BUILDING MICHIGAN'S FUTURE MIDDLE CLASS

ADDRESSING THE ECONOMIC CHALLENGES FACING YOUNG ADULTS

Dēmos

ABOUT DEMOS

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 focusing on policy analysis, investigative journalism, and forward-looking solutions for the nation's greatest challenges.

ABOUT MICHIGAN LEAGUE FOR HUMAN SERVICES

The Michigan League for Human Services is a nonprofit, nonpartisan statewide policy and advocacy organization dedicated to ensuring that Michigan's low-income residents achieve economic security. To accomplish this, the League uses data-driven advocacy to shape public policy, focusing on a range of public and private supports, including public assistance, work and family supports, job training and education. The League also works to make sure adequate resources are available to support these services. Through research, analysis, public education and advocacy efforts, the League brings credible and accessible information to the public policy discussion of the critical issues that affect the lives of low-income people.

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INTRODUCTION

Today's young adults are coming of age in a tough economy, on the heels of 30 years of declining economic opportunity and security for all but the most affluent and most highly educated. These changes are quite evident in Michigan, where the once-mighty manufacturing sector that provided better-than-average jobs in the 1960s and 1970s has eroded, hitting young adults particularly hard.

Although many of the levers of opportunity that once fueled and defined America's middle class have weakened or broken, a reorientation could restore opportunity and provide today's young adults with a more secure economic future. Many leaders in Michigan rightly recognize that investing resources in creating a successful system for educating and retraining workers is an essential component of improving the economic future of the state.

Michigan can learn from the history of the American middle class as a whole. In the decades following World War II, Americans experienced rapid economic growth and social mobility. First the GI Bill and then the Higher Education Act of 1965 increased college access and affordability. Homeownership increased as government programs enabled more people to obtain home loans, made mortgage interest tax deductible, promoted suburban housing development, and enacted reforms targeting discriminatory lending practices. Income and wealth grew as public policy fueled the economy by ensuring a tight labor market, promoting full employment, reducing barriers to union organizing and raising the federal minimum wage to a historic high in 1968.

The state of Michigan provided ingenuity, muscle, and infrastructure and reaped many benefits including good jobs for skilled blue-collar workers and a commitment to higher education reflected in a strong state university system. Over time, as overt discrimination declined, opportunities expanded for women, blacks, and Latinos, and these groups continue to reap the benefits of a more inclusive society.

These postwar policy efforts and investments, combined with the commitment of employers to provide health and pension benefits, created a system through which millions of Americans could enter the middle class.

In recent decades, however, the world has changed dramatically. Michigan's strength in manufacturing has left the state extremely vulnerable as rapid advances in technology and the force of globalization vastly alter the nature of work.

Global competition has put downward pressure on American wages. Many of the new jobs created in the service economy—one of the fastest growing sectors in Michigan—pay less than the manufacturing jobs they replaced. Meanwhile many employers have slashed labor costs—cutting jobs, wages and benefits. The social contract has frayed and young adults are living with the consequences.

Employment has become less stable and less secure, especially for those without a college degree. Even before the most recent recession, Michigan suffered from higher unemployment than much of the nation. The duration and severity of unemployment the state is seeing in the wake of the 2007-2008 Great Recession is greater than in previous downturns.

Still Michigan and its residents have not given up. More Michiganians are enrolling in college than ever before, investing their faith and their dollars in higher education as a path to financial prosperity. However, the cost of college is a worrisome burden. Skyrocketing educational expenses are hindering the ability of low- and middle-income students to stay in school and graduate.

As many young Michiganians struggle to pay for school, they are racking up high levels of student debt. They are also incurring debt to cover basic expenses, adding to the financial burden they have already taken on in earning a degree. In addition, young adults are the most likely to be uninsured of any age group.

The unraveling of the social contract predates and sets a harsh context for the current economic crisis. But smarter policy at the federal level and in Michigan can rebuild the entryways to the middle class, provide more opportunity and ensure that prosperity is broadly shared for the next generation.

This report provides a detailed portrait of today's young adults* in Michigan, and where possible, compares their economic status to that of the previous generation and to national trends for young adults. The report is organized into four key areas: employment and earnings, postsecondary education, debt and assets, and raising a family. It concludes with a set of policy recommendations, some federal and some state, some short-term and some long-term, that would help rebuild and restore the middle class. Where available, our state recommendations include examples from other states or mention specific Michigan programs that could be expanded or reformed. Below we summarize the recommendations under each policy area.

EMPLOYMENT AND EARNINGS:

- Continue to promote and expand green jobs
- Create a national public jobs program
- Support workers' unionization efforts
- Preserve the "No Worker Left Behind" Program
- Increase funding for apprenticeships and research and development in advanced manufacturing
- Increase funding for adult education and occupational "career pathways"
- Index the minimum wage to inflation or average wage growth

POSTSECONDARY SUCCESS:

- Increase federal and state investment in higher education
- Strengthen and expand state financial aid
- Strengthen and expand federal financial aid
- Adapt postsecondary education to better suit the needs of working and part-time students
- Support on-campus based benefit assistance services
- Build career ladders in high-demand occupations
- Fund early college high schools

DEBT AND ASSETS:

- Make certain that the federal Consumer Financial Protection Bureau supports the interests of consumers and has the issues most affecting Michigan in its sights
- Allow private student debt to be discharged in bankruptcy
- Provide universal, adequate and secure retirement accounts
- Encourage and facilitate access to credit unions by low-income workers

RAISING A FAMILY:

- Provide paid family and medical leave
- Provide paid sick days for all employees
- Maintain the strong state Earned Income Tax Credit and promote free tax services for low-income filers through the Volunteer Income Tax Assistance program
- Provide universal child care

* The term young adults in the report generally refers to 18- to 34-year olds.

EMPLOYMENT AND EARNINGS

Since 2000, 27 percent of all private sector jobs lost in the nation occurred in Michigan.[1] Overall unemployment rates have been higher in Michigan than the rest of the country for the past decade. The current recession has only exacerbated a long-standing problem.

In addition, long-term unemployment has been a much greater issue in the recent recession than in past recessions. Michigan workers unemployed for over 26 weeks represented 41 percent of unemployed workers in the state in 2009,[2] compared to only 6.5 percent in the previous recession.

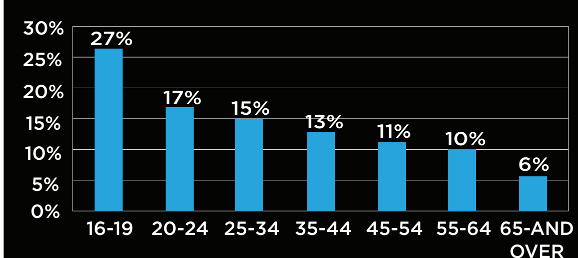
Between 2001 and 2008, the state lost almost 260,000 manufacturing jobs, illustrative of the long term decline of jobs in this sector and Michigan's long and difficult economic transition.[3] In particular, manufacturing has historically accounted for a much bigger share of the economy in the state than in the nation overall. In 1977, it accounted for almost 40 percent of gross product, compared to less than 25 percent nationwide.[4] By 2003, however, in Michigan, as in the rest of the country, manufacturing's share of the economy was about half of what it had been in 1977.

As skill-intensive, knowledge-driven sectors have grown in our national economy and the manufacturing sector, which typically offered high-paid unionized jobs, has declined, Michiganians have suffered the effects disproportionately. Below we discuss these trends in greater detail and in the policy recommendations section we offer some strategies to improve the employment and earnings of young Michiganians.

UNEMPLOYMENT:

The problem of unemployment is much more acute for younger workers in Michigan than the rest of the nation. The unemployment rate for 25- to 34-year-olds in Michigan is over 50 percent higher than the national average. Young workers' unemployment rates are also higher than that of older workers in the state. For 2009, the annual unemployment rate for workers ages 20 to 24 in Michigan was 17 percent, while it was 11 percent for workers 45 to 54 (Figure 1).

