



## Michigan's Economy Continues to Cause Pain: Communities of Color Take a Harder Hit

A decade into the 21st century, Michigan's long-abruised economy continues to generate high unemployment and shove more families into poverty. The state's median income—above average at the start of the decade—has fallen dramatically and now ranks behind most states.

The economic pain has resulted in more families living in unaffordable housing, more homes in foreclosure, more bankruptcies and fewer people with health insurance.

The difficulties have not been spread equally. People of color have been especially hard hit, with higher unemployment, more sharply declining income, deeper poverty and less health insurance than their white counterparts.

Recent data show<sup>1</sup>:

- Michigan's annual unemployment rate in 2009 was 13.3 percent, more than double the rate of 5.3 percent in 2001. For African Americans, the unemployment rate hit 21 percent—nearly double that of whites at 12.2 percent.
- Inflation-adjusted median household income ranked 35th in the country at \$45,255 in 2009, down from \$54,054 in 2000 when Michigan ranked 18th.
- More than one in five children lives in poverty in Michigan with much higher rates for children of color.<sup>2</sup>

- Bankruptcies have risen since 2006 and Michigan posted the fifth-highest foreclosure rate in the country in October.

### Stubbornly High Unemployment

Unemployment, both nationally and at the state level, has remained stubbornly high for many years. While the unemployment rate in Michigan has been on the decline, the seasonally adjusted rate in October 2010 was 12.8 percent, far above the national rate of 9.6. However, even before the current national recession officially began in December 2007, Michigan's unemployment was far higher than the national rate and led the nation for a full four years, from April 2006 to April 2010. This is due in large part to the loss of manufacturing jobs, particularly good paying jobs in the automotive sector that did not require high levels of formal education.

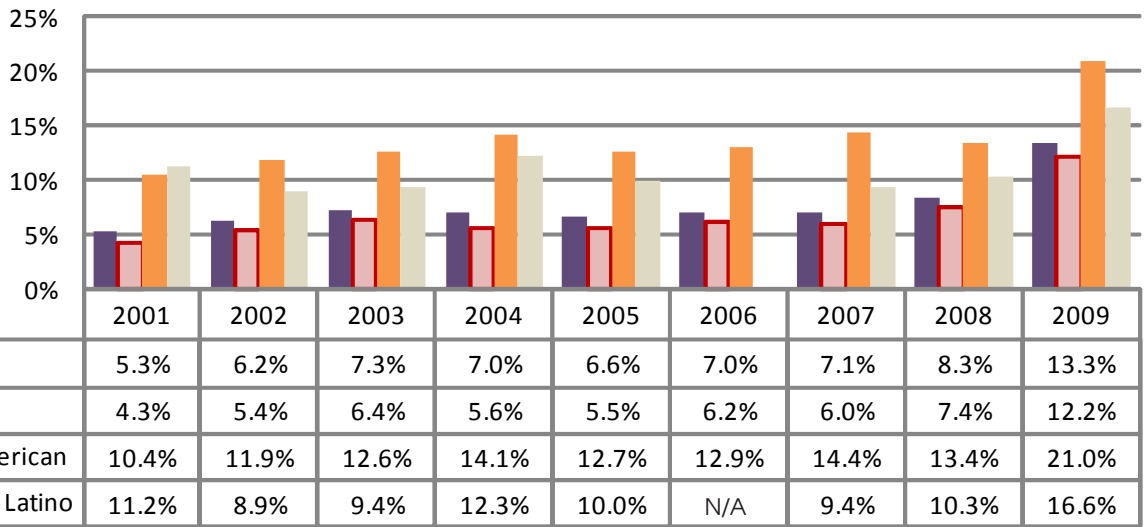
These high levels of unemployment in Michigan for much of the last decade have impacted communities of color disproportionately.

While unemployment has been high for all groups since 2001, African American and Hispanic/Latino households have seen unemployment rates that are, at times, more than double that of their white counterparts. In 2001, more than one in every 10 African Americans and Hispanic/Latinos was unemployed, while fewer than 5 percent of whites were. By 2009,

<sup>1</sup> All data, unless otherwise noted were obtained from the U.S. Department of Labor, Bureau of Labor Statistics and the United States Census Bureau's Current Population Survey (CPS) and American Community Survey (ACS). All data from the ACS are 1-Year Estimates which include data only from geographies of 65,000 or greater.

