



UNDER ATTACK: MICHIGAN'S MIDDLE CLASS AND THE JOB CRISIS

THE AMERICAN DREAM used to mean that if you put in a hard day's work, you could expect good wages, benefits, and a better life for your kids. But the kinds of jobs that can provide a solid middle-class life in return for hard work are in short supply in Michigan—the state's unemployment rate is one of the nation's highest, earnings have dropped below the national median, and hard-won health and retirement benefits are being lost. The future of the middle class, which has been the backbone of Michigan's economy for more than half a century, is at risk.

Michigan's great middle class didn't just happen. It was built brick by brick in the decades after World War II by the hard work of our parents and grandparents and the strength in numbers that came from the unions that represented them. Unions made sure that as Michigan's wealth and productivity grew, so too did the income and benefits of the people who worked hard to create that wealth. For decades, the state's prosperity was widely shared—wages increased and more employers provided their workers with health insurance, pensions, and paid time off. The middle class was also built by government policies that supported homeownership and made a college education accessible to a new generation. Parents without higher education themselves proudly scrimped and saved to send their kids to college, made possible by affordable tuition at state universities and financial aid.

THE STATE OF MICHIGAN'S MIDDLE CLASS

- Lack of good jobs
- Falling earnings
- Declining access to benefits
- Higher costs to raise a family
- College degree increasingly out of reach
- Diminished economic prospects for young people

CONNECT WITH DÉMOS AT: WWW.DEMOS.ORG

FOLLOW US AT: [@DEMOS_ORG](https://twitter.com/DEMOS_ORG)

[FACEBOOK.COM/DEMOSIDEASACTION](https://www.facebook.com/demosideasaction)

KEEP ON TOP OF THE LATEST TRENDS AND ANALYSIS FROM DÉMOS AT OUR NEW BLOG, POLICYSHOP.NET

FUTURE
MIDDLE
CLASS

This is a briefing paper in Demos' "Future Middle Class" series and is co-published with PROGRESS MICHIGAN.

But all of this is changing and Michigan's middle class is in jeopardy. Michigan's once vibrant manufacturing sector—the engine that drove the growth of the post-war middle class—has gradually declined over the last three-plus decades. The bulk of recent job growth has been in the service sector, where unions are less prevalent, pay is lower, and benefits are limited or non-existent. But worse is the fact that job growth has not kept pace with the loss of manufacturing jobs. Michigan's unemployment rate has been among the highest in the nation for a generation. In the wake of the latest downturn, more than 40 percent of the unemployed had been out of work for more than six months.¹

Those lucky enough to have a job are much less likely to have access to health insurance coverage through their employer than the previous generation. Rising out-of-pocket costs and skimpy plans mean that a family illness can lead to substantial costs, medical debt, and bankruptcy. And as employers replace traditional pensions with 401(k)-type plans, middle-class workers can no longer count on a secure retirement.

At the same time, it has become more costly to raise a family. Several decades ago, most middle-class mothers were not in the paid labor force. But now that a majority of mothers are employed, families must pay for child care. High-quality care for preschoolers is expensive, yet parents face these costs early in their working years when their earnings are low. Housing is also more expensive relative to household income than it was decades ago. The need for most working parents to have their own vehicle and the high price of gas further strain middle-class family budgets.

The threat to the future of Michigan's middle class can be seen most clearly in the economic prospects for the state's young people. Today, the majority of young workers are earning less than their mothers and fathers did a generation ago, with substantial declines among men. Although a four-year college degree improves job prospects and lifetime earnings, rising college costs are making it hard for all but the most affluent students to stay in school and graduate. Michigan college graduates have high levels of student debt yet their earnings have been stagnant. Young workers are increasingly less likely to have access to health insurance and retirement benefits through their employers, with the most dramatic changes occurring in recent years.

