

**Health and the Economy in the Detroit Area**

**Introduction and Overview of the Population**

In recent years, the Detroit area has become a symbol of the economic destruction occurring across the nation, with foreclosed homes, struggling automakers and rundown factories dominating news about the region. The bankruptcies of General Motors and Chrysler combined with an unprecedented nationwide recession have left the city so economically damaged that not even the infusion of billions of federal dollars has managed to fill the gap. One year after the federal government intervened to aid the automakers, the Kaiser Family Foundation along with the Washington Post and Harvard School of Public Health came to the tri-county Detroit area of Macomb, Oakland, and Wayne County to ask residents about their views and experiences in the midst of this economic meltdown. Using data from this comprehensive survey<sup>i</sup> and other publicly available information, this data note will provide an overview of the current economic and health care challenges facing the Detroit area.

Table 1: Population of Tri-County Detroit Area<sup>1</sup>

|                                   | Michigan   | Wayne County | Macomb County | Oakland County |     |
|-----------------------------------|------------|--------------|---------------|----------------|-----|
| <b>Population</b>                 | 10,003,422 | 1,949,929    | 830,663       | 1,202,174      |     |
| <b>Race/Ethnicity</b>             | White      | 81%          | 55%           | 88%            | 80% |
|                                   | Black      | 14%          | 41%           | 8%             | 13% |
|                                   | Other      | 5%           | 4%            | 5%             | 7%  |
|                                   | Hispanic*  | 4%           | 5%            | 2%             | 3%  |
| <b>Median Household Income</b>    | \$48,606   | \$42,463     | \$55,638      | \$67,669       |     |
| <b>Percent below poverty line</b> | 14%        | 21%          | 9%            | 9%             |     |

\*Hispanics may be of any race, so are included in applicable race categories

**Race and income.** While the majority of the population in the tri-county Detroit area is White, the racial profile varies substantially by county (see Table 1). In Macomb and Oakland County 80% or more are White, compared to 55% in Wayne County. Forty-one percent of residents in Wayne County are Black, compared to 8% and 13% respectively in Macomb and Oakland County, a population concentrated in the city of Detroit. Over 80% of Detroit city residents are black, with about 10% white.<sup>2</sup> It is worth noting that among all states, Michigan has the highest proportion of Arabs in its population at 1.2%.<sup>ii</sup> In Wayne County, 2.7% of the population is Arab. A similar proportion reported Arab ancestry in Oakland and Macomb County (1.2% in both counties).<sup>3</sup> Macomb and Oakland County are also more prosperous than Wayne: both have a higher median household income and a lower percentage of residents who have incomes below the federal poverty line.

**Population loss.** Over the past four decades, the population of the city of Detroit has been steadily declining. In fact, Detroit is the only city in the United States to have once had over a million residents and then subsequently drop to under one million. Since the beginning of this decade, Wayne County, where the city of Detroit is located, has lost more than five percent of its population. While Oakland and Macomb County have not had population loss, population growth in the last decade has slowed in these areas. Macomb County has seen a moderate population increase of about 5% over the last decade, smaller than the 10% growth that the county witnessed in the previous decade. Population growth in Oakland County has stagnated, increasing by less than one percent since 2000.<sup>4</sup>