<sup>2</sup> The poverty level for a family of three in 2009 was \$17,285. For a family of four it was \$21,756.

## People of color face higher rates of unemployment



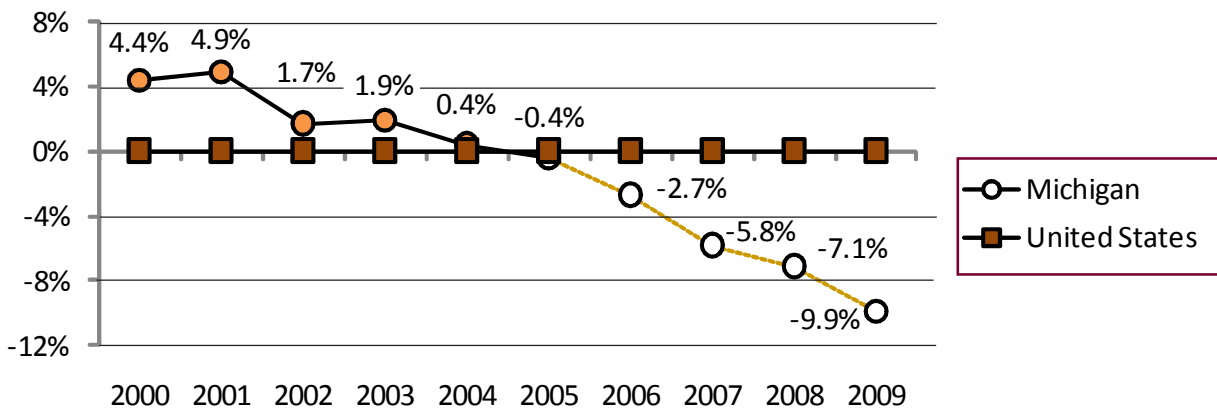
Source: Economic Policy Institute analysis of Current Population Survey Data  
 Chart created by the Michigan League for Human Services.

approximately one in every eight whites was without work while just over one in every six Hispanic/Latinos and more than one in every five African Americans were unemployed.

## Median Household Income in Near Freefall

With these high rates of unemployment, Michigan's median household income, when adjusted for inflation, has been on a steady decline. From 2000 to 2009, Michigan's inflation adjusted median household income

## Michigan's median household income fell nearly 10 percent below the national median by 2009



Source: American Community Survey, 1-Year Estimates  
 Chart created by the Michigan League for Human Services.

## Median household income falls quicker for households of color

### Earnings

Race	2005	2006	2007	2008	2009	% Change (05-09)
Overall	\$50,573	\$50,209	\$49,613	\$48,418	\$45,255	-10.5%
White Alone	\$54,004	\$53,752	\$52,969	\$51,532	\$48,651	-9.9%
African American	\$33,296	\$33,283	\$31,692	\$31,095	\$28,487	-14.4%
Hispanic or Latino	\$42,316	\$38,706	\$37,717	\$38,974	\$36,413	-13.9%

Source: American Community Survey, 1-Year Estimates

fell just over 16 percent, whereas nationally, this decline was just below 3 percent. Michigan's median household income has dropped to 35th in the nation at \$45,255, nearly 10 percent below the national median of \$50,221. In 2005, it was just one half a percent below the national median.

Again, the impact on people of color has been even greater. From 2008 to 2009 alone, Michigan's inflation-adjusted median household income fell 6.5 percent. For whites it fell 5.6 percent, but for Hispanic/Latinos it fell by 6.6 percent and for African Americans by 8.4 percent. Between 2005 and 2009 median household income fell 10.5 percent for all Michigan households. It fell by more than 14 percent for African American

households and nearly 14 percent for Hispanic/Latino households. White households, on the other hand, experienced an income decline of about 10 percent.

