



Struggling Despite Hard Work: Michigan and Detroit

NOVEMBER 2006

Child poverty is a growing problem in Michigan. Since 2000, child poverty rates have increased from 14 to 17 percent, and there are approximately 26,000 more poor children in the state.¹ Economic hardship is particularly acute in Detroit where a higher percentage of children are poor than in any other major city in the nation except Atlanta.² Detroit's child poverty rate is 39 percent, and a startling 72 percent of Detroit's children live in families that are low income, defined as twice the official poverty level, or \$40,000 a year for a family of four in 2006.³

According to the Family Resource Simulator (see box below), it takes exactly that—\$40,000 a year—for a two-parent family with two children to afford basic necessities in Detroit.⁴ Work support programs—such as child care subsidies and public health insurance—can help close the gap between low earnings and the cost of family expenses. But not all low-income families receive the benefits for which they are financially eligible. And even families who receive multiple work supports can lose assistance before they reach self-sufficiency.

This fact sheet examines employment among low-income families as well as their use of work support benefits. It presents information for Michigan as a whole and for Detroit, where 20 percent of the state's low-income children live. Findings show that while most low-income children have parents who work, many do not receive assistance from the supports designed to help low-income families make ends meet.

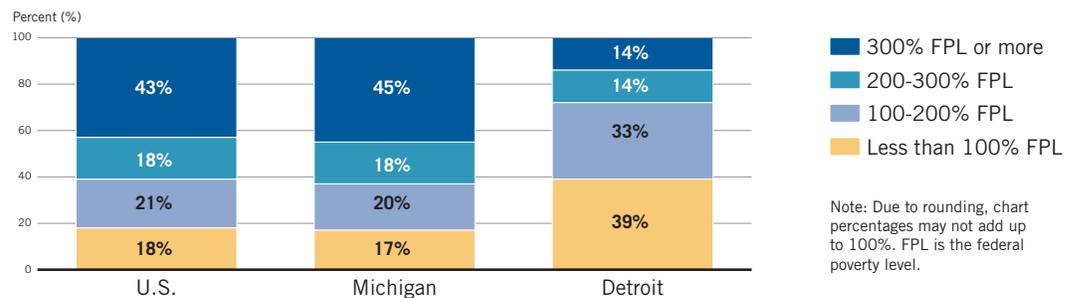
The Family Resource Simulator (FRS) is a web-based tool developed by the National Center for Children in Poverty. It simulates the impact of federal and state "work support" benefits on the budgets of low- to moderate-income families. The FRS generates results that illustrate how a hypothetical family's resources change as earnings and expenses change, taking public benefits into account. These results make it easy to see how effective public policies are at rewarding and encouraging work.

The FRS calculates resources and expenses for a hypothetical family that the user "creates" by making a series of choices about: city and state, family characteristics, income sources, assets, debts, and benefit participation. This tool is available on NCCP's web site (www.nccp.org) for Alabama, Connecticut, Delaware, Georgia, Illinois, Maryland, Massachusetts, Michigan, New York, Pennsylvania, Texas, and the District of Columbia. Each state simulator can profile families in up to seven localities.

More than a third of Michigan's children live in low-income families. In Detroit, nearly *three in four* children are low income.

- There are approximately 2.5 million children living in Michigan.
 - 37%—926,000—live in low-income families.
 - 17%—419,000—live in poor⁵ families.
- There are approximately 262,000 children living in Detroit.
 - 72%—188,000—live in low-income families.
 - 39%—101,000—live in poor families.

