

# Rising inequality, poverty in Ann Arbor, Michigan

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Washtenaw County, Michigan has been held up as a “bright spot” in a state decimated by years of plant closings and deindustrialization. Located in Southeast Michigan it has been favorably contrasted to nearby Detroit, which recently went through bankruptcy and has suffered staggering losses of jobs and population.

The county has been held up as a “knowledge economy” model for recovery in Michigan. Along with the University of Michigan (U of M) in Ann Arbor and nearby Eastern Michigan University in Ypsilanti, Washtenaw County is home to substantial hospitals and research facilities as well as numerous technology startup companies.

However, alongside the increase in high-skill “knowledge jobs” over the past ten years, inequality has soared and the wages of the majority of working families have declined.

A study released March 30 by the Center for Labor and Community Studies at the University of Michigan-Dearborn finds that fully 37 percent of Washtenaw County residents cannot make ends meet.

The authors found that “despite net positive job growth the area’s economy has produced increasing inequality and alarming long-term trends in employment patterns and earnings.” (The study, “Growing Together or Drifting Apart? Economic Well-Being in Washtenaw County’s new “Knowledge Economy,” can be found here in PDF.)

The study emphasizes that workers earning the least have suffered the greatest losses in real wages, while those in the top income bracket saw gains. The bottom 37 percent of Washtenaw County workers earned less than \$32,000 in 2013.

This amount is less than a “basic needs budget” as defined by the Michigan League for Public Policy (MLPP), which takes into account cost of living by

county.

Even as the economy plunged into recession and home values declined, rent rates continued to spiral—further burdening the poorest sections of workers and those who lost their homes to foreclosure.

Housing inflation is partly driven by the cost of attending U of M, one of the most expensive public universities in the United States. Out-of-state annual tuition has a list price of more than \$41,000 for 2014-2015.

A construction boom on luxury apartments has driven the cost of an average one-bedroom apartment over to \$1,500 a month in downtown Ann Arbor. Many units are priced at \$2,500 or more per month, and condos are listed for well over \$1 million.

Meanwhile, property management agencies across the city have jacked up rents more than 10 percent in the past year alone. Most report 100 percent occupancy and waiting lists of six to eight months.

Not surprisingly, Washtenaw County’s housing costs are the highest in the state. According to the MLPP, this pushes the basic monthly needs budget for a family of four in the county to \$5,340.

That means that if both parents in a household are working, they would need to earn more than \$32,000 apiece in order to meet the annual basic needs budget of \$64,080.

The MLPP budget includes nothing beyond housing, childcare, food, transportation, health care, and household and personal expenses (including a phone bill). It does not include debt payments, utility bills, or budget for unexpected expenses, savings, or spending for a vacation or holiday. Many families are one medical emergency or car breakdown away from destitution, bankruptcy, or eviction.

One in four Washtenaw County households—many

with dual wage earners—are struggling to meet basic needs. As a result, more than one in five children live in poverty based on the MLPP budget.

One indication of the social crisis is the rising number of homeless public school children in the county. The federal Education Project for Homeless Youth (EPHY) estimated that at least 1,400 children would need assistance with basic supplies in fall 2014 due to living in unstable situations. “I think there’s an expectation that we’re rebounding and we’re getting back on our feet,” Washtenaw County’s EPHY coordinator, Kristin Duff, told MLive.com. “The housing issue is a very big issue and there aren’t simple solutions. It’s disheartening because there aren’t enough resources for these families.”

An Ann Arbor City Council-commissioned analysis of housing affordability in the county in January 2015 found that a majority of renters—56 percent—were “rent burdened,” paying at least a third of their income toward keeping a roof over their heads. One in three renters were found to be paying more than half of their incomes into rent.

That analysis found that among residents earning less than \$35,000 a year, fully 9 in 10 are rent burdened.

Between 2005 and 2013, the U of M-Dearborn study reported that the county saw an increase of 15,000 “knowledge jobs,” a gain of 23 percent. Behind this growth in knowledge-based employment is a large increase in low-wage service jobs. Indeed, as the knowledge-based economy grew, industrial jobs in the county plummeted by 12,000—a decline of 31 percent.

Workers who were laid off from plants such as the Ford Visteon or Willow Run auto factories in Ypsilanti were faced with entering occupations in retail, hospitality, and customer service—all jobs averaging less than \$10 an hour. As a consequence, Ypsilanti is nearing a 30 percent official poverty rate and the city’s population has declined by double digits since 2000.

The U of M-Dearborn study found that nine of the ten most common jobs countywide pay less than \$32,000, and these same poverty-level jobs were projected to see the largest growth over the next five years.

The study also reveals a widening inequality within the knowledge economy. At U of M, the authors note, “income inequality between tenure-track and other faculty has been growing, and among all employees those in low-wage jobs have experienced real wage

declines,” while higher-paid employees have seen gains.

Including its medical center, the University of Michigan employs some 38,000 workers, accounting for nearly one in five jobs in Washtenaw County. Between 2005 and 2013, employment on the Ann Arbor campus grew 21 percent. Tellingly, the study finds that that low-wage employment at U of M grew by 72 percent over the same period.

These statistics reflect the scale of attacks on the position of academics, especially adjunct and part-time faculty and researchers in higher education across the country, including at institutions that are flush with cash like U of M.

“This new knowledge economy is not going to deliver,” UM-Dearborn continuing education specialist David Reynolds, one of the study’s authors, told the *Ann Arbor News*. “It’s delivering greater inequality and the erosion of the standard of living of the majority.”



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