FIGURE 1:
UNEMPLOYMENT RATES IN MICHIGAN BY AGE, 2009



Source: U.S. Census Bureau, Current Population Survey

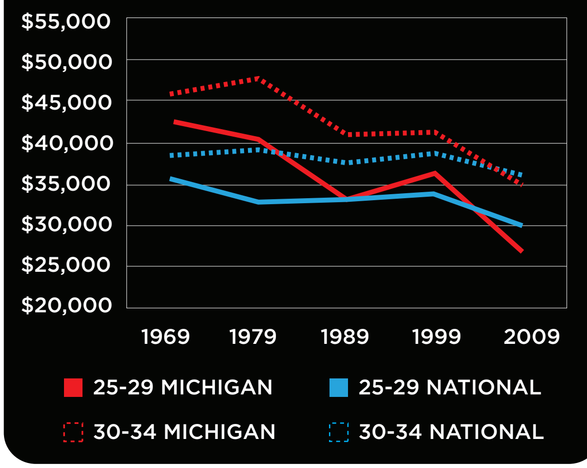
UNDEREMPLOYMENT:

The underemployment rate for Michigan is currently at 21.3 percent, one of the highest in the nation[5]. This number paints a more nuanced picture of the economy, including a wider variety of workers such as those marginally attached or those working part time. Many more of these workers, over 25 percent, are working fewer hours for economic reasons, as opposed to personal reasons.[6] It is also important to note that, in Michigan, four out of the top five occupations, by number of persons employed, are low-wage jobs in the service sector. Three of these pay below the poverty level for a family of four.[7]

UNIONIZATION RATES:

Michigan workers under 35 experienced steep declines in earnings in real terms over the past four decades. The trends are most dramatic for the youngest workers (ages 20 to 24 years), for whom median wages fell 55 percent. This decline for young workers in Michigan is steeper than the decline for workers their age nationally, but this is partly due to the fact that wages for all age groups in Michigan were significantly higher than the national average in 1969. Today Michigan workers in their twenties earn 10 percent below the national average. (Figure 2)

FIGURE 2:
MEDIAN EARNINGS OF WORKERS AGES 25 TO 34
IN MICHIGAN AND THE U.S., 1969-2009
(2009 DOLLARS)

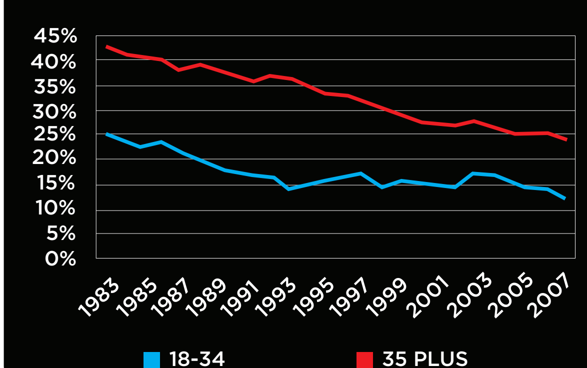


Source: U.S. Census Bureau, Decennial Census 1969-99 and American Community Survey 2009. Workers defined as individuals who worked at least 40 weeks in the year.

The disappearance of unionized manufacturing jobs that offered good wages and benefits is a key factor contributing to the lower wages of young Michigan workers today. These jobs have largely been replaced by non-union, low-wage service jobs. Just in the last decade, from 2001 to 2008, manufacturing employment in the state fell by a third (34 percent).[8]

A decline in union coverage for younger workers reflects the decline in manufacturing employment, typically a more highly unionized sector of the economy. From 1983 to 2008, the percent of young workers represented by a union has fallen by one-half (Figure 3). The combination of higher unemployment rates and declines in median earnings leaves younger workers in a precarious position, particularly in the case of young minority workers and those workers with less than a college degree.

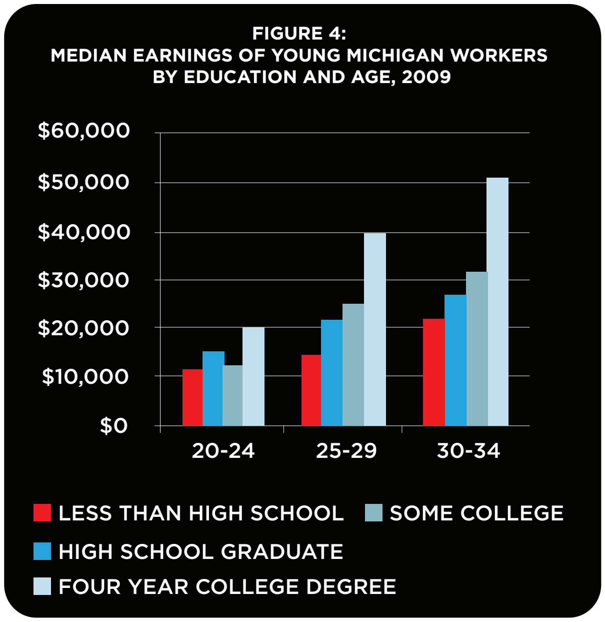
FIGURE 3:
UNION COVERAGE IN MICHIGAN BY AGE, 1983-2008



Source: Economic Policy Institute's analysis of the Current Population Survey.

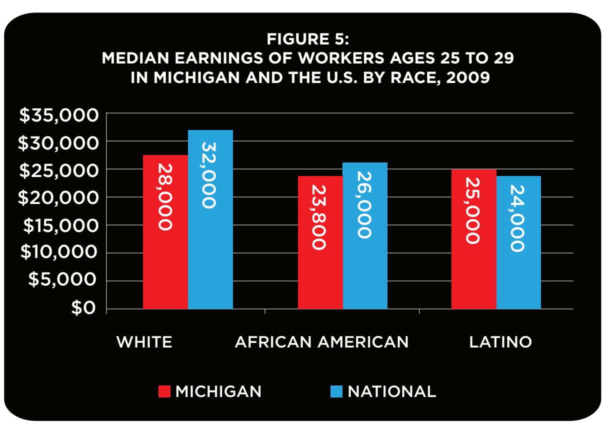
CURRENT EARNINGS
DIFFERENCES BY EDUCATION, RACE & GENDER:

Education: The earnings of young workers in Michigan show the dividends of higher education—dividends that increase as workers get older (Figure 4). In 2009, workers ages 30 to 34 with at least a Four-Year college degree earned 47 percent more than workers with only a high school diploma; the difference in earnings between college and high school graduates in their mid- to late-twenties was almost 44 percent.



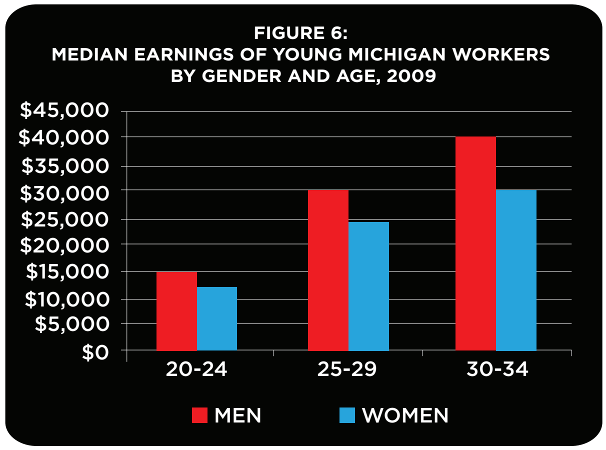
Source: U.S. Census Bureau, American Community Survey 2009. Workers defined as individuals who worked at least 40 weeks in the year.

Race: The earnings of young workers in Michigan differ by race as well. In 2009, typical incomes for white workers between 25 and 29 were 15 percent higher than earnings of African Americans and almost 11 percent higher than Latinos (Figure 5). The earnings of African-Americans and Whites in Michigan are below the national average, but the earnings of Latinos in Michigan are 4 percent above the national average.



Source: U.S. Census Bureau, American Community Survey 2009. Workers defined as individuals who worked at least 40 weeks in the year.

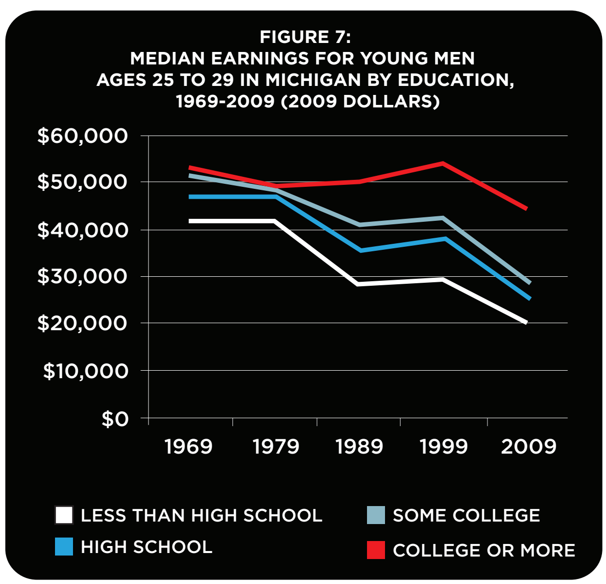
Gender: The gender gap in earnings is considerably larger than the race gap. The gap between what young male workers and young female workers earn also grows as they get older, expanding from almost 20 percent for workers in their early twenties to 25 percent for workers in their early thirties (Figure 6).



Source: U.S. Census Bureau, American Community Survey 2009. Workers defined as individuals who worked at least 40 weeks in the year.

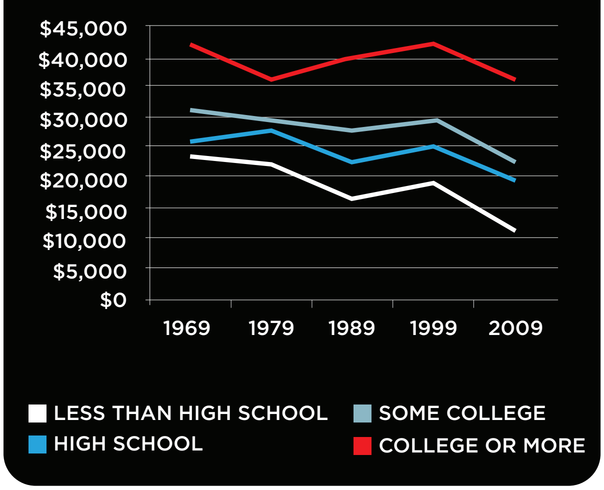
EARNINGS DIFFERENCES BY EDUCATION, RACE & GENDER OVER TIME:

Trends by education and gender: The premium for a college education has expanded for all workers over the past 40 years, but there has been a significant decline for all education levels over the past decade. Some of this decline can be attributed to the overall economic weakness resulting from the 2001 recession and the Great Recession of 2007-2008. Young men in Michigan between 25 and 29 years old with less than a four-year college degree have experienced declines in earnings over the past four decades. Those with less than a high school diploma, however, have had the largest declines in median earnings. Their earnings have fallen by almost 60 percent (Figure 7).