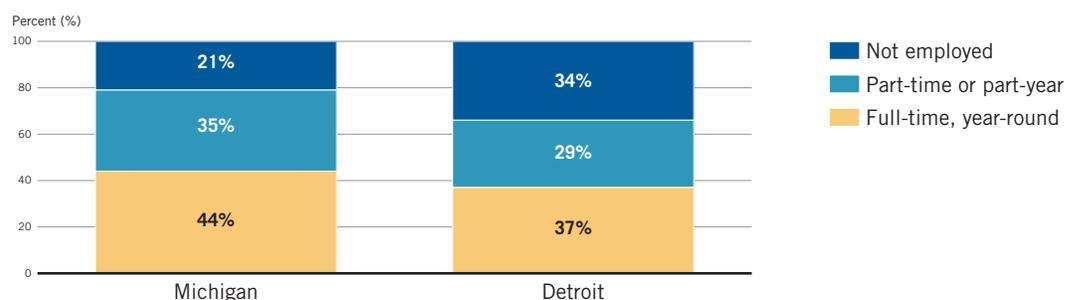
Children by family income, 2005



Most children in low-income families have at least one parent who is employed.

- 79% of children in low-income families in Michigan have at least one employed parent—66% in Detroit. The majority of these parents are employed full-time, year-round.⁶
- Among low-income parents with no employment in Michigan, more than one-third (36%) reported having an illness or disability that prevented them from working—the percentage is the same in Detroit.⁷

Parental employment among low-income children in Michigan, 2005



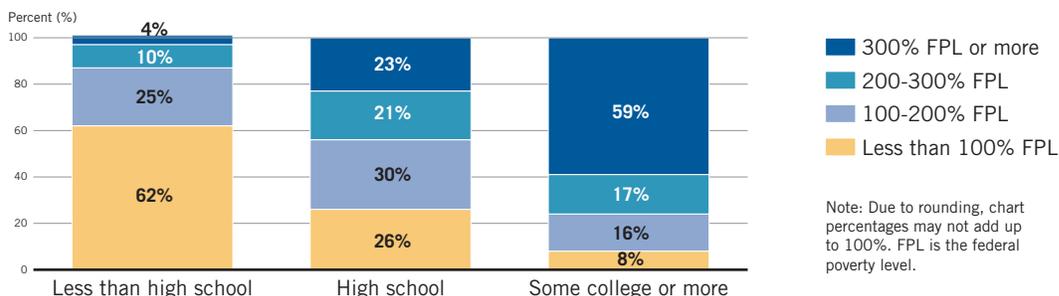
Low-income working parents are three times more likely to be employed in service occupations than higher-income parents.⁸

- 29% of low-income working parents in Michigan work in service occupations—39% in Detroit.
- Only 10% of working parents in Michigan who are not low income work in service occupations—14% in Detroit.
- The opposite pattern holds for management and professional occupations—working parents who are not low income are three times more likely to work in these occupations than their low-income counterparts (44% versus 14%).

Low education levels may hinder parents from engaging in job opportunities with higher earnings.

- 86% of children in Michigan whose parents do not have a high school degree live in low-income families—96% in Detroit.
- 56% of children in Michigan whose parents have a high school degree, but no college education, live in low-income families—73% in Detroit.
- 23% of children in Michigan whose parents have at least some college education live in low-income families—55% in Detroit.

Children in Michigan by parental education and income, 2005



Work supports can help low-wage workers make ends meet.

- Without work supports, a full-time job at \$8 an hour leaves a single parent with two children in Detroit facing a staggering gap of \$16,000 a year between income and the cost of basic expenses.
- Work supports can make a critical difference. For example, with food stamps, public health insurance, child care subsidies, and the federal Earned Income Tax Credit (EITC), a full-time worker can just about cover her family's basic needs.

Family resources and expenses for a single parent with two children in Detroit*

	Full-time employment at \$8/hour (no work supports)	Full-time employment plus work supports (food stamps, public health insurance, child care subsidies, federal EITC)
Annual resources		
Post-tax earnings	\$15,682	\$15,644
Federal EITC	\$0	\$3,922
Child tax credit	\$846	\$846
Food stamps	\$0	\$2,792
Annual expenses		
Rent and utilities	\$9,912	\$9,912
Food	\$5,257	\$5,257
Child care	\$7,898	\$359
Health insurance	\$1,770	\$0
Transportation	\$3,669	\$3,669
Other necessities	\$4,096	\$4,096
Net resources after expenses	-\$16,074	-\$89

