

EXECUTIVE SUMMARY

Across Michigan, 40 percent of households struggle to afford the basic necessities of housing, child care, food, health care, and transportation.

While it is well recognized that Michigan has faced daunting economic times with the decline of the auto industry and the Great Recession, the official poverty rate of 16 percent obscures the true magnitude of the financial instability in the state. The official U.S. poverty rate was developed in 1965, has not been updated since 1974, and is not adjusted to reflect cost of living differences across the U.S. A lack of accurate measurements and even language to frame a discussion has made it difficult for states – including Michigan – to identify the extent of the economic challenges that so many of their residents face.

This Report presents four groundbreaking instruments that measure the size and condition of households struggling financially, and it introduces the term **ALICE** – Asset Limited, Income Constrained, Employed. The Report includes findings on households that earn below the ALICE Threshold, a level based on the actual cost of basic household necessities in each county in Michigan. It outlines the role of ALICE households in the state economy, the public resources spent on households in crisis, and the implications of struggling households for the wider community.

Using realistic measures of the financial survival threshold for each county in Michigan, the Report reveals a far larger problem than previously identified. Michigan has 605,210 households below the Federal Poverty Level (FPL) but also has 930,503 ALICE households, which have income above the FPL but below the ALICE Threshold. These numbers are staggering: **in total, 1.54 million households in Michigan – fully 40 percent, and more than double the number previously thought – are struggling to support themselves.**

ALICE households are working households; they hold jobs and provide services that are vital to the Michigan economy in positions like retail salespeople, team assemblers, truck drivers, and nursing assistants. The core of the problem is that these jobs do not pay enough to afford the basics of housing, child care, food, health care, and transportation. The growth of low-skilled jobs is projected to outpace that of medium- and high-skilled jobs into the next decade. At the same time, the cost of basic household necessities continues to rise.

There are serious consequences for both ALICE households and their communities when these households cannot afford the basic necessities. ALICE households are forced to make difficult choices such as skipping preventative health care, accredited child care, healthy food or car insurance. These “savings” threaten their health, safety, and future – and they reduce Michigan’s economic productivity and raise insurance premiums and taxes for everyone. The costs are high for both ALICE families and the wider community.

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CONCLUSION – FUTURE PROSPECTS FOR ALICE HOUSEHOLDS

As this Report has documented, despite the earnings of ALICE households totaling more than \$24.6 billion, and despite another \$30.6 billion in spending by government, nonprofits, and hospitals, there are still 1.54 million households in Michigan struggling financially. Without public assistance, ALICE households would face even greater hardship, and many more would be in poverty. However, the majority of government programs are intended to help the poor obtain basic housing, food, clothing, health care, and education (Haskins, 2011), not to enable economic stability. Accordingly, these efforts have not solved the problem of economic insecurity among ALICE households. This is clearest with Social Security spending: senior households are largely above the Federal Poverty Level (FPL) but still below the ALICE Threshold for economic survival.

This section of the Report identifies the future obstacles to economic stability in Michigan for ALICE households as the state faces the unique dual challenge of a declining population and an aging population. The most immediate impediment is the stubbornly high rate of unemployment; while the 2013 rate of 8.8 percent has improved from the peak of 13.5 percent in 2009, it is still far from the pre-Great Recession rate of 4.3 percent in 2006. Long-term structural changes to the job market, including underemployment and the dominance of the service sector, are also challenges for Michigan. In addition, the state's ALICE households face problems such as the lack of supply of low-cost housing, the high cost of quality child care, longer commutes, and declining health.

This section reviews the short-term interventions that can help sustain ALICE households through an emergency, as well as medium-term strategies that can ease the consequences and hardship of those struggling to achieve economic stability in Michigan. Finally, this section also considers the long-term, large-scale economic and social changes that would significantly reduce the number of households with income below the ALICE Threshold.

AGING POPULATION

Between 2005 and 2050, the share of the population aged 60 and over is projected to increase in nearly every country in the world. Insofar as this shift will tend to lower both labor force participation and savings rates, it raises bona fide concerns about a future slowing of economic growth (Bloom, Canning and Fink, 2011). Michigan's aging population is ahead of the national trend. Michigan currently has a disproportionately large share of baby boomers, the cohort about to move into senior citizen status. This fact, along with the projection that Michiganders will continue to leave the state until the 2030s, means that Michigan will age much more dramatically than the nation as a whole. By 2040, 23.3 percent of Michigan's population will be 65 or older, compared with 19.6 percent nationwide (Grimes and Fulton, 2012; Farley, 2012).

The aging trend will be acutely felt in Michigan and will have direct implications for ALICE households. Because so many households have seen the value of their houses decline, their retirement assets go toward emergencies, and their wages decrease so that they could not save, Michigan's aging householders face becoming ALICE.

With a declining population, there will be fewer workers to support the greater numbers of households in need. Unlike any other state in the U.S., Michigan saw a decrease in

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