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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WiFi Network: One Great George Street
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

Economic Policy Institute
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

Economic Policy Institute
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

Economic Policy Institute
• 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Nonunion</th>
<th>Union</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>76.7%</td>
<td>23.3%</td>
</tr>
<tr>
<td>2017</td>
<td>88.1%</td>
<td>11.9%</td>
</tr>
</tbody>
</table>

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

Economic Policy Institute
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.

- States with MW>$10/hour
- States with MW<$8/hour
Earned Income Tax Credit increases income while encouraging work (though no real increase since 1996)
• 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.