

Rising number of Michigan and US households unable to afford basic necessities

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The number and percentage of households in Michigan without sufficient income to pay for even the most basic necessities has continued to rise relentlessly in Michigan, years after the Great Recession of 2008-2010 was officially declared over.

At the end of 2017 there were 1,664,606 households in Michigan without enough regular income to meet the most basic monthly costs. This is up from 1.5 million households in 2010, an increase of six percent in seven years. The percentage of distressed households in the state also increased, from 40 percent in 2010 to 43 percent at the end of 2017.

These alarming increases are presented in the latest ALICE report released at the end of March 2019 by the United Way in Michigan. The acronym ALICE stands for Asset Limited Income Constrained-Employed.

The Michigan report is one of 20 covering US states that were released last month. They gather data that expands the understanding of what growing inequality means: social deprivation is impacting ever-broader sections of the population. Even under conditions of a low official unemployment rate, rising numbers of families are in distress. With little or no resources to act as a cushion against unemployment, a new recession will throw even greater sections of the working class into dire poverty.

The 43 percent of distressed households in Michigan are divided into two portions. One is households formally designated ALICE by the authors of the report. They have incomes that place them above the official US Census official poverty threshold but still cannot cover basic living costs each month. They make up 29 percent of households with income below the ALICE threshold.

The other 14 percent of households that fall under the ALICE threshold are barely surviving on incomes

below the grossly inadequate official poverty level. More than half a million households in the state fall into this category.

This is the third ALICE report for Michigan. The 2017 report also showed a rise in households below the ALICE threshold, from 38 percent in the state before the recession, to 40 percent at the end of 2015, even as unemployment had fallen.

The ALICE budget takes into account that households living in higher cost urban areas pay more for basics, especially housing, than rural areas. Statewide, on average, an annual income of about \$21,000 is needed for an individual living alone to make ends meet and a little over \$61,000 is needed for a family of four, far above the respective figures of \$12,060 for a single adult and \$24,600 for a family of four attached to the official Federal Poverty Level.

The authors describe a combination of low wages, precarious work hour arrangements, and the dramatically rising cost of the most basic necessities as factors impacting the size of ALICE in the state. These factors are putting more and more working class families in a vise.

Those that are impacted include nearly 400,000 families with children in households below the ALICE threshold. Thus children are being severely impacted by the growth in social inequality.

The federal government determines poverty on the bases of an inflation-adjusted figure originally calculated in the early 1960s. The utter inadequacy of the official federal poverty level, used to determine eligibility for social supports such as food assistance (Bridge Cards in Michigan), comes into focus with this report.

Two years ago, the United Way report estimated that only nine percent of the population made an hourly

wage of the \$40 to \$60 an hour needed to reach the more generous “Household Stability Budget.” That budget allows a family to pay premiums for employer-based healthcare, for example.

The Michigan report seeks to address why so many are unable to live even paycheck to paycheck, and why so many are exhausting savings and spiraling into deeper debt.

Though unemployment is down to four percent this month, from a high of 17.5 percent in Michigan in the immediate aftermath of the 2008-2010 recession, the number and percentage of households living below the ALICE threshold has not fallen proportionately. In fact there has been a substantial rise.

The report notes current and future structural changes in employment conditions and wages that have kept incomes low. References to the gig economy and precarious work hours, along with the proliferation of traditionally low-wage jobs in a state still highly dependent on manufacturing, are included.

Assemblers and fabricators are the third-largest group of workers in the state, but this report does not address the dramatic fall in wages that has impacted industrial jobs related to auto in recent decades.

In Michigan, the report notes that 61 percent of jobs pay less than \$20 per hour, with almost two-thirds of those jobs paying less than \$15 per hour. Another 29 percent of jobs pay from \$20 to \$40 per hour. Only 8 percent of jobs in the state pay from \$40 to \$60 per hour.

The typical ALICE budget highlights the inadequacy of the ALICE figure itself. For example, health care cost is based on the *penalty* for not buying health care under Obamacare, and not on the cost of buying health care itself, which is much higher. Not even the high-deductible bronze plan under Obamacare is affordable for most.

Details relating to the rise in households made up of families, individuals living alone, seniors, millennials and workers in their prime years living in distressed economic circumstances are outlined in the report. The authors note, “The number of senior households with income below the ALICE Threshold grew by 17 percent between 2010 and 2017. By 2017, 41 percent of senior households had income below the ALICE Threshold.

“The next oldest age group, households headed by

45- to 64-year-olds, remained flat between 2010 and 2017, yet the number of these households with income below the ALICE Threshold increased by 6 percent—a surprising drop in income for those in their prime earning years (American Community Survey, 2010, 2017).”

Millennials, they note, are less likely to form households now than in years past and 76 percent of those under 25 who do, have incomes below the ALICE threshold.

The cost of the average Michigan family budget increased 27 percent from 2010 to 2017, more than twice the rise in the official inflation rate of 12 percent. One driver of this increase was a 59 percent increase in out of pocket costs and even larger increases in health care premium costs used in their calculations.

Health care disparities result in a reduction of 13 years of life for men and 14 years for women in the lowest quintile of income.

Astronomical costs for prescription drugs are a significant factor driving health care costs. An obstetrician interviewed by the *World Socialist Web Site* pointed to the cost of new drugs available in her field. The new treatment for postpartum depression has been priced at \$35,000 for one infusion. A new drug for endometriosis pain is \$10,000 for a year. Cost sharing in health care plans will immediately put these out of reach for many, if they are covered at all.



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