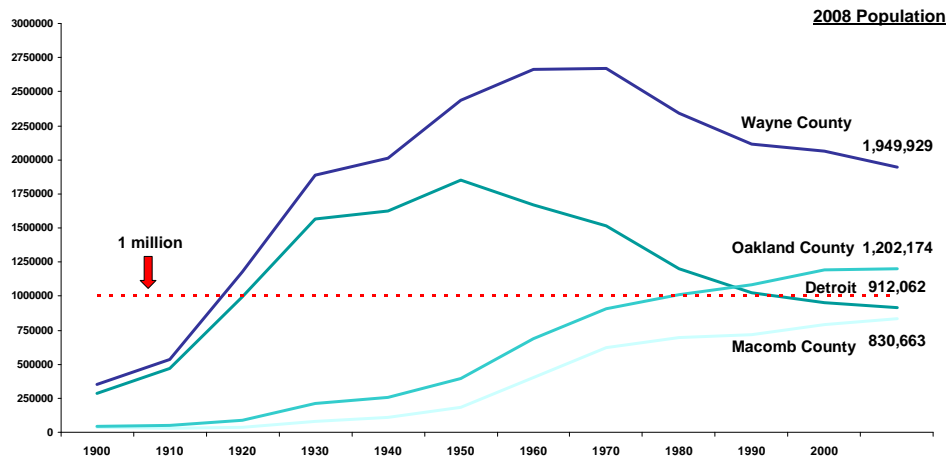
As the state with the highest unemployment rate in the nation, the exodus of workers from Michigan has only gotten worse since 2008. From 2007 to 2008, the population declined statewide by half a percent. Census Bureau estimates indicated that Michigan had the lowest growth rate of any state in the nation.<sup>5</sup> So many have left that Michigan is likely to lose a congressional seat once the districts are redrawn after the 2010 census, a loss with important political implications as the

<sup>i</sup> A topline and full report of the survey findings is available at: <http://www.kff.org/kaiserpolls/posr010610pkg.cfm>

<sup>ii</sup> Due to the small size of the Arab American population in the tri-county Detroit area, we were unable to report on this population separately from our survey data.

Detroit area begins to recover from a series of political scandals.<sup>6</sup> And the area is poised to lose even more constituents. In our survey, a quarter of residents in the Detroit area report that they are seriously considering leaving the area or are already planning to move.

### Historical Population in the Detroit Area



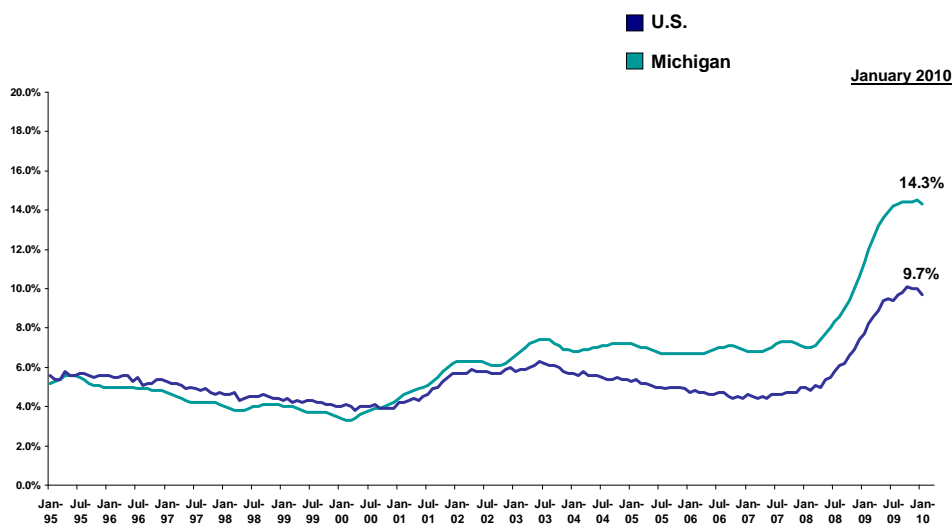
Sources: Southeastern Michigan Council of Governments. Historical Population and Employment by Minor Civil Division, Southeast Michigan. June 2002.; American Community Survey 2008

### Unemployment and the Economy

**GDP.** Even in a nation struggling with a 10% unemployment rate, Detroit stands out as particularly troubled. Michigan overall has not seen real GDP (gross domestic product) growth since 2005, despite the fact that the nation's GDP increased by 2.8% in 2006 and 0.7% in 2008, both years where the Michigan economy contracted by 1.5%.<sup>7</sup> The prosperity of the Michigan economy has historically been heavily reliant upon the American automotive industry, and so the state economy's decay has largely paralleled that of their main industry. Residents in the Detroit area agree that their economy is tied to the fate of the automotive industry: seven in ten report the auto industry must recover in order for the area economy to improve.

