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Report: Michigan makes little progress in lifting working poor to financial stability

40% of households still unable to afford basic living necessities

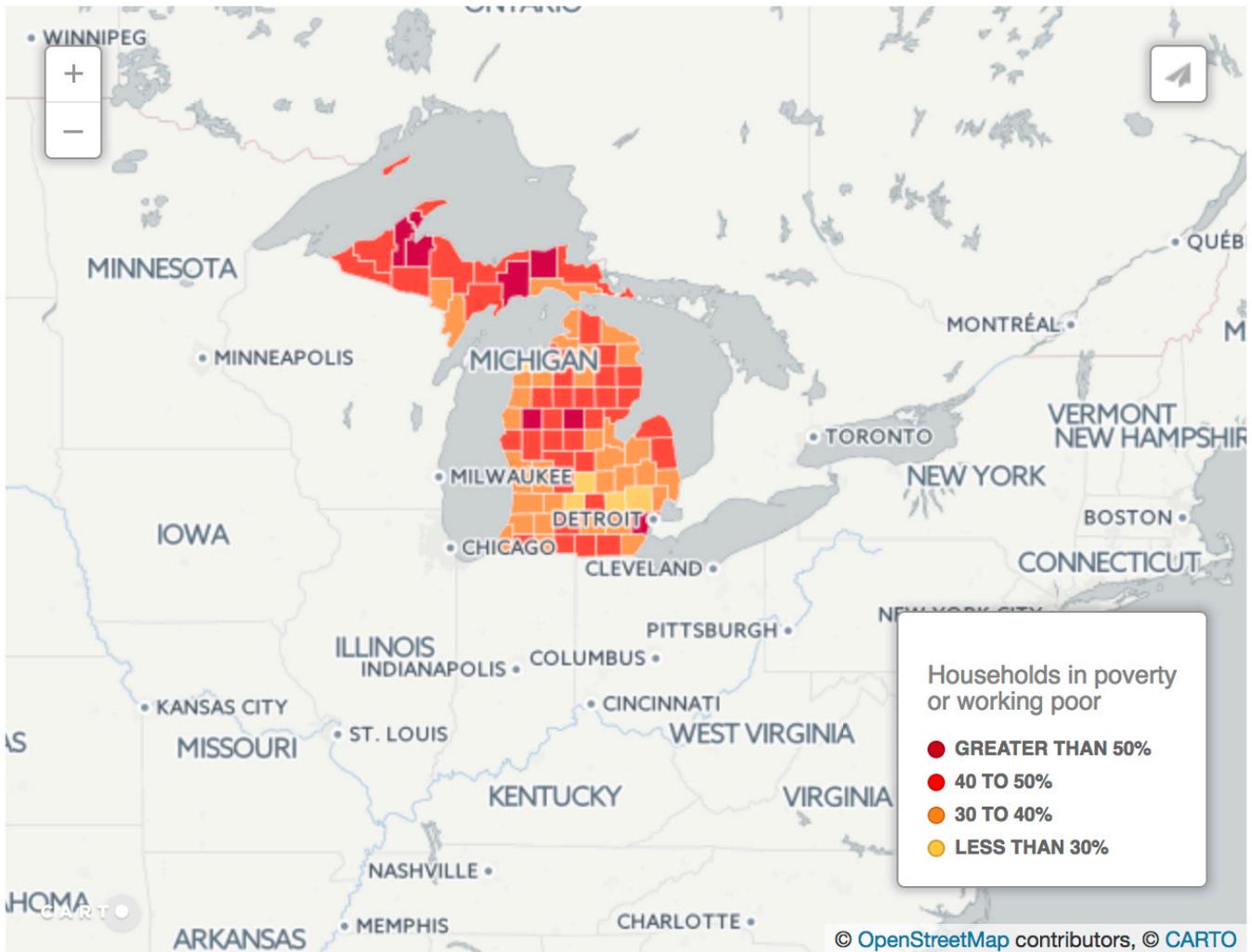
By Lindsay VanHulle

To make ends meet as a four-person family in Michigan, with a child in preschool and a baby at home, it's practically mandatory that both parents work full time and make at least \$14 per hour each.

A single breadwinner in that same family would have to make at least \$28 per hour. And that's just to afford basic living needs, like housing, child care, transportation and medical bills.

Yet Michigan's job market is disproportionately made up of low-wage jobs — 62 percent of the state's jobs in 2015 paid less than \$20 per hour, according to new research on the state's working poor to be released Tuesday by the Michigan Association of United Ways. Despite declining unemployment and rising wages over the early part of this decade, the share of Michigan residents in poverty or considered working poor has remained stubbornly persistent.