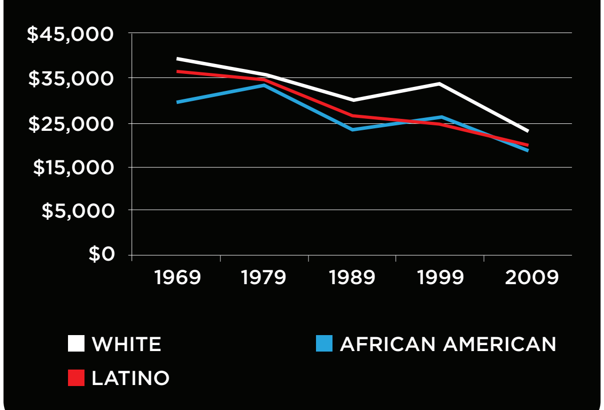
Source: U.S. Census Bureau, Decennial Census 1969-99 and American Community Survey 2009. Workers defined as individuals who worked at least 40 weeks in the year.

FIGURE 8: MEDIAN EARNINGS FOR YOUNG WOMEN AGES 25 TO 29 IN MICHIGAN BY EDUCATION, 1969-2009 (2009 DOLLARS)



Source: U.S. Census Bureau, Decennial Census 1969-99 and American Community Survey 2009. Workers defined as individuals who worked at least 40 weeks in the year.

FIGURE 9: MEDIAN EARNINGS FOR YOUNG WORKERS AGES 25 TO 29 IN MICHIGAN BY RACE, 1969 - 2009 (2009 DOLLARS)



Source: U.S. Census Bureau, Decennial Census 1969-99 and American Community Survey 2009. Workers defined as individuals who worked at least 40 weeks in the year.

Young women between 25 and 29 years old with less than a four-year college credential have felt a similar decline. While the magnitudes are lower than those for young men, earnings for young women with less than a high school diploma have declined over 47 percent (Figure 8). In general men of the same education level earn around 20 percent more than women, though the gap is upwards of 40 percent between men and women with less than a high school degree.

All workers have felt significant declines in the past decade, even among college graduates who were previously able to maintain and even grow their earnings. The wage premium for college graduates has continued to increase, particularly for young women; young women ages 25 to 29 with a college degree have median incomes three times higher than young women who don't graduate high school. Overall young women have seen smaller declines than young men over the past four decades, but that may be partly due to lower earnings by women 40 years ago.

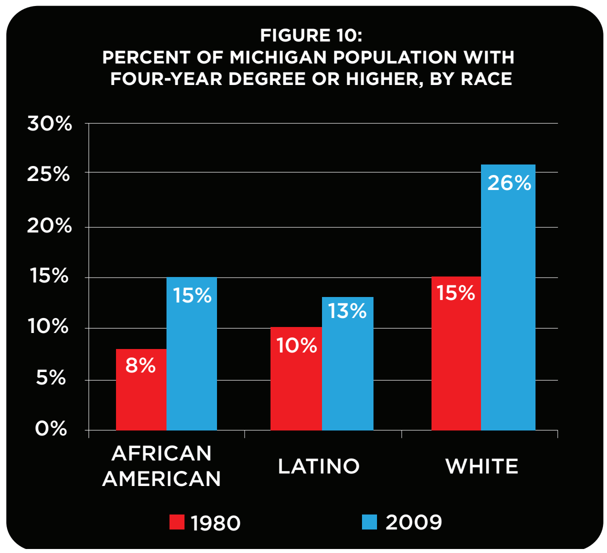
Trends by Race: Median earnings have declined for young workers of all races ages 25 to 29 over the past four decades in the state. Initial gaps between the earnings of Whites and African Americans shrunk in the 1970s, but grew in the subsequent decades (Figure 9). There has been some convergence recently as earnings for all workers fell. Contrary to national trends, young Latino workers in Michigan tend to earn more than African American workers, though their earnings have had a more consistent declining trend, falling almost 40 percent.

POSTSECONDARY EDUCATION

As our economy increasingly demands more highly educated workers, it is critical that Michigan and the nation ensure that students pursuing a postsecondary credential complete it. By 2018, almost two-thirds (62 percent) of all jobs in Michigan will require some postsecondary training beyond high school.[9] The rising demand for more educated workers has been matched by increasing enrollment at colleges and universities. Between just 2000 and 2008, national undergraduate enrollment increased 24 percent.[10]

Over the last several decades, the educational attainment of Michiganians has also risen rapidly. In 1980, 7 percent had a bachelor's degree or higher credential. By 2009, 24 percent had a four-year degree or more.[11]

Both whites and nonwhites have seen gains in educational attainment over the last few decades, but large gaps still remain.[12] Between 1980 and 2009, the percentage of African Americans with a four-year degree increased from 8 percent to 15 percent. Among whites, it increased from 15 percent to 26 percent (Figure 10).[13]



Source: U.S. Census Bureau, Factfinder and American Community Survey

If we are to meet the educational demands of our new economy, we must close racial, ethnic, and income gaps in attainment. To do this, it will be essential to revamp our financial aid and state funding of higher education structures. Over the last 25 years going to college has become less affordable. Dramatic increases in tuition and fees have not been matched by increases in financial aid. At the same time states have cut aid to colleges and universities. As a result, students and their families now pay (or borrow) more for a college degree, and more students work—and work longer hours—to put themselves through school. All of these factors increase the risk that young people, especially those from low- to moderate-income (those in the bottom 40 percent of earners) families and first-generation students, who are disproportionately students of color, will enroll in college only to drop out because of financial constraints and other lack of support. Roughly half of all four-year college students drop out within six years of enrolling. The percentage of dropouts is even higher for two-year students.[14]

In both Michigan and the nation, the outcome has been stagnant college attainment rates. Between 2000 and 2009, the percent of young adults ages 25 to 29 years old with a bachelor's degree held steady at roughly 29 percent. Substantial gaps also remain in college attainment rates by income, race, and ethnicity. Below we discuss these trends in greater detail, and in the policy recommendations section we offer some federal and state policies that would improve access and completion of postsecondary credentials among young people.

COLLEGE ENROLLMENT HAS GROWN, BUT DEGREE COMPLETION IS A CHALLENGE

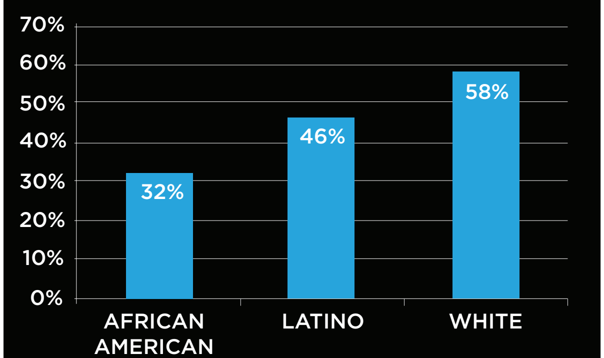
- **Enrollment gains**. Among 18- to 24-year-olds in Michigan, the percent enrolled in college increased from 25 to 37 percent between 1991 and 2007.[15] And there are reasons to be hopeful that college enrollment levels will continue to grow in Michigan. Community college enrollment in the state continues to increase at record pace, driven by new demand from young and working adults alike and the state's No Worker Left Behind program.[16] Between 2000 and January 2010, the number of students enrolled in the state's community colleges increased by 50 percent.[17] Michigan's 15 public universities serve nearly 300,000 students. The University of Michigan, the state's flagship university, continues to be one of the highest quality and most in-demand public universities in the nation.[18]

- **Enrollment Gaps**. Young adults from high-income families in Michigan are almost twice as likely to enroll in postsecondary education as low-income young people.[19] In addition to this income gap, Michigan also has a large gap in college enrollment between whites ages 18 to 24 and African Americans of the same age. Among African Americans of this age, 32 percent are enrolled in college, compared to 45 percent of whites in the same age group.[20]

Michigan's population is projected to grow by 5 percent between 2005 and 2025, well below the projected national rate of 18 percent. The number of individuals holding ***at least*** a high school degree in Michigan (a precursor to having college-educated adults) is projected to *decrease* by 12 percent in this time frame.[21]

MANY WHO SEEK HIGHER EDUCATION ARE UNABLE TO COMPLETE DEGREES

FIGURE 11.
PERCENT OF MICHIGAN POPULATION GRADUATING WITH BACHELOR'S DEGREE WITHIN SIX YEARS OF ENROLLMENT BY RACE, 2006-07



