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ABSTRACT

In-Work Poverty in the United States

In-work poverty became a prominent policy issue in the United States long before the term itself acquired any meaning and relevance in other industrialized countries. With America's embrace of an employment-centered antipoverty strategy, the working poor have become even more of an issue. This paper reviews some key trends, drivers and policy issues. How much in-work poverty is there in the United States? How does the US compare to other rich democracies? Has America's in-work poverty rate changed over time? Who are the in-work poor? What are the main drivers of levels and changes in in-work poverty? Finally, what are the prospects for America's working poor going forward?

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INTRODUCTION

Poverty became a prominent national issue in the United States in the early 1960s, following the publication of Michael Harrington's *The Other America* (1962). The book sold 70,000 copies in its first year, and eventually more than a million, and it helped encourage President Lyndon Johnson to launch a "war on poverty" two years later. America's poor, in Harrington's description, were mainly people with little or no paid work. His proposed solution therefore focused on a new government jobs program, aimed at providing the kind of income that comes with employment.

A quarter of a century later, William Julius Wilson's *The Truly Disadvantaged* (1987) and *When Work Disappears* (1995) told a similar story. The core reason for high levels and concentration of poverty among inner-city African Americans, according to Wilson, was the exit of manufacturing jobs to the suburbs, to the southern states, and to low-wage countries. A shortage of decent-paying employment opportunities for urban residents with limited education weakened not just the local economy but also families and community institutions, creating a self-reinforcing process of economic and social decline. Wilson, like Harrington, saw a large-scale jobs program as the key to a solution.

Many conservatives in the United States shared the view that American poverty owes to lack of employment. But from their vantage point, the cause was insufficient motivation or inadequate financial incentive rather than a scarcity of available jobs. In the 1960s and 1970s, conservatives argued that the problem was a "culture of poverty" — unwillingness to work in a low-paying job, reinforced by a lack of local role models and often passed down from parents to their children (Gilens 1999). In the 1980s, Charles Murray's book *Losing Ground* (1984) contended that the main impediment was employment disincentives created by overly generous government transfers.

America's antipoverty policy shifted dramatically in the 1990s. In 1994, the Republican Party won a majority in the House of Representatives for the first time in four decades. One of the new Republican leadership's chief goals was reform of America's main social assistance program, Aid to Families with Dependent Children (AFDC). Bill Clinton, the Democratic president, had pledged during his 1992 election campaign to "end welfare as we know it." In 1996, Clinton signed into law a welfare reform bill that established time limits for receipt of social assistance (renamed Temporary Assistance for Needy Families, or TANF), required that 80 percent of recipients be in employment or in a work training program, and delegated much of the decision-making authority over benefit receipt and benefit generosity to the US states. Since the mid-1990s, the share of Americans in households receiving AFDC-TANF has dropped from 5.5 percent to 1 percent and the average yearly benefit amount has fallen by more than $2,000 (Office of Family Assistance 2016a, 2016b).

During the same decade, the 1990s, US policy makers also shifted a good bit of money into work subsidies. The Earned Income Tax Credit (EITC), which provides a tax reduction or cash transfer to households with low earnings, was sharply expanded beginning in 1993. Eligibility requirements were eased, the benefit level was increased, and the benefit level was indexed to inflation so that, unlike most US social programs, its real value doesn't erode over time. EITC recipients jumped from 14 percent of the US population in the early 1990s to nearly 20 percent by the end of the decade and 23 percent in recent years, and the average EITC benefit level rose by about 50 percent during the 1990s (Kenworthy 2015). The 1996 welfare reform included money for states to provide additional work incentives and supports, from counseling to transportation to childcare, though the states have varied widely in their actual use of this money.

The United States has always been committed, to a greater extent than any other rich democratic nation, to the notion that employment is the key to poverty reduction. Self-sufficiency and self-realization via work are at the core of the "Protestant ethic" that shaped the country in its early years and the "American dream" that has animated it since the mid-1800s. In the 1990s this notion became firmly instantiated in American social policy (Ellwood 2000; Danziger et al 2016; Haskins 2016). Welfare reform ended the entitlement to cash social assistance, and the EITC expansion along with provision of funds for employment supports signified an intent to "make work pay."

