

What should policy do about low earnings?

Chair: Ben Chu, The Independent

Sir Richard Blundell, IFS/UCL

Tito Boeri, Bocconi and FRDB

Hilary Hoynes, UC Berkeley

Philippe Martin, Sciences Po and Chair, Council of Economic
Advisors to the French Prime Minister

Lindsey Whyte, HM Treasury

WiFi Network: One Great George Street



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Challenges with respect to in-work poverty: The Case of the U.S.

Panel Discussion: What should policy do
about low earnings?

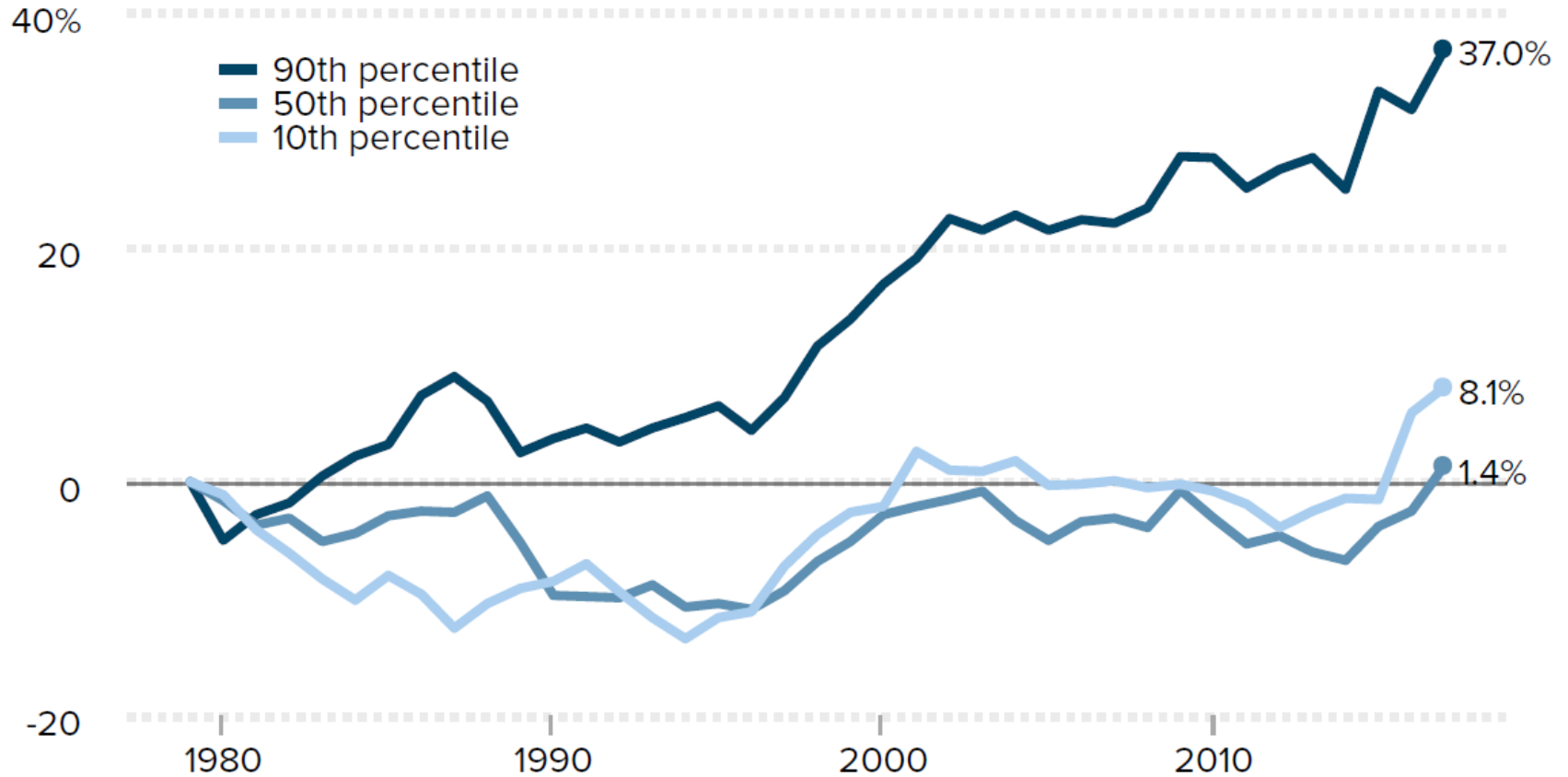
Hilary Hoynes

Professor of Economics and Public Policy

Haas Distinguished Chair of Economic Disparities

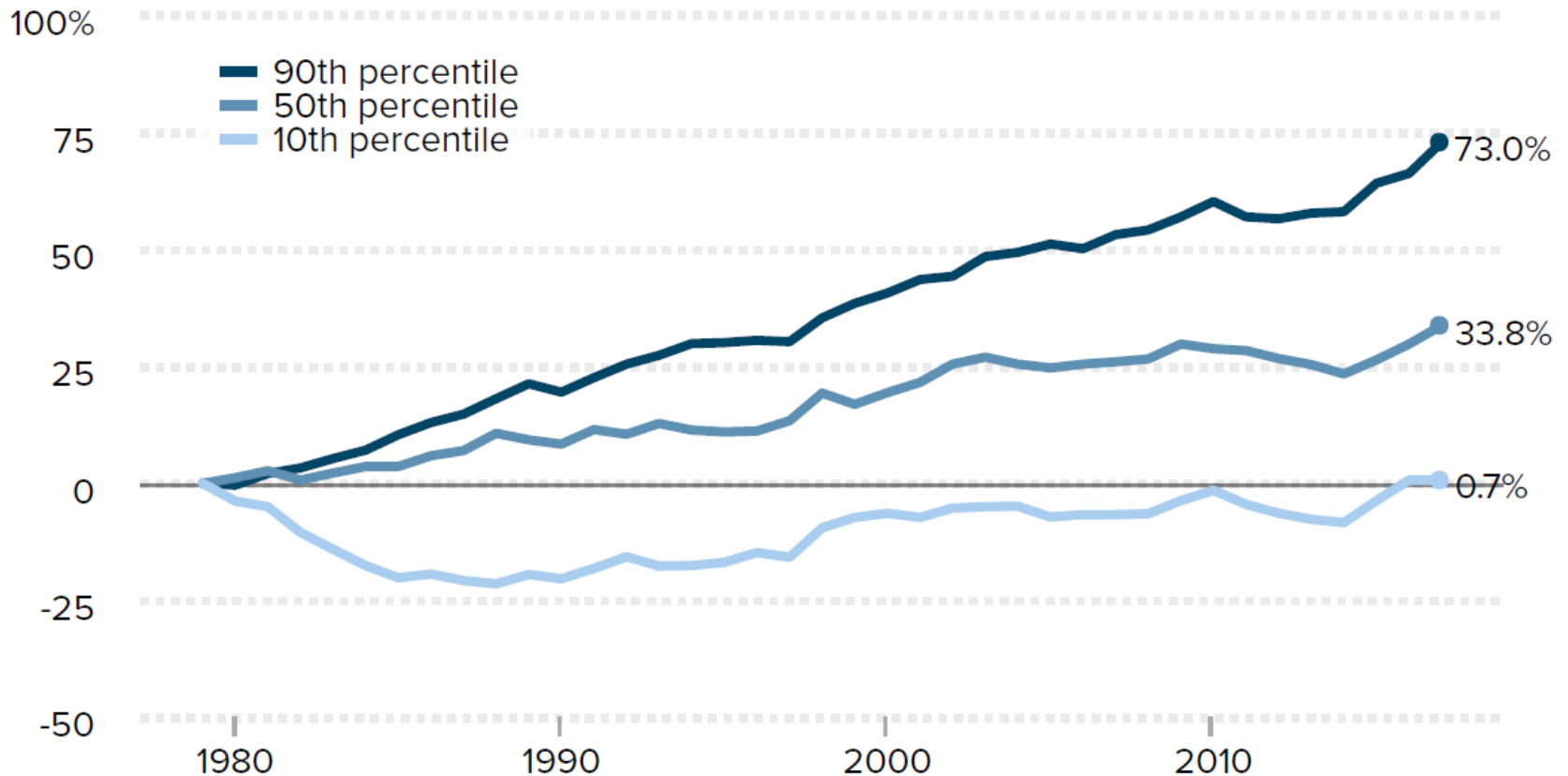
University of California Berkeley

