



Michigan League FOR Human Services

Revised October 2008

## Labor Day Report: Economic Challenges Underscore Needs of Low-Income Workers

*This report describes the state of working Michigan in 2008. It has been produced with the support of the Economic Policy Institute, and unless otherwise noted, the data has been supplied as part of their State of Working America project.*

### Unemployment: A Disproportionate Impact

Unemployment continues to be very high in Michigan, as it has for most of this decade. In May and June of 2008, Michigan's unemployment rate reached 8.5 percent, its highest rate in fifteen years. This is not as high as it was during parts of the early 1980s, when monthly rates were sometimes as high as 16 percent, but nonetheless represents an alarming trend. Many of the lost jobs continue to be in the manufacturing sector, particularly in industries related to automobile production.

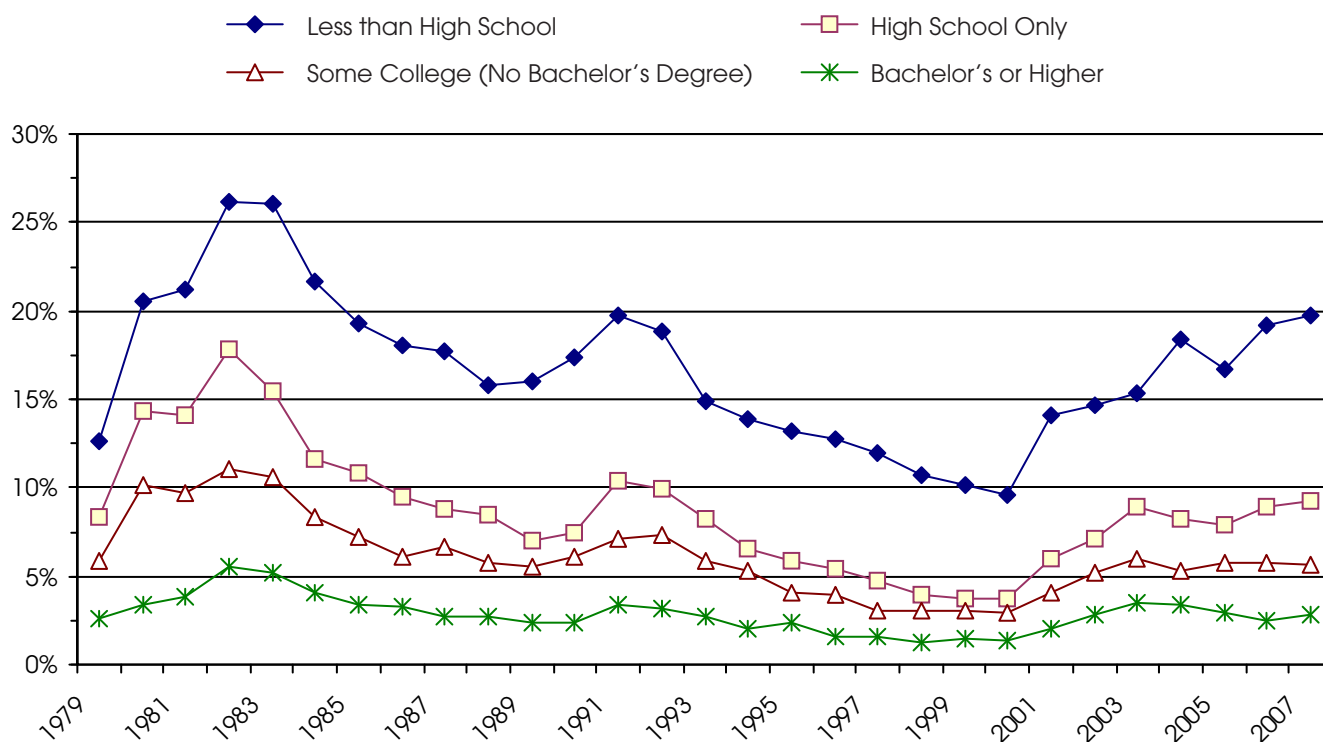
Statistics provide a closer look at who is hit hardest when the unemployment rate rises. Chart 1 shows that educational level is a reliable indicator of a worker's ability to withstand periods of high unemployment. Like a car with worn-out shock absorbers, the unemployment rate for workers without a high school diploma tend to jump disproportionately high when the economy gets rocky. Those with

a diploma but no postsecondary training experience also experience significant jumps. However, the unemployment rates of workers with some college and especially with a four-year degree are much more level during times of economic downturn. It is clear postsecondary training in a vocationally relevant field is an effective "shock absorber," providing substantial employment security during bad economic times and good.

### Where Are the Jobs?

As Chart 2 shows, Michigan's job environment is changing rapidly. Manufacturing, once the highest employing sector, suffered a net loss of 334,000 jobs between August 1999 and August 2008, leaving the government sector (federal, state and local) as the state's largest job provider. Meanwhile, education and health services (a sector with both high-paying and low-paying jobs) has steadily increased, and is now nearly equal with manufacturing in the total

### Unemployment Rate by Educational Level in Michigan, 1979-2007



Source: Economic Policy Institute analysis of Current Population Survey data  
Produced by Michigan League for Human Services

number of jobs provided. Also on the incline, though to a lesser degree, is the mostly low-paying leisure and hospitality sector.

### How Much Do the Highest-Employment Jobs Pay?

Unfortunately, many of the jobs with the highest employment do not bring family breadwinners out of poverty. 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.<sup>1</sup> As Table 1 shows, four of the top six jobs in Michigan in May 2007 accounted for 10 percent of

all non-farm jobs in Michigan, and they had a median wage that would not lift a family of four

#### Michigan's Economic Self-Sufficiency Wage

- Single individual—\$9.08 per hour;
- Single-parent family with two children under 6—\$19.35 per hour;
- Two-parent family with two children under 6 in which both parents work—\$10.74 per hour each;
- Two-parent family with two children under 6 in which one parent works—\$12.58 per hour.