**Unemployment.** The problems in Michigan's economy can also be viewed through the fluctuations in the unemployment rate, which is unavoidably intertwined with its GDP. As was true with GDP, even before the recession unemployment in Michigan was higher than the national rate, and that gap widened with the start of the national downturn. In 2000, the unemployment rate in Michigan was slightly lower than the unemployment rate of the nation (3.4% versus 4%). Halfway through the decade, in December 2004, Michigan's unemployment rate was 7.2%, higher than the rate in U.S (5.4%). By January 2010, Michigan's unemployment rate had risen to 14.3%, while the nation's was almost five percent lower at 9.7%.<sup>8</sup> The employment struggles are even more concentrated in the city of Detroit, where unemployment skyrocketed to 28.9% in July 2009.<sup>9</sup> This is the highest unemployment rate ever recorded for the city since the state of Michigan began documenting labor statistics.

## Unemployment in Michigan



Source: Bureau of Labor Statistics, United States Department of Labor.

**Housing prices.** Detroit is also facing a rapid plunge in the value of residential property. In 2009, no city in Wayne, Macomb, or Oakland County had positive growth in home values. The five most populous cities in each county showed double digit reductions in residential property value in 2009 (see Table 2). In the city of Detroit, home values decreased by 14%. The decrease in home prices among these 15 cities ranged from a low of 12% in Clinton Township (Macomb County) to a high of 28% in Southfield City (Oakland County).

Table 2: Percent Change in Home Values in 2009<sup>10,11</sup>

| Rank | Wayne County |          |            | Macomb County    |          |            | Oakland County     |          |            |
|------|--------------|----------|------------|------------------|----------|------------|--------------------|----------|------------|
|      | City         | % change | Population | City             | % change | Population | City               | % change | Population |
| 1    | Detroit      | -14%     | 951,270    | Warren           | -17%     | 138,247    | Farmington Hills   | -17%     | 82,111     |
| 2    | Livonia      | -13%     | 100,545    | Sterling Heights | -15%     | 124,471    | Troy               | -15%     | 80,959     |
| 3    | Dearborn     | -14%     | 97,775     | Clinton Township | -12%     | 95,648     | Southfield City    | -28%     | 78,296     |
| 4    | Westland     | -16%     | 86,602     | Shelby Township  | -14%     | 65,159     | Waterford Township | -23%     | 73,150     |
| 5    | Canton       | -10%     | 76,366     | St. Clair Shores | -17%     | 63,096     | Rochester Hills    | -13%     | 68,825     |

The decrease in home values presents a considerable obstacle for local area governments. With declining home prices, tax revenues for these municipalities are also declining. Local governments are struggling to make ends meet. Leaders in these areas are now forced to make difficult decisions to decrease either staff or services, for example reducing expenditures by converting paved roads back to gravel. In 2009 35 miles of road in the state of Michigan were converted back to gravel.<sup>12</sup>