The unraveling of the social contract predated the Great Recession, but the economic crisis hastened its demise. Not only did the state lose 580,000 jobs because of the Great Recession, but the economic effects of those lost jobs reverberated to all corners of the state, particularly the already-strained finances of the state government. We estimate that the jobs lost due to the recession have cost the state over \$890 million annually in lost sales and income tax revenues, on top of other revenue losses from the recession, putting thousands more middle-class jobs at risk. If the state's unemployment rate were at pre-recession levels, those lost hundreds of millions would return to the state government's coffers, and could be used to help thousands of young people attend college, maintain dozens of state parks, or hire, for example, as many as 10,600 teachers or 9,300 nurses.

Now is the time for employers, workers, and policymakers to come together once again to rebuild pathways to the middle class, create good jobs with fair pay and decent benefits, and ensure that prosperity is broadly shared in the next generation.

EARNINGS²

For most of the last 30 years, the typical Michigan worker earned more than the typical U.S. worker. In 1980, real median earnings (adjusted for inflation) for Michigan were nearly 18 percent higher than the national median. But after increasing during the late 1990s and peaking in 2004 at \$37,760, real median income in Michigan has fallen and has been at or below the national level since 2007. Today's working Michiganders earn less than what they earned three decades ago, or about \$35,000 a year (see Figure 1).

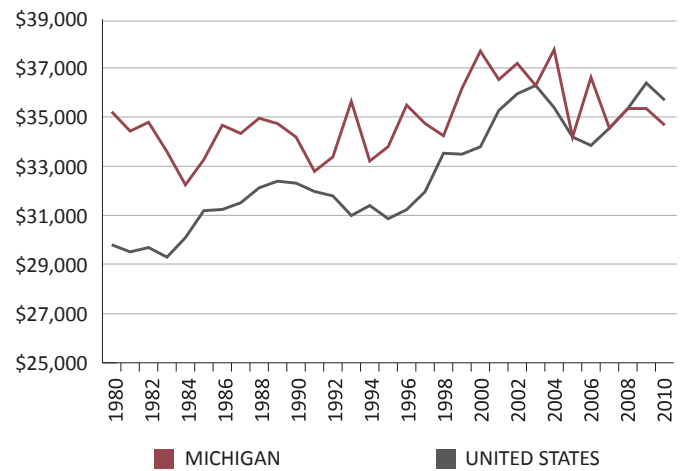
EDUCATION

In Michigan as elsewhere, a four-year college degree is the surest path to a middle-class income. Michigan workers with at least a bachelor's degree earn well over twice as much as those with only a high school diploma (\$59,160 versus \$26,520 in 2010). But over the last 30 years, only traditional college graduates, whose earnings have risen by nearly 20 percent, have seen significantly higher salaries, although they've fallen since peaking in 2001. Earnings for other workers with college educations—two-year degree-holders and college dropouts—have each declined 11 percent in the last two decades. Those with the least education have been hit hardest: earnings for high school dropouts plummeted by 54 percent over the same period (see Figure 2).

RACE AND ETHNICITY

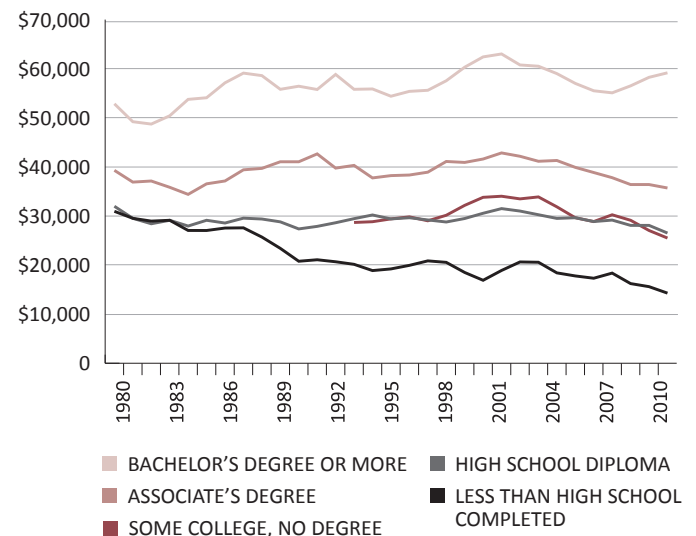
Median earnings for African-American and Latino workers have been consistently lower than those for white workers. In 2010, the typical African-American worker earned roughly \$30,000 in Michigan, or 80 percent of the earnings of the typical white worker. At approximately \$25,000, median earnings for Latinos were 69 percent of those for whites.