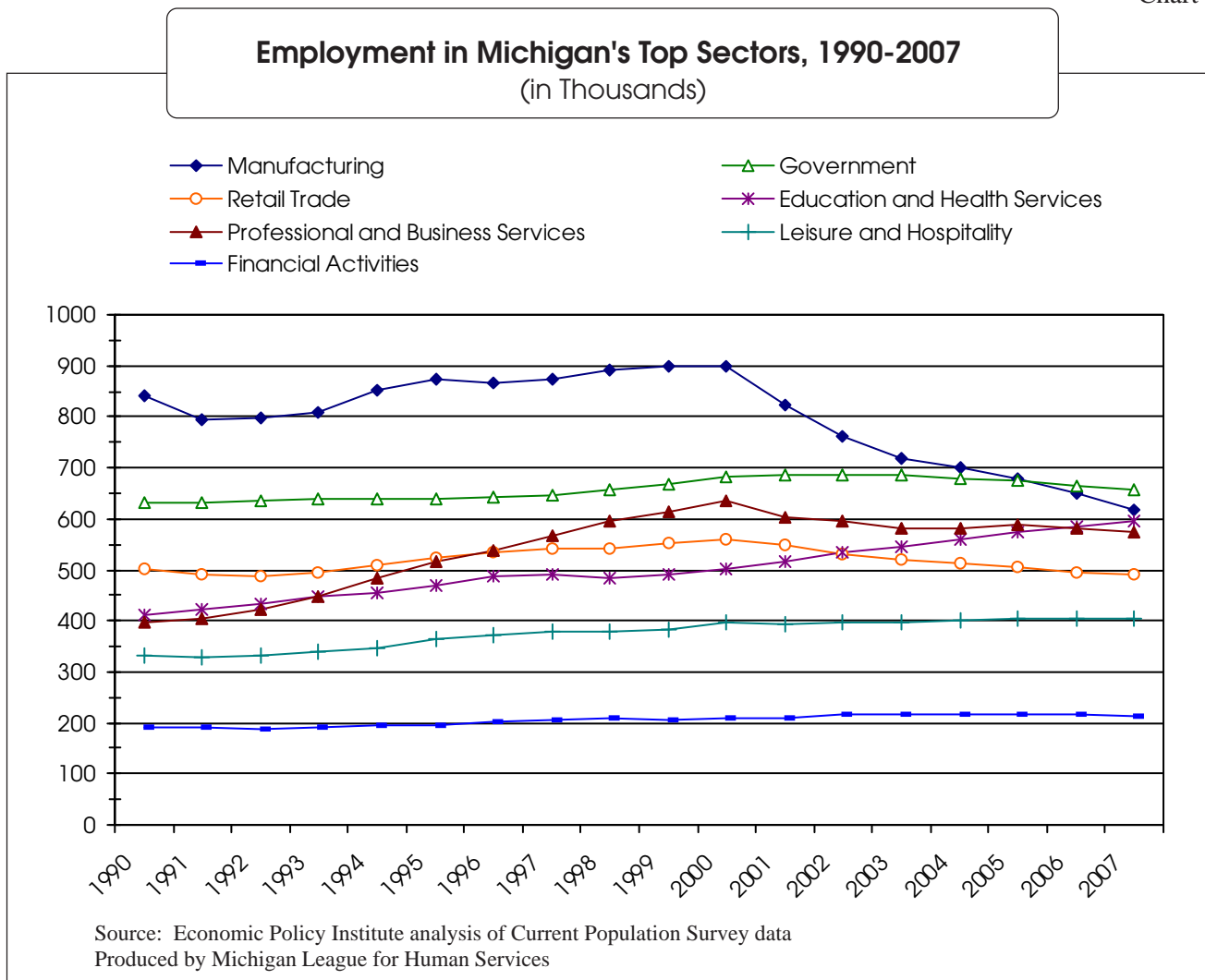
<sup>1</sup> The poverty level used to determine poverty wage, unless otherwise noted, is the Census Bureau's estimate of the weighted average poverty threshold for a family of four, divided by 40 hours per week and 52 weeks per year to equal an hourly wage.

above the poverty line.<sup>2</sup> In total, Michigan had 811,536 jobs that month (19.2 percent of all nonfarm jobs) with a similarly low median wage. When farming and seasonal work are added, this number becomes much higher.<sup>3</sup>

Because the poverty threshold is an outdated measure that many academics and policy experts believe understates family need, the Michigan League for Human Services has developed an economic self-sufficiency standard to determine the

amount of income that a household must have in order to meet its needs without government or private assistance. Table 1 also shows that 23 out of the top 35 highest-employment jobs had a median wage that would not bring a single parent with two children to economic self-sufficiency.<sup>4</sup> Table 2 shows the lowest-wage occupations in Michigan, the number employed in those jobs, and the degree to which those jobs fall short of bringing a single parent of two to self-sufficiency.

Chart 2



<sup>2</sup> Although the poverty wage is a useful benchmark for discussing low-wage jobs, it should be noted 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.

<sup>3</sup> U.S. Department of Labor, State Occupational Employment and Wage Estimates

<sup>4</sup> For more information, see the Michigan League for Human Services' *Economic Self-Sufficiency in Michigan: A Benchmark for Measuring Family Well-Being*, May 2007.

Table 1

Michigan Occupations with Highest Employment (May 2007)<sup>1</sup>

Rank	Occupation	Number Employed	Median Hourly	% of Poverty Wage <sup>2</sup>		% of Self-Sufficiency Wage for Single Parent with Two Children
				Family of Three	Family of Four	
1	Retail Salespersons	153,470	\$9.65	120.2%	95.5%	49.9%
2	Cashiers	108,190	\$8.31	103.5%	82.2%	42.9%
3	Office Clerks, General	107,610	\$11.90	148.2%	117.7%	61.5%
4	Registered Nurses	84,480	\$28.77	358.3%	284.6%	148.7%
5	Combined Food Preparation and Serving Workers, Incl. Fast Food	79,900	\$7.56	94.1%	74.8%	39.1%
6	Waiters and Waitresses	76,250	\$7.48	93.2%	74.0%	38.7%
7	Laborers and Freight, Stock, and Material Movers	73,490	\$11.51	143.3%	113.8%	59.5%
8	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	71,480	\$11.09	138.1%	109.7%	57.3%
9	Customer Service Representatives	62,800	\$14.91	185.7%	147.5%	77.1%
10	Stock Clerks and Order Fillers	56,260	\$10.56	131.5%	104.5%	54.6%
11	Secretaries, Except Legal, Medical, and Executive	51,840	\$14.82	184.6%	146.6%	76.6%
12	Bookkeeping, Accounting, and Auditing Clerks	50,150	\$15.34	191.0%	151.7%	79.3%
13	Nursing Aides, Orderlies, and Attendants	48,860	\$11.97	149.1%	118.4%	61.9%
14	Truck Drivers, Heavy and Tractor-Trailer	48,290	\$17.86	222.4%	176.7%	92.3%
15	Business Operations Specialists	46,720	\$32.09	399.6%	317.4%	165.8%
16	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	46,360	\$24.87	309.7%	246.0%	128.5%
17	Elementary School Teachers, Except Special Education	43,110	NA	NA	NA	NA
18	Team Assemblers	42,690	\$12.45	155.0%	123.1%	64.3%
19	Teacher Assistants	39,860	NA	NA	NA	NA
20	Maintenance and Repair Workers, General	39,170	\$17.76	221.2%	175.7%	91.8%
21	Assemblers and Fabricators	38,260	\$25.75	320.7%	254.7%	133.1%
22	Executive Secretaries and Administrative Assistants	37,670	\$19.20	239.1%	189.9%	99.2%
23	General and Operations Managers	34,850	\$42.06	523.8%	416.0%	217.4%
24	First-Line Supervisors/Managers of Retail Sales Workers	33,910	\$17.56	218.7%	173.7%	90.7%
25	Production Workers	33,780	\$15.78	196.5%	156.1%	81.6%
26	Truck Drivers, Light or Delivery Services	32,340	\$13.99	174.2%	138.4%	72.3%
27	Home Health Aides	32,210	\$9.26	115.3%	91.6%	47.9%
28	Teachers and Instructors	31,840	NA	NA	NA	NA
29	Accountants and Auditors	30,350	\$26.76	333.3%	264.7%	138.3%
30	Receptionists and Information Clerks	29,910	\$11.86	147.7%	117.3%	61.3%
31	First-Line Supervisors/Managers of Office and Administrative Support Workers	29,850	\$22.14	275.7%	219.0%	114.4%
32	Engineers	29,140	\$41.57	517.7%	411.2%	214.8%
33	Food Preparation Workers	28,730	\$8.96	111.6%	88.6%	46.3%
34	First-Line Supervisors/Managers of Production and Operating Workers	27,640	\$27.01	336.4%	267.2%	139.6%
35	Cooks, Restaurant	26,710	\$9.87	122.9%	97.6%	51.0%

<sup>1</sup>Farm 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.

<sup>2</sup>Based on the 2007 U.S. Census Bureau poverty thresholds (\$16,705 for a family of three and \$21,027 for a family of four) and assuming year-round employment at 40 hours per week, the poverty wage is \$8.03 per hour and \$10.11 per hour respectively.