The commitment to an employment-centered antipoverty strategy in the 1990s owed not only to longstanding frustration with "welfare" and to the Republican Party's electoral gains. It also was facilitated by a significant and steady rise in employment in the US during the 1980s and 1990s. The employment rate rose from 70 percent in 1979 to 78 percent in 2000 (OECD data, age 25-64). The OECD lauded America's employment performance in its 1994 *Jobs Report*, and some commentators began referring to the "great American jobs machine."

In certain respects, however, it was a risky moment at which to undertake this kind of shift. Most notably, it occurred in the context of a persistent rise, dating to the 1960s, in the share of households with only one adult. Such households provide the toughest test for a work-based antipoverty approach, because that single adult must have enough work hours and at a sufficiently high wage to get the household's income, supplemented by the EITC and perhaps other government transfers, above the poverty line. Then again, in the view of many US conservatives, it was the lack of work requirements and incentives in the country's social assistance programs that had been causing the weakening of marriage, the rise of out-of-wedlock births, and the more general decline of the traditional family (Murray 1993).

The early results for America's new "work-based safety net" were favorable. The poverty rate among less-educated single mothers declined in the late 1990s, as many of those who left the social assistance rolls following the 1996 reform found jobs, the statutory minimum wage was increased, a tight labor market pushed up wages, and the expanded EITC provided a further boost to household incomes (Jencks 2005; Blank 2006).

It turned out, however, that the late 1990s were an exceptional period rather than the new normal. During the growth phase of the 2000-2007 business cycle, the US employment rate was flat, in stark contrast to what had happened in the 1980s and 1990s. The wage increases of the late 1990s also disappeared. Then the economy fell apart in 2008-09, and the subsequent recovery has been sluggish. The employment rate in 2016 was 74 percent, only slightly higher than the rate in 1979. Wages for workers in the bottom half of the distribution are barely above their 1979 level.

With America's embrace of an employment-centered antipoverty strategy, in-work poverty has become a much more visible issue. How much in-work poverty is there in the United States? How does the US compare to other rich democracies? Has America's in-work poverty rate changed over time? Who are the in-work poor? What are the main drivers of levels and changes in in-work poverty? Finally, what are the prospects for America's working poor going forward?

MEASURING THE WORKING POOR IN THE UNITED STATES

The standard approach to measuring poverty is a "relative" one, with the poverty line set at 60 or 50 percent of the median income. The United States has a different tradition. Since the early 1960s, the US government has calculated an official poverty rate using an "absolute" poverty line, which changes over time according to inflation rather than the median income. This poverty line is approximately $12,000 for a single adult, $16,000 for a household with two people, $20,000 for three, and $24,000 for four.

These official thresholds are considerably lower than the relative poverty thresholds more often used in comparative research. In 2013, the 50-percent-of-median poverty threshold stood at almost $16,000 for a single person, and the 60-percent-of-median threshold, commonly used in European poverty studies, was about $19,200 (LIS Key Figures). For a household of four (two adults, two children) the difference between the official US threshold and the 60-percent-of-median threshold amounts to more than $16,000 ($24,000 versus $40,260). This means that the size of the working poor population in America according to the official poverty measure is significantly lower than the size obtained in studies using a relative threshold.

The official US measure has a variety of drawbacks, and the income data, which come from the US Census Bureau, also are far from ideal (Citro and Michael 1995). The official poverty rates are, however, widely used by poverty researchers in the US, and we will utilize them here. When comparing across countries we will turn to a relative poverty measure.

For in-work poverty we will, where possible, calculate the poverty rate as the share of individuals who are in households or families with a head aged 18-64, in employment 27 or more weeks during the year, and with income below the poverty line. Note that this approach is reasonably comparable to the definition most commonly used in European studies, where "in work" means the person declares to have occupied the status of employee or self-employed for at least seven months.

OVER-TIME TRENDS IN IN-WORK POVERTY

The top line in figure 1 shows the poverty rate for all Americans using the US government's official poverty measure. Since the late 1970s this poverty rate has been largely flat, falling during periods of economic growth but rising by an equal amount during economic downturns. Overall there has been no sustained progress in reducing poverty during this period, according to this measure.