FIGURE 1. MEDIAN ANNUAL EARNINGS OF WORKERS IN MICHIGAN AND THE U.S., 1980-2010 (2011 DOLLARS)



SOURCE: Dēmos analysis of Current Population Survey data

FIGURE 2. MEDIAN ANNUAL EARNINGS OF MICHIGAN WORKERS BY EDUCATION, 1980-2010 (2011 DOLLARS)



SOURCE: Dēmos analysis of Current Population Survey data using 3-year average

GENDER

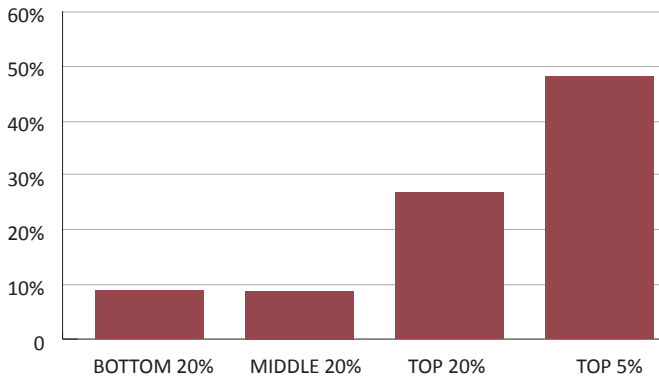
Men typically earn more than women: in 2010, median earnings for men were roughly \$12,000 higher than those for women in Michigan (\$40,800 versus \$28,600 when both part- and full-time workers are included). But the gender gap in Michigan has steadily narrowed over the last 30 years, in part because men lost ground (see Figure 3). Men’s median earnings have declined by 16 percent since 1980 while women’s have risen nearly a third (31 percent). Earnings peaked for both men and women in Michigan in 2002 and have declined since.

FIGURE 3. MEDIAN EARNINGS OF MALE AND FEMALE WORKERS IN MICHIGAN, 1980 AND 2010 (2011 DOLLARS)



SOURCE: *Dēmos analysis of Current Population Survey data*

FIGURE 4. INCOME GROWTH OF MICHIGAN FAMILIES, BY QUINTILE



SOURCE: *Center on Budget and Policy Priorities and Economic Policy Institute, "Pulling Apart: A State By State Analysis of Income Trends, 2004-2006."*

RIISING INCOME INEQUALITY

On the eve of the Great Recession, the richest 20 percent of Michigan families had average incomes 2.4 times as large as the middle 20 percent of families and 7 times as large as the poorest 20 percent of families. The very richest families—the top 5 percent—had average incomes that were 11.5 times as large as the poorest 20 percent.³ The gap between the rich and everybody else has grown over time, with the richest 5 percent of Michigan families experiencing a 48 percent gain in income between the late 1980s and mid-2000s compared to an 8.8 percent increase for the middle 20 percent of families (see Figure 4).

JOBS AND BENEFITS

Access to well-paying jobs with good health and retirement benefits is the cornerstone of a middle-class life, and unions have historically played an important role in helping workers negotiate fair pay and better benefits.