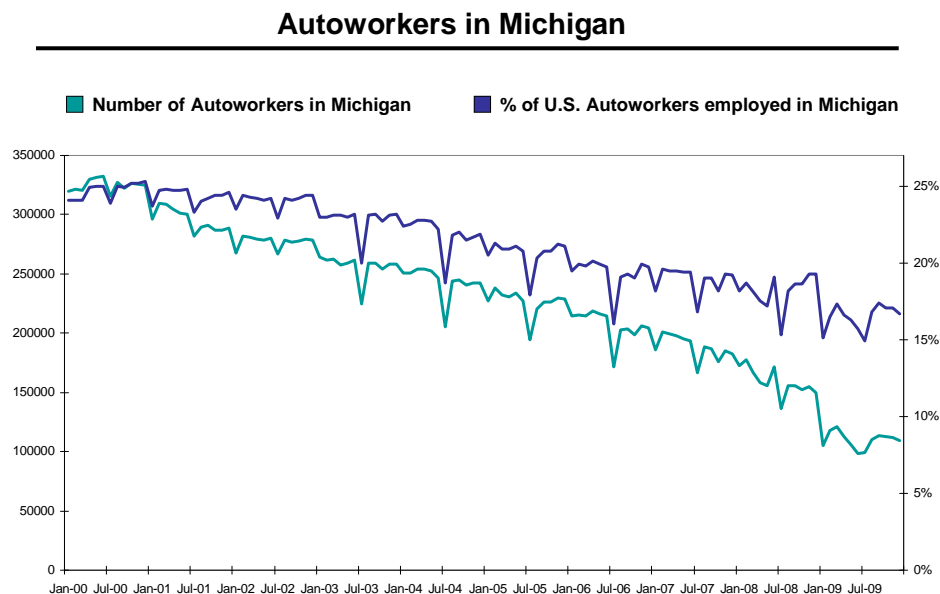
**Residents' experiences and views of the economy.** All these dismal statistics turn into real life problems for the average resident of the Detroit area, beginning but not ending with job trouble. Almost one-third of those in the tri-county area report having someone in their household laid off, and about the same number say they have had their hours cut back at work. Many also expect the instability of the current job market to continue. Among those who are employed, 39% believe it is likely that they will lose their job or have their hours or pay cut in the next year.

These challenges on the employment front often translate into difficulty making ends meet. Four in ten residents in the tri-county area say they had problems paying bills in the last 12 months. More than two in ten report problems with credit card or personal debt and problems paying for medical bills. A somewhat smaller, but sizeable proportion says they fell behind in paying their rent or mortgage payments (17%) or had problems paying for food (14%).

Given all these experiences it is no surprise that residents' views of this economy are equally bleak. The majority (57%) of residents report that the economy is the single biggest problem facing the Detroit region and nearly two-thirds describe the state of the Detroit area economy as poor, the lowest rating on a four point scale. When asked about the state of the nation's economy, state residents overall are just as negative. In a recent Gallup poll, 59% of Michigan residents described the nation's economy as poor and 66% say it is getting worse. Only Wyoming residents expressed less economic confidence.<sup>13</sup>

Even with the besieged job market and economy, however, Detroit area residents have not given up hope. About six in ten are optimistic about the future of the area and most (63%) expect their overall standard of living to be higher in ten years. More broadly, Michiganders' views of the national economy are on an upswing: Gallup's economic index score for Michigan improved 25% from 2008 to 2009.<sup>14</sup>

### A Portrait of Detroit Area Autoworkers<sup>iii</sup>



Source: Automotive Industry: Employment, Earnings, and Hours." Bureau of Labor Statistics. United States Department of Labor.

**Size of autoworker population.** At the beginning of the decade, 1.3 million Americans were employed in motor vehicle and parts manufacturing, many of these in the Detroit area, the unofficial headquarters of the U.S. automotive industry. By the end of 2009, the number of Americans employed by the auto industry was cut in half to about 650,000 workers.<sup>15</sup> In Michigan, where the automotive industry plays a crucial role in the state's economy, the financial problems of the industry have had a particularly devastating impact. In early 2000, about a quarter of the 1.3 million Americans working in motor vehicle manufacturing worked in Michigan. That population decreased by two-thirds, compared to half nationally, across the decade, reduced from 320,000 to 109,000. At the same time, Michigan became a somewhat smaller player in the U.S. automotive industry: 17% of the jobs in the field are now in the state, down from 24% at the beginning of the decade.<sup>16</sup>

**Union membership and the industry business model.** Doubtless the nationwide recession played an important role in this reversal of fortune, but there were also problems endemic to the U.S. auto industry itself. In contrast to foreign automotive companies with factories in the U.S., domestic automakers primarily employ unionized workers who benefit from the more generous salaries, health benefits, and pensions negotiated by their powerful leadership. Though these benefits helped generations of workers get ahead, by the time General Motors traveled to Washington to ask Congress for a loan in November 2008, there were nearly ten health care beneficiaries (including retirees and family members of current employees) for each currently working employee.<sup>17</sup> The majority of Detroit area residents also agree with those