Forty percent of Michigan's 3.8 million households, or more than 1.5 million, either had incomes below the federal poverty level or didn't earn enough to make ends meet in 2012 and 2015, the most recent data available, according to the report, which focuses on a population United Ways researchers coined ALICE, for asset-limited, income-constrained but employed. A quarter of all Michigan households can be considered ALICE.



That fraction remains the same since the United Way's [first ALICE report, issued in September 2014](#), even as households in poverty dipped slightly while the size of Michigan's ALICE population grew slightly. The group known as ALICE earns too much to meet the federal definition of poverty, but not enough to afford necessities. An unexpected car breakdown or doctor's visit can lead to financial stress in an ALICE household and create barriers to employment that ultimately can prevent someone from moving up the income ladder.

While the updated data signal progress in moving people out of poverty, "we're just getting started" on lifting the working poor into stability, said Nancy Lindman, interim CEO of the Michigan Association of United Ways.

The new report updates the initial ALICE study to better reflect health insurance costs imposed by the federal Affordable Care Act, declining jobless rates and the push among some low-wage workers toward a living wage. Yet it also shows the challenges that remain with a state economy dominated by low-skill, low-wage jobs and increasingly trending toward automation and contract work.

"More than any other factor, jobs are defining ALICE," Lindman said. "While unemployment has gone down, the cost of that survival budget — what it costs for child care, health care, food, transportation — has outpaced the increased incomes from jobs."

The dollar budget

That four-person family in 2015 would need to earn \$56,064 annually to afford basic necessities, the report shows. That is more than the \$50,345 per year, or about \$25 per hour, needed to afford the same basic needs in 2012.

To be considered financially stable, a family would need to earn \$98,457 in a year, which would include a vehicle lease, higher-quality child care and housing, employer-provided health insurance coverage and a cell phone. That is also higher than in 2012, when the figure was \$92,409.

Child care is the largest monthly expense in what United Ways researchers consider the "household survival budget" for a family with two kids; child care alone is pegged at \$1,108 per month. Health care costs were estimated at \$702 per month in 2015, up from \$514 in 2012.

Some of that increase can be attributed to higher costs stemming from the federal health care law, while most is due to increased out-of-pocket expenses, United Ways researchers found. Monthly health care costs included in the ALICE survival budget account for the tax penalty for not having coverage, known as a "shared responsibility payment," which the Internal Revenue Service capped at \$975 for a family in 2015. The report's authors say ALICE workers are unable to afford even the lowest-premium insurance plans on the federal marketplace and often make too much money to be eligible for Medicaid.

"These costs may change in the future as insurance plans change and federal health care legislation changes over time in Michigan and across the country," the authors wrote. "From a broader perspective, many households in Michigan with income below the ALICE threshold were able to purchase insurance through the ACA marketplace due to cost-sharing reductions and premium tax credits."

Employer issues

The economic fragility of Michigan's ALICE workers **is also an employer problem**. National estimates have put the cost of turnover for a single employee at close to \$3,400, when factoring in hiring and onboarding costs, lost productivity and increased overtime for employees who pick up extra work.

In recent years, companies across Michigan have pooled resources to form what are being called employer resource networks, which match eligible employees with caseworkers to help with child care, bus fare or carpools, utility shutoff assistance or other issues that affect their attendance and job performance.

More employers across the state, particularly manufacturers and companies that employ lower-wage workers, have started to recognize that they can affect their bottom lines and reduce turnover by forming or joining such a network, said Duane Berger, who used to coordinate employer resource networks for Gov. Rick Snyder's office and now is retired from the state and working as a consultant with an employer network in Southwest Michigan.

"With unemployment where it is right now — which is a good thing — it also means you're employing the hardest-to-employ, and it makes it more difficult to hang on to them," Berger said.

The network is expected to include 12 companies by early April in Berrien, Cass and Van Buren counties,

with all but one of them in manufacturing, Berger said. The 12th company is in the health care sector.

In its first five months, the network held on to 47 of 52 employees referred by their employers to work with a coach, he said. The group is working on launching a low-interest loan program that will include courses in budgeting and financial literacy. It also helped another employee get a driver's license, Berger said, asking him to form a carpool in return.

"We need to take a long-term view with ALICE," Lindman said. "There's no single organization that is going to be able to overcome where we are in Michigan with this magnitude of ALICE households, and that this is really calling for all stakeholders to come together and to do their part."

That includes employers and government.

The United Way association recommended short- and long-term strategies that could help move more ALICE workers into financial stability. Employers could consider offering paid days off and flex time, help with transportation and the option to telecommute in the near term, the report proposes. Longer term, companies should consider offering higher wages and benefits, on-site health services, wellness incentives, mentoring and employer-provided training, apprenticeships and the opportunity to move into full-time work.

The report says governments should consider such things as child care vouchers, housing subsidies, attracting higher-skilled jobs and offering job training or education assistance.

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