NA = not available

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

Produced by Michigan League for Human Services

Table 2

### Lowest Wage Nonfarm Occupations in Michigan (May 2007)

Rank	Occupation	Median Hourly	% of Poverty Wage <sup>1</sup>		% of Self Sufficiency Wage for Single Parent with Two Children	Number Employed <sup>1</sup>
			Family of Three	Family of Four		
1	Craft Artists	\$7.23	90.0%	71.5%	37.4%	400
2	Waiters and Waitresses	\$7.48	93.2%	74.0%	38.7%	76,250
3	Combined Food Preparation and Serving Workers, Incl. Fast Food	\$7.56	94.1%	74.8%	39.1%	79,900
4	Cooks, Fast Food	\$7.57	94.3%	74.9%	39.1%	18,690
5	Graders and Sorters, Agricultural Products	\$7.60	94.6%	75.2%	39.3%	930
6	Dishwashers	\$7.66	95.4%	75.8%	39.6%	14,210
7	Dining Room and Cafeteria Attendants and Bartender Helpers	\$7.67	95.5%	75.9%	39.6%	13,020
8	Bartenders	\$7.71	96.0%	76.3%	39.8%	17,060
9	Counter Attendants, Cafeteria, Food Concession and Coffee Shop	\$7.73	96.3%	76.5%	39.9%	15,980
10	Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	\$7.75	96.5%	76.7%	40.1%	11,340
11	Shampooers	\$7.80	97.1%	77.2%	40.3%	370
12	Ushers, Lobby Attendants, and Ticket Takers	\$7.87	98.0%	77.8%	40.7%	2,620
13	Locker Room, Coatroom, and Dressing Room Attendants	\$8.11	101.0%	80.2%	41.9%	790
14	Amusement and Recreation Attendants	\$8.18	101.9%	80.9%	42.3%	6,730
15	Gaming Dealers	\$8.26	102.9%	81.7%	42.7%	2,520
16	Cashiers	\$8.31	103.5%	82.2%	42.9%	108,190
17	Parking Lot Attendants	\$8.35	104.0%	82.6%	43.2%	2,650
18	Packers and Packers, Hand	\$8.51	106.0%	84.2%	44.0%	25,720
19	Manicurists and Pedicurists	\$8.53	106.2%	84.4%	44.1%	850
20	Actors	\$8.53	106.2%	84.4%	44.1%	460
21	Entertainment attendants and related workers	\$8.66	107.8%	85.7%	44.8%	880
22	Transportation Attendants, Except Flight Attendants and Baggage Porters	\$8.69	108.2%	86.0%	44.9%	220
23	Lifeguards, Ski Patrol, and Other Recreational Protective Service Workers	\$8.81	109.7%	87.1%	45.5%	3,160
24	Cooks, Short Order	\$8.83	110.0%	87.3%	45.6%	7,430
25	Motion Picture Projectionists	\$8.85	110.2%	87.5%	45.7%	290
26	Hotel, Motel, and Resort Desk Clerks	\$8.90	110.8%	88.0%	46.0%	5,500
27	Food Preparation Workers	\$8.96	111.6%	88.6%	46.3%	28,730
28	Agricultural Equipment Operators	\$8.97	111.7%	88.7%	46.4%	NA
29	Farmworkers and Laborers, Crop, Nursery, and Greenhouse	\$9.03	112.5%	89.3%	46.7%	2,990
30	Food Preparation and Serving Related Workers	\$9.11	113.4%	90.1%	47.1%	3,890
31	Forest and Conservation Workers	\$9.11	113.4%	90.1%	47.1%	60
32	Pressers, Textile, Garment, and Related Materials	\$9.14	113.8%	90.4%	47.2%	1,530
33	Bicycle Repairers	\$9.14	113.8%	90.4%	47.2%	540
34	Counter and Rental Clerks	\$9.23	114.9%	91.3%	47.7%	13,620
35	Home Health Aides	\$9.26	115.3%	91.6%	47.9%	32,210
36	Nonfarm Animal Caretakers	\$9.27	115.4%	91.7%	47.9%	3,550
37	Child Care Workers	\$9.38	116.8%	92.8%	48.5%	18,780
38	Pharmacy Aides	\$9.38	116.8%	92.8%	48.5%	1,860
39	Fitness Trainers and Aerobics Instructors	\$9.40	117.1%	93.0%	48.6%	6,110
40	Personal and Home Care Aides	\$9.45	117.7%	93.5%	48.8%	12,400
41	Cleaners of Vehicles and Equipment	\$9.45	117.7%	93.5%	48.8%	12,270
42	Maids and Housekeeping Cleaners	\$9.50	118.3%	94.0%	49.1%	23,390
43	Farmworkers, Farm and Ranch Animals	\$9.57	119.2%	94.7%	49.5%	NA
44	Service Station Attendants	\$9.58	119.3%	94.8%	49.5%	2,660
45	Taxi Drivers and Chauffeurs	\$9.62	119.8%	95.2%	49.7%	4,570
46	Retail Salespersons	\$9.65	120.2%	95.5%	49.9%	153,470
47	Library Assistants, Clerical	\$9.72	121.0%	96.1%	50.2%	3,470
48	Photographic Processing Machine Operators	\$9.73	121.2%	96.2%	50.3%	1,090
49	Crossing Guards	\$9.84	122.5%	97.3%	50.9%	1,420
50	Demonstrators and Product Promoters	\$9.85	122.7%	97.4%	50.9%	3,760

<sup>1</sup>Estimates do not include self-employed workers. NA = not available

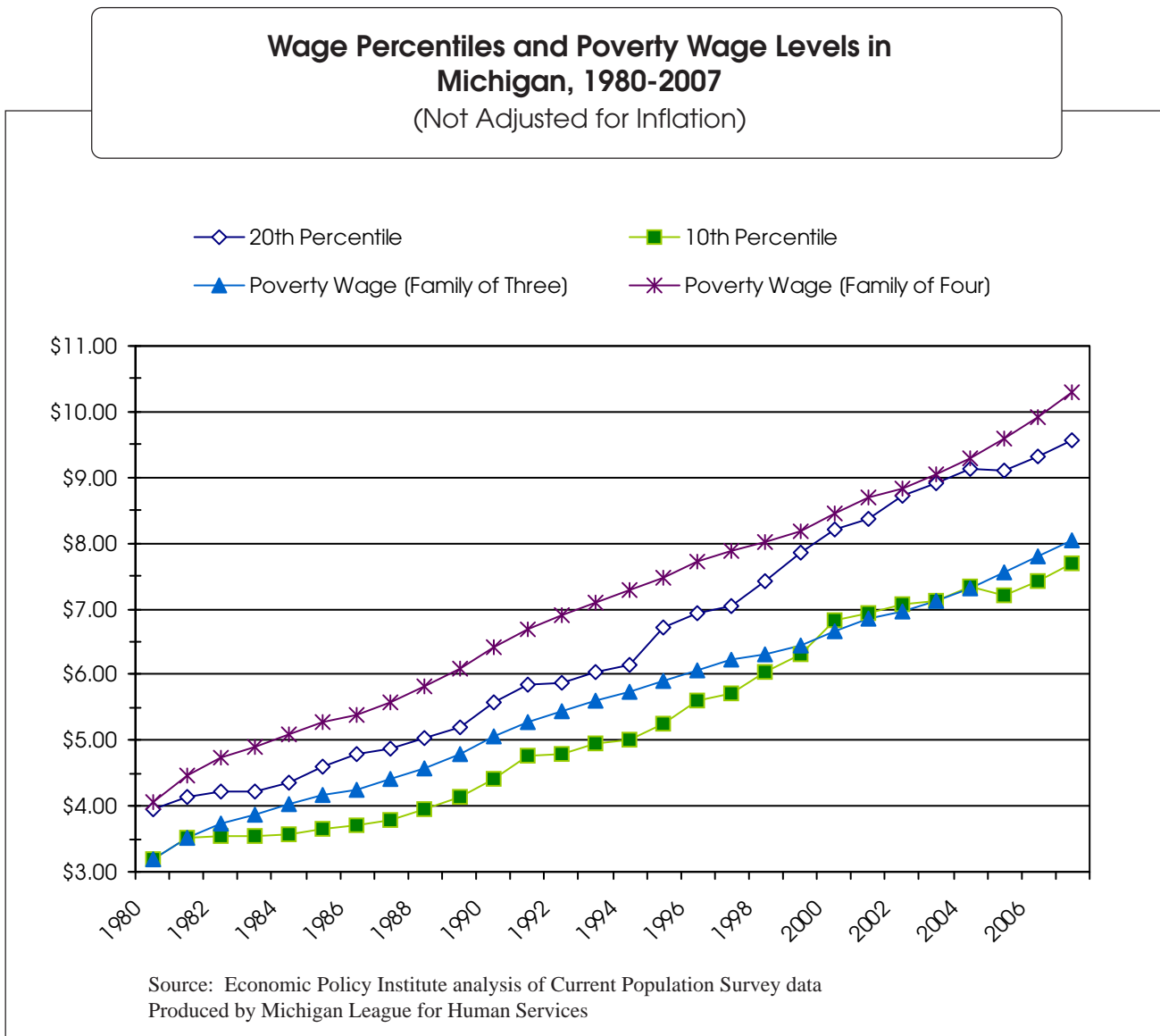
Source: U.S. Department of Labor, State Occupational Employment and Wage Estimates

