



## COMPREHENSIVE PLAN UNVEILED TO RAISE LIVING STANDARDS FOR NATION'S LOW-INCOME FAMILIES

An estimated 35 to 46 million U.S. working people – from one-quarter to one-third of the nation's workforce – work in low-wage jobs that offer little chance for wage growth or advancement. Low-income workers who are the primary breadwinners have little if any hope for meeting their families' most basic needs.

Without the benefits and flexibility that higher-paid employees often take for granted, America's low-wage workers and their families live on the edge where a problem such as the loss of a job or an illness can quickly become a crisis.

At an Agenda for Shared Prosperity forum hosted by the Economic Policy Institute (EPI) in Washington today, three experts in the area of low-wage work presented a set of policy solutions to set the nation on the right path for addressing the needs of these workers and their families. Barbara Ehrenreich, whose book *Nickel and Dimed* detailed her experiences as a low-wage worker, gave an overview of the challenges faced by low-wage workers. Nancy Cauthen and Jared Bernstein unveiled a comprehensive policy plan to address them, both by improving the supply of and access to good jobs and by strengthening essential safety net programs.

The plan is laid out in two policy papers issued today: "[Work, Work Supports, and Safety Nets: Reducing the Burden of Low Incomes in America](#)," by EPI senior economist Jared Bernstein; and "[Improving Work Supports: Closing the Financial Gap for Low-Wage Workers and Their Families](#)," by Nancy Cauthen, the deputy director of the National Center for Children in Poverty at Mailman School of Public Health, Columbia University.

Bernstein identifies two primary goals for the new policy program. The first, he notes, is to ensure for those who are able to work, that work provides a pathway out of poverty. He emphasizes the need for a full-employment economy, together with a strengthened package of work support programs (including, for example, the Earned Income Tax Credit, subsidized child care, and housing assistance) and revitalized labor market institutions, such as the minimum wage, labor unions, and labor standards. The second goal Bernstein identifies is a stronger safety net to help people avert disaster when the labor market fails them. He describes a net that weaves together, for example, basic cash assistance, unemployment insurance, health insurance and secure pensions.

The reach of the program is described by Bernstein as "progressive universalism," a concept borrowed from British anti-poverty programs. Rather than establishing a rigid dividing line between those who are eligible for benefits and those who are not, the system recognizes that needs exist along a continuum provides a mix of universal benefits, such as health care, and targeted ones like the EITC and food stamps that phase out as income rises.

Cauthen notes that in a family of four with both parents working full-time at the minimum wage, total annual income is about \$24,000 per year, slightly above the official poverty line but far below what is needed to purchase the basic necessities anywhere in the country. Bernstein argues for a new definition of poverty, endorsing a proposal of the National Academy of Sciences that incorporates taxes and non-cash benefits and bringing the definition in line with the widely accepted one already used by most poverty experts.

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Finally, Bernstein's analysis discusses the evidence that traditional safety net programs like unemployment insurance and TANF need to be strengthened because they have become too pro-cyclical. That is, their benefits are stronger when work is available and weaker in periods of labor market weakness.

Cauthen gives a detailed analysis of the system known collectively as work supports – the array of benefits and work incentives available to help people with low earnings – and concludes that these programs need strengthening and better coordination to make them more effective at achieving the goal of making work pay. She details both shortcomings in the programs themselves and their failures, whether through inadequate funding or outreach, to reach many of the people they are intended to help.

Citing research on actual living costs in various locations around the country, she shows how far short low-income earners are falling in their efforts to meet their families' needs and calculates the impact of work supports at narrowing the gap between income and needs. Among her findings and recommendations are these:

- EITC (the Earned Income Tax Credit) has been shown to lift more children out of poverty than any other government program and was a major factor in the increased employment of single mothers during the 1980s and 1990s.
- Child care assistance – through both subsidies and tax credits – have had a much more uneven impact. While child care costs are by far the largest work-related expense for many low-income families, child care assistance is not reaching many of them through the current system. Child care subsidies are not fully funded and are thus unavailable to many families that qualify – in fact, access has been decreasing in recent years. Child care tax credits are not refundable and therefore do not help families that earn too little to pay taxes. Two-thirds of the benefits go to families with incomes over \$50,000 per year, while less than one percent go to help families below \$20,000 in annual income.
- Since 1996, changes that made Medicaid available to some low-income working families and the addition of SCHIP in 1997 has dramatically increased the number of children eligible to receive publicly funded health coverage. Most states provide coverage for children with family income up to twice the poverty line and some as high as three times poverty. Their parents have not fared so well, however, with only 13 states providing Medicaid coverage to parents with income equal to or above the poverty line.
- Federal housing vouchers, delivered by the states to families with income less than half the median for their area, reach relatively few of the eligible families. Most applicants, especially in urban areas, are placed on waiting lists and some of these lists are closed to new applicants. An estimated two-thirds to three-quarters of eligible families are not receiving either public housing or housing vouchers.
- Food stamps, for which families qualify based on a combination of citizenship, income, and asset limits, are not reaching about one-third of eligible families.
- Transportation assistance to help low-income families get to work remains a neglected area of the work supports system. Even though the GAO reported in 1998 that two-thirds of new jobs were in the suburbs and three-quarters of low-income families are in inner cities or rural areas, the federal government's spending on transportation assistance for low-wage workers is minimal.

To remedy the shortcomings in the current system, Cauthen recommends that we should:

- Expand EITC by increasing benefits for non-custodial parents and childless workers as well as larger families, and further reduce marriage penalties.
- Make the Child Tax Credit fully refundable.
- Guarantee child care assistance to low- to moderate-income workers.

- Expand housing assistance by increasing funding to address both the unmet needs and the rising costs of housing and to address the bias in the current voucher system against homeownership.
- Change the requirements for food stamps both to simplify eligibility and to eliminate the factors that, in the current system, penalize people by sharply reducing or eliminating benefits entirely when their income increases slightly.

*The Economic Policy Institute (EPI) is an independent, nonprofit, nonpartisan think tank that researches the impact of economic trends and policies on working people in the United States and around the world. EPI's mission is to inform people and empower them to seek solutions that will ensure broadly shared prosperity and opportunity.*