Source: Complete College America, Michigan Ready for Tomorrow Fact Sheet

- **Completion rates.** In Michigan, 59 percent of students who seek a four-year degree at a public institution graduate within six years, a figure on par with the national average. Among Michigan's two-year students, just 15 percent complete a degree within three years, well below the national average of 21 percent.[22]

- **Gaps by income.** Michigan does not report graduation rates by student income. This information gap makes it difficult to identify or address retention gaps between low-income students and their peers in the state. Nationwide, low-income students end their studies without completing a degree at much higher rates than their higher-income peers. In 2007, the estimated gap in attaining a bachelor's by age 24 between low-income and high-income youth was about 60 percentage points.[23]

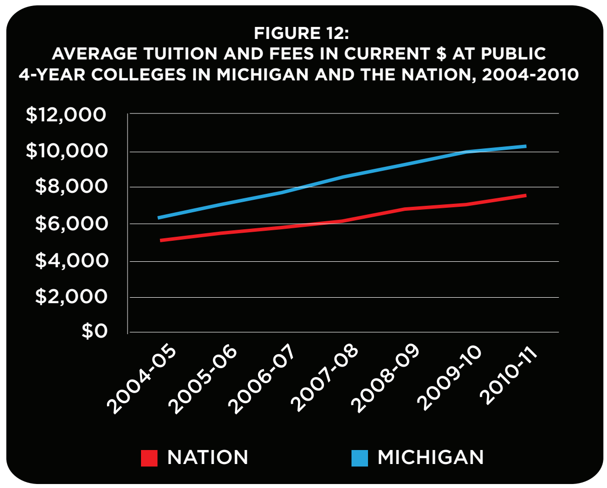
- **Gaps by race and ethnicity**. Only 32 percent of African American and 46 percent of Latino students in Michigan graduate with a bachelor's degree within six years, compared with 58 percent of whites. For Latinos, the community college completion rate is 12 percent. For African Americans it is 6 percent, compared to 17 percent for white students (Figure 11).[24]

COLLEGE ATTAINMENT RATES IN MICHIGAN ARE INCREASING, BUT SLOWLY

- In 2008, 35 percent of Michigan adults (ages 25 to 64) had an associate's degree or higher, up from 27 percent in the early 1990s. This attainment rate is lower than that of the best states, where 44 percent of adults have an associate's degree.[25] In 2008, 28 percent of 25 -to 34-year-olds in Michigan had completed a bachelor's degree (the national figure for bachelor's degrees of this age group is 30 percent).[26] Both nationally and in Michigan, these rates are gradually improving. However, given the declining labor market returns to those with less than a college degree, the increases have not been sufficient to protect living standards.

STATE SUPPORT HAS BEEN WANING AND AFFORDABILITY HAS SUFFERED

- **Tuition and fees**. For most of the 2000s, Michigan's average tuition and fees at public four-year universities have been consistently above national averages (Figure 12). It is also the case that tuition and fees continue to increase well above median earnings. Over the last two decades (1990-2010), the tuition and fees paid by Michigan state residents at public four-year universities increased by 134 percent (using inflation-adjusted dollars). Tuition increased by roughly 10 percent a year in the early 1990s, leveled off somewhat between 1995 and 2000, and resumed going up around 10 percent each year since 2005.[27]



Source: The College Board, Trends in College Pricing 2010, Tables 6c & 4A

For most of the 2000s, average tuition and fees at community colleges in Michigan have mirrored national averages. For academic year 2010-11, for example, full-time community college students will pay an average of $2,681 in tuition and fees, which is only $32 less than the national average. At community colleges, however, tuition and fees represent only about 20 percent of the total student budget. A typical community college student budget in 2010-11, including transportation, books and supplies, room and board, and other miscellaneous expenses, came out to $12,503.

- **State Appropriations and Tuition Hikes**. Michigan's public four-year universities receive most (90 percent) of their general funds from the combination of student tuition and fees and state appropriations. Tuition increases made by universities each year have resulted in large part to changes in state appropriations. Between 2000 and 2009, per-student state appropriations declined by 17 percent. At the same time non-inflation adjusted tuition revenue per student grew by 91 percent (from $6,367 to $12,148).[28]

FINANCIAL AID HAS NOT KEPT PACE WITH COLLEGE COSTS

- **Limits of current financial aid.** Between 2000 and 2008, the state of Michigan's investment in financial aid declined.[29] The share of family income needed to pay tuition after financial aid has been applied has increased dramatically. In 2000, families with a student at a public, four-year school paid 25 percent of their annual income toward funding tuition. By 2008 that had risen to 34 percent. This is well above the national average of 28 percent. For the families of students at two-year schools, the amount increased from 20 percent to 23 percent, slightly below the national average of 24 percent.[30]

- **Financial aid versus cost.** After financial aid awards are applied, full-time students from low- to moderate-income families attending two-year public colleges in Michigan face an average of $6,276 a year in unmet need.

The average annual income for this group is about $19,000, meaning that they face out of pocket costs that are about a third of their yearly earnings. Students from low- to moderate-income families attending four-year public schools face an average unmet need of $9,254, equivalent to 48 percent of their income.[31]

LONG WORK HOURS AND PART-TIME ENROLLMENT IMPEDE SUCCESS

- **Long work hours**. Financial constraints lead many young people to work long hours in order to finance their education, compromising their academic progress. A national study finds that about 40 percent of students who worked full time while enrolled left school within three years, compared to about 20 percent of those who worked part time. Young community college students are particularly affected by the need to work since they do not receive adequate funding and tend to be debt-averse. Nationwide, a larger percentage of young community college students work than their counterparts at public four-year institutions—and they work much longer hours.[32]

- **Part-time enrollment**. In addition to the pernicious effects of employment on their studies, long work hours also lead many young community college students to enroll part time. In Michigan nearly two-thirds of undergraduate students attending a community college (62 percent) enroll part-time.[33] A slightly higher percentage of community college students enroll part-time nationwide (70 percent in 2007-08). [34] Yet part-time enrollment is not conducive to success in college. Nationally, research has shown that part-time students at community colleges have a higher departure rate than their full-time peers by the end of a three-year period.[35]

DEBT & ASSETS

As earnings have failed to keep pace with rising costs, debt has become a generation-defining characteristic for today's young adults. Contrary to conventional wisdom, most debt accumulated by young people is not the result of frivolous spending. The problem typically begins with student loan debt, which affects both community college and four-year students. Nationally, two-thirds of students borrow money to pay for college, and graduates have an average of $23,200 in student debt (the average is $23,489 in Michigan.).

Black bachelor's degree recipients are the worst off in terms of education loan debt. More than a quarter (27 percent) owed over $30,000 in 2008, compared to 16 percent of White bachelor's recipients.[36] As tuition increases continue to outpace growth in family income and federal student loan limits, more young people are turning to private loans that typically carry higher interest rates and less flexible payment options.

Beyond student loans, today's young adults are increasingly relying on credit cards to cover basic living expenses, particularly during their first years in the labor force. Starting wages are often inadequate to cover the rising costs of housing, transportation, and health care while meeting student loan obligations.

Although credit can serve as a necessary and critical lifeline for adults of all ages, the problem for young adults comes with accumulating so much debt so early in adulthood, hindering their ability to save for an emergency or build assets. Furthermore, the large proportion of young adults without health insurance, coupled with inadequate coverage among those who do have health insurance, hurts young people's health and puts them at high risk of getting into medical debt, further limiting their ability to build assets. Recently passed health care reform, however, should begin to address these problems.

The challenge is to find solutions that help young people meet their education and living expenses in the short run without threatening their ability to meet future financial needs like supporting a family, building assets, and saving for retirement. Below we discuss debt and assets trends in greater detail and in the policy recommendations we offer some opportunities for improving their financial security.

STUDENT LOANS AND CREDIT CARDS AS LIFELINES

- **Student loans.** In 2008, 59 percent of four-year college graduates in Michigan had student debt. The average amount of debt was $23,489, putting Michigan in 14th place in the nation in average student loan debt.[37]

- **Credit Card Debt.** Although there is little state-specific information about credit card debt, the national figures are cause for alarm. A recent national survey of low- and middle-income households conducted by Dēmos shows that in mid-2008, young adults (18 to 34 years) nationally had an average of $9,111 in credit card debt.[38] Further, those under 35 have the highest leverage ratio of any age group—44 percent of debt to assets—according to the Survey of Consumer Finances. [39] More college students are relying on credit cards and carrying larger balances. In 2008, the average credit card balance among undergraduates was $3,173. Median undergraduate credit card debt grew from $946 in 2004 to $1,645 in 2008—an increase of 74 percent in just four years.[40]

HOUSING COSTS ARE A BURDEN RELATIVE TO INCOMES AND HOME EQUITY IS LOW

- Though Michigan has a high homeownership rate (73 percent), home equity is not a reliable source of wealth in the state. Median mortgage debt among Michigan homeowners is 101 percent of the median home value, ranking Michigan dead last in the nation.[41] Across all age groups in Michigan, 36 percent of homeowners and 48 percent of renters were "housing-cost burdened" in 2007—that is, they spent 30 percent or more of household income on rent and utilities.[42]

MANY YOUNG PEOPLE LACK HEALTH INSURANCE

- The percent of young people who lack health insurance, in Michigan and nationally, is high. More than a quarter of Michigan's young people—26 percent of adults under age 35—were uninsured in 2009. But the problem is worse nationally, with 28 percent of young people uninsured (Figure 13).

