

# Michigan

## Policy Options to Address Youth and Young Adult Poverty

*Center on Poverty and Social Policy at Columbia University*

The COVID-19 crisis is exacting a dual toll on youth and young adults, with education and employment opportunities severely disrupted. But even pre-pandemic, young people were in a precarious financial position. They were more likely to live below the poverty line compared to the general population and the only group to see their [poverty rise over the last 50 years](#). Today, they are more likely to be [living with](#), and [financially supported by](#), their families than [in the past](#) and remain less likely to have independent access to safety net programs.

This analysis explores the anti-poverty effects of federal policy and a set of federal policy alternatives (some recently enacted on a temporary basis, as part of the [American Rescue Plan](#); some proposed, but not yet law) in the areas of basic needs, family tax, and economic opportunity. Anti-poverty effects are compared to what we term a 'pre-American Rescue Plan' baseline, but the poverty rates presented are not estimates of poverty in 2021. Rather, they are estimates of what youth and young adult poverty could have looked like in the years prior to the pandemic had these policies been in place. For each state, it breaks out the results by youth (ages 14 to 17), young adults (ages 18 to 24), and the whole youth and young adult population (ages 14 to 24). For the 14 to 24 year old population as a whole, it also examines the impact of anti-poverty policy across racial and ethnic groups—of particular importance, as nearly half of the youth population today are youth of color.

Our analysis uses the [Supplemental Poverty Measure \(SPM\)](#) to assess poverty rates and the potential anti-poverty effects of policy changes. The SPM accounts for cash and noncash government benefits, necessary expenses like taxes, health care, commuting, and child care, and adjusts for family size and local housing costs. For a two-parent, two-child family in an average cost city, the SPM income threshold is about \$28,000 per year.

## SNAP + FAMILY TAX: Provisions of the American Rescue Plan

- Increase Supplemental Nutrition Assistance Program (SNAP) benefits by 15% + expand the Child Tax Credit (CTC) + expand childless Earned Income Tax Credit (EITC)

### SPM POVERTY RATE (%) FOR POLICY OPTIONS

	Pre-American Rescue Plan	SNAP + CTC + EITC
Aged 14-17	10.3	5.4
Aged 18-24	16.2	14.0
Aged 14-24	14.1	11.0
Aged 14-24: Black	32.2	22.5
Aged 14-24: Hispanic	12.7	8.5
Aged 14-24: Other	19.0	16.6
Aged 14-24: White	9.5	8.0
Aged 14-24: Foreign-born	31.5	26.6

### NUMBER OF YOUTH & YOUNG ADULTS MOVED OUT OF POVERTY

	SNAP + CTC + EITC	Race/ Ethnicity	SNAP + CTC + EITC
Aged 14-17	24,000	Aged 14-24: Black	23,000
Aged 18-24	20,000	Aged 14-24: Hispanic	4,000
Aged 14-24	44,000	Aged 14-24: Other	2,000
		Aged 14-24: White	15,000
		Aged 14-24: Foreign-born	4,000

\*Notes: Race and ethnicity is only available for the 14-24 year old age group due to sample size. 'Foreign-born' identifies youth and young adults born outside the US. Figures for some groups are unavailable due to sample size limitations. Due to rounding and/or policy interaction, some totals may not correspond with the sum of the separate figures.

## Policy Details

The American Rescue Plan Act, P.L.117-2, is a \$1.9 trillion COVID-19 relief package; its direct financial relief to households is [projected to reduce overall poverty by close to one-third and child poverty by half in 2021](#). Here, we examine three of its key anti-poverty elements—a 15% increase in household SNAP benefits, an expansion of the Child Tax Credit, and an expansion of the childless portion of the Earned Income Tax Credit. The CTC expansion is a fully refundable maximum benefit of \$3000 for a dependent aged 6 to 17 and \$3600 for a dependent under age 6), similar to the American Family Act, H.R. 1560 in the 116th Congress (see Center on Poverty and Social Policy (2021) [American Family Act resource page](#) for more information.) The EITC expansion reduces the minimum age to claim the credit to 19 (for non-students) and increases the maximum credit from \$538 to \$1,487. The combined effects of these policy changes on youth and young adult poverty rates are compared to a pre-pandemic baseline.

