

# *Staff Paper*

## **SELF-INITIATIVE AND MICHIGAN POVERTY**

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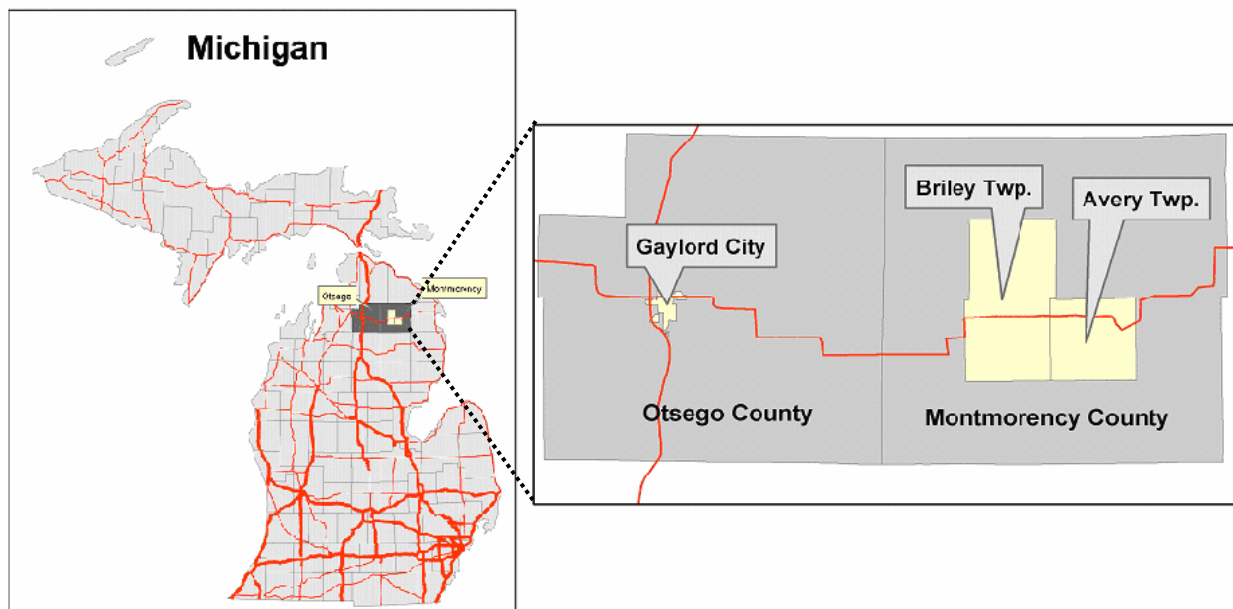
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## SELF-INITIATIVE AND MICHIGAN POVERTY

By A. Allan Schmid, Denys Nizalov and Sathya Gopalkrishnan

Self-initiative of individuals and communities is considered as an ingredient of economic growth. Unfortunately, it is both cause and effect. Without self-initiative, it is difficult to realize the potential of economic agents. But, poverty dulls self-initiative. Poverty discourages people. And, discouraged people have less self-initiative and that contributes to their poverty constituting a vicious circle.

Whether the common belief stated above is correct and people in communities with different poverty rates differ in self-initiative? To answer this question, a survey was made in two adjoining counties in northern Michigan that differ in their poverty rates. The survey was based on a random sample drawn from voter registration lists of Gaylord City in Otsego County and Avery and Briley townships in Montmorency County, Michigan (Figure 1). A mail-in questionnaire was sent to 550 registered voters in the summer of 2004, and 82 responses were received, producing a 15% response rate.



**Figure 1. Surveyed Communities.**

The Gaylord City has lower poverty as measured by the Census definition (10% of individuals) while the townships in Montmorency County have 17% and 18% poverty (Table 1). Both surveyed areas are heavily forested and recreational services are a major part of the economy. Otsego has better transportation access, being on the major north-south interstate highway.