Cumulative percent change in inflation-adjusted hourly wages for men at the 10th, 50th, and 90th percentiles, 1979–2017



Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

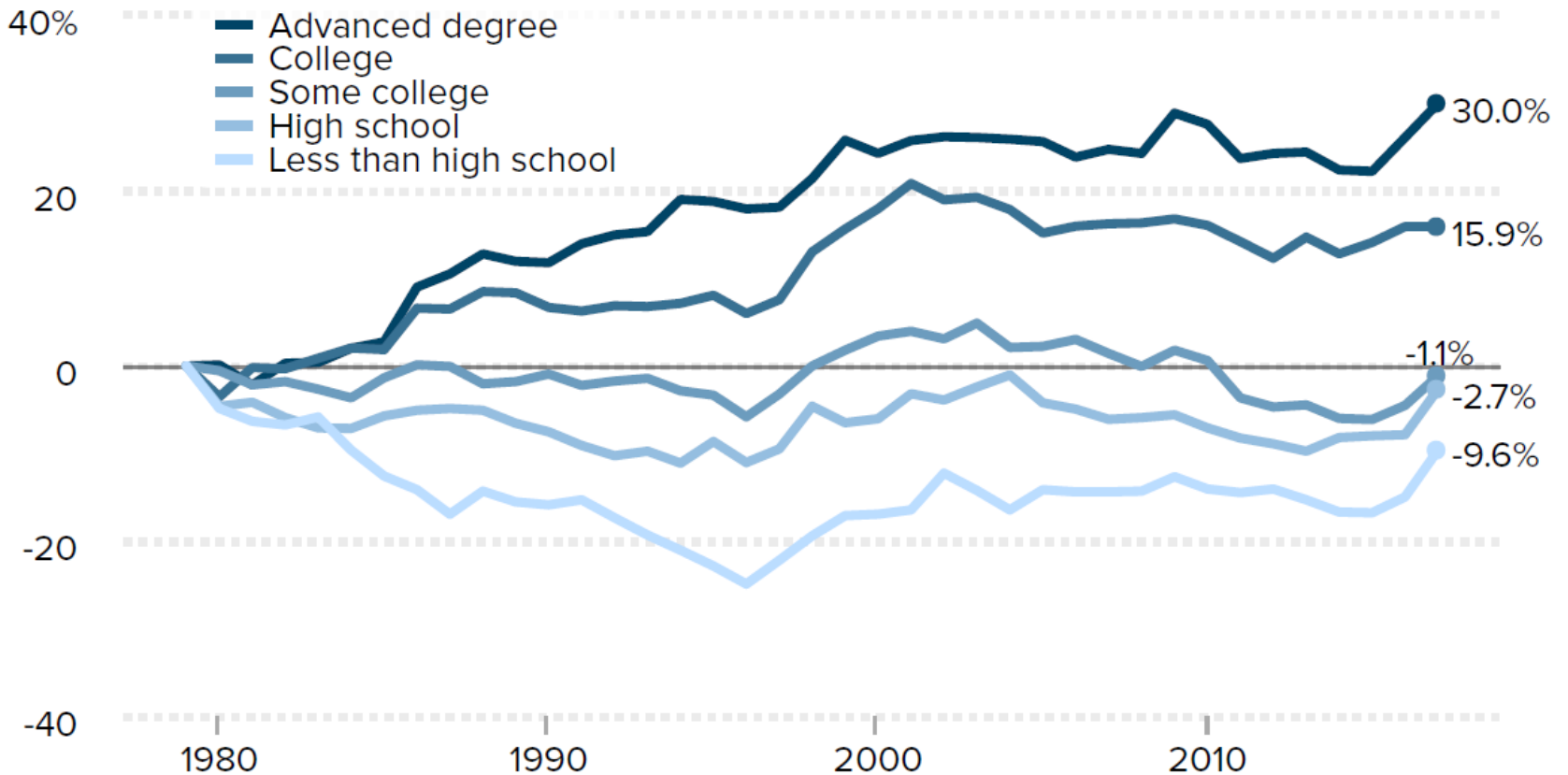
Cumulative percent change in inflation-adjusted hourly wages for women at the 10th, 50th, and 90th percentiles, 1979–2017



Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

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Cumulative percent change in inflation-adjusted median hourly wages for all workers by education level, 1979–2017

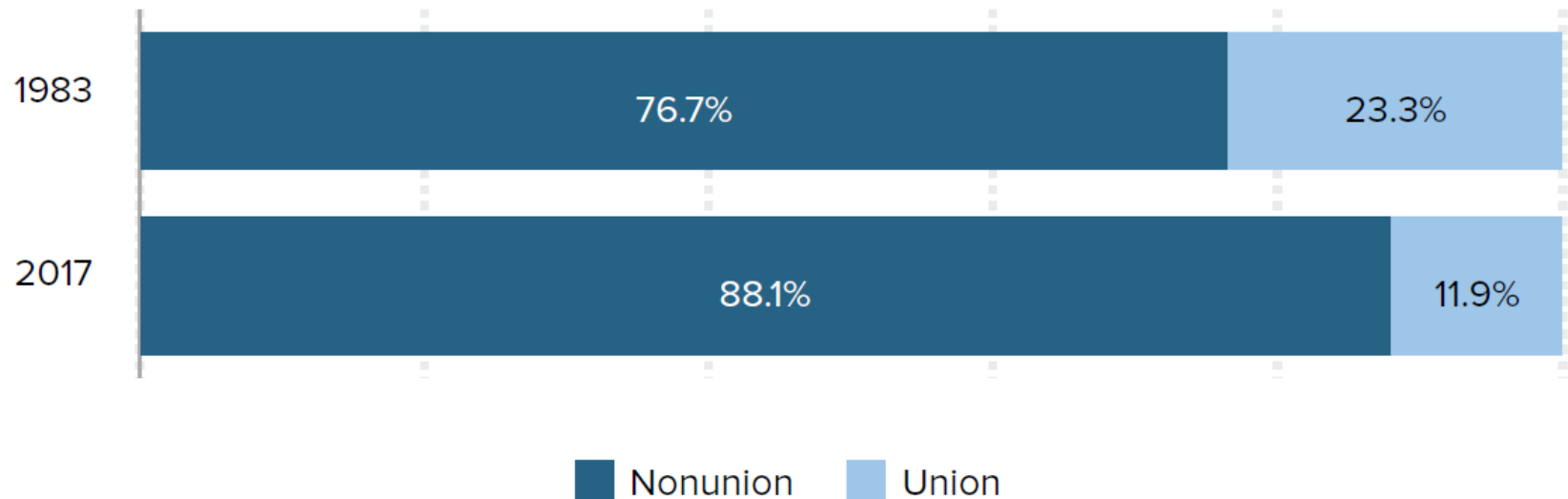


Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

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- More technological change than trade
- Little effect of immigration
- Decline in worker bargaining power due to fall of unions and corporate concentration(monopsony)