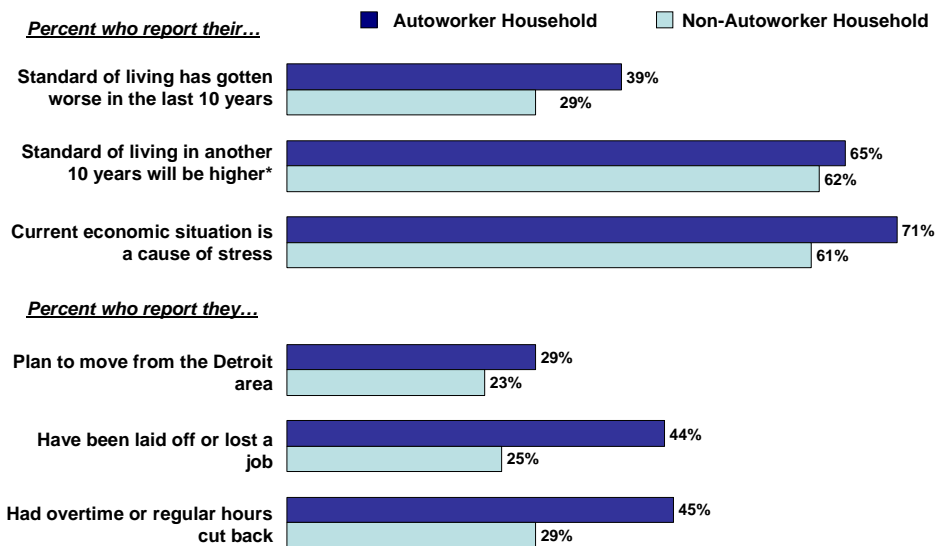
<sup>iii</sup> This Washington Post, Kaiser Family Foundation, and Harvard University survey was conducted prior to the recall of several Toyota models in 2010

experts that blame the industry's financial crisis on the Big 3's business model: more than eight in ten point to poor management as a factor in the industry's problems.

Even with the restructuring of the industry, one year after GM testified in Congress, a little over two in ten adults in the Detroit area say they live in a household where at least one adult is currently a member of a labor union and overall, 8% report that they live in a household with a United Auto Workers union member.

**Standard of living among Detroit area autoworkers.** Thirty-seven percent of adults in the Detroit area report that at least one member of their household is or has been an auto industry employee,<sup>iv</sup> and these households are struggling. Compared to those in non-autoworker households, a significantly higher proportion report their standard of living has gotten worse in the last 10 years (29% versus 39%), and a somewhat higher proportion (71 percent compared to 61 percent) say that the current economic situation is causing stress in their life, with half saying it is causing serious stress. Expectations of the future, however, are equally optimistic in both groups, with just over six in ten expecting their standard of living to improve over the next decade.

### Key Differences Between Individuals Living in Autoworker Households vs. Non-Autoworker Households



\*No significant difference between the groups  
 Source: Washington Post/Kaiser Family Foundation/Harvard University *Survey of Detroit Area Residents* (conducted Nov. 5 – 22, 2009)

**Experiences and worries of autoworkers.** Autoworker households are also more likely to report experiencing problems with employment and housing. Fully 44% of adults living in autoworker households report having been laid off in the last year, compared to a quarter of those in households without direct ties to the auto industry. Similar differences exist for the proportion of individuals in autoworker households who report having their work hours cut in the past year. There were also problems in the housing sector. Eighteen percent of those living in a household with a current or former autoworker say they changed their living situation in the last two years because of the economic downturn, six percentage points higher than among non-autoworker householders. Perhaps as a result, 29% of individuals in autoworker households say they are planning to move away from the Detroit area, a somewhat higher proportion than among those living in non-autoworker households (23%).

Compared to individuals living in non-autoworker households, those in current and former autoworker households are also more worried about health care and employment. Two-thirds of those in autoworker households are worried about the affordability of health care and 53% are worried about finding or keeping a job, compared to 57 percent and 44 percent respectively.

