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# Adolescents and Welfare Reform in Michigan

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## Michigan's Adolescents

The state of Michigan has made improvements for adolescents over the past decade, including declining teen birth rates, juvenile arrests and adolescent injury death rates. However, young adolescents are having more difficulty in school, and Michigan's high school graduation rate is steadily decreasing. Many of these difficulties are related to being raised in low-income families. Increasing the financial security of Michigan's families would assist Michigan's adolescents in becoming successful adults. Michigan's teenagers have benefited in a number of ways during the past decade. These improvements can be attributed to a good economy and special programs for teenagers.

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## How have Michigan adolescents benefited during the past decade?

- Birth rates for Michigan teenagers ages 15-17 decreased by 32% in the 1990's, twice the national average (1).
- Juvenile arrests for violent crimes decreased by 43% (1).
- Juvenile arrests for property crimes declined by 38% (1).
- Injury/death rates for accidents, homicides and suicides for teenagers aged 15-19 dropped by one-third (1).
- Substance use among young Michigan teens declined significantly (1).

## How have Michigan adolescents suffered during the past decade?

Although teenagers in Michigan had lower birth rates, fewer index crime arrests and fewer injury deaths, the number of adolescents that graduate from high school has not improved substantially. The numbers are striking: Approximately one of four youth who enter the ninth grade does not graduate from high school (1). If young adolescents ages 10-14 do not journey through their middle school years effectively, they will have difficulty completing their high school education successfully. Young Michigan teens face the following types of educational problems:

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- Young teenagers who are home alone after school for more than three hours are more likely to be depressed or have behavioral problems (1).
- Leisure reading seems to decline over the middle school years (1).
- Most fifth and eighth graders do not pass the science section of the Michigan Educational Assessment Program (MEAP) (1).
- Caucasian fifth graders are twice as likely to pass the MEAP test than African American students (1).
- The number of young adolescents in Michigan receiving special education services was highest in the 2000-2001 school year (1).

*One-third of young adolescents in Michigan live in low-income families.*

*Low-income teenagers are more likely to have food insecurities or hunger. Hunger contributes to fatigue, poor mental health, and more behavioral disorders.*

*Low-income families often pay more than higher income families for goods and services such as higher car insurance, higher mortgage rates and large fees for check-cashing and other bank services.*

### **Why are Michigan adolescents having more problems now?**

**Michigan Adolescents and Low-Income.** One-third of young adolescents in Michigan live in low-income families (1). (Low income is defined as less than twice the federal poverty level, or \$33,790 for a family of four in 2000.) While having a low income does not necessarily cause behavioral, emotional and academic problems, it does contribute significantly to these issues in the following ways:

- One of seven low-income young teens in Michigan does not have health insurance and may lack access to mental health services, including services for emotional and/or behavior problems (1). This lack of access to services is alarming because a recent study suggests that 48% of low-income Michigan young adolescents were sad or depressed as opposed to only 37% of higher income youth (1).
- Academic stressors, including not getting along with teachers, not understanding homework or trying to get good grades cause more stress on low-income youth than on youth who live in higher income families (1).
- Michigan adolescents in schools with more low-income students are less likely to have access to technology, including computers (1).
- Low-income teenagers are more likely to face food insecurities or hunger. Hunger contributes to fatigue, poor mental health, and more behavioral disorders (1).
- Youth in low-income families participate less in after-school activities. These activities are related to positive adjustment and better academic success (1).

### **Why do low-income families have difficulty achieving financial security?**

Many low-income families receive cash assistance. In Michigan, the Family Independence Program (FIP) is the cash assistance program. FIP provides support and cash supplements while requiring participants to maintain employment. The FIP does not provide low-income families with economic self-sufficiency for the following reasons:

1. Due to eligibility requirements, many low-income people who are employed do not qualify for assistance (2).
2. Due to inflation, families receiving cash assistance are unable to purchase as much with their FIP check as they were several years ago (2).
3. Low-income families often pay more than higher income families for goods and services such as more expensive car insurance, higher mortgage rates and large fees for check-cashing and other bank services (3).