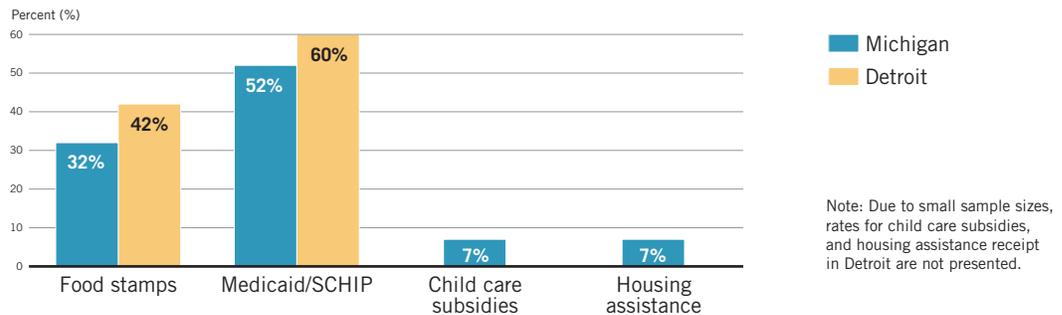
*Analysis assumes one preschool-aged child and one school-aged child who are cared for in a center-based setting while parent works (school-aged child in after-school care). Analysis without work supports assumes that the family has access to health insurance through an employer.

Source: Family Resource Simulator: MI 2006.

Among low-income children with employed parents, very few receive the multiple supports needed to close the gap between low wages and the cost of basic family expenses.⁹

- About half (52%) of low-income children with an employed parent in Michigan live in households in which at least one family member receives public health insurance (Medicaid/SCHIP)—60% in Detroit.
- 32% of low-income children with an employed parent in Michigan live in households that report receiving food stamps—42% in Detroit.
- Only a tiny fraction of low-income children with an employed parent receive child care subsidies or housing assistance.

Household public benefit receipt among low-income children with employed parents in Michigan, 2005



Endnotes

This fact sheet was prepared by Kinsey Alden Dinan, Sarah Fass, Michelle Chau, and Ayana Douglas-Hall.

Estimates were prepared by NCCP staff based on the U.S. Current Population Survey, Annual Social and Economic Supplements, March 2004, 2005, and 2006, representing information from 2003, 2004, and 2005.

1. Chau, M.; Douglas-Hall, A.; & Koball, H. (2006). *Low-income children in the United States: National and state trend data, 1995-2005*. New York: NY: National Center for Children in Poverty, Columbia University Mailman School of Public Health <www.nccp.org/media/nst06a_text.pdf>.
2. Based on 2004 data from the America Community Survey. See <factfinder.census.gov>.
3. More information about federal poverty measures is available from the U.S. Department of Health and Human Services <aspe.hhs.gov/poverty/06poverty.shtml>.
4. This analysis assumes a two-parent family with one preschool-aged child and one school-aged child who are cared for in a center-based setting while parent works (school-aged child in after-school care). It also assumes that the family has access to health insurance through an employer. For more information see the FRS User Guide at <nccp.org/modeler/modeler.cgi>.
5. Poor is defined as below the federal poverty level, or \$20,000 for a family of four in 2006.
6. Parental employment is the employment level of the parent in the household who maintained the highest level of employment in the previous year. Parents can either have no employment in the previous year, part-year or part-time employment, or full-time, year-round employment. Part-year or part-time employment is defined as either working less than 50 weeks in the previous year or less than 35 hours per week. Full-time, year-round employment is defined as working at least 50 weeks in the previous year and 35 hours or more per week for more than half the year.
7. Includes reasons for lack of employment for both parents in families with two nonworking parents.
8. Includes occupations for both parents in families with two working parents.
9. Figures for household public benefit receipt are based on self-reported usage during the previous calendar year in the U.S. Current Population Survey's Annual Social and Economic Supplement. These figures may differ from administrative program data reported by federal and state government agencies. Comparable data on receipt of the federal Earned Income Tax Credit, which generally has higher participation rates than other benefit programs, are not available from this source.