  Michigan has lower rates of employer-sponsored coverage than the nation as a whole. For young adults and nonelderly adults, it also has higher rates of public coverage than the nation as a whole. Older adults are much more likely than younger adults to have health insurance. Recent federal reform—the Health Care and Education Affordability Act—will make it much easier for people without employer-sponsored coverage, particularly those with low incomes, to obtain coverage. These reforms also allow young adults up to age 26 to stay on their parents' health plans regardless of their enrollment in school. These provisions should significantly reduce the number of uninsured young Americans.

**FIGURE 13:
HEALTH INSURANCE COVERAGE IN MICHIGAN AND THE U.S. BY AGE, 2009**

	MICHIGAN		US
INSURANCE STATUS	ALL NONELDERLY ADULTS (UNDER 65)	18 TO 34 YEAR OLDS	18 TO 34 YEAR OLDS
UNINSURED	18%	26%	28%
PRIVATE (employer/union, purchased directly, TRICARE/other military)	70%	59%	61%
PUBLIC (Medicare, Medicaid/other government assistance, VA)	15%	17%	12%

Source: U.S. Census Bureau, American Community Survey, 2009.

ASSET BUILDING OPPORTUNITIES

It is not surprising that in Michigan as in other states, stagnant household incomes have made it much more difficult for young people and families to accumulate savings and other assets. There is little state-specific data on assets by age, but data for all households in Michigan provide some sense of the challenges facing young adults.

- **Asset poverty.** A household is "asset poor" if it lacks sufficient resources to subsist at the poverty level (currently about $22,000 a year for a family of four) for three months if it were to lose its sources of income. Young people in Michigan, those under age 35, had the highest asset poverty rate (43 percent) of any age group. This percentage is slightly below the national average for young Americans (46 percent).[43] Forty-eight percent of Michigan households in the lower-income quintile (annual income of less than roughly $25,000) are asset poor. But even among middle-income families in Michigan (earning roughly between $45,000 to $69,000), 18 percent are asset poor.

  Minority households are more likely to be asset poor than white households. And the wealth gap for people of color and Whites was more than twice as large in Michigan as the national racial wealth gap.[44]

- **Access to Mainstream Financial Services**. More than a quarter of U.S. households are "unbanked"—that is, they do not have checking, savings or money market accounts. Among younger households, 13 percent do not have bank accounts.[45] In 2006, 33 percent of Michigan households were unbanked.[46] This lack of access to mainstream financial outlets makes families and individuals vulnerable because they are forced to rely on high-cost financial service providers, such as payday lenders and check cashing services that have been subject to minimal oversight to enforce fair rules of the road for consumers. The creation of the federal Consumer Financial Protection Bureau, however, will reduce abusive financial practices against consumers.

RAISING A FAMILY

Our children are a national resource—tomorrow's workers, teachers and leaders—and therefore, investing in their well-being through policies such as family leave, affordable high quality child care and workplace flexibility must be made accessible to all families with young children. Yet the U.S. is one of the only wealthy countries in the world that does not provide some form of paid parental leave to help parents temporarily exit the labor force after the birth or adoption of a child.

The U.S. also offers little help to families to meet the high cost of child care. If our country assisted families while their children were young, the benefits for all Americans would be substantial. For example, studies estimate that every dollar invested in high-quality early childhood programs yields roughly a seven dollar return in the future by decreasing the need for remedial education and welfare payments, improving health outcomes, and by reducing costs associated with crime.[47]

Under our current policies, however, young parents, who comprise more than a third of parents with children, face many challenges in raising a family. In Michigan, 35 percent of household heads between the ages of 25 and 34 have a child under the age of six.[48] And a majority of women with preschool-aged children are in the labor force. Nationally, 57 percent of women with a recent birth were in the labor force in 2006[49] and roughly two-thirds of mothers with a child under age six held a paid job.

For today's young working parents, child care is one of their biggest expenses, with average monthly fees for two preschool children in full-time care exceeding the median cost of rent in almost every state.[50] A very limited number of child care subsidies are available through the states to low-income parents. The federal Child and Dependent Care Tax Credit provides a small subsidy, with an average benefit of $532 for a family with two children.[51] But the credit is non-refundable which means that the lowest-income families—who don't owe federal taxes— receive no assistance from this source. The American Recovery and Reinvestment Act of 2009 made low- and moderate-income families eligible for some child care assistance through the Child Tax Credit,[52] worth about $1,000 per eligible child, with a $3,000 limit. Fortunately, this child tax credit was recently extended for another two years by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.[53]

Even with these supports, however, the high cost of raising a family coupled with stagnant and declining wages, increased debt, and the high cost of housing and health care means that substantial numbers of young families face constant financial strain. Well over 40 percent of the nation's children are growing up in low-income household families during their formative years, which hurts their ability to learn and can negatively impact their health and mental health.[54] Below we discuss some of the trends in Michigan regarding raising a family and in the policy recommendations section of this report we offer some opportunities for improving family policies.

YOUNG WORKING PARENTS NEED AFFORDABLE CHILD CARE

FIGURE 14:
AVERAGE ANNUAL PRICE OF FULL-TIME CHILD CARE IN MICHIGAN, 2009

	CHILD CARE CENTER	FAMILY CHILD CARE HOME
INFANT, FULL-TIME	$9,016	$6,715
4-YEAR-OLD, FULL-TIME	$7,549	$6.442
SCHOOL-AGE CHILD, PART-TIME	$4,106	$3,467

Source: "Most Recent Child Care Data by State," National Association of Child Care Resource and Referral Agencies.

Both parents are working in more than three out of five Michigan families (61 percent) with children under the of age six.[55]

Child care costs. Across the U.S. average child care fees in 2009 for an infant were higher than the average amount families spent on food. In the Midwest, paying for child care for two children "under five" is the highest monthly expense for families, exceeding rent, mortgages and other essentials (Figures 14 and 15).[56]

The average annual price of full-time center-based care for two preschool-age chil-

FIGURE 15:
AVERAGE ANNUAL PRICE OF CHILD CARE FOR A FOUR-YEAR-OLD AND AN INFANT IN MICHIGAN AS A PERCENT OF INCOME, 2009

ANNUAL FAMILY INCOME	CHILD CARE AS A PERCENTAGE OF INCOME
POVERTY-LEVEL, FAMILY OF 4: $22,050	75%
LOW-INCOME, FAMILY OF 4: $44,100*	38%
MIDDLE-INCOME, FAMILY OF 4: $66,150-88,200**	25%-18%

*Twice the federal poverty line.
**Three to four times the federal poverty line.
Source: NACCRRA, Parents and the High Price of Child Care, 2010 Update.

dren (an infant and a four-year-old) in Michigan is $16,565. For low- and middle-income families, this price tag is unaffordable (Figure 15). For example, full-time child care for an infant and a four-year-old would represent three-quarters of the household income in a family with earnings at the poverty level.

Child Care Subsidies: Michigan has one of the lowest eligibility cutoffs for child care subsidies in the nation, leaving many families struggling financially without this valuable assistance. In 2010, a family of three with an annual income up to $23,880 (130 percent of poverty) could qualify for child care assistance. It is also the case that Michigan parents cannot receive child care assistance while searching for a job. Michigan also has one of the lowest child care subsidy payments and it does not pay higher reimbursement rates for higher-quality care.[57] For example, the monthly reimbursement rate for center care for a four-year-old was $487, or 50 percent below the 75th percentile of current market rates for this type of care. Since many parents cannot afford to make up the difference between the low subsidy amount and the cost of licensed care, they often turn to unlicensed care.[58]

MICHIGAN DOES NOT OFFER PAID PARENTAL LEAVE

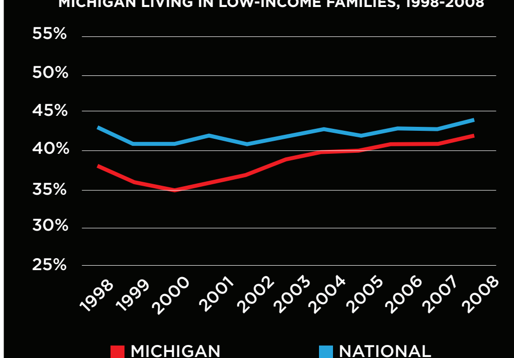
- Only three states—California, New Jersey, and Washington—have enacted paid family leave policies that provide wage replacement to new parents who take time off from employment to care for and bond with a newborn baby or adopted child.[59]

NEARLY HALF OF YOUNG CHILDREN ARE GROWING UP IN LOW-INCOME FAMILIES

- In 2008, 42 percent of children under age six in Michigan lived in low-income families—defined as having income below twice the federal poverty level, which in 2008 was $42,400 a year for a family of four and $35,200 for a family of three. Nationally, the figure was 44 percent.