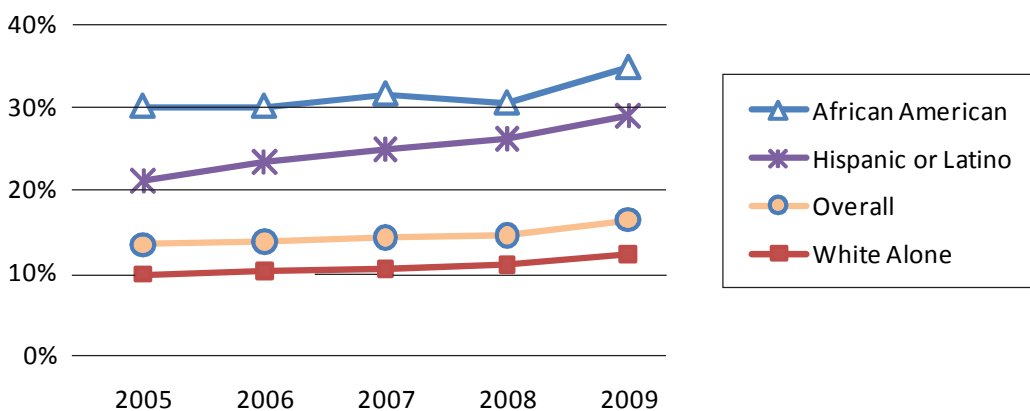
In addition, the median household income of whites has typically been higher than that of not only the state median household income, but also significantly higher than African American and Hispanic/Latino households. With the drop in income for all groups, African American and Hispanic/Latino households are falling even further behind at a faster rate.

### Poverty Continues to Increase

As 2009 saw record high levels of unemployment, which caused the median household income to continue

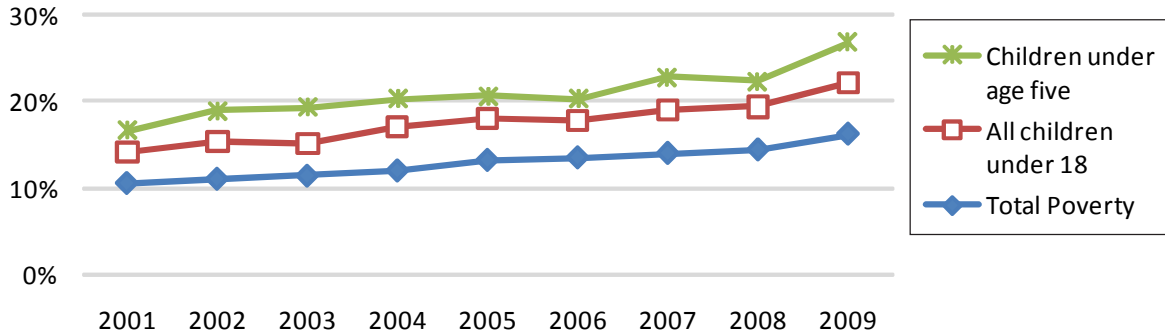
to drop, the state's poverty rate continued to rise. In 2009, the state's overall poverty rate was 15th highest in the country, standing at 16.2 percent, much higher than the national rate of 14.3 percent. This is an increase from the 2008 rate of 14.4 percent, or an increase of nearly 160,000 individuals in one year.

## People of color have higher poverty rates



Source: American Community Survey, 1-Year Estimates  
Chart created by the Michigan League for Human Services.

## Poverty continues to rise



Source: American Community Survey, 1-Year Estimates  
 Chart created by the Michigan League for Human Services.