## BASIC NEEDS: Policy Options

- Increase SNAP benefits by 15%
- Make Section 8 housing vouchers available to all who are eligible to receive them
- SNAP 15% increase + Section 8 expansion

### SPM POVERTY RATE (%) FOR BASIC NEEDS POLICY OPTIONS

	No SNAP	No Section 8	Pre-American Rescue Plan	SNAP Increase	Section 8 Expansion	SNAP + Section 8
Aged 14-17	14.0	11.2	10.3	9.5	8.2	7.6
Aged 18-24	19.4	16.8	16.2	15.4	13.7	12.9
Aged 14-24	17.5	14.8	14.1	13.3	11.7	11.0
Aged 14-24: Black	37.4	34.1	32.2	29.9	24.4	22.6
Aged 14-24: Hispanic	15.6	13.0	12.7	12.7	12.0	11.6
Aged 14-24: Other	24.7	20.7	19.0	17.8	17.9	16.6
Aged 14-24: White	12.3	9.8	9.5	9.0	8.1	7.7
Aged 14-24: Foreign-born	35.2	31.5	31.5	30.8	29.2	28.5

### NUMBER OF YOUTH & YOUNG ADULTS MOVED OUT OF POVERTY

	SNAP Increase	Section 8 Expansion	SNAP + Section 8	Race/ Ethnicity	SNAP Increase	Section 8 Expansion	SNAP + Section 8
Aged 14-17	4,000	10,000	13,000	Aged 14-24: Black	5,000	18,000	23,000
Aged 18-24	7,000	23,000	31,000	Aged 14-24: Hispanic	—	1,000	1,000
Aged 14-24	11,000	33,000	44,000	Aged 14-24: Other	1,000	1,000	2,000
				Aged 14-24: White	5,000	13,000	18,000
				Aged 14-24: Foreign-born	1,000	2,000	3,000

\*Notes: Race and ethnicity is only available for the 14-24 year old age group due to sample size. 'Foreign-born' identifies youth and young adults born outside the US. Figures for some groups are unavailable due to sample size limitations. Due to rounding and/or policy interaction, some totals may not correspond with the sum of the separate figures.

## Policy Details

- The SNAP 15% benefit increase mirrors the temporary increase under the American Rescue Plan Act, P.L.117-2, but models the impact of an expansion in place for a full year.
- The Section 8 expansion would guarantee that all who are eligible to receive a subsidy could receive one. Details related to this analysis can be found in Collyer et al. (2020) [Housing Vouchers and Tax Credits, Poverty & Social Policy Brief, Vol 4, No. 9 \(October\)](#), New York: Columbia University Center on Poverty and Social Policy.

## FAMILY TAX: Policy Options

- Expand the Child Tax Credit (CTC)
- Expand the childless Earned Income Tax Credit (EITC)
- CTC + childless EITC expansion

### SPM POVERTY RATE (%) FOR FAMILY TAX POLICY OPTIONS

	No CTC	No EITC	Pre-American Rescue Plan	CTC Expansion	EITC Expansion	CTC + EITC
Aged 14-17	12.0	12.7	10.3	6.0	10.0	5.9
Aged 18-24	16.7	17.6	16.2	15.2	15.7	14.6
Aged 14-24	15.0	15.9	14.1	11.9	13.7	11.5
Aged 14-24: Black	32.8	34.3	32.2	25.4	30.1	23.9
Aged 14-24: Hispanic	14.0	15.2	12.7	8.5	12.7	8.5
Aged 14-24: Other	20.6	21.2	19.0	18.0	19.0	18.0
Aged 14-24: White	10.4	11.0	9.5	8.5	9.4	8.3
Aged 14-24: Foreign-born	34.5	34.9	31.5	27.9	31.5	27.9

### NUMBER OF YOUTH & YOUNG ADULTS MOVED OUT OF POVERTY

	CTC Expansion	EITC Expansion	CTC + EITC	Race/ Ethnicity	CTC Expansion	EITC Expansion	CTC + EITC
Aged 14-17	21,000	1,000	22,000	Aged 14-24: Black	16,000	5,000	20,000
Aged 18-24	10,000	5,000	15,000	Aged 14-24: Hispanic	4,000	—	4,000
Aged 14-24	31,000	6,000	37,000	Aged 14-24: Other	1,000	—	1,000
				Aged 14-24: White	10,000	1,000	12,000
				Aged 14-24: Foreign-born	3,000	—	3,000

\*Notes: Race and ethnicity is only available for the 14-24 year old age group due to sample size. 'Foreign-born' identifies youth and young adults born outside the US. Figures for some groups are unavailable due to sample size limitations. Due to rounding and/or policy interaction, some totals may not correspond with the sum of the separate figures.