The areas have approximately equal population with similar demographic characteristics. The communities have 51 to 55 percent females and 19 to 21 percent of the population over 65. Gaylord City has somewhat higher proportion of younger residents than in the Montmorency townships. The city also has a higher share of population with bachelor and higher degrees (18% compared to 6% and 7% in Montmorency). Unlike communities in Montmorency County, the Otsego community is urbanized (95% of population is urban), and has higher level of income and lower unemployment.

**Table 1. Basic characteristics of the surveyed communities.**

Geography	Montmorency County		Otsego County
	Avery township	Briley township	Gaylord city
Poverty Rate	17%	18%	10%
Total population, person	683	2031	3691
Female population, %	51%	53%	55%
Population Under 25	24%	27%	35%
Population 25 - 65	57%	52%	44%
Population over 65	19%	21%	21%
Urban population, %	0%	0%	95%
Median household income in 1999	\$27,723	\$27,264	\$28,770
Per capita income in 1999	\$14,677	\$15,906	\$17,313
Households With Social Security income, %	42%	44%	39%
Households With Supplemental Security Income (SSI), %	7%	8%	3%
Households With public assistance income	7%	6%	7%
Households With retirement income	38%	32%	26%
High school graduate	44%	39%	32%
Bachelor's degree and higher	6%	7%	18%
Unemployment Rate	12%	13%	7%

Source: Census 2000, Census Bureau, Department of Commerce.

The demographic composition of the respondents is similar between the counties (see Table 2). However, it is somewhat different from the characteristics of the population due to the

sampling from the voter registration list where population under 18 years old is not present. Occupation structure and length of residence are also similar among the respondents of two counties.

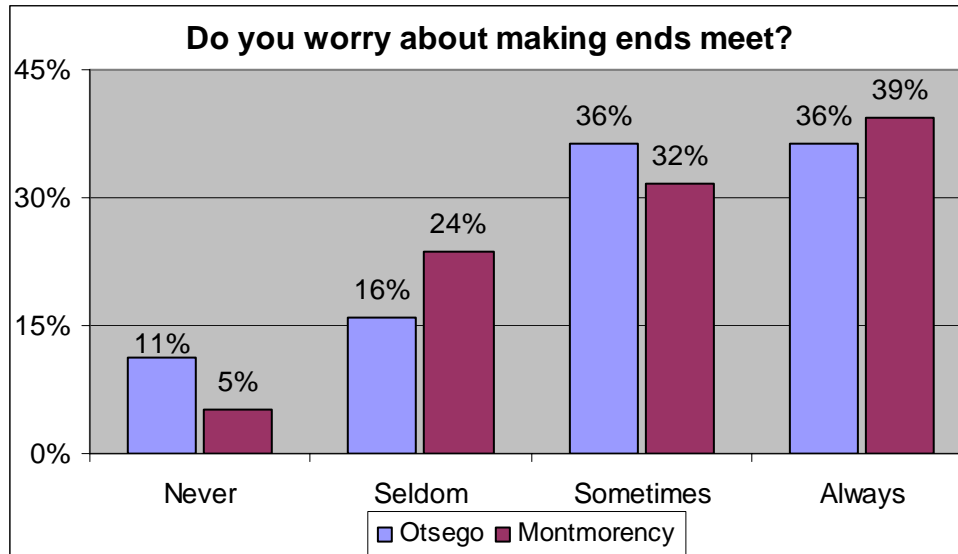
When the respondent were ask to indicate the major issue of concern for their families, more than 50% named the problems related to income and employment. The distribution of responses to this question is similar between the two counties.

**Table 2. Demographic characteristics of respondents**

	<b>Montmorency County</b>	<b>Otsego County</b>
Female, %	66	61
Population Under 25, %	5	9
Population 25 - 65, %	71	75
Population over 65, %	24	16