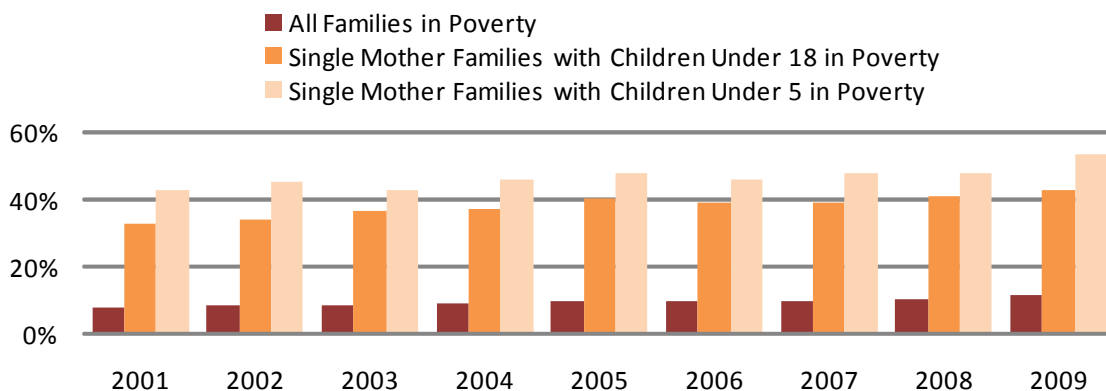
However, as with unemployment, the poverty rate for whites has been lower than the state average while the rate for Hispanic/Latinos and African Americans is often double or triple the rate of their white counterparts. In 2009, more than one in every three African Americans and more than one in every four Hispanic/Latinos were living in poverty, whereas approximately one in every eight whites had income below the poverty level.

As the overall poverty rate grows, children have been disproportionately impacted, particularly young children. Michigan's child poverty rate stands at 22.1 percent, 14th highest in the nation, representing 508,454 children. However, in 2009, more than a quarter of all

children in Michigan under the age of 5 lived below the poverty level, up 4.5 percentage points in one year. Likewise, children of color have higher rates of poverty as well, with over half of all African American children under age 5 living in poverty in 2009 and just over 44 percent of Hispanic/Latino children in the same age group living in poverty. For white children under 5, this figure was approximately 19 percent.

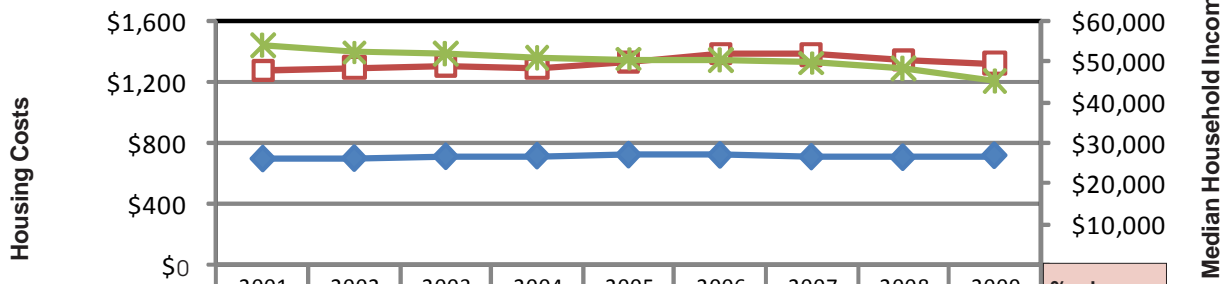
Family poverty is also on the rise with the poverty rate for single mother families remaining significantly above that of the overall family poverty rate. In 2009, the family poverty rate was just over 11 percent, while the poverty rate for single mothers with children was approximately 43 percent.

## Over half of all single mothers with children under age 5 lived in poverty by 2009



Source: American Community Survey, 1-Year Estimates  
 Chart created by the Michigan League for Human Services.

## Housing costs rise slightly as income falls



	2001	2002	2003	2004	2005	2006	2007	2008	2009	% change
Median Gross Rent	\$695	\$698	\$709	\$713	\$720	\$718	\$707	\$703	\$716	3%
Median Selected Cost for Units with a Mortgage	\$1,274	\$1,294	\$1,308	\$1,291	\$1,332	\$1,386	\$1,378	\$1,346	\$1,322	3.8%
Median Household Income	\$53,927	\$52,227	\$51,776	\$50,999	\$50,573	\$50,209	\$49,613	\$48,418	\$45,255	-16.1%

Source: American Community Survey, 1-Year Estimates  
 Chart created by the Michigan League for Human Services.

However, over 53 percent of single mother households with children under age 5 lived below the poverty level in 2009. This is the first time since the American Community Survey began collecting this data that the majority of children under 5 in single mother households lived in poverty in Michigan.