Produced by Michigan League for Human Services

As Chart 3 shows, the 20th wage percentile has remained below the poverty wage level for a family of four since 1980. In other words, for at least 25 years more than one-fifth of all Michigan workers have been earning an hourly wage that would not lift a family of four out of poverty even if working full-time. Moreover, 10 percent of workers earn an hourly wage too low to bring a family of three out of

poverty if working full-time.<sup>5</sup> Given that low-skill and low-wage workers often have difficulty finding full-time, year-round work, this likely understates the inadequacy of the earnings of many Michigan workers. All of this suggests that children in single-parent families are much more likely to be in poverty than those in two-parent families in which both parents are able to work.

Chart 3

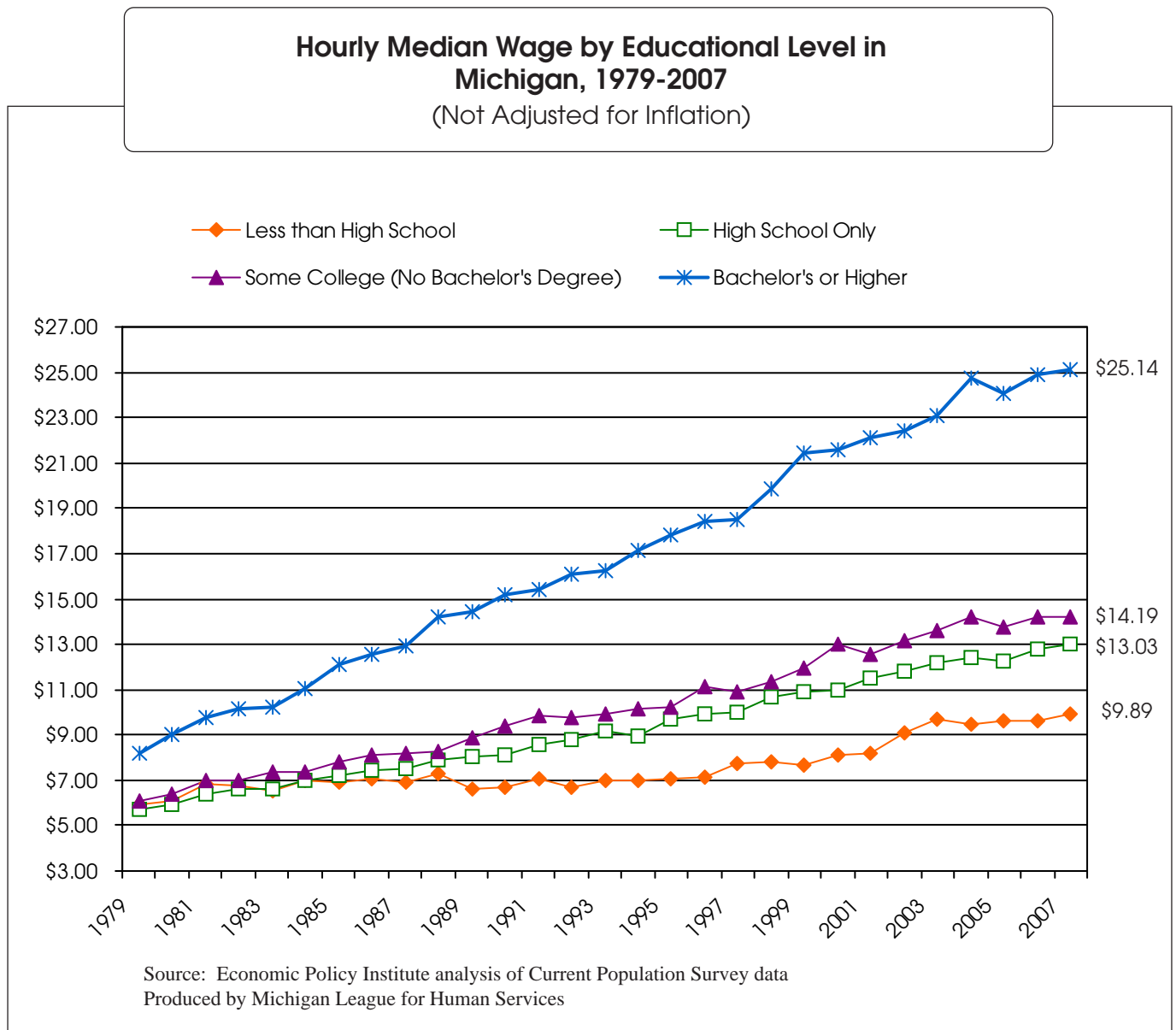


<sup>5</sup> A wage percentile is the wage level at or below which a particular percentage of wage-earners fall. The twentieth percentile wage, for example, was \$9.56 per hour in 2007, meaning that twenty percent of all Michigan workers had a job that paid \$9.56 per hour or less.

Chart 4 shows that wage levels rise with educational levels. In the early 1980s, only workers with a bachelor's degree or higher saw a significantly higher median wage; there was no significant difference in the median wage between high school dropouts, high school graduates and those with some college (and in fact, high school dropouts actually had a slightly higher median wage than high school graduates). In contrast, in 2007 there was a

significant difference in wage levels between the four groups, with workers with a four-year degree earning nearly twice as much as workers with only a high school diploma, and workers without a diploma falling significantly behind. By 2007, those with a high school degree earned \$13 an hour, compared with about \$10 an hour for dropouts. Those with some college earned about \$14 an hour while those with bachelor's degree or higher earned \$25 an hour.

Chart 4



## Poverty Persists in Michigan, Despite Work\*

One comment is in order regarding what Chart 4 can and cannot tell us. It is unfortunate that the category “some college” does not distinguish between workers who have received an associate’s degree or other postsecondary credential, and workers who started a college program and did not finish (i.e. dropped out after one semester). It is reasonable to believe that workers with an established vocational credential such as a two-year degree from a community college have earnings considerably higher than workers who attended some college classes but did not complete a degree. As associate’s degrees and other forms of postsecondary training are becoming an important part of Michigan and the nation’s workforce development strategies, it is hoped that in the future the data will be refined to take these distinctions into account.