Composition of U.S. workforce by union status, 1983 and 2017



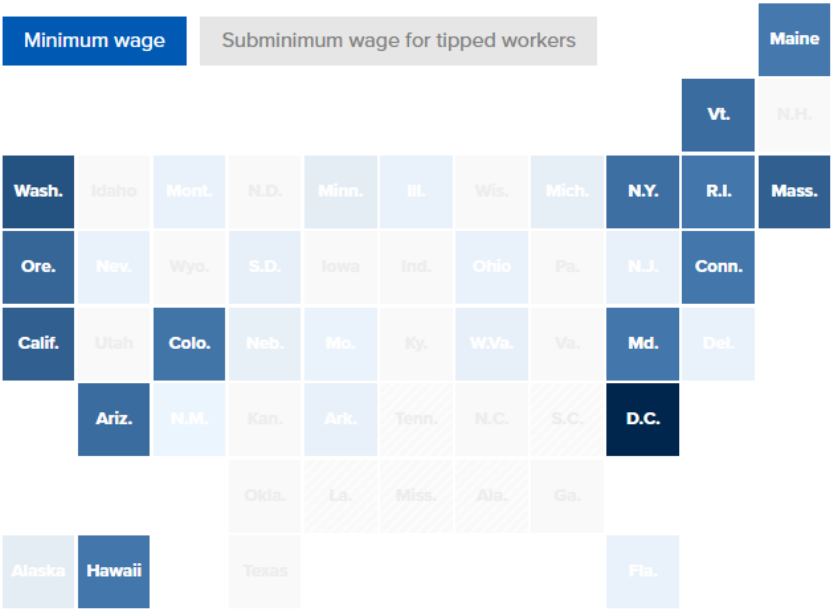
Note: The year 1983 is the earliest year for which union status is available in the data.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

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U.S. Policies – what is working

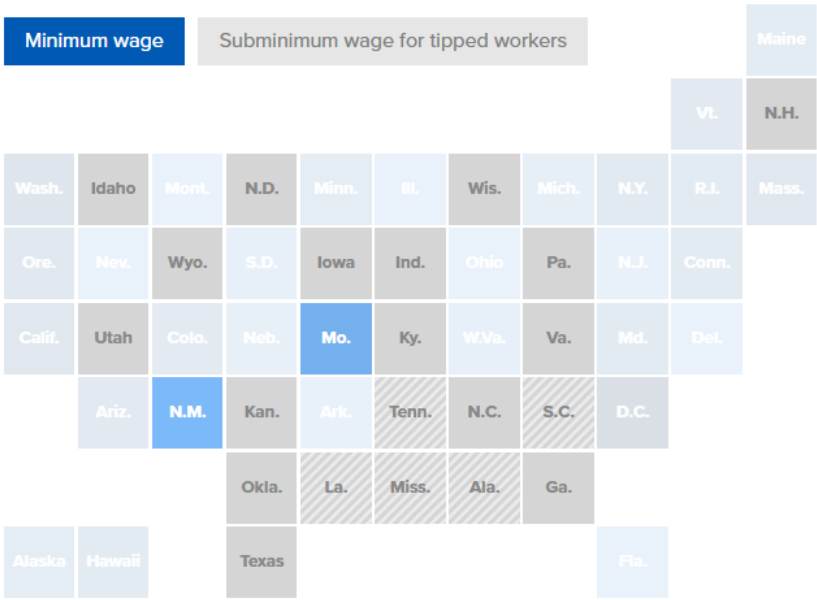
Minimum Wages: Federal minimum wage is low (\$7.25/hour) but many states and cities are setting higher minimum wages



Filter states
 13 states and D.C. have a minimum wage greater than or equal to \$10.00.
 Arizona, California, Colorado, Connecticut, Hawaii, Maine, Maryland,

Federal minimum wage applies
 \$7.25 | \$13.25
 No specified minimum wage

States with MW > \$10/hour



Filter states
 23 states have a minimum wage less than or equal to \$8.00.
 Alabama, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana,