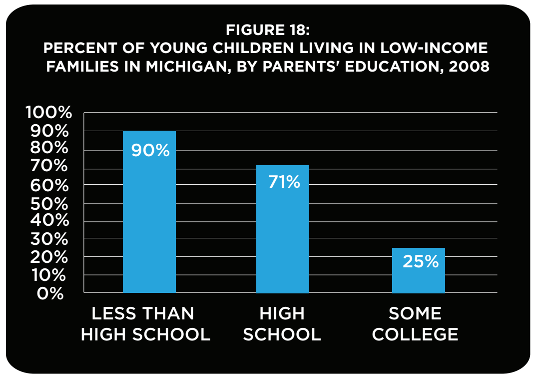
- **Trends**. Since 2000, the percentage of young children living in low-income families in Michigan has steadily increased. In 2000, the figure was 35 percent. By 2008 more than two out of five young children were living in low-income households (Figure 17).

FIGURE 17:
PERCENT OF CHILDREN UNDER AGE 6 IN U.S. AND MICHIGAN LIVING IN LOW-INCOME FAMILIES, 1998-2008



Source: National Center for Children in Poverty, 2009.
Low-income refers to family income below twice the federal poverty threshold.

- **Education and low-income rates**. One way to help young children move out of poverty is clear: help their young parents attain postsecondary education. The amount of education a parent holds is directly related to whether or not a young child lives in a low-income household. In Michigan, 90 percent of children whose parents lack a high school degree live in a low-income household, compared with 25 percent for those in families with parents who have at least some college (Figure 18).



Source: National Center for Children in Poverty, Michigan Demographic Profiles.

POLICY RECOMMENDATIONS

Michigan and the nation as a whole can once again have a thriving middle class. What is needed is a bold policy agenda to create reliable pathways into the middle class for all Americans. The key to forging these pathways for the next generation is a strong federal framework that encourages and rewards innovative state action. Together, state and federal policy can restore the economic opportunity and security that are the hallmarks of a robust middle class.

Our immediate priority has to be further relief from the recession. Federal action during the winter of 2008 prevented a collapse of the U.S. banking system and provided essential fiscal relief to the states, pulling the U.S. back from the brink of what many analysts feared could have become a second Great Depression. The American Recovery and Reinvestment Act of 2009 substantially reduced growth in unemployment, generating more than 2 million jobs and keeping unemployment rates about two percentage points lower than they otherwise would have been.

While relief in 2010 enabled states to fund basic services and avoid completely gutting their budgets, painful spending cuts were still enacted. Due to the slow recovery of the economy, compounded by high unemployment rates and the absence of federal recovery funds, additional spending cuts will reduce public services, increase layoffs and further curb families' already compromised spending power.

Below we discuss some policies that could create opportunity for Michiganians and the nation's future middle class.

Employment and Earnings

After World War II, Michigan's economy was strong, built on a robust manufacturing sector which produced many of the country's automobiles and a large percentage of other durable goods. Since then, manufacturing employment has fallen at the same time that productivity has increased and competition from other states and countries has drawn jobs away from the state. These changes have had an economically devastating impact on Michigan's middle class as many of the lost jobs were well paid unionized positions.

Due to the larger percentage of manufacturing employment in the Michigan economy, particularly in the auto industry, for much of the prior decades, the unemployment rate has been higher than the rest of the country. There had been some convergence prior to the economic downturn, but presently, unemployment in Michigan is significantly higher than the rest of the nation, especially when discouraged and marginally attached workers are taken into account. There are a number of potential state and national policies and solutions that could help workers in Michigan:

CONTINUE TO PROMOTE AND EXPAND GREEN JOBS.

What was formerly the Michigan Department of Energy, Labor and Economic Growth (DELEG) has identified green jobs as an important sector for new employment and economic growth in the future. While green jobs and related industries make up a small portion of overall employment in Michigan, those jobs tend to pay above average wages for their particular occupations. Green related firms are a significant source of entrepreneurial activity and have been expanding while the rest of the Michigan economy has been contracting.[60] The state should continue to fund the DELEG Green Jobs Initiative, which was originally funded through federal stimulus funds. That program created 1,000 quality jobs at a cost of less than $6 million. The state should also expand the collaboration with Jobs for the Future (JFF), the National Wildlife Federation (NWF) and the Michigan Community College Association (MCCA) on their Greenforce Initiative, which aims to provide education, training and certificate programs through community colleges geared towards training students in green jobs.[61]

CREATE A NATIONAL PUBLIC JOBS PROGRAM.

Current levels of federal fiscal relief have not been large enough to relieve the high unemployment rate, which is expected to remain high for at least the next couple of years. The Economic Policy Institute has called for government spending of an additional $120 billion over the next three years to put more than a million unemployed Americans back to work. The national Apollo Alliance sketches out a blueprint to create jobs while also making America more energy efficient: upgrading our outdated electrical grid, weatherizing public buildings, supporting mass transit, and lending for and publicly funding weatherization for homes and commercial buildings (what President Obama and others have dubbed "Cash for Caulkers"). In March 2010, Representative George Miller (D-CA) introduced the Local Jobs for America Act, which would create or save 1 million full-time jobs in education, community organizations, local government, law enforcement, and firehouses. This kind of creative federal policy will help us emerge from a brutal recession with our infrastructure and people more equipped to meet the future.

The Federal government could also reinstate the TANF Emergency Fund that provided 250,000 low-income parents subsidized private and public sector jobs.[62] The subsidies were given to employers in exchange for hiring qualified participants, who were either receiving money from TANF or would be eligible for TANF, and helped many people who would have otherwise been unemployed.

SUPPORT WORKERS' UNIONIZATION EFFORTS.

Unionization can provide workers with better wages and benefits. A report focused on young people ages 18 to 29 found that union representation substantially improves the pay and benefits received by young workers. On average, unionized young workers' wages were 12 percent higher in comparison to non-unionized young workers with similar characteristics. Unionized workers were also more likely to have health-insurance and pension coverage.[63] Policies such as the Employee Free Choice Act will ease the path toward better jobs by strengthening penalties when employers refuse to negotiate a first contract with their union or break other labor laws.

PRESERVE THE NO WORKER LEFT BEHIND PROGRAM.

Michigan's "No Worker Left Behind" (NWLB) program is designed to pay for training and education for dislocated or low-skilled workers who are looking to upgrade their skills and get a certificate. It pays up to $5,000 per year for up to two years for tuition, books and other expenses. Family income must be less than $40,000.[64] Between August 2007 and June 2010, over 130,000 workers have been enrolled in the program, which has greatly improved[65] unemployed workers' ability to find work.[66] The program used to be supported by both federal and state funds, but state funding has been reduced each year and has now been eliminated entirely. NWLB now relies solely on federal funding, primarily through Title 1 of the Workforce Investment Act (WIA) and Trade Adjustment Assistance (TAA) grants, as well as Temporary Assistance for Needy Families (TANF) and federal vocational rehabilitation funding through WIA Title 2. The program's viability, however, is at risk, as federal funding for it has been reduced by almost 40 percent between July 2008 and July 2010. As a result, it has been unable to enroll new applicants.[67] The state is committed to ensuring that those who have already begun training through the program are able to complete it, but in order to admit new workers and ensure the viability of NWLB, state funding must be restored and increased.

INCREASE FUNDING FOR APPRENTICESHIPS AND RESEARCH AND DEVELOPMENT IN ADVANCED MANUFACTURING.

Recently, the automobile manufacturing sector in Michigan has picked up as the restructuring of General Motors Co. has put the company on a stronger financial footing. It is crucial for state policymakers, however, to support new industries with potential for job-creation and economic growth. This will require a variety of policies from increased investment in research and development, to further training and development through apprenticeships.

Apprenticeships are a viable way for Michigan to maintain and expand its manufacturing sector. South Carolina's apprenticeship program, for example, is geared towards technical colleges and has doubled the number of apprentices in advanced manufacturing, health care, and information technology at a cost of $1 million per year.[68] Programs that prepare individuals for apprenticeships are also essential. Michigan's Road Construction Apprenticeship Readiness Program provides women, minorities, and low-income individuals with the skills they need to enter and succeed in road construction apprenticeships. Participants do not have to pay tuition for the training and receive additional supports such as child care and a stipend, as well as assistance with placement into road construction apprenticeships throughout the state.[69] Research and Development expenditures by universities in the University Research Corridor[70] in Michigan has led to the creation of an average of 20 start-up companies annually between 2004 and 2008[71] providing valuable employment opportunities. Michigan should continue to make investments in these projects and expand apprenticeship opportunities.