UNION MEMBERSHIP

Michigan has historically had high union participation rates compared with the rest of the nation. Nonetheless, only a fraction of Michigan workers are currently union members—16.5 percent in 2010—and the percentage has steadily declined (see Figure 5). Nationally, 11.9 percent of workers participated in unions last year—36 percent of public-sector workers (7.6 million) and 7 percent of private-sector workers (7.1 million).⁴

HEALTH INSURANCE

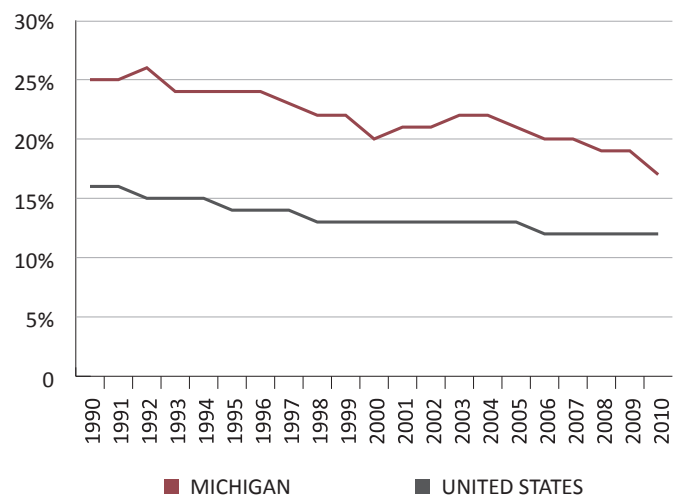
High out-of-pocket medical expenses are one of the primary causes of bankruptcy among the middle class, underscoring the importance of health insurance coverage.

Michigan workers have had relatively high rates of access to employer-sponsored health insurance, but the proportion of the state's workers whose employers do not provide coverage has increased substantially over the last decade, from 13 percent in 2001 to nearly 21 percent in 2010. Overall, 14 percent of working Michiganders are uninsured compared to 17 percent nationally.⁵

RETIREMENT BENEFITS

Several factors threaten the ability of working Michiganders to look forward to a secure retirement. Only 60 percent of working Michiganders currently have access to a retirement plan at work, similar to the mid-1980s.⁶ But such plans have gradually shifted from pensions—whose costs and financial risks are borne almost exclusively by employers—to 401(k)-type plans that rely on worker contributions and expose individuals to the vagaries of the stock market and sky-high fees, which eat away at returns. Nationally, roughly 63 percent of all employer-sponsored retirement plans are now 401(k)s or something similar.⁷ More than 10 percent of working Michiganders don't participate in their employer-sponsored plan either because they can't afford to contribute or fail to opt in (see Figure 6).

FIGURE 5. UNION MEMBERS AS A PERCENT OF ALL WORKERS IN MICHIGAN AND THE U.S., 1990-2010



SOURCE: Bureau of Labor Statistics, U.S. Department of Labor. Includes both public- and private-sector workers.

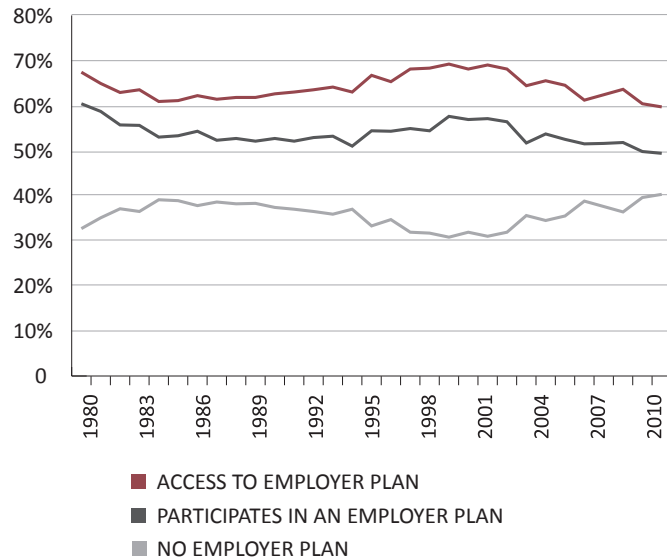
UNEMPLOYMENT

Due to the loss of manufacturing jobs and ripple effects on other businesses in affected communities, Michigan's unemployment rate has consistently been higher than the national rate for decades with the exception of the late 1990s. During much of the Great Recession, Michigan's unemployment rate was higher than any other state, peaking at 14.6 percent in July 2009—a level not seen in the state since the early 1980s. At 10.2 percent in April 2011, Michigan's unemployment rate remains one of the highest.⁸ Of great concern is the growth of long-term unemployment: in 2009, 41 percent of the unemployed in Michigan had been out of work for six months or longer.⁹