### Housing Costs Rise Slightly as Income Falls

Even as median household income has fallen, the amount people are spending on housing costs is slowly rising. While income has fallen 16 percent since 2001, median gross rent increased 3 percent and median housing costs for households with a mortgage increased nearly 4 percent.<sup>3,4</sup>

With this increase in housing costs and decline in income, more households are finding themselves spending an unaffordable amount on housing costs. It is

generally accepted that affordable housing should consume no more than 30 percent of a household's annual income. However, 56 percent of all renters and nearly 37 percent of all homeowners are spending more than 30 percent of their income on housing costs. This is up from 2001 when less than 40 percent of all renters and approximately a quarter of all homeowners spent more than 30 percent of their income on housing costs.

As more households find themselves spending an unaffordable amount of their annual income on housing, it comes as no surprise that Michigan still finds itself among the top 10 states in the number of foreclosures. Even after Michigan changed its foreclosure law in July 2009 to require lenders to work with borrowers before engaging in foreclosure proceedings, Michigan still found itself ranked 5th in the nation in the number of foreclosures in October 2010.<sup>5,6</sup> However, this rate is actually down nearly 12 percent from September

<sup>3</sup> Gross rent includes rent and utilities.

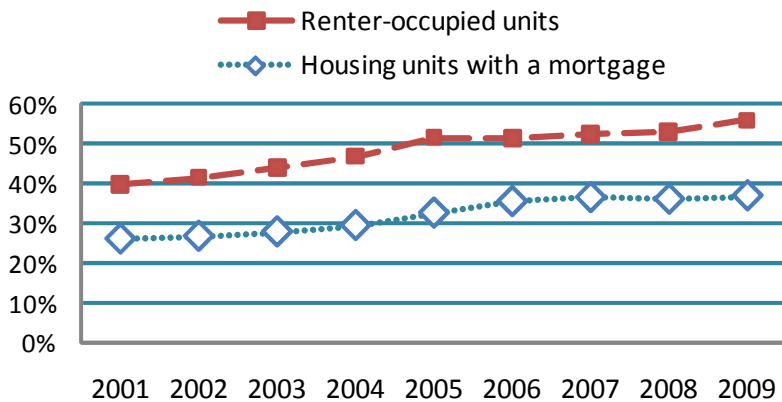
<sup>4</sup> Selected monthly housing costs are the total payment for mortgages, taxes, insurance, utilities, fuel, mobile home costs, and condominium fees. As with gross rent, it is considered unaffordable if these costs exceed 30 percent of household income.

<sup>5</sup> RealtyTrac. Foreclosure activity decreases 4 percent in October. From <http://www.realtytrac.com/content/press-releases/foreclosure-activity-decreases-4-percent-in-october-6182>. Retrieved December 3, 2010.

<sup>6</sup> For a detailed discussion of the changes to Michigan's foreclosure law, see the Senate Fiscal Agency's analysis located at: <http://www.legislature.mi.gov/documents/2009-2010/billanalysis/Senate/pdf/2009-SFA-4453-B.pdf>

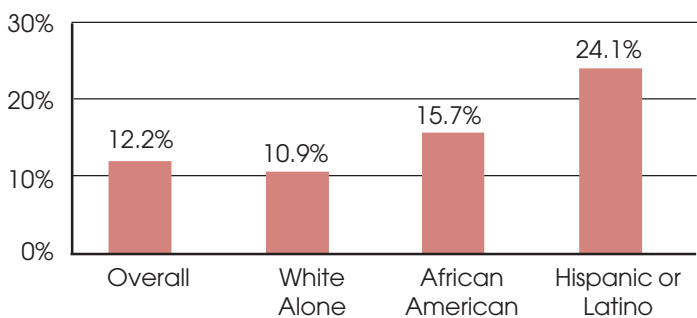
2010, but up more than 12 percent from a year ago, whereas the national rate fell slightly from last year. This means one in every 235 households in Michigan were in one of the three stages of foreclosure,

**More households are spending at least 30% of their income on housing costs**



Source: American Community Survey, 1-Year Estimates  
Chart created by the Michigan League for Human Services.

**African Americans and Hispanic/Latinos are more likely to be uninsured**



Source: American Community Survey, 1-Year Estimates  
Chart created by the Michigan League for Human Services.

which is much higher than the national rate of 1 in every 389 households.<sup>7</sup> The 19,288 households in Michigan that were in foreclosure in October 2010 represent almost 6 percent of all foreclosures nationwide.