INCREASE FUNDING FOR ADULT EDUCATION.[72]

State funding for adult basic education, GED training and English as a Second Language has fallen by almost 75 percent in the past decade. Michigan should increase state funding for these programs, especially given the transition toward more advanced manufacturing and services. Providing workers with the necessary skills and training demanded by Michigan's new economy will help to build up the state's human capital while minimizing the unemployment that often results from these economic changes. Recent research has found that contextualized adult learning, through bridge programs and career ladders, benefits students the most.[73] Contextualized learning couples the learning of basic skills with job readiness skills within a specific sector.[74] Contextualization both makes the general education relevant and develops skills that can lead to a higher paid position in the short run and give students a head start toward a postsecondary credential. Michigan has already started down this path by expanding No Worker Left Behind to include elements of basic skills training through regional partnerships that include adult education providers, postsecondary institutions, local businesses and the nonprofit community; this system of collaborative boards is called No Worker Left Behind—Everybody In. New state funding for adult education should work within the structure of these regional partnerships,[75] or otherwise prioritize the integration of basic skills training with occupational training.

INDEX THE MINIMUM WAGE TO INFLATION OR AVERAGE WAGE GROWTH.

Young workers are disproportionately employed in non-union, low-wage, service-sector industries that pay the minimum wage. Indexing the state and federal minimum wage to inflation would help protect earnings over time.[76] In many states across the country, the minimum wage mandated by the government remains static unless acted upon by the legislature even as the value of the dollar in the national economy changes. To ensure that workers who get paid the minimum wage are able to retain the same purchasing power over time, without necessitating yearly changes in the law, the federal and state's minimum wage should be indexed to inflation. Currently, ten states index their minimum wage to inflation or changes in the cost of living. Indexing the federal and state's minimum wage to average wages is another option that would protect worker's wages. By indexing the minimum wage to average wage growth minimum wage workers would be able to keep up with the rest of the workers in the economy who fairly consistently experience small yearly increases.[77]

Postsecondary Education

Just as a postsecondary education has become crucial for the economic security of all Americans, the cost of getting a degree has skyrocketed. Tuition and fees at Michigan's public colleges and universities have increased markedly over the last two decades and are likely to increase in the coming year unless the state protects higher education funding from further budget cuts. Today, Michiganians seeking a bachelor's degree at a four-year public university face average total costs of $22,193 per year, while community college students pay an average of $12,503 a year.[78]

While rising college costs have not slowed down demand for postsecondary education, and enrollment at Michigan's public colleges and universities continues to increase, the negative effects of higher costs have been manifested in other ways. In particular, students are incurring higher and higher levels of debt, limiting their ability to save for their future or obtain further education should they so desire; graduation rates have remained persistently low; racial and ethnic gaps in educational attainment have remained constant; and many well-prepared low-income students are attending less selective universities to reduce college costs, often leading to their underachievement.

These trends, if not altered, will hurt us all in fundamental ways. If current gaps in educational attainment and earnings among all racial and ethnic groups were eliminated, total annual personal income in the state would be about $12 billion higher—a figure that has large implications on potential tax revenues.[79] Not only will Michigan's and the nation's economic competitiveness and growth suffer as a result, but our society will become even more divided along racial and economic lines, undermining our values of fairness and opportunity and threatening our social peace. If young adults are to become our future middle class, we must ensure that all of them, not just the wealthy, can afford a postsecondary education. Toward this end, we make the following policy recommendations:

INCREASE FEDERAL AND STATE INVESTMENT IN HIGHER EDUCATION.

To educate workers for the jobs of the 21st century economy, it is vital that we invest in higher education, especially as enrollments continue to increase. Yet states' support for higher education institutions has been declining over time, leading to even higher increases in tuition. In most states, it is now tuition payments, rather than state appropriations that cover most of the budget of public four year institutions.[80] Just over the last five years, Michigan reduced its support for higher education by 7 percent.[81] Nationally, community colleges receive less per-student funding than public four-year colleges, despite the fact that students with greater need for social and academic services are more likely to enroll in community colleges.[82] Increasing investments in community colleges, along the lines of the unrealized American Graduation initiative—a proposed $12 billion investment in community colleges to graduate an additional 5 million community college students over the next decade—would reduce the funding inequity and strengthen the community college system. As the state recovers from the current fiscal crisis, it will be important to continue to invest in higher education—and to resist the national trend toward state disinvestment.

STRENGTHEN AND EXPAND STATE FINANCIAL AID.

The costs associated with postsecondary education present a barrier to attendance and completion for many from low- to moderate-income backgrounds. The impact of the full costs—not just tuition and fees—of postsecondary education can be mitigated through a strong financial aid program. The following actions should be taken to ensure a stable and comprehensive financial support system for Michigan's low- and moderate-income students:

- *Increase need-based aid funding*. For most of the 2000s, despite the fact that college costs have risen above inflation and college enrollments have increased, Michigan's funding for need-based grants has remained at about the same level. Need-based aid plays a strong role in decisions about attending and staying in college among students from low-income households. In response to large budget gaps in recent years, however, need-based aid is projected to decline even further—to less than $50 million in 2011. These cuts would compromise the ability of students with limited means to meet their higher education costs. Policymakers should stress the importance of need-based aid and strengthen it, rather than cut it.

- *Increase state-sponsored financial aid for vocational education.* It is important for state financial aid programs to benefit students seeking non-credit or occupationally focused training that will enhance their employment and earning potential. The Tuition Incentive Program, for example, is available to students in vocational training. Funding for this program, however, has been recently reduced. Michigan should include students in vocational education programs, particularly one- and two-year certificates that have proven greater market value than shorter-term certificates, into its grant aid programs.

STRENGTHEN AND EXPAND FEDERAL FINANCIAL AID.

The Health Care and Education Affordability Act passed by Congress in March 2010 made a historic investment in need-based financial aid. It eliminated wasteful subsidies for private student lenders, creating savings of $61 billion over 10 years—$36 billion of which will be invested in Pell grants, the nation's largest need-based grant program. This legislation included other important changes.[83] However, additional needed federal investments include supporting college access and completion programs by allocating money for innovative state-based efforts, keeping interest rates on need-based (subsidized) federal student loans low and expanding the availability of the Perkins loan program. Perkins loans are low-cost federal loans administered by colleges and universities. At current funding levels, however, only 40 percent of eligible higher education institutions receive Perkins funds.

ADAPT POSTSECONDARY EDUCATION TO BETTER SUIT THE NEEDS OF NON-TRADITIONAL STUDENTS.

In addition to easing the financial burdens that impair student success—including the need to work long hours—higher education institutions, with support from the state, should implement practices that better serve the needs of today's working students. Such practices include offering night and online classes, providing transportation subsidies, offering child care on campus and making student supports (such as the financial aid office, student counselors, the library and the computer lab) available evenings and weekends. While implementing some of these practices may require substantial new investments, which may not be viable until funding of higher education improves, some of these practices could be achieved with cost shifting strategies or small additional funding that can be obtained by tapping into existing funding streams.[84]

SUPPORT ON-CAMPUS BENEFIT ASSISTANCE SERVICES.

Low-income college students may be eligible for state and federal benefit programs (including the Earned Income Tax Credit, food stamps and Medicaid) that have the potential to provide significant financial relief. The complicated application process or a lack of information about the public benefits available, however, may discourage students from applying. The Urban Institute estimates that only 7 percent of eligible families claim four of the largest benefits available to them and 25 percent do not receive any of three major benefits despite their eligibility. Michigan could help students access these benefits in a simple and expedient way by creating programs such as the Benefit Bank and Single Stop USA, which work in partnership with colleges to facilitate the application process for these benefits. It is estimated that each year approximately $930 million goes unclaimed in Michigan. Increasing benefit access among eligible students would not only improve their ability to stay enrolled and complete their studies, but would also benefit Michigan's economy. A study by Ohio University[85] demonstrated that $38.4 million in benefit payments to Ohioans generated significant economic stimulus in the state. The additional income generated 450 jobs and increased tax revenue to the state for an economic impact of $66 million through the first ten months of 2008.

BUILD CAREER LADDERS IN HIGH-DEMAND OCCUPATIONS.

In many growing fields—health, education and manufacturing in particular— there are both high numbers of low-wage jobs, shortages of workers prepared for better-compensated positions, and limited rungs between the two. Career ladder programs are partnerships between employers, labor, educators and workers to help employees move up in a company or industry. The collaboration in the University Research Corridor has had a significant impact on advanced manufacturing in Michigan.[86] Expanding the partnership to include training programs to more colleges to provide workers with the necessary skills to work in advanced manufacturing would multiply the positive impact of this collaboration.

FUND EARLY COLLEGE HIGH SCHOOL PROGRAMS.

Early college programs provide high school students the opportunity to take college-level courses and graduate with a high school diploma and up to two years of college course credit or an associate's Degree.[87] Evaluations of early college high schools in the nation show that they often outperform comparison high schools in their school district, meet goals for student performance under No Child Left Behind and have significantly lower drop-out rates.[88] Michigan only has two early college high schools. Therefore, there would be significant benefits and savings to students and the state from expanding the program to additional locations statewide.

Debt and Assets

To help young adults accumulate assets, we must first confront a new reality: for many, transitioning to adulthood means amassing debt at a young age.