## Policy Details

- The Child Tax Credit expansion is modeled on the parameters of the American Family Act, H.R. 1560 in the 116<sup>th</sup> Congress. This makes the credit fully refundable and increases the maximum benefits levels to \$3000 annually for a dependent aged 6 to 17 and \$3600 for a dependent under 6. (See Center on Poverty and Social Policy (2021) [American Family Act resource page](#).) A similar CTC expansion, with minor differences in the income phase-out thresholds, was included in the American Rescue Plan Act, P.L.117-2, for a one-year period.
- The EITC expansion expands benefits for childless workers along the parameters of the American Rescue Plan Act. The minimum age to claim is reduced from 25 to 19 (except for full-time students); the credit phase-in and phase-out threshold is increased from 7.65% to 15.3%; the phase-out income threshold is \$11,490; and the maximum credit increases from \$538 to \$1,487.

## ECONOMIC OPPORTUNITY: Policy Options

- Minimum wage floor of \$15
- Create guaranteed employment program for youth (Jobs for All Act)

### SPM POVERTY RATE (%) FOR ECONOMIC OPPORTUNITY POLICY OPTIONS

	Pre-American Rescue Plan	\$15 Wage Floor	Youth Employment
Aged 14-17	10.3	9.3	8.1
Aged 18-24	16.2	14.8	14.2
Aged 14-24	14.1	12.8	12.0
Aged 14-24: Black	32.2	29.9	24.0
Aged 14-24: Hispanic	12.7	10.4	12.3
Aged 14-24: Other	19.0	16.4	17.8
Aged 14-24: White	9.5	8.6	8.7
Aged 14-24: Foreign-born	31.5	28.8	28.5

### NUMBER OF YOUTH & YOUNG ADULTS MOVED OUT OF POVERTY

	\$15 Wage Floor	Youth Employment	Race/ Ethnicity	\$15 Wage Floor	Youth Employment
Aged 14-17	5,000	11,000	Aged 14-24: Black	5,000	19,000
Aged 18-24	14,000	18,000	Aged 14-24: Hispanic	2,000	—
Aged 14-24	18,000	29,000	Aged 14-24: Other	2,000	1,000
			Aged 14-24: White	9,000	8,000
			Aged 14-24: Foreign-born	2,000	3,000

\*Notes: Race and ethnicity is only available for the 14-24 year old age group due to sample size. 'Foreign-born' identifies youth and young adults born outside the US. Figures for some groups are unavailable due to sample size limitations. Due to rounding, some totals may not correspond with the sum of the separate figures.

## Policy Details

- The establishment of a national wage floor of \$15 looks at the poverty effect of implementing a nationally-uniform minimum wage of \$15 in a single-year context. See methodology section for more details. As of January 2021, the federal minimum wage was \$7.25 per hour. As of January 2021, Michigan's minimum wage was \$9.65 per hour.
- The guaranteed youth employment policy looks at the potential anti-poverty effects of a subsidized employment program modeled under the parameters of the Job Opportunities for All Act (HR 8485 in the 115<sup>th</sup> Congress). Our analysis assumes a 20% enrollment rate for the age groups considered. For more, see Collyer et al. (2019) [Fighting Poverty with JOBS: Projecting the Impacts of a National Subsidized Employment Program](#). New York & Washington DC: Center on Poverty and Social Policy & Georgetown Center on Poverty and Inequality.

## Methodology

The analysis is based on a 5-year sample of 2013–2017 calendar year (2014–2018 survey year) Current Population Survey (CPS) data, with all income variables from all years adjusted for inflation to 2018 dollars. CPS data is adjusted for income underreporting using the Urban Institute’s TRIM3 model. Because tax policy changes under the Tax Cuts and Jobs Act (TCJA) of 2017 were not in place for the calendar years of data used here, we also use NBER’s TAXSIM27 to apply TCJA tax policy to all years of data. All baseline poverty rates assume receipt of the Child Tax Credit and Earned Income Tax Credit, post-TCJA changes. The Supplemental Poverty Measure (SPM) poverty rates titled ‘Pre-American Rescue Plan’ are baseline poverty rates for the 2013–2017 data. Poverty rates under all alternative policy scenarios are estimates of what poverty would have looked like in this data had these policy adjustments been in place at the time.

See full methodology: [Youth-Poverty-Policy-Methods-CPSP-2021.pdf](https://www.povertycenter.columbia.edu/policy-factsheets/youth-poverty). Also found on the project page: [povertycenter.columbia.edu/policy-factsheets/youth-poverty](https://www.povertycenter.columbia.edu/policy-factsheets/youth-poverty).

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