**Disparities in Health Insurance Coverage**

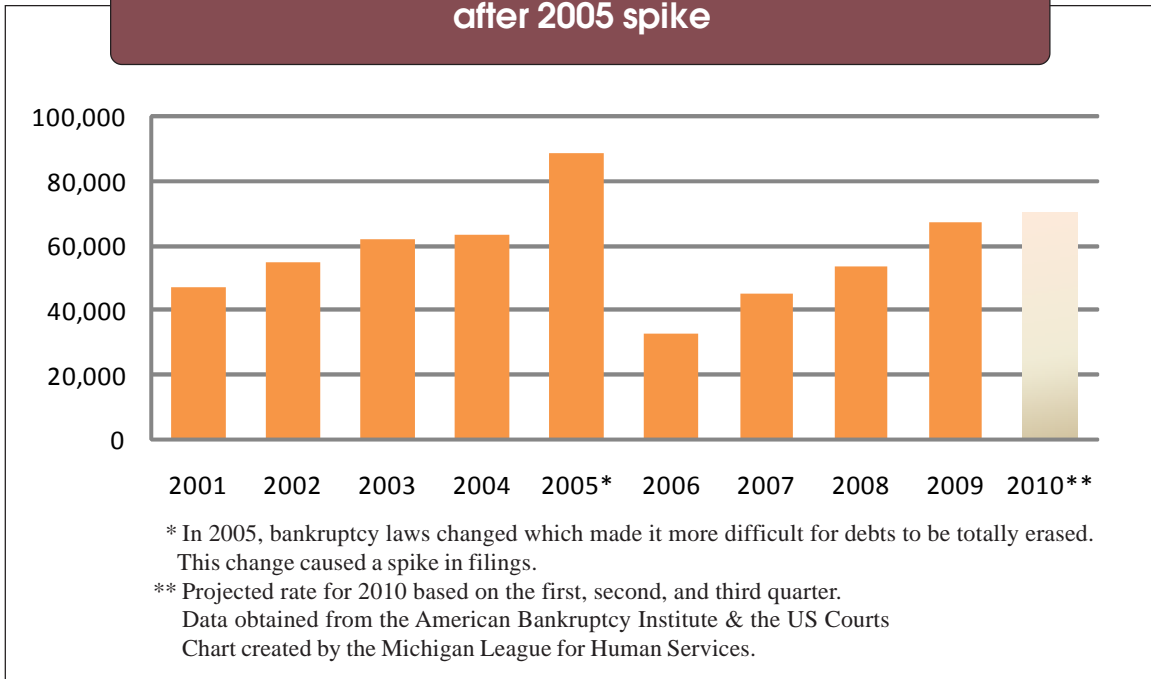
People of color and those with low incomes are more likely to be without health insurance in Michigan. Overall, 12 percent of all Michigan residents were without health insurance in 2009. However, while 11 percent of all whites were without health insurance, 15.7 percent of African Americans were uninsured and almost a quarter of all Hispanic/Latinos were without insurance.

Additionally, those in one of every five households with income under \$25,000 were without health insurance in 2009, compared with just one in every 25 households with income of \$100,000. This is not to say that middle-income families are not without coverage. As health insurance costs rise, and fewer employers are offering employer-based coverage, 22 percent of people with income 300 percent above the poverty level and above do not have health insurance coverage.<sup>8</sup> Therefore, it comes as no surprise that of people without health insurance, just over 22 percent are below the poverty level, but 10.7 percent have a household income between \$50,000 and \$74,999.

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

<sup>8</sup> 300 percent of the poverty level is \$51,855 for a family of three and \$65,286 for a family of four.

## Personal bankruptcy filings resume increase after 2005 spike



### Bankruptcy Rates Continue to Climb

Rising housing and health insurance costs, coupled with high unemployment and declining income have led to increasing numbers of personal bankruptcies. After a sharp drop in personal bankruptcy filings in 2006, due primarily to changes in the federal bankruptcy laws that made it harder for individuals to have their debts completely erased, rates have nearly returned to the level last seen in 2005.

