



Walking a Tightrope Without a Net

Help Eludes Many Victims of the Current Recession

Executive Summary

These are difficult times for Michigan. Our state's unemployment rate has led the nation for much of the past several years, with massive job losses in a number of sectors. Ten percent of all families in Michigan and nearly one out of every five children are in poverty, and many other families are in an economically precarious position.¹ Many families cannot afford rent or health insurance, and there has been a sharp increase in home foreclosures during the past several years.

In the face of such hardship, the state has a responsibility to provide a safety net for its most vulnerable citizens, and to make sure the net remains strong by making necessary adjustments and policy modifications. In Michigan, however, years of inaction, half-hearted adjustments and misguided policy changes have left holes in the net through which an increasing number of families are falling. The last time unemployment was in the double digits, the state was helping three times as many families with cash assistance as it is today.

From 1993 to the present, the maximum monthly cash assistance benefit for a family of three has been increased by only \$33 per month, from \$459 to \$492, with the first increase not taking place until 2006.

Because the increase falls far short of inflation, each year a family has been able to purchase less with its monthly benefit than the year before, and families have had to be in deeper hardship each year to be eligible. While in 1993 a single mother with two children would lose her benefits if she had earned income higher than \$774 per month, today the amount is equal to only \$554 per month in 1993 dollars (a 28 percent loss in purchasing power). Had the payment standard kept up with inflation, a similar family today would be eligible for benefits until earnings reached \$1,138 per month; if the family had no earned income, it would receive a benefit of \$670, not \$492, per month.

Family poverty is rising at an alarming rate, yet Michigan's cash assistance program allows only families at more than 44 percent below poverty level to receive a monthly benefit. This is in contrast to 1993, when a family of three did not lose its cash assistance until its earnings put it less than 20 percent below the poverty threshold. A related problem is the amount of the monthly benefit for the families that do qualify; a parent who is unable to find a job and whose family depends entirely upon cash assistance gets a benefit equal to only 34 percent of the poverty threshold. In addition to being far below the federal poverty level, Michigan's cash assistance eligibility level is far lower than that of most other Midwestern states.

¹ U.S. Department of Labor Bureau of Labor Statistics

As can be expected, the state's inaction on FIP has made a large number of poor families ineligible for any cash assistance at all. In 2007, approximately 257,488 Michigan families were in poverty; however, an average of only 82,329 families each month (32 percent of poor families) received cash assistance that year.

Despite the trends in unemployment and poverty, the number of FIP cases dropped sharply from an average of 85,389 cases per month in 2007 to 72,568 cases per month in 2008. Clearly, the erosion of the payment standard has contributed to the general decrease over time, but the most recent drop can likely be attributed to three recent changes in FIP policy: 1) the new DHS policy that requires FIP applicants to go to their local Michigan Works! Agency for work readiness screening and job search before their cases can be opened, 2) the new requirement that applicants prove their citizenship by providing a passport or birth certificate, along with a driver's license or other state ID, before receiving assistance, and 3) the increased use of employment-related sanctions that result in case closure. While it is difficult to know the extent to which these policies have pushed or kept families off cash assistance, this is clearly the wrong time for Michigan to put up unnecessary obstacles that prevent its most vulnerable families from receiving the help they need.

The FIP caseload decline during the 1990s, when Michigan's economy flourished, has been hailed as a positive achievement, as has the overall increase in the percentage of cash assistance recipients with earned income. But as the statistics show, these trends have masked a significant weakening of the cash assistance safety net. As the state's economy went sour in the beginning of this decade and has gotten progressively worse, FIP has failed to keep up with the increasing need. This has resulted in the shameful situation we have today, in which many poor families are unable to meet many of their basic needs yet are without access to cash assistance. It is imperative that the state act decisively to make its welfare system more responsive to Michigan's struggling families.

In addition to the FIP erosion, other safety net programs have been eliminated or weakened. Those include:

- The General Assistance grant, which covered rent for the otherwise homeless population, was eliminated in 1991;
- The Michigan child care subsidy, to help provide child care for working poor parents, has been increased by only 8 cents an hour in 14 years; and
- State funding for emergency needs was slashed in 1992, and today covers less than a quarter of families than it did in 1990.