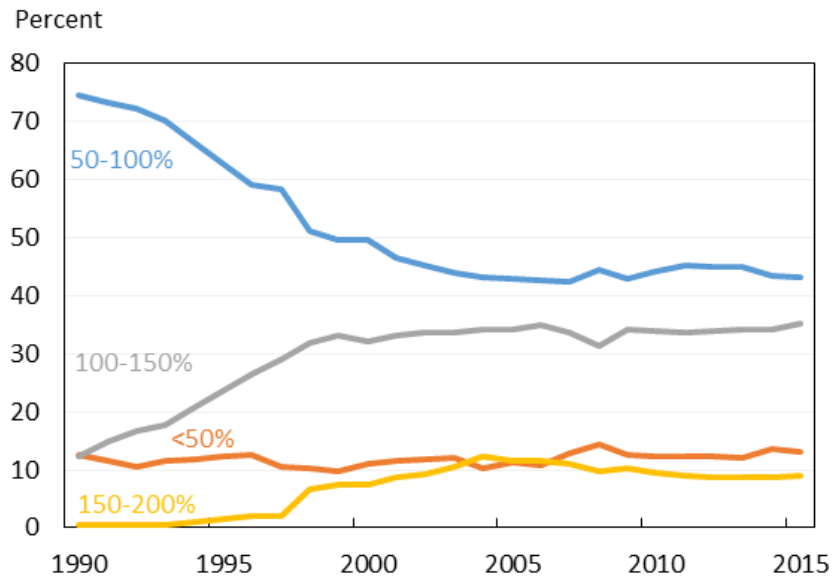
Federal minimum wage applies
 \$7.25 | \$13.25
 No specified minimum wage

States with MW < \$8/hour

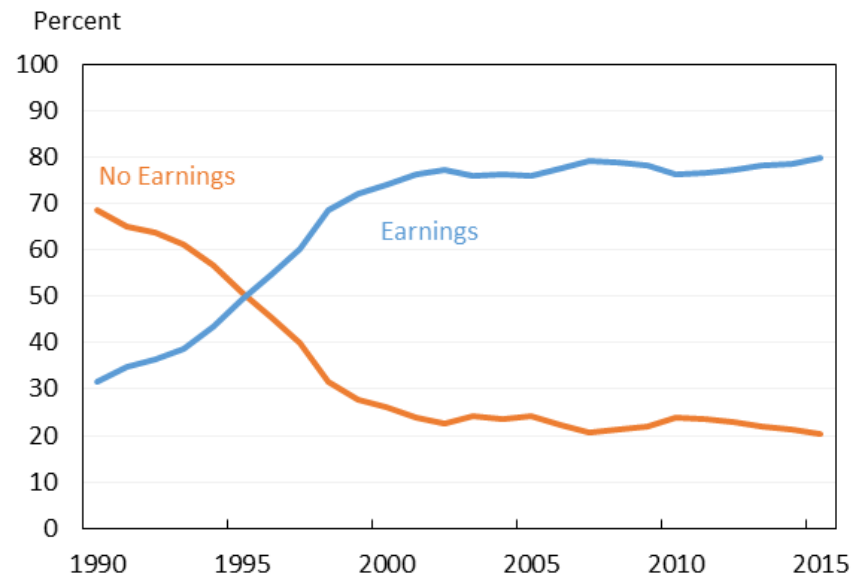
- BUT 2018 Tax Bill greatly expanded the Child Tax Credit
 - \$2,000 per child
 - Phase-out begins at \$200,000 (single) or \$400,000 (married)
 - Very large tax cost with almost no impact on inwork poverty

Post-1996 welfare reform, U.S. has little out of work assistance

Declining share of child based expenditures going to lowest incomes



Large decline in share of child based expenditures going to nonworkers



Source: Hoynes and Schanzenbach BPEA 2018.