In 2006, personal bankruptcy filings fell 63 percent, but have been slowly increasing ever since. In 2009, 67,265 people in Michigan filed for bankruptcy, making up 4.7 percent of all personal bankruptcies filed that year.<sup>9</sup> It is projected, based on the first three quarters of 2010 that approximately 70,000 individuals in Michigan will file for bankruptcy, down only 20 percent from the high of 88,402 in 2005 and up 113 percent from 2006.

### Straining the Safety Net

As unemployment increased and median household income declined in Michigan in 2009, federal Recovery Act funds helped keep an estimated 215,000 Michigan residents out of poverty. Additionally, they helped keep an estimated 994,000 individuals already living in poverty from falling deeper into poverty.<sup>10</sup>

Unfortunately most of the Recovery Act dollars have now been depleted. The loss of these funds, combined with Congress' failure to renew the \$233 million in federal Emergency Temporary Assistance for Needy Families Contingency funds (Emergency TANF) that Michigan received in the 2010 fiscal year, leaves gaping holes in the state's safety net.<sup>11</sup> The new budget put in place for fiscal year 2011 does not account for increased cash assistance caseloads. It assumes a cash assistance caseload of approximately 85,000 recipients. The caseload in October 2010, however, was more than 86,000 and has been slowly rising.

<sup>9</sup> US Courts and the American Bankruptcy Institute.

<sup>10</sup> Center on Budget and Policy Priorities (2009). State-level data show Recovery Act protecting millions from poverty. From: <http://www.cbpp.org/cms/?fa=view&id=3035> Retrieved December 2, 2010.

<sup>11</sup> For further discussion of the federal Emergency TANF Contingency Fund, please see a joint fact sheet, published by the Michigan League for Human Services and the Center for Civil Justice available at: <http://www.milhs.org/wp-content/uploads/2010/08/TANFFACTSHEETMLHSCCJ.pdf>

## Conclusion

These data clearly show that Michigan residents are suffering and that disparities due to race still exist. Unfortunately, even as unemployment begins to ease, there does not appear to be an easy fix to the inequities that are still present due to race or socio-economic standing because even before the current recession, communities of color had higher rates of unemployment and lower income, when compared to their white counterparts.

However, even as it appears that Michigan may be getting ready to turn an economic corner, as evidenced by the gradual decline in unemployment, many of the jobs being created require education beyond high school to earn a wage that will help a family become self-sufficient. Therefore, now is not the time to further cut programs many residents rely on to make ends meet, such as housing, cash, and food assistance or to further reduce funding to colleges and universities that will train the state's future workforce.