## **What are the eligibility requirements for FIP and how do they affect the working poor?**

To be eligible for FIP, a person or family may not have a gross income (defined as FIP assistance plus employment income) higher than the “payment standard” set by the Family Independence Agency. For a family of three with one working adult, the monthly payment standard is \$459 and has remained the same since 1993 (2). To assist working families and give them an incentive to continue working, Michigan has an “earned income disregard”. This is the amount of employment income that is disregarded when calculating a family’s gross income. Michigan’s income disregard is currently the first \$200 of employment income plus 20% of the remainder of that income (2). This earned income disregard would allow a family of three to have a monthly gross income (employment income plus cash assistance) of no more than \$775.

*The Michigan League for Human Services has identified that the monthly “self-sufficiency wage” for a family of three in Michigan is \$2,864-- more than three and a half times the amount allowed by the FIP.*

## **How has the purchasing power of the FIP benefit decreased since 1993?**

Low-income families have a very difficult time meeting their basic needs with such eligibility and income requirements. The Michigan League for Human Services has identified that the monthly “self-sufficiency wage” for a family of three in Michigan is \$2,864--more than three and a half times the amount allowed by the FIP (4).

For example, a single working parent with two children who earned no more than \$775 per month in 1993, that income would be worth only \$630 per month in 2001 (2). To clarify, in 2001 such a family would only be able to purchase 81% of what it could purchase in 1993. Therefore, many families who receive FIP and work continue to be forced to cut back on expenses.

***FIP and the poverty threshold.*** The “poverty threshold” is known as the amount of income a person needs to receive in order to be officially above the poverty level. Each year, the poverty threshold increases with inflation (23% in the past 10 years), and FIP recipients fall further and further under the poverty threshold (2). When families collect more income than the payment standard, their FIP benefits are discontinued. The large gap between FIP recipients’ incomes and the poverty threshold puts an increasing number of welfare leavers further from financial self-sufficiency.

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## **How and why do low-income families pay more for goods and services?**

It is very difficult for low-income families to move to self-sufficiency because they tend to pay more for goods and services than families with higher incomes. Because they pay more, they have difficulty saving any money or acquiring assets. The poor pay more for several goods and services, including:

- Transportation – Low-income families typically pay higher interest rates for cars and higher insurance premiums (2).
- Childcare – The non-poor pay approximately 7% of their gross income for childcare while the poor pay 10% or more (2).

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- Healthcare – The non-poor are covered by insurance, usually provided by their employers. The poor typically do not have employer-paid insurance, so they must purchase high cost insurance on their own or go without. In addition, the poor often do not have paid sick leave (2).
- Basic needs – Inner city stores typically charge 17.5-22% more than a suburban store for the same item (2).
- Money management – The poor pay high fees just to cash a check at a check-cashing outlet. Predatory lenders charge more for low-income families, because these families are a higher credit risk and have few choices for check cashing and obtaining credit (2).
- Housing – Low-income families usually must pay a higher interest rate, sometimes around 13% because of poor credit. The non-poor usually pay approximately 30% of their income for housing while low-income families pay 50% or more and often live in substandard housing. Currently, there is a shortage of affordable housing (2).

### **What can Michigan do to assist low-income families in becoming more financially self-sufficient and therefore assist its young adolescents in becoming successful adults?**

The best way to decrease negative outcomes for adolescents is to strengthen families by providing them with more economic security. This can be achieved in the following ways:

1. Michigan can revise the payment standard for the FIP benefit to include an annual adjustment for inflation so that the purchasing power remains the same from year to year (2).
2. Michigan can revise its earned income disregard to give recipients more of an incentive to work and to keep families in the program until their income is closer to the poverty level.
3. A state Earned Income Tax Credit (EITC) would reward work and help more families meet the basic needs of their children. The federal EITC has proven more effective at lifting families above poverty than any other program. Several states, including Minnesota and Wisconsin, have already instituted a state EITC. Since low-income families pay more substantial shares of their incomes in state sales taxes and payroll taxes than more affluent households, a state EITC would help compensate for this inequity.
4. Michigan can identify a “self-sufficiency wage” to be a benchmark for measuring progress and the effectiveness of programs and policies (4).
5. Michigan could exempt families with earnings below the poverty level from having to pay income tax.
6. Michigan can encourage quality retailers to locate in low-income communities (2).
7. Michigan can provide consumers with tools, including financial education, access to basic financial services and opportunities to build credit (2).
8. Michigan can include rent as part of a credit check (2).
9. Michigan can pass laws to stop predatory lending (2).