responsive to the needs of low-income workers and their families. Michigan's average weekly UI benefit in the last quarter of 2003 was 81 percent of the poverty threshold for a two-parent family with two children. The state also has a method of determining UI eligibility that is among the nation's sternest, as claimants must earn \$1,198 in one calendar quarter in order to receive benefits. Michigan could better meet the needs of unemployed low-income working families by restructuring its UI system to make benefits a more substantial replacement of wages, and by expanding UI eligibility to cover part-time and seasonal workers.

Increase the quality of and access to public transportation. Most working families spend roughly \$300-\$350 per month on transportation for work and essential family needs, due to the high cost of fueling, insuring and maintaining a car.⁸ This is approximately one-quarter of the monthly salary of a single parent of two children earning a poverty wage. Being able to use public transportation to commute to work can cut down on these expenses tremendously, particularly for families who suddenly find themselves without a functioning car. Many urban, suburban and rural areas in Michigan do not have adequate public transportation, and working poor family heads who commute a long distance to their jobs must spend money on work-related travel that they would otherwise have to take care of other expenses.

Target community economic development initiatives toward helping low-wage workers. Healthy and thriving communities cannot flourish when residents of those communities cannot meet their basic needs or are stuck in low-paying, dead end employment. Tax breaks or subsidies to private entities for purposes of economic development should require grantees to specify how their project will benefit low-wage workers in the community (the number of affordable housing units created, the number of living-wage jobs created, the number of jobs with benefits, etc.).

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⁸ This is actually a conservative estimate, as it does not factor in the cost of purchasing a car. For more information, see Michigan League for Human Services, *Economic Self-Sufficiency in Michigan: A Benchmark for Ensuring Family Well-Being*, March 2004.