# Appendix A

## Economic Status of Michigan and Its Urban Counties\*

Geographical Area	TOTAL POVERTY		CHILD POVERTY		MEDIAN HOUSEHOLD INCOME			UNEMPLOYMENT		UNINSURED
	2005	2009	2005	2009	2005 (adjusted to 2009 \$)	2009	Percent Change	2005	2009	2009
<b>U. S.</b>	<b>13.3%</b>	<b>14.3%</b>	<b>18.2%</b>	<b>19.7%</b>	<b>\$50,797</b>	<b>\$50,221</b>	<b>-1.1%</b>	<b>5.1%</b>	<b>9.3%</b>	<b>15.1%</b>
<b>Michigan</b>	<b>13.2%</b>	<b>16.2%</b>	<b>18.1%</b>	<b>22.1%</b>	<b>\$50,573</b>	<b>\$45,255</b>	<b>-10.5%</b>	<b>6.8%</b>	<b>13.6%</b>	<b>12.2%</b>
<b>Counties</b>										
Allegan	9.7%	11.2%	9.0%	16.9%	\$51,269	\$50,316	-1.9%	6.2%	12.8%	10.4%
Bay	10.2%	12.0%	14.1%	13.4%	\$46,460	\$44,029	-5.2%	7.0%	12.0%	10.2%
Berrien	18.9%	17.2%	30.3%	22.9%	\$43,302	\$39,508	-8.8%	6.8%	12.7%	14.5%
Calhoun	14.2%	17.3%	20.5%	26.4%	\$44,185	\$38,507	-12.9%	6.6%	11.7%	13.0%
Clinton	9.1%	7.2%	6.1%	6.9%	\$65,335	\$58,041	-11.2%	5.3%	9.4%	9.0%
Eaton	10.9%	10.4%	16.7%	16.0%	\$51,997	\$51,167	-1.6%	5.4%	10.3%	9.8%
Genesee	15.9%	19.3%	22.9%	29.5%	\$46,657	\$41,382	-11.3%	7.8%	14.9%	9.9%
Grand Traverse	8.0%	11.2%	N/A	14.9%	\$52,258	\$49,573	-5.1%	5.9%	11.8%	12.4%
Ingham	18.8%	19.4%	22.0%	21.8%	\$46,688	\$42,469	-9.0%	6.3%	11.3%	11.6%
Isabella	24.2%	28.9%	18.6%	20.1%	\$39,490	\$33,787	-14.4%	4.9%	8.6%	11.6%
Jackson	13.9%	13.4%	20.0%	18.8%	\$51,688	\$46,650	-9.7%	6.7%	13.5%	10.9%
Kalamazoo	15.6%	20.5%	16.3%	23.2%	\$48,516	\$41,339	-14.8%	5.2%	10.0%	11.6%
Kent	12.1%	14.6%	16.3%	20.7%	\$51,032	\$47,485	-7.0%	5.7%	10.9%	11.9%
Lapeer	6.6%	8.4%	9.0%	10.9%	\$55,697	\$50,607	-9.1%	7.9%	17.2%	10.7%
Lenawee	9.0%	14.0%	12.0%	19.4%	\$53,029	\$45,640	-13.9%	7.0%	15.6%	13.4%
Livingston	4.4%	7.4%	5.2%	9.3%	\$78,593	\$67,296	-14.4%	5.4%	11.9%	8.7%
Macomb	8.6%	10.9%	11.5%	14.7%	\$58,573	\$50,553	-13.7%	6.9%	15.7%	12.1%
Marquette	N/A	13.4%	N/A	9.3%	N/A	\$41,275	N/A	5.7%	10.3%	10.5%
Midland	13.7%	12.9%	16.9%	13.7%	\$50,434	\$50,053	-0.8%	5.8%	9.7%	9.7%
Monroe	10.0%	10.8%	15.6%	13.0%	\$61,146	\$52,824	-13.6%	6.1%	14.4%	11.3%
Muskegon	14.9%	18.6%	19.7%	24.8%	\$46,039	\$38,274	-16.9%	6.9%	14.9%	12.3%
Oakland	6.6%	9.7%	8.2%	13.0%	\$70,328	\$62,308	-11.4%	5.7%	12.9%	10.3%
Ottawa	6.7%	10.6%	6.5%	11.5%	\$62,597	\$51,047	-18.5%	5.2%	12.3%	8.8%
Saginaw	17.5%	22.7%	24.4%	34.6%	\$43,893	\$39,200	-10.7%	7.9%	12.5%	10.8%
Shiawassee	8.2%	15.4%	10.8%	21.7%	\$47,248	\$41,083	-13.0%	7.8%	17.5%	12.5%
St. Clair	9.0%	13.5%	12.8%	17.7%	\$54,604	\$45,377	-16.9%	8.1%	14.9%	12.1%
Van Buren	17.3%	16.6%	25.1%	20.0%	\$43,702	\$40,025	-8.4%	6.9%	12.7%	15.8%
Washtenaw	13.9%	14.6%	13.5%	13.2%	\$58,764	\$54,603	-7.1%	4.4%	8.6%	8.0%
Wayne	19.5%	24.0%	28.9%	34.4%	\$44,908	\$38,192	-15.0%	8.7%	16.2%	15.4%

\*These counties have a population of at least 65,000. Data for counties with populations between 20,000 and 64,999 are also available from the United States Census Bureau, American Community Survey 3-Year Estimates. However, the largest counties are only listed here as all data from this report are from the United States Census Bureau, American Community Survey 1-Year Estimates.

Sources: United States Census Bureau, American Community Survey, 2005, 2009. Michigan Labor Market Information, 2005, 2009.

N/A indicates data not available for the county for that measure or time period.