### In 2006:

- There were 86,535 working poor families with children, comprising 8 percent of all working families with children.
- 44 percent of all poor families in Michigan were working families.
- 10 percent of children in Michigan lived in working poor families.
- 83 percent of working poor families in Michigan spent over 1/3 of their income for housing, and 42 percent owned their own home.
- 28 percent of working poor families had a parent without a high school diploma.
- 14 percent of working families with at least one racial-minority parent were poor.
- 11 percent of working poor families had a parent who speaks English less than “very well.”

\*A family is defined as working if all family members age 15 and over either have a combined work effort of 39 weeks or more in the prior 12 months OR all family members age 15 and over have a combined work effort of 26 to 39 weeks in the prior twelve months and one currently unemployed parent looked for work in the prior 4 weeks.

Source: Population Reference Bureau analysis of American Community Survey data, as requested by the Working Poor Families Project.

## Age and Education of Michigan Workers

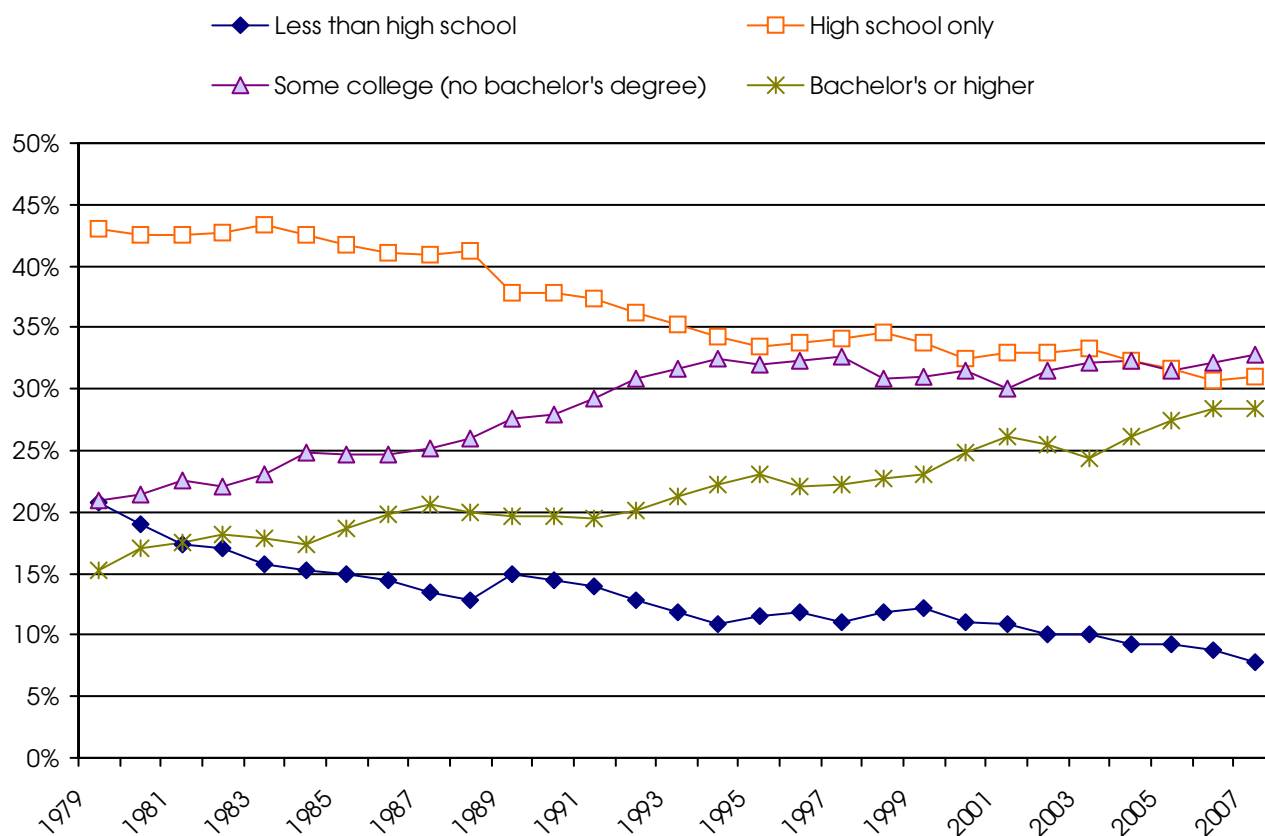
We have seen that education is playing an increasingly important role in determining job security and the ability to earn a livable wage. The trend lines in Chart 5 show the percentage of the workforce that is in each of the four educational groups (the percentage levels are mutually exclusive and add up to 100 percent for each year). What we see is that during the 28 years depicted in the chart, the percentage of workers without a high school diploma fell from 21 percent to 8 percent, the percentage of workers with a four-year degree nearly doubled, and that 60 percent of workers have had some postsecondary education. These are positive trends, but the lesson is clear: Michigan must continue and improve on these trends by increasing access to skill-building postsecondary education for low-income and low-skilled workers.

To examine the educational characteristics further, Table 3 shows educational levels in

Michigan by race. Racial disparities are especially stark in the percentages of adults without a high school diploma, while a little less so in other categories. The fact that nearly one-third of Hispanic adults did not graduate from high school signals that Michigan needs to increase its investment in adult education targeted to this community. Also notable is that the three racial groups for which data are available are roughly equal in the percentage of “older than college age” (age 25-54) adults enrolled in postsecondary education. Because Michigan’s emerging workforce needs demand advanced skills, the state should be encouraged by the lack of racial disparity in this area, but should work toward raising the overall percentage of students in that age group. The aging of Michigan’s workforce during the past quarter century, as shown in Chart 6, further underscores the need for vocational education targeted toward older workers and the younger workers that will eventually replace them.



### Educational Level of Michigan's Labor Force



Source: Economic Policy Institute analysis of Current Population Survey data  
 Produced by Michigan League for Human Services

Table 3

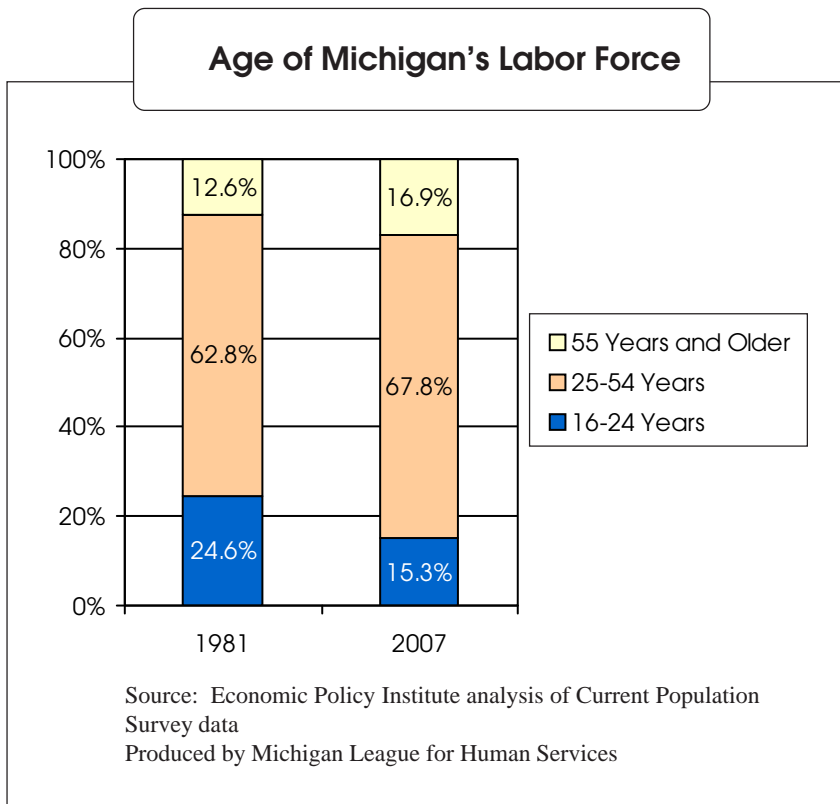
### Educational Level in Michigan by Race, 2006 (Age 18-64 Unless Otherwise Noted)