WHERE THE JOBS ARE

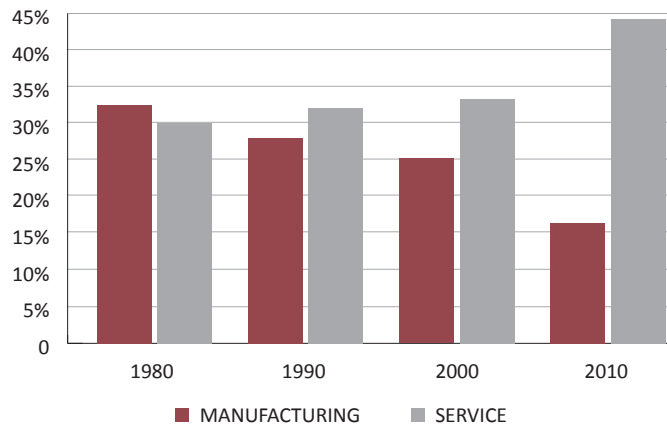
Having dominated the state's economy in the 1960s and 70s, manufacturing accounted for a third (33 percent) of the state's employment in 1980 but now accounts for only 16 percent of Michigan jobs. During the same period, the percent of workers employed in the service sector grew from 30 percent to 44 percent (see Figure 7). Manufacturing jobs are far more likely than service jobs to be unionized, pay decent wages, and offer middle-class benefits.

FIGURE 6. MICHIGAN WORKERS' ACCESS TO AND PARTICIPATION IN EMPLOYER-SPONSORED RETIREMENT PLANS, 1980-2010



SOURCE: Dēmos analysis of Current Population Survey data

FIGURE 7. MICHIGAN EMPLOYMENT IN MANUFACTURING AND SERVICES, PERCENTAGE OF LABOR FORCE



SOURCE: Dēmos analysis of Current Population Survey data

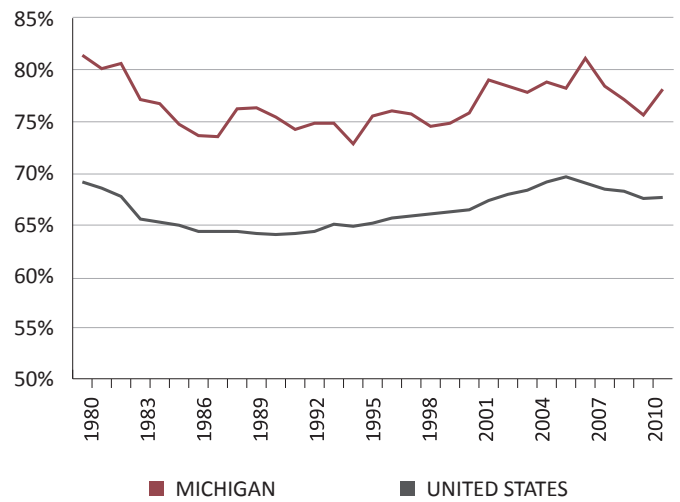
RAISING A FAMILY

Americans pride themselves on being able to pass on a better life to their children, but over the last generation, this dream has become increasingly out of reach. Even with two parents in the labor force, families struggle to meet the high costs of housing and child care, let alone save for a rainy day or invest in the future.