As students and their families assume a greater share of college costs, student loan debt has soared. Credit card debt among young Americans has grown as well. This is because once they start working many must use credit cards to bridge the growing gap between earnings and living expenses. Being mired in debt at a young age makes it difficult to save and build assets—a condition that has lifelong repercussions in terms of financial insecurity. Public policy can help young adults combat debt and work towards future economic security. The creation of savings opportunities, which require a relationship with a mainstream financial institution, and the opportunity to diversify assets will help. Such policies can work hand in hand with efforts aimed at improving postsecondary access (and therefore earning potential).

Below are some policies that can help reduce the trend of rising debts and decreasing assets among young people:

ENSURE THAT THE FEDERAL CONSUMER FINANCIAL PROTECTION BUREAU SUPPORTS THE INTERESTS OF CONSUMERS AND HAS THE ISSUES MOST AFFECTING MICHIGAN IN ITS SIGHTS.

Two factors have exacerbated the debt burden for young people—private lenders commanding a larger share of the student loan market and deregulation of financial institutions, both of which increase the cost of credit to the consumer. The recent establishment at the federal level of the Consumer Financial Protection Bureau recognizes the importance of economic security for American households, and marks an important step forward. However, as the Bureau takes shape, it is critical that they remain vigilant against practices taken by institutions to circumvent legislation such as the Credit Card Accountability, Responsibility and Disclosure Act of 2009. The regulations implemented should be clear and aim to protect consumers, low- and moderate-income consumers especially, from fraudulent and potentially adverse practices such as the administration of high-interest payday loans.

Michigan already has a state level agency designed to offer consumers financial protection. Michigan's Office of Financial and Insurance Regulation (OFIR) has 350 employees charged with regulating and ensuring consumer protection in areas such as insurance, banking and consumer finance. The creation of a new federal agency gives OFIR an opportunity to continue its work at a broader level. OFIR can continue to take a strong role in looking after the interests of Michigan consumers by interacting regularly with the federal agency as an information source and advocate for the issues most affecting Michigan.

A practice deserving of additional attention by regulators, for example, is refund anticipation loans (RAL). RALs are tax refund anticipation loans that last 7 to 14 days until the actual IRS refund repays the loan. They are used mostly by low-and moderate-income consumers and are extremely high-cost. They carry effective Annual Percentage Rates of 40 percent to over 500 percent, putting the taxpayer at risk of unmanageable debt if the Internal Revenue Service denies or reduces the expected refund. Consumers paid an estimated $738 million in RAL fees in 2008. RALs are aggressively marketed by income-tax preparation companies.[89] In addition to improved regulation of commercial tax preparers, policies such as free tax preparation programs, and programs that bring unbanked consumers into the financial mainstream would also help reduce the use of RALs. Michigan's recently enacted law which improves the consumer disclosure requirements of RALs is a step in the right direction.[90]

ALLOW PRIVATE STUDENT DEBT TO BE DISCHARGED IN BANKRUPTCY.

Congress should pass legislation that would once again allow private student loans to be discharged in bankruptcy. Even though private loans are just like any other commercial debt, such as credit card debt, they are treated differently under current bankruptcy law. Therefore, students in the unfortunate situation of having to declare personal bankruptcy find it nearly impossible to discharge their private student loan debt. Legislation introduced by both houses of Congress (S. 3219 and H.R. 5043) would force lenders to offer more reasonable terms for repayment, allow deferments and give financially distressed young people with high student debt a fresh start.

PROVIDE UNIVERSAL, ADEQUATE AND SECURE RETIREMENT ACCOUNTS.

Social Security benefits alone are rarely enough to live off for many retired Michiganians and Americans, yet the most common supplemental retirement plan, a '401(k),' is risky and costly. Moreover, many workers, especially those with low-paying jobs, are not even offered retirement plans through their employer. Young workers are particularly vulnerable; only about 20 percent of young high school graduates have access to a retirement plan at work. To ensure that all workers have a secure and adequate retirement, a new type of account needs to be created to supplement Social Security. The federal government should administer a system of individual accounts for all workers, with required employer and government contributions and a guaranteed minimum return. These accounts, called guaranteed retirement accounts, would ensure that all workers have the resources needed to preserve a sufficient standard of living as they grow older.

ENCOURAGE AND FACILITATE ACCESS TO CREDIT UNIONS BY LOW-INCOME WORKERS.

Credit unions often generate greater savings for their customers than mainstream banks. Improving their access among low-income and unbanked consumers, then, should be a policy priority. Credit unions are member-owned financial institutions that offer similar services as banks (credit cards, checking accounts, loans, etc.), making all account holders owners of the enterprise. They also have non-profit status, which helps explain why interest rates tend to be better, and fees fewer and smaller, than at banks. Any profits credit unions make are distributed as dividends to their members. According to the Credit Union National Association, members save $8 billion due to better interest rates and reduced fees.[91]

Raising a Family

Everyone wants families to start off on the right foot—for parents to be able to provide their children with what they need to thrive and succeed. But too often, young parents are hindered by low-wage jobs, inflexible workplaces, and the inability to afford high-cost child care. Even before the recession, many families struggled to pay the bills. The average cost of child care for an infant is over $9,000 per year in Michigan, which is over 18 percent of the median family's income.[92] These costs have a disproportionate impact on young African American families who tend to earn much less than their white counterparts.

The Michigan League for Human Services estimates that average living expenses in Michigan for a family with two parents and two young children in 2011 will be $49,584.[93] To improve the quality of life for children—our future workers—young parents need to afford basic necessities such as quality child care, paid sick time and family leave from work. To better support young families and improve children's success, policymakers should:

PROVIDE PAID FAMILY AND MEDICAL LEAVE.

Although the federal Family and Medical Leave Act (FMLA) requires that employees receive time off from work to care for a new child or seriously ill family member, it does not mandate that employees be paid during this period. Many young low- to moderate-income parents may not have the resources or savings available to forgo pay for up to 12 weeks. Moreover, the FMLA only applies to workers in businesses with 50 or more employees, leaving out a majority of the workers who need it. A paid family leave program ensures that workers can afford taking time off to bond with and care for a new child and deal with other common life occurrences such as illness and death. In the absence of federal action to provide paid leave, residents of several states have proactively advocated for this policy and now receive this essential benefit. As an example, New Jersey currently offers paid family and medical leave for up to six weeks through the State Family Leave Insurance program. The program provides two-thirds of the average weekly wage, up to a maximum of $561. This program is financed 100 percent by payroll deductions at a maximum of only $35.64 per year.[94]

PROVIDE PAID SICK DAYS FOR ALL EMPLOYEES.

Currently Michigan does not mandate paid leave for workers, which disproportionately hurts lower income workers who are far less likely to have paid sick leave provided by their employers.[95] Over 1.6 million private sector workers in Michigan, 47 percent of the private sector workforce in the state, do not have paid sick days.[96] Providing paid sick leave would protect workers from having to choose between recovering from an illness or caretaking of their dependents when sick and keeping their job. Employers stand to benefit as well, as the spread of illness among employees would likely decrease and employee turnover would decline. An estimate of the costs and benefits of enacting paid sick leave in California showed that the benefits would be almost double the costs.[97] The costs for a similar program in New York City were estimated to be $7.52 a week per covered worker.[98]

MAINTAIN THE STRONG STATE EARNED INCOME TAX CREDIT (EITC) AND PROMOTE FREE TAX SERVICES FOR LOW-INCOME FILERS THROUGH THE VOLUNTEER INCOME TAX ASSISTANCE PROGRAM.

The Michigan EITC was enacted at 10 percent of the federal EITC for Tax Year 2008 and 20 percent for every year after that. [99] Over 782,000 filers received the state EITC for tax year 2009, collecting $338 million.[100] The state EITC provides payments of $432 per recipient on average, although families with two children can receive over $1,000 of support. This support is especially important given the long-term declines in earnings for young workers over time and the persistently high unemployment rates in the state since the Great Recession. The payments not only benefit recipients, but also contribute to the economic stability of the whole state, as it has been estimated that every dollar spent in EITC leads to $1.67 for Michigan residents.[101] In particular, a large percentage of the EITC refund is spent at businesses in Michigan, which stimulates the local economy through a multiplier effect. It is important that the state EITC not be the target of cuts to balance the budget. On the contrary, Michigan should promote filers' claims on the federal and state EITCs and promote the use of Volunteer Income Tax Assistance (VITA) services by low-income filers.

PROVIDE UNIVERSAL CHILD CARE.

Investing in high-quality, affordable child care and early learning opportunities helps children and families—and ultimately our nation—to succeed. High-quality environments help infants and toddlers get the preparation they need to enter kindergarten ready to learn and excel. Good care also reduces costs down the road for remedial education, criminal justice and other expenses, which increase when children have been left unprepared. Finally, creating a cadre of preschool teachers funded by the public sector adds a stable, socially beneficial source of middle-class jobs while tapping into the talents of adults who want to work with children and enrich our future. High quality child care, however, is financially out of reach for most low- and moderate-income families, especially young parents that are low on their career ladders or have low levels of formal education.[102] Intermediate steps that Michigan could take to assist these families would be to raise the child care subsidy reimbursement rate to the federally recommended 75 percent of the market rate. The 75 percent reimbursement rate is designed to give families access to most child care providers in their community.[103] Michigan could also help young families by supplementing early head start programs with state funds.

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