Race	All Adults		White		African American		Hispanic		Asian/ Pacific Islander	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>No H.S. Diploma</b>	693,690	10.9	428,350	9	156,945	18	75,750	32	NA	NA
<b>Only H.S. Diploma</b>	1,970,125	31.0	1,535,830	31	301,310	35	73,180	31	NA	NA
<b>Some Postsecondary Education, No Degree</b>	1,675,770	26.4	1,339,770	27	231,120	27	48,860	20	NA	NA
<b>Associate's Degree or More</b>	2,018,370	31.7	1,672,080	34	176,305	20	41,245	17	NA	NA
<b>Enrolled in Postsecondary Institutions, Ages 18-24</b>	431,640	44.1	345,325	47	45,270	31	15,110	32	NA	NA
<b>Enrolled in Postsecondary Institutions, Ages 25-54</b>	284,260	6.7	203,895	6.2	50,280	8	9,955	5.9	NA	NA

NA = not available

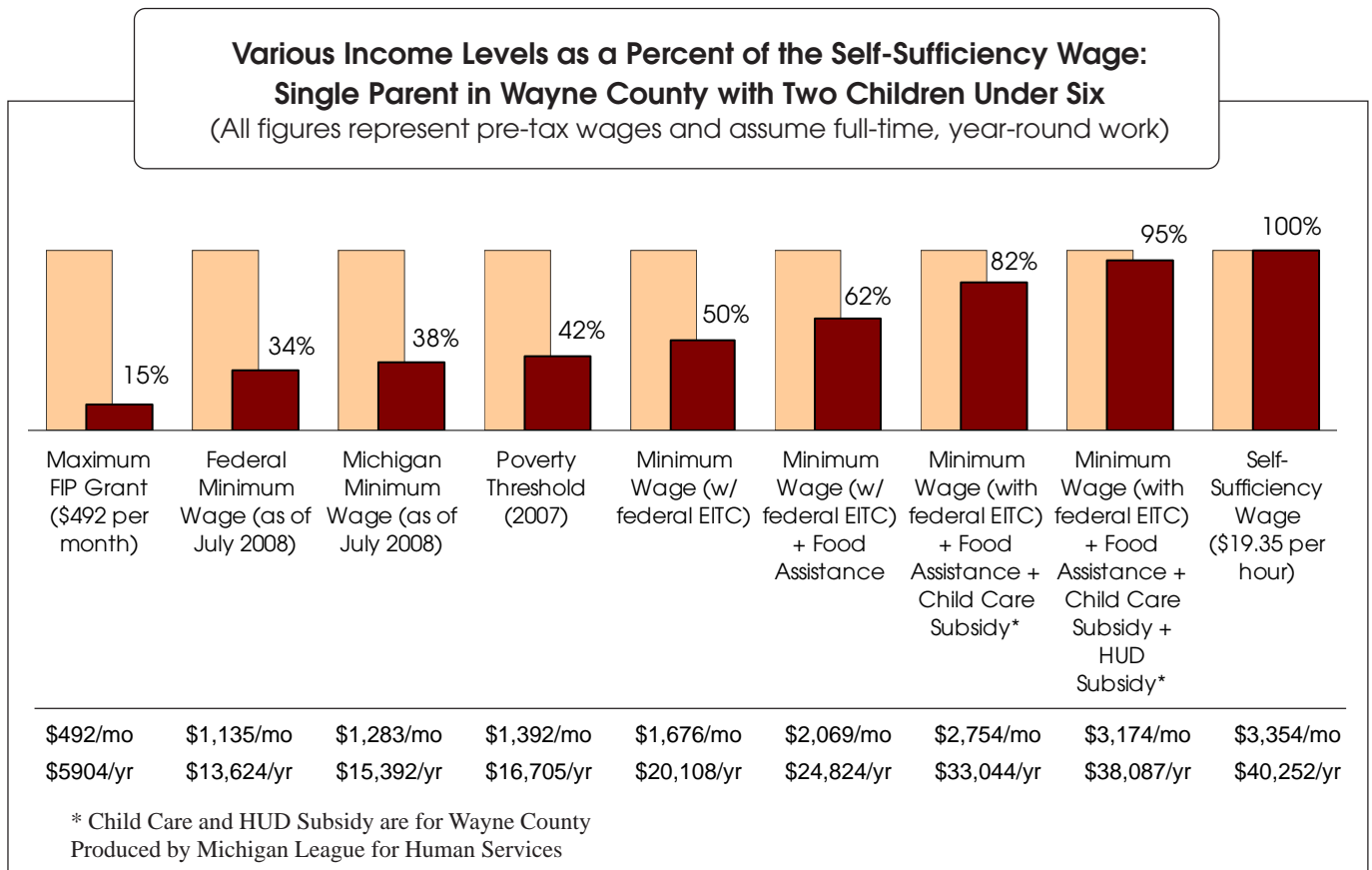
Source: Public Reference Bureau compilation of American Community Survey data, as requested by the Working Poor Families Project

Chart 6



As Chart 7 indicates, work supports, tax policy and various state and federal assistance programs can greatly increase the household income of low-income working families. 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 (i.e. child care and transportation). However, many work supports and assistance programs continue to be inadequate despite recent minor increases in payment levels. This paper will conclude with a look at recent attempts by Michigan to help struggling families and individuals, and recommendations for further changes.

Chart 7



## What Has Michigan Done Recently for Working Families?

**Michigan raised its minimum wage.** In March 2006, the Governor signed into law a three-step increase in Michigan's minimum wage. The initial increase to \$6.95 went into effect in October 2006, followed by an increase to \$7.15 in July 2007 and an increase to \$7.40 in July 2008.

Although Congress also passed a three-step federal minimum wage increase that took effect in 2007, the Michigan minimum wage is higher than the federal wage at each step (see Chart 8). When Michigan's third increase took effect this year, its minimum wage became the third-highest in the nation.

It is worth noting that, although Michigan was the 19th state to enact a minimum wage that exceeds the federal level, there are currently only eight states that have not done this.

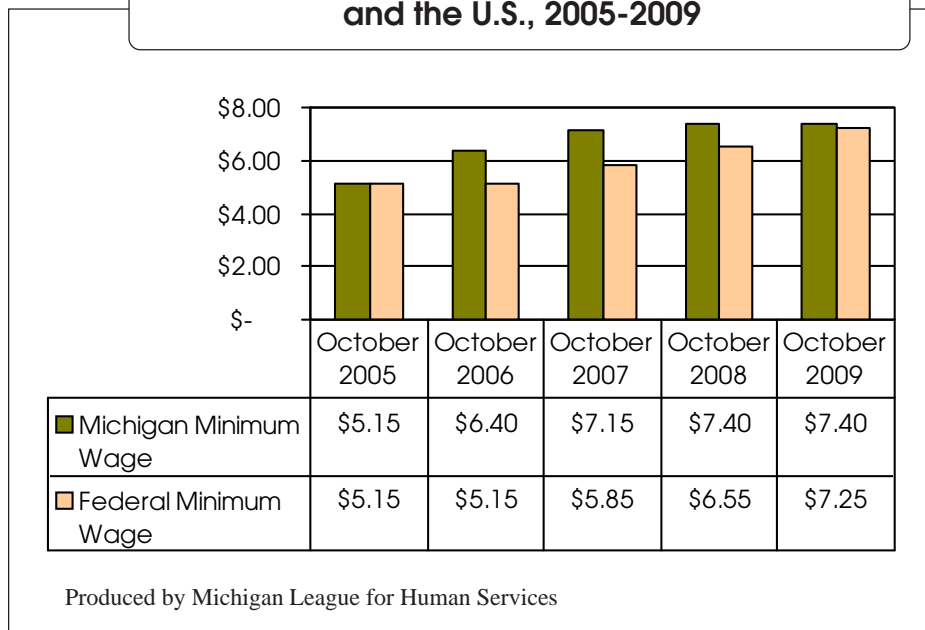
The Michigan increase directly raised the wages of an estimated 267,000 minimum wage earners. It is also estimated that the increase indirectly benefited another 482,000 workers whose wages were above minimum wage and thus not legally mandated to be increased, because their employers adjusted their internal wage structures in response to the new law. Additionally, 349,000 children benefited from the increase because at least one parent was affected. Table 4 shows some characteristics of Michigan workers benefiting from the increase.