HOMEOWNERSHIP

Homeownership among working Michiganders has been volatile over the last 30 years, starting at a high of 81 percent in 1980 and reaching a low of 73 percent in 1994. Since then, the rate climbed back up to over 80 percent at the height of the housing bubble but has come down since (see Figure 8). Michiganders are devoting a larger share of income to housing costs: in 2008, more than a third (36 percent) of Michigan homeowners spent 30 percent or more of their income on housing.¹⁰

FIGURE 8. HOMEOWNERSHIP AMONG MICHIGAN WORKERS, 1980-2010



SOURCE: Dēmos analysis of Current Population Survey data

CHILD CARE

Child care can be one of the largest expenses families face, in some cases equaling or exceeding housing costs. On average, full-time care in a family child care home in Michigan costs \$6,448 a year for an infant and \$6,236

FIGURE 9. AVERAGE ANNUAL PRICE OF FULL-TIME CHILD CARE IN MICHIGAN

	CHILD CARE CENTER	FAMILY CHILD CARE HOME
Infant, full-time	\$8,892	\$6,448
4 year old, full time	\$7,332	\$6,236

SOURCE: National Association of Child Care Resource and Referral Agencies, "2011 Child Care in the State of Michigan."

for a four-year-old. Center-based care costs considerably more (see Figure 9). For two preschoolers (an infant and a four-year-old), center care averages \$16,224 a year or 23 percent of family income for a couple earning median wages.

THE FUTURE MIDDLE CLASS: A LOOK AT YOUNG PEOPLE

The trends facing young Michiganders seeking to build and maintain a middle-class life are worrisome. Earnings for young workers have declined across the board, particularly among young people who don't have a bachelor's or advanced degree. While a college degree provides higher earnings and greater protection against unemployment, college tuition costs have soared and students are accumulating greater amounts of debt.

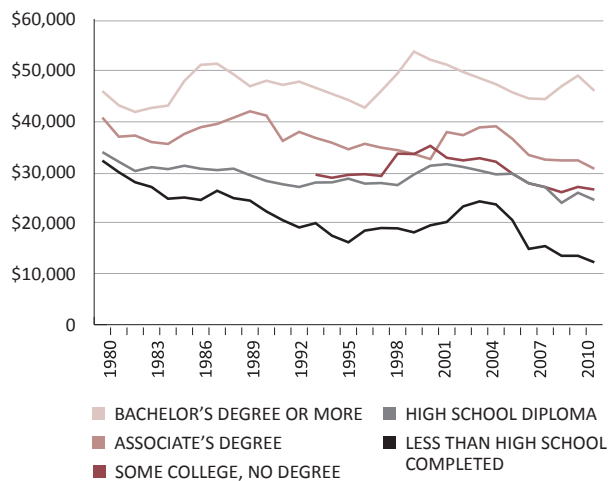
LABOR MARKET

In 2010, median earnings for workers aged 25-34 with at least a bachelor's degree were \$45,900 in Michigan—88 percent higher than earnings for a typical high school graduate in the same age range (\$24,480). Real median earnings for young college graduates have risen and fallen over the last 30 years and are currently no higher than they were in the 1980. But all groups of young workers in Michigan without a four-year college degree have experienced substantial earnings declines since 1980. The wages of young workers without a high school diploma plunged 62 percent to \$12,240, while earnings for young high school graduates and workers with some college but no degree fell by nearly a third (see Figure 10).

In 2010, the national unemployment rate for workers under age 25 and not enrolled in school was 18.4 percent—nearly double the overall U.S. unemployment rate of 9.6 percent. Unemployment among young high school graduates is particularly high; it was 22.5 percent nationally in 2010 compared to 9.3 percent among young workers with a four-year college degree.¹¹

Young Michigan workers have been decimated by the recession. In 2010, 25-34 year olds in the state still suffered a 14.0 percent unemployment rate, the highest in the nation and 3.9 percent higher than their peers in the nation as a whole.