**Intergenerational industry: A break in the chain?** Generous benefits and stable employment attracted generations of workers to the auto industry and provided financial security for many in the Detroit area. The jobs were so appealing that

<sup>iv</sup> Autoworker households are defined as households with at least one current or former employee of the auto industry

for many they became the equivalent of a family business. The data from our Detroit survey illustrates this trend; adults living in autoworker households are more likely than adults in non-autoworker households to have had a parent who worked in manufacturing. Over half of Detroiters living in autoworker households report their parents worked in manufacturing. But the challenges facing the area may be breaking this chain: Among parents with children under age 19, almost three-quarters report that they would not recommend a career in manufacturing for their children, primarily because of the instability of the job market.

**Problems not limited to autoworker households.** The problems plaguing U.S. automakers have trickled down to increasingly wide circles of residents, regardless of whether they have direct ties with the trade. Nearly half (47%) of those in the greater Detroit area say they have been hurt financially by the recent problems in the automotive industry.

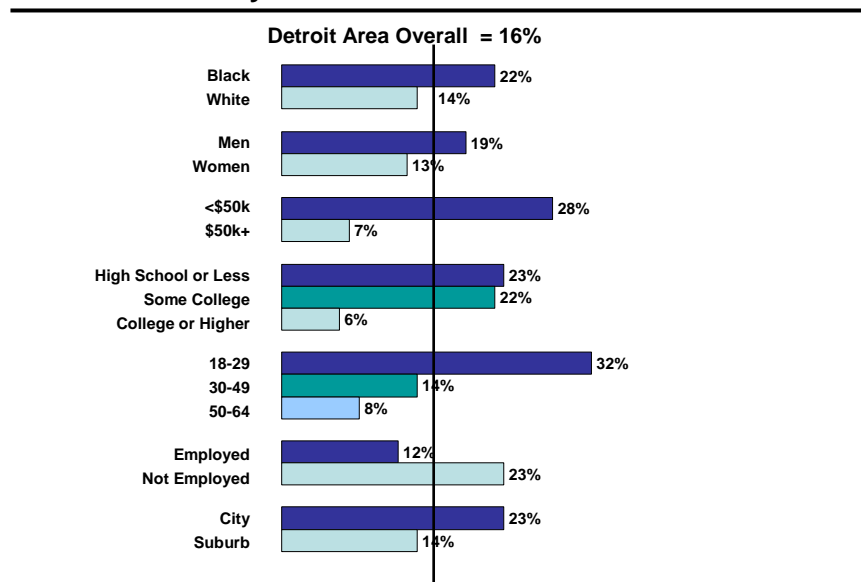
**The Health Care Safety Net and the Uninsured**

Thanks to Detroit’s powerful labor unions, area residents have traditionally enjoyed better than average health care benefits. In fact, Michigan’s non-elderly percent uninsured is lower than the national average (13% versus 17%).<sup>18</sup>

The safety net system in the Detroit area has become overburdened. The city of Detroit has no public hospital for the uninsured. Instead, the uninsured receive care through a network of federally qualified health clinics and free clinics. Each clinic has an established relationship with an area hospital, where patients can be referred for care of serious conditions. To add to the difficulties in providing care to the uninsured, public health departments have largely discontinued their direct health care services as budget cuts have forced them to eliminate these programs.<sup>19</sup>

Of the three counties surveyed, Wayne County, which encompasses the city of Detroit, is the only county to offer a public health care program. While none of the programs offer traditional health insurance that can be utilized outside of Wayne, they do aim to increase access to primary care for four key low-income groups – individuals who do not qualify for Medicaid (BasicCare), young adults (*Wayne County Young Adults Program*), part-time workers (*TEMPRO*), and employees of small businesses (*HealthChoice*). The county pays a portion of the premium and the enrollees are responsible for the remaining amount. Once enrolled, individuals in these programs choose one of three health care organizations in Wayne County to provide them with primary and urgent care. Any medical care received outside of the enrollee’s designated health care organization is not covered.<sup>20</sup>