**Michigan restored the children's clothing allowance to its 2001 level.** In 2002, Michigan cut the clothing allowance for low-income and poor children from \$75 to \$25, and restricted eligibility to school-aged children. In 2005, the allowance was partially restored to \$43, but earlier this year it was

fully restored to \$88 and eligibility was restored to low-income children of all ages. The change is welcome, and the clothing allowance is expected to help around 154,000 children. It is hoped that the allowance will receive periodic increases to keep up with inflation, and that future legislatures will refrain from slashing this helpful benefit supplement as they make state budget decisions.

Chart 8

**Minimum Wage Gains in Michigan and the U.S., 2005-2009**



**Michigan launched its No Worker Left Behind program.** This program offers up to two years worth of free tuition at a Michigan community college, university or other approved training program to anyone who is unemployed, has received notice of termination or layoff, or who is employed but their family income is \$40,000 or less (approximately 200% of poverty). Participants must pursue a degree or occupational certificate in a high-demand occupation or emerging industry, or in an entrepreneurship program. Since it was launched in August 2007, 31,000 people have entered the program. The Governor has set a goal of training 100,000 people in three years.

### Characteristics of Michigan Workers Affected by the Minimum Wage Increase to \$7.40

	NUMBER OF WORKERS			PERCENT OF TOTAL		AVERAGE RAISE		SHARE OF TOTAL WEEKLY	
	Affected workers*	Total workers	Per-centage affected	Affec-ted workers	All workers	Dollars	Per-centage	Earnings in Michigan	Gain from minimum wage increase
<b>Total</b>	<b>749,000</b>	<b>4,264,000</b>	<b>18%</b>	<b>100%</b>	<b>100%</b>	<b>\$0.58</b>	<b>9%</b>	<b>100%</b>	<b>100%</b>
<b>Gender</b>									
Male	298,000	2,187,000	14%	40%	51%	\$0.57	9%	61%	42%
Female	451,000	2,076,000	22%	60%	49%	\$0.58	9%	39%	58%
<b>Race**</b>									
White	568,000	3,449,000	17%	76%	81%	\$0.56	8%	83%	70%
African American	113,000	480,000	24%	15%	11%	\$0.65	10%	9%	21%
<b>Age</b>									
16 to 19 years	168,000	237,000	71%	22%	6%	\$0.79	12%	1%	22%
20 years and older	581,000	4,027,000	14%	78%	94%	\$0.52	7%	99%	78%
<b>Work Hours</b>									
1-19 hours	161,000	306,000	53%	22%	7%	\$0.68	10%	1%	12%
20-34 hours	277,000	680,000	41%	37%	16%	\$0.61	9%	7%	35%
Full-time (35+ hrs.)	312,000	3,277,000	10%	42%	77%	\$0.49	7%	92%	53%
<b>Industry</b>									
Retail trade	192,000	508,000	38%	26%	12%	\$0.56	8%	8%	24%
Leisure & hospitality	180,000	362,000	50%	24%	9%	\$0.78	12%	4%	28%
Other industries	378,000	3,394,000	11%	50%	80%	\$0.49	7%	88%	49%
<b>Occupation</b>									
Sales	164,000	450,000	36%	22%	11%	\$0.56	8%	9%	22%
Service	291,000	738,000	40%	39%	17%	\$0.65	10%	8%	40%
Other occupations	294,000	3,075,000	10%	39%	72%	\$0.51	7%	82%	39%
<b>Family Status</b>									
Married	212,000	2,411,000	9%	28%	57%	\$0.48	7%	67%	26%
Parent	181,000	1,620,000	11%	24%	38%	\$0.46	6%	43%	20%
Single parent	75,000	311,000	24%	10%	7%	\$0.54	8%	6%	10%
Married parent	106,000	1,310,000	8%	14%	31%	\$0.40	5%	38%	10%

\*These figures include both directly affected and indirectly affected workers.

\*\*Statistics for Hispanic and Asian workers are unavailable.

**Michigan's new state Earned Income Tax Credit went into effect.** In September 2006, the Governor signed into law a refundable state Earned Income Tax Credit (EITC) for Michigan. Despite threats of some lawmakers to delay the credit, it went into effect this year; when low-income workers file their 2008 Michigan taxes, they will be able to claim 10 percent of the amount that they claim for the federal EITC. Beginning in tax year 2009, the credit will be 20 percent of the federal EITC. Through rewarding work and supplementing low wages, the new Michigan tax credit is expected to help approximately 650,000 households that have not benefited from other recent tax measures.

**Michigan advocated to make health insurance more accessible to low-income working families.** Governor Granholm asked the Bush Administration to approve and implement her proposed Michigan First Healthcare Plan, which would have made basic, affordable, private health care coverage available to those low-income residents who do not have access to insurance coverage. It has been estimated that this plan would have benefited 550,000 Michigan households. The proposed funding for the new program (a public-private partnership) would have been federal funds granted through a Medicaid research and demonstration waiver.

Although the Bush Administration has not yet approved the waiver (negotiations are ongoing), Michigan is to be commended for its efforts on behalf of low-income families without insurance. Michigan has also rightfully withstood pressure to reduce Medicaid eligibility and services as a budget-saving measure.

## What More Needs to be Done?

**Expand education and training opportunities for adult learners.** While the Jobs, Education and Training (JET) program is an improvement over Work First in connecting FIP cash assistance recipients to training that will lead to higher wages and better job security, there are improvements that can be made. Recent changes in TANF allow states to count participation in four-year and advanced degree programs and hours of unsupervised study time in

their work participation rates. Michigan should take advantage of this added flexibility and conform its rules accordingly. More significantly, the state must continue to explore ways to make education and training more accessible to low-income workers and to streamline adult basic education, English-as-a-Second-Language (ESL) training, and postsecondary education in order to create a seamless educational pathway that can accommodate workers' economic and family needs. The Council on Labor and Economic Growth (CLEG), through its Low-Wage Worker Advancement Committee, is working on ways to reform the adult learning system.

**Update the Child Development and Care subsidy.** During the past year, Michigan took one step backward and one tepid, barely effective step forward in updating its child day care subsidy policies to reflect current realities. The step backward was that it reduced the hours for which a working parent could receive a child care subsidy from 100 hours per 2-week pay period to 90 hours. Because parents who work a 40-hour per week job often need more than 40 hours per week of child care, due to transportation time and unpaid lunch periods, this resulted in a cut in the subsidy for those with a commute of more than a half hour between work and home. This especially affects low-wage workers in remote rural areas or in Detroit, where many parents must commute long distances by car or bus to the outer suburbs and spend as long as two hours per day in transit.