FIGURE 10. MEDIAN EARNINGS OF MICHIGAN WORKERS AGES 25-34 BY EDUCATION, 1980-2010 (\$2011 DOLLARS)



SOURCE: Dēmos analysis of Current Population Survey data

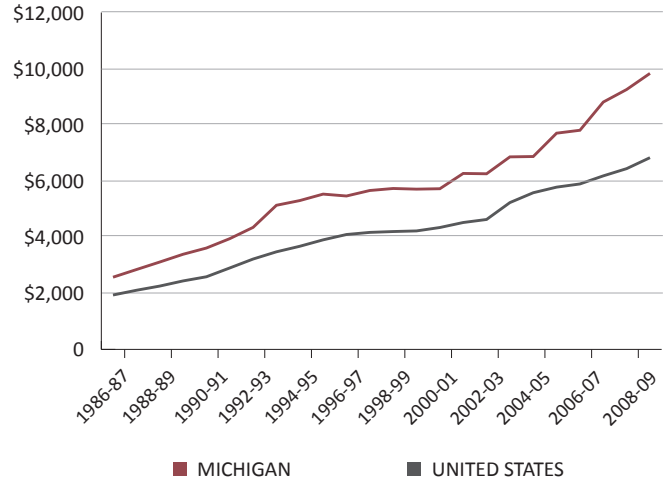
COLLEGE TUITION

At \$9,802 for 2009-10, average in-state tuition (including fees) at Michigan colleges and universities is about 44 percent higher than the national average.¹² Tuition costs have increased steadily in Michigan over the past 20 years—290 percent in total—with the most rapid growth occurring since 2001 (see Figure 11). Note that these figures do not include room and board.

STUDENT DEBT

Nearly 3 out of 5 (59 percent) college graduates in Michigan entered the labor force with student debt in 2009, and their average debt—\$25,458—was the 12th highest in the nation.¹³ Although the percentage of college graduates in Michigan with debt has held steady in recent years even while it has grown nationally, the amount of debt students hold continues to grow. And rising numbers of students are accumulating debt without completing a degree, putting them on a shaky path to the future.

FIGURE 11. ANNUAL IN-STATE COLLEGE TUITION IN MICHIGAN AND THE U.S.

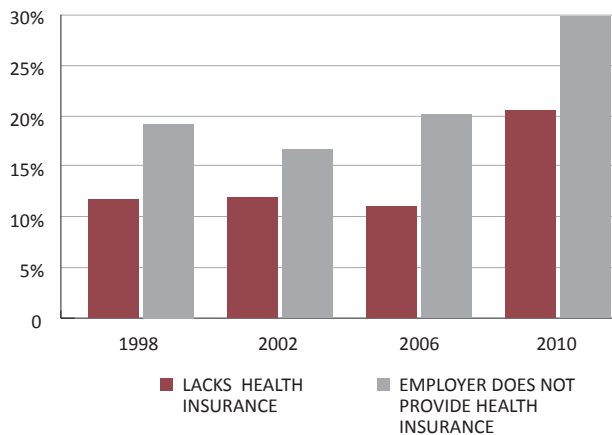


SOURCE: Digest of Education Statistics. Figures include required fees.

HEALTH AND RETIREMENT BENEFITS

Young workers aged 25-34 are more likely than other workers to lack health insurance coverage in Michigan—20 percent are currently uninsured. A full 30 percent of young workers lack access to health insurance through their employer—a figure that has grown dramatically in recent years (see Figure 12). In 1980, young workers aged 25-34 were slightly more likely to have access to a retirement plan at work than all workers regardless of age. Now young workers' access to employer-sponsored retirement plans is similar to all workers (60 percent),¹⁴ although most of these plans are risky, expensive 401(k)-type plans rather than traditional pensions.

FIGURE 12. HEALTH INSURANCE ACCESS AMONG MICHIGAN WORKERS AGED 25-34



SOURCE: Dēmos analysis of Current Population Survey data

CONCLUSION

THE AMERICAN DREAM came to life in Michigan in the form of a strong post-war middle class that sustained the state's economy for decades. But for the first time in generations, more people are falling out of the middle class than joining its ranks. The economy is still productive, but the gains are accruing primarily to the top and workers are no longer getting their fair share. Nationally, the top 1 percent of earners now take home more than the entire middle class combined, while most workers are living paycheck to paycheck. It doesn't have to be this way. Just as the post-war middle class was built, it is possible to rebuild it and strengthen it for the next generation. That will require the strength of workers coming together to reclaim the American Dream and demanding that our elected officials work for workers.