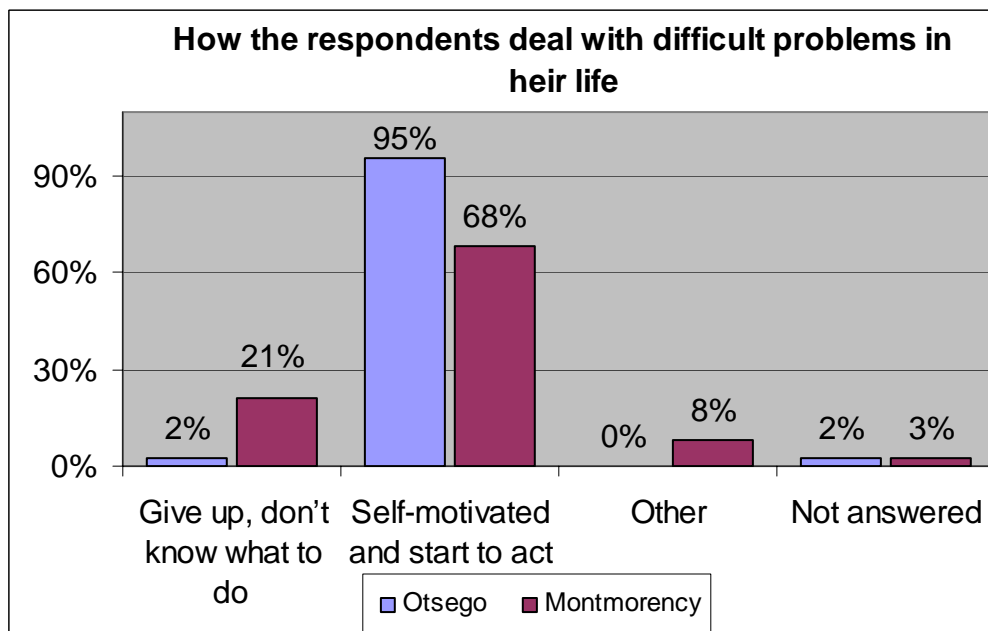
About 80% of respondents in the Otsego (richer) county believed their income depends mostly on themselves and immediate family than in the poorer Montmorency County. The poorer county gave somewhat greater emphasis to government officials, faith, and other (social organizations). However, this difference is not significant and may reflect difference in the income sources (e.g., unemployment benefits and other government subsidies to poor families). For example, Montmorency townships have higher percentage of households with Supplemental Security Income (7-8% vs. 3% in Gaylord City).

Respondents were asked to assess if the basic needs of their families are met. Despite the difference in official poverty rates, responses to this question were distributed similarly (Figure 2). More than 70% of respondents in both counties worry about providing basics to the families sometimes or always.



**Figure 2. Poverty self-assessment.**

Despite many similarities in other characteristics, respondents of the poorer county (Montmorency) had a higher percentage of people saying they would give up when faced with their biggest problem while almost none gave a similar response in the richer Otsego County (Figure 3). This difference in responses is statistically significant both unconditionally and conditionally on age and gender of respondents<sup>1</sup>.



<sup>1</sup> Chi-square statistics was used to assess the significance of the unconditional difference. The conditional difference was tested with OLS estimation procedure.

### **Figure 3. Self-initiative**

Regarding answers to other survey questions, no significant differences between the counties are observed. With respect to “whom can you expect help in solving difficult problems,” more people ranked “people I know, friends and neighbors” first. About 60% in the Otsego county thought they could count on neighbors or anyone in their community to help financially, but only 47% in the poorer county. A greater proportion of people in Otsego county could count on help from others in each category of problem—deal with officials, find jobs, obtain information, take care of you, and watch children where applicable.

A greater proportion of respondents in the richer county believed that problems could be solved if neighbors could act together. However, this difference disappears when the length of residence is taken into account.

The residents of two counties generally agreed on who should be responsible for solving problems like unemployment, high crime, low quality of education and medical care. The dominant answer is that all citizens are responsible.

The poorer county had a somewhat greater percentage of people voting in local elections. However, this difference is insignificant.

In summary, the poorer county had lower rates of self-initiative (more people give up) and lower level of belief in the success of group action (neighbors act together). The design of state and local development programs need to take this into account.

Even though the survey has revealed the relationships that have important policy implications, the results have to be treated with caution. Small scale of the study did not allow collecting all the relevant information, which may cause both higher poverty and low self-initiative. Nevertheless, this modest study serves as a strong motivation for a larger scale study of the subject.