**Reported Non-Elderly Uninsured Rate in the Detroit Area by Selected Characteristics**



Source: Washington Post/Kaiser Family Foundation/Harvard University *Survey of Detroit Area Residents* (conducted Nov. 5 – 22, 2009)

**The uninsured.** Sixteen percent of non-elderly Detroit area residents in our survey say they are uninsured.<sup>v</sup> In the tri-county area, blacks are more likely to report being uninsured than white, non-Hispanic residents. Compared to those in the suburbs, residents of the city of Detroit are also more likely to report being uninsured. This difference is largely due to the racial divide between the city of Detroit and the suburbs, as 80% of those who live in the city are black and 80% of those who live in the suburbs are white. Similar to the national trend, Motor City residents with lower levels of income and education are more likely to be uninsured. Even with the Wayne County Young Adults Program that offers health care for low-income young adults, 18 to 29 year-olds are the most likely to report being uninsured: 32% of young adults report they are uninsured.

Even though adults living in autoworker households face significant challenges in employment and housing, they are not more likely than those living in non-autoworker households to report they are uninsured. Furthermore, there is no difference in the proportion who report problems paying their medical bills.

### Medicaid and the State Child Health Insurance Program

The Medicaid program in Michigan provides health insurance to over 1.8 million residents.<sup>21</sup> In order to be eligible for Medicaid, pregnant women and families of infants under the age of one must have a household income that is under 185% of the federal poverty level (see table 3).<sup>vi</sup> For children between the ages of one and nineteen the income eligibility criterion is lower: household income must be less than 150% of the federal poverty level (FPL). The eligibility requirement for the Medicaid program in Michigan is higher than the federally mandated minimum of 133% of FPL for pregnant women and children under six and 100% of FPL for children between the ages of six and nineteen. The state is required to provide coverage to parents of children enrolled in Medicaid who qualify for welfare assistance. Parents with incomes less than 64% of FPL and jobless parents with incomes less than 37% of the FPL qualify for Medicaid. Although the state is not required to provide coverage to childless adults, the state of Michigan provides a waiver for benefits less extensive than Medicaid in households with an annual income less than 45% of the FPL.<sup>22</sup>

Additionally, through the Children’s Health Insurance Program (CHIP), children living in households with incomes less than 200% of the FPL who do not qualify for the Medicaid program are eligible for health care benefits. The CHIP program in Michigan, named *MiChild*, provides health insurance nearly identical to Medicaid. As of June 2008, approximately 43,000 children were enrolled in *MiChild*.<sup>23</sup>

Table 3: Income Eligibility by Percent of Federal Poverty Level for Medicaid<sup>24</sup>

| Group                           | Michigan | Federally Mandated Minimum |
|---------------------------------|----------|----------------------------|
| <i>Children</i>                 |          |                            |
| Medicaid for Infants Ages 0-1   | 185%     | 133%                       |
| Medicaid for Children Ages 1-5  | 150%     | 133%                       |
| Medicaid for Children Ages 6-19 | 150%     | 100%                       |
| SCHIP for Ages 0-19             | 200%     | --                         |
| <i>Adults</i>                   |          |                            |
| Pregnant Women                  | 185%     | 133%                       |
| Working Parents                 | 64%      | --                         |
| Jobless Parents                 | 37%      | --                         |
| Childless adults*               | 45%      | --                         |

\*Benefits less extensive than Medicaid

Medicaid and *MiChild* beneficiaries in the state of Michigan are required to enroll in a private county-level insurance plan in order to receive health benefits. With county-level insurance plans, there is very little portability of benefits. An individual enrolled in a plan that only operates in their county is unable to choose a primary care provider outside of their county. Therefore, if the enrollee decides to move to another county, the enrollee may need to change their health insurance plan and their medical provider.

### Conclusion

The Detroit area is in economic distress and suffering attendant population loss. The deterioration of the economy has exposed the weaknesses of the health care safety net and has led to high unemployment and declining home values. As

<sup>v</sup> It is unknown if this figure includes individuals enrolled in the Wayne County BasicCare, Young Adults Program, TEMPRO, or HealthChoice, as the figure is a self-reported statistic.