ENDNOTES

1. Michigan League of Human Services, *Labor Day Report: Long-Term Unemployment is at Crisis Level*, September 2010. <http://www.milhs.org/wp-content/uploads/2010/07/LaborDayReport20102.pdf>
2. All earnings data cited in this brief are from Dēmos analysis of the Current Population Survey (CPS), Annual Social and Economic Supplement.
3. Center on Budget and Policy Priorities and Economic Policy Institute, *Pulling Apart: A State By State Analysis of Income Trends*, April 2008. <http://www.cbpp.org/files/4-9-08sfp-fact-mi.pdf>
4. Economic News Release, Bureau of Labor Statistics, U.S. Department of Labor, January 21, 2011. <http://www.bls.gov/news.release/union2.nr0.htm>
5. Dēmos analysis of the Current Population Survey (CPS).
6. Dēmos analysis of the Current Population Survey (CPS).
7. Alicia H. Munnell, Francesca Golub-Sass, and Dan Muldoon, *An Update on 401(k) Plans: Insights from the 2007 SCF*, Center for Retirement Research, 2009.
8. Bureau of Labor Statistics, U.S. Department of Labor.
9. Michigan League of Human Services, *Labor Day Report: Long-Term Unemployment is at Crisis Level*, September 2010. <http://www.milhs.org/wp-content/uploads/2010/07/LaborDayReport20102.pdf>
10. Data compiled by the U.S. Census Bureau from the 2008 American Community Survey, "Table 991. Owner-Occupied Housing Units—Value and Costs by State: 2008."
11. Heidi Shierholz and Kathryn Anne Edwards, *The Class of 2011: Young Workers Face a Dire Labor Market Without a Safety Net*, Economic Policy Institute, April 2011. http://epi.3cdn.net/c7d6ec52122ea9c188_rbm6bc14a.pdf
12. Digest of Education Statistics, "Average undergraduate tuition and fees and room and board rates paid by full-time-equivalent students in degree-granting institutions by control of institution and by state."
13. The Project on Student Debt, *Student Debt and the Class of 2009*, October 2010. <http://projectonstudentdebt.org/files/pub/classof2009.pdf>
14. Dēmos analysis of the Current Population Survey (CPS).

ABOUT DĒMOS

Dēmos is a non-partisan public policy research and advocacy organization. Headquartered in New York City, Dēmos works with advocates and policymakers around the country in pursuit of four overarching goals: a more equitable economy; a vibrant and inclusive democracy; an empowered public sector that works for the common good; and responsible U.S. engagement in an interdependent world. Dēmos was founded in 2000.

In 2010, Dēmos entered into a publishing partnership with The American Prospect, one of the nation's premier magazines focussing on policy analysis, investigative journalism and forward-looking solutions for the nation's greatest challenges.

ABOUT PROGRESS MICHIGAN

Progress Michigan provides a strong credible voice that holds public officials and government accountable, assists in the promotion of progressive ideas and uses state-of-the-art web based new media to creatively build grassroots support for progressive ideas.

CONTACT

Dēmos

DĒMOS

220 Fifth Avenue, 5th Floor
New York, New York 10001
Phone: (212) 633-1405
Fax: (212) 633-2015
info@demos.org

DĒMOS MEDIA

Tim Rusch,
Communications Director
trusch@demos.org
(212)-389-1407

PROGRESS MICHIGAN 

PROGRESS MICHIGAN

7th Floor, 115 W Allegan | Lansing, MI 48933
Phone: (517) 999-3646
Fax: (517) 999-3652
www.progressmichigan.org