



TIES THAT BIND: POVERTY AND MICHIGAN'S ECONOMIC RECOVERY

EXECUTIVE SUMMARY

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Poverty has a huge impact on the ability of Michigan's economy to recover. When people have less disposable income, consumer spending goes down, forcing businesses to lay off workers or shut down entirely. This means less revenue for the state as incomes decrease and the tax base shrinks. With high long-term unemployment in Michigan, many Michiganians have had drops in their income, thus impacting their ability to spend. Michigan's median household income of \$45,413 dropped by 11 percent over the past five years, the second highest drop in the U.S.

Poverty

Poverty in Michigan was 16.8 percent in 2010 and child poverty was 23.5 percent. Though 41 percent of those living in poverty worked during 2010, total poverty and child poverty have grown by more than 50 percent over the past 10 years and Michigan's family poverty rate is the fourth fastest growing in the nation. Isabella County had the highest poverty rate at 32.5 percent and more than half of Michigan's counties had poverty rates of at least 15 percent.

Children

Children have been especially harmed. Child homelessness grew by 40 percent between the 2009–2010 school year and the 2010–2011 school year. More than 31,000 children in Michigan are homeless and more than 700,000 are on food

assistance. Fourteen Michigan counties had more than one-third of children in the county living in poverty. In Lake County, 45 percent of children were in poverty in 2010. Charlevoix, Macomb, Monroe, Oakland and Ottawa counties have had their child poverty rate grow by at least 50 percent since 2006.

Unemployment

Michigan led the nation in unemployment between 2006–2009. The state has not experienced the

current level of unemployment since the early 1980s. The changes over the last decade have been extreme, with unemployment growing by more than 200 percent. Seventeen counties had unemployment rates of 15 percent or greater in 2010. Baraga County had the high-

est unemployment rate—23.3 percent of the county was jobless. All but three counties had unemployment double over the past decade. Allegan, Livingston, Oakland and Ottawa counties all had unemployment rates that tripled. Fortunately, Michigan's unemployment rate has started to decrease over the last few months, but reaching pre-recession employment levels will take years.

Public Structures

Although recent legislation was passed to reduce the amount of time that Michiganians receive cash assistance, the average number of months that a household is on cash assistance has declined by

Michigan Numbers	
Poverty	16.8%
Child Poverty	23.5%
Median Household Income	\$45,413
Unemployment Rate	12.5%

42 percent since 2001. Sixty-five percent of Michiganians getting cash assistance receive benefits for 12 months or less. One-quarter of recipients are on cash assistance for three months or less. These numbers are from before the 48-month time limit changes were made. In 2011, the average number of months a household received cash assistance was 14.9.

Michigan's recession has forced many to rely on the public structures that help children and families until the economy stabilizes. A quarter of the state's population received some sort of help in 2011. Nationally, studies have shown that two-thirds of American adults will rely on a safety net program during their lifetime. Public structures that help children and families also work to stabilize incomes and consumer spending and speed up economic recovery. Cash assistance, food assistance, unemployment insurance and homelessness prevention can help provide the temporary relief needed by so many families in Michigan as well as bolster the economy so that it can grow and thrive. Policies that seek to undermine these programs will only slow the state's recovery.

Those programs do make a difference. Under the Supplemental Poverty Measure—an alternative way to show a more realistic view of poverty—the percent of children in poverty nationally rises from 18.2 percent to 21.2 percent when food assistance

is not counted. Other programs that are effective in reducing poverty are the Earned Income Tax Credit, housing subsidies and the school lunch program.

Policy Recommendations

Recent policy decisions reducing access to cash assistance and food assistance should be reviewed. The state Earned Income Tax Credit should be returned to 20 percent of the federal EITC. The Legislature should reverse its decision to reduce unemployment benefits from 26 weeks to 20 weeks. Investments in skilled job training and financial supports while workers become ready for employment should be a priority for the state.

Instead of focusing on making government assistance programs more punitive, now is the time to expand these short-term support programs. For Michigan to be truly competitive in the future, it must have the people and infrastructure that will attract investments in the state. For economic recovery to be possible, the state must invest in its people. Michigan's financial future will be greater if its economy is designed to make sure all people in the state are able to maintain stability and economic balance. Michigan's economy must work for everyone, and not just those at the top of the income scale.