<sup>vi</sup> The federal poverty guideline is \$22,050 for a family of four. For more information see: <http://aspe.hhs.gov/poverty/09poverty.shtml>

the Detroit area begins to rebuild their economy and health care system, the region needs to examine how to target those who were disproportionately impacted by the recession and the subsequent weakening of the health care safety net. In particular, current and former autoworker households are likely to struggle with economic recovery as they were unduly impacted by job loss. To deter the migration of these workers from Detroit, job creation initiatives may want to consider the skills of these workers. As recovery in the Detroit area begins to take hold, keeping these constituencies in mind will aid in the successful rebuilding of the region.

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<sup>1</sup> American Community Survey 2008

<sup>2</sup> United States Census 2000

<sup>3</sup> "The Arab Population: 2000." United States Census Bureau, December 2003.

<sup>4</sup> "County-Level Population Data for Michigan." Economic Research Service. United States Department of Agriculture, 27 March 2009.

<sup>5</sup> "Utah is fastest-growing state." United States Census Bureau, 22 December 2008.

<sup>6</sup> R. Simon. "California could lose a House seat after 2010 Census." *Los Angeles Times*, 15 July 2009.

<sup>7</sup> "Economic Slowdown Widespread Among States in 2008." Bureau of Economic Analysis. United States Department of Commerce, 2 June 2009.

<sup>8</sup> Bureau of Labor Statistics. United States Department of Labor.

<sup>9</sup> D. Okrent. "Detroit: The Death – and Possible Life – of a Great City". *Time*, 24 September 2009.

<sup>10</sup> "Chart: See how property values have plummeted." *Detroit Free Press*, 2 February 2010.

<sup>11</sup> United States Census 2000

<sup>12</sup> "Returning to the Stone Age: county road agencies in Michigan suffer from lack of funding." County Road Association of Michigan, 2 February 2010.

<sup>13</sup> J. Jones. "Economic Confidence: Wyoming, Michigan Most Negative." Gallup, 8 February 2010.

<sup>14</sup> Ibid

<sup>15</sup> "Automotive Industry: Employment, Earnings, and Hours." Bureau of Labor Statistics. United States Department of Labor.

<sup>16</sup> Ibid

<sup>17</sup> R. Wagoner. "Prepared testimony by Rick Wagoner Chairman and Chief Executive Officer, General Motors Corporation, to the United States Senate Banking, Housing, and Urban Affairs Committee." 18 November 2008.

<sup>18</sup> Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2008 and 2009 Current Population Survey (CPS: Annual Social and Economic Supplements).

<sup>19</sup> M. Regenstein, K. Nguyen, K. Jones, and K. Kenney. "An Assessment of the Safety Net in Detroit, Michigan." Urgent Matters, George Washington University Medical Center and School of Public Health and Health Policy, March 2004.

<sup>20</sup> "Wayne County Health Choice." Web. 30 March 2010.

<http://www.waynecounty.com/mygovt/hhs/patientcare/HealthChoicePrograms.aspx>

<sup>21</sup> The Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on data from Medicaid Statistical Information System (MSIS) reports from the Centers for Medicare and Medicaid Services (CMS), 2009.

<sup>22</sup> S. Artiga. "Where are States Today? Medicaid and State-Funded Coverage Eligibility Levels for Low-Income Adults." Kaiser Commission on Medicaid and the Uninsured, December 2009 (#7993).

<sup>23</sup> Compiled by the Health Management Associates from state Medicaid enrollment reports, for the Kaiser Commission on Medicaid and the Uninsured. "CHIP Enrollment: June 2008 Data Snapshot" available at: <http://www.kff.org/medicaid/7642.cfm>.

<sup>24</sup> D. Ross, M. Jarlenski, S. Artiga and C. Marks. "A Foundation for Health Reform: Findings of a 50 State Survey of Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and CHIP for Children and Parents During 2009." Kaiser Commission on Medicaid and the Uninsured, December 2009 (#8028).