The small step forward was a slight raise in the hourly child care subsidy, which had not been increased since 1996. However, this raise was in the range of 2 to 5 cents per hour, depending on the type of care and the age of the child. Though child care costs have increased year to year, the one increase parents have received during the past twelve years amounts to less than \$10 per month. This increase leaves most parents in Michigan with a subsidy far below the market rate for child care, and should be seen as symbolic rather than as a serious attempt to reform the child care reimbursement system.

**Update the FIP grant.** The structure and amount of the FIP grant was modified two years ago with the merging of the shelter areas into one pay scale, but

several counties saw no increase in their maximum grant at all and the increase that the others received did not offset the erosion of the grant over the years due to inflation. Earlier this year, Michigan enacted an additional small increase; a family of three will now be eligible for \$492 per month, up from \$489. Like the child care subsidy, this increase is more symbolic than substantive. If Michigan is serious about encouraging work and helping families become more self-sufficient, it must make a more wholehearted attempt to update its FIP grant.

***Strengthen the No Worker Left Behind program.***

While the program in its first year has been very successful in helping more than 30,000 people receive vocational training, it also has a very large waiting list due to insufficient funding. Moreover, many workers who are eligible do not have all of the basic skills needed to pursue vocational skills through the program. Michigan can help more workers access No Worker Left Behind by ensuring that it is adequately funded (Fiscal Year 2009 funding has been increased by \$15 million in General Funds), and by making adult basic education and ESL training more accessible to NWLB-eligible workers who need it. One way this can be done is to work with the community colleges to create seamless bridge programs through which participants can receive basic skills education while preparing for entry into No Worker Left Behind.

***Make the unemployment insurance system more responsive to the needs of low-income workers and their families.***

While more than 245,000 Michigan workers are expected to benefit directly from the 13-week extension of unemployment benefits recently passed by Congress, Michigan's average weekly UI benefit remains well below the poverty threshold for a two-parent family with two children.

The League continues to recommend that Michigan restructure its UI system to make benefits a more substantial replacement of wages, and to expand eligibility to cover part-time workers, seasonal workers, "trailing spouses" (workers who must follow a spouse to another state due to the

spouse's job relocation), and workers who have been forced to leave a job due to domestic violence.

***Increase Medicaid provider rates in order to make health insurance accessible to more families and individuals.*** In 1999, 88 percent of physicians in Michigan accepted Medicaid patients; by 2005, this number had dropped to 64 percent. During the same year, only 17 percent of licensed dentists in Michigan submitted a Medicaid claim. Many physicians and dentists say that the low reimbursement rates are causing them to lose money when they provide services to patients covered by Medicaid, and while a few perform the services for free as a tax write-off, many more drop their Medicaid patients entirely. This puts a burden on emergency rooms and public health programs, in addition to jeopardizing the well-being of low-income Michigan residents.

***Increase the quality of and access to public transportation.*** During the past year, fuel prices have shot up dramatically. While last year's Labor Day Report put the amount working families spend on essential transportation at roughly \$300-\$350 per month, with gasoline selling for well over \$4 per gallon for much of this year we can assume that expenses are at least 50 percent higher this year. This represents an increasingly disproportionate amount of monthly expenses for parents who earn a poverty wage, and it is likely that such families are doing without certain essentials in order to be able to drive to work.

Being able to use public transportation to commute to work can cut down on these expenses tremendously. Yet the Detroit metropolitan area and many rural areas do not have adequate public transportation for getting workers from the places they live to the places where the jobs are. It is time for Michigan to put its "car state" identity aside and invest seriously in public transportation.

## Conclusion

The decline of the manufacturing sector in the United States has affected Michigan more than any other state. Many of the affected working families, if not unemployed, have had to take jobs that pay much less than the jobs that they have lost through plant closings and downsizing. Michigan must be proactive in designing and implementing strategies to build and modernize the skills of these and other workers. Doing so will not only help working families to meet their needs and avoid the need for social services and financial assistance, but will build up the state's workforce and thereby attract new businesses that can strengthen Michigan's

economy. At the same time, Michigan must also maintain an adequate workers' safety net that addresses barriers to employment. This includes not only skills barriers, but transportation, child care and other issues that prevent workers from being able to meet the needs of their families through reliable employment. As we have seen, Michigan has made choices in these areas, some prudent and some otherwise. Policymakers are encouraged to take the long view and invest in working families in ways that will enable Michigan's workforce to meet the challenges of the new economy.

# Appendix I

## Michigan Labor Force Statistics, 2007

	Labor Force Participation Rate	Unemployment		Underemployment			Share of Labor Force
		Rate	Long-Term Unemployment Share	Rate	Part-Time Workers Share	Part-time for Economic Reasons Share	
<b>All</b>	<b>64.2%</b>	<b>7.1%</b>	<b>24.2%</b>	<b>12.8%</b>	<b>25.7%</b>	<b>18.2%</b>	<b>100.0%</b>
<b>Gender</b>							
Male	69.4%	7.0%	22.9%	12.2%	18.0%	22.8%	52.4%
Female	59.2%	7.1%	25.6%	13.5%	34.3%	15.6%	47.6%
<b>Age</b>							
16-24 yrs	61.7%	13.9%	18.6%	23.8%	50.2%	18.6%	15.3%
25-54 yrs	81.0%	6.1%	27.3%	11.4%	19.7%	21.3%	67.8%
55 yrs and older	35.7%	4.7%	(a)	8.6%	29.7%	9.7%	16.9%
<b>Race/Ethnicity</b>							
White	65.0%	6.0%	22.8%	11.2%	26.1%	16.4%	80.9%
African-American	56.9%	14.4%	30.2%	23.7%	24.3%	30.8%	11.5%
Hispanic	65.2%	9.4%	(a)	16.6%	21.9%	(a)	3.4%
Asian/Pacific islander	73.3%	(a)	(a)	(a)	22.0%	(a)	2.6%
<b>Education</b>							
Less than high school	36.3%	19.7%	24.9%	30.6%	48.8%	18.4%	7.8%
High school	60.2%	9.3%	23.8%	16.9%	25.5%	24.8%	31.0%
Some college	71.1%	5.6%	24.7%	11.1%	27.1%	18.1%	32.8%
Bachelor's or higher	77.2%	2.8%	(a)	5.2%	19.2%	9.5%	28.4%

Source: Economic Policy Institute analysis of Current Population Survey data

(a) Does not meet standards for sample size.



# Appendix II

## Conditions of Employment in Michigan

	Percent of Michigan Workers	National Rank*	National Average
<b>Workers in Low-Wage Jobs</b> (Source: Basic Monthly Current Population Survey, 2007)	21.0%	7	24.5%
<b>Workers Over 18 Who Hold Contingent Jobs</b> (Source: Contingent Workers and Alternate Employment Supplement to CPS, February 2005)	2.2%	31	2.1%
<b>Workers Age 18-64 without Health Insurance</b> (Source: Current Population Survey, Annual Social and Economic Supplement, March 2007)	12.7%	8	18.7%
<b>Workers Over 18 without Employer-Provided Pensions</b> (Source: Current Population Survey, Annual Social and Economic Supplement, March 2007)	54.8%	15	58.5%
<b>Workers Over 18 Not Covered by Workers' Compensation Insurance</b> (Source: National Academy of Social Insurance, 2007, and U.S. Bureau of Economic Analysis, 2008)	8.2%	13	9.1%
<b>Unemployed Not Receiving Unemployment Insurance Benefits</b> (Source: U.S. Department of Labor, 2007)	63.8%	26	63.6%
<b>Youth Age 16-25 Not Attending School and Not Working</b> (Source: American Community Survey, 2006)	14.0%	35	13.0%

\*A rank of 1 indicates the most positive outcome among the 50 states and the District of Columbia; a rank of 51 indicates the least positive outcome.

Statistics compiled by the Population Reference Bureau by request from the Working Poor Families Project