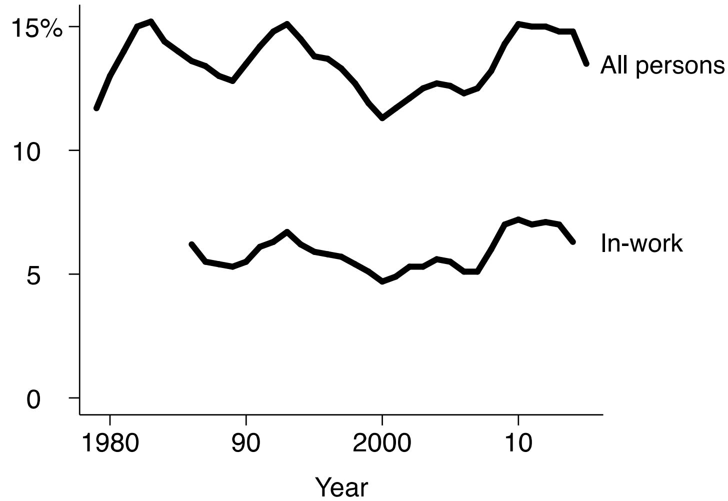

Figure 1. Overall poverty rate and in-work poverty rate, United States

All-persons poverty rate: share of persons in households with an income below the official US government poverty line. In-work poverty rate: Share of persons in the labor force 27 or more weeks during the year with household income below the official US government poverty line. Data source: Bureau of Labor Statistics, "A Profile of the Working Poor, 2014," bls.gov/cps/earnings.htm, chart 1.

The lower line in the figure shows the in-work poverty rate, using the same income measure and the same poverty threshold. These data, calculated by the Bureau of Labor Statistics (2016), show a similar over-time pattern: no sustained change in the poverty rate over the past three decades. That's true also for a relative measure of in-work poverty (Brady, Fullerton, and Cross 2010, p. 580).

THE UNITED STATES COMPARED TO OTHER RICH DEMOCRACIES

Figure 2 shows poverty rates in seventeen affluent democratic nations as of 2000. These are relative poverty rates, with the poverty line in each country set at 50 percent of its median income. The United States has the highest poverty rate both overall and among households with an employed person, but it stands farther away from the other countries on its in-work poverty rate than its overall poverty rate. The contrast between the US and three other English-speaking countries — Australia, Ireland, and the United Kingdom — is particularly striking. Compared to those three nations, the United States has an overall poverty rate only a little higher but an in-work poverty rate that is much higher.

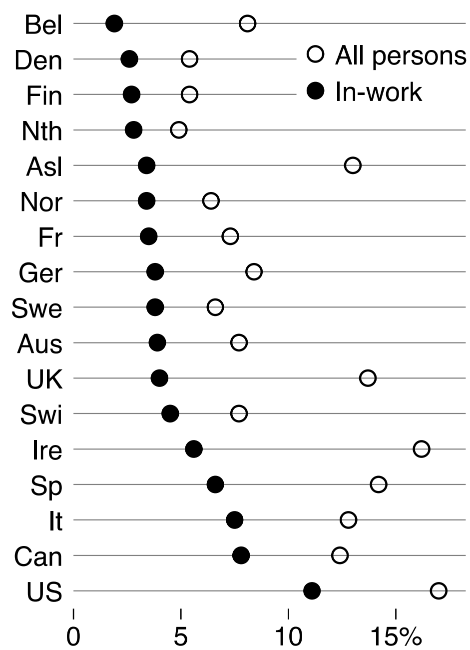

Figure 2. Overall poverty rate and in-work poverty rate, 17 countries, 2000

The poverty line is set at 50 percent of the country median. Posttransfer-posttax household income, adjusted for household size. In-work poverty rate is among households with any person in employment. Data source: Brady, Fullerton, and Cross 2010, table 2, using Luxembourg Income Study data.

An analysis by the OECD (2009) on data for the mid-2000s provides a picture largely consistent with these findings. The OECD study also highlights the marked prevalence of the working poor in the (comparatively large) poor population as a whole in the United States. More than 70 percent of the poor in working-aged households were found to rely mostly on earnings, a considerably higher share than in most other rich countries.

What comparative studies often do not bring out is how American workers fare compared to workers in other rich countries in non-income terms. A report by the Economic Policy Institute (2012) estimates that low-paid American workers are about three times less likely to have employer-sponsored health insurance and nearly four times less likely to have an employer-sponsored pension as higher-paid workers. Low-paid workers are also far less likely to have paid leave benefits.

WHO ARE THE WORKING POOR?

Figure 3 shows in-work poverty rates for various sociodemographic groups, returning again to the official US poverty measure. The figures apply to those who spent at least 27 weeks in the labor force (that is, working or looking for work) but whose incomes still fell below the official poverty threshold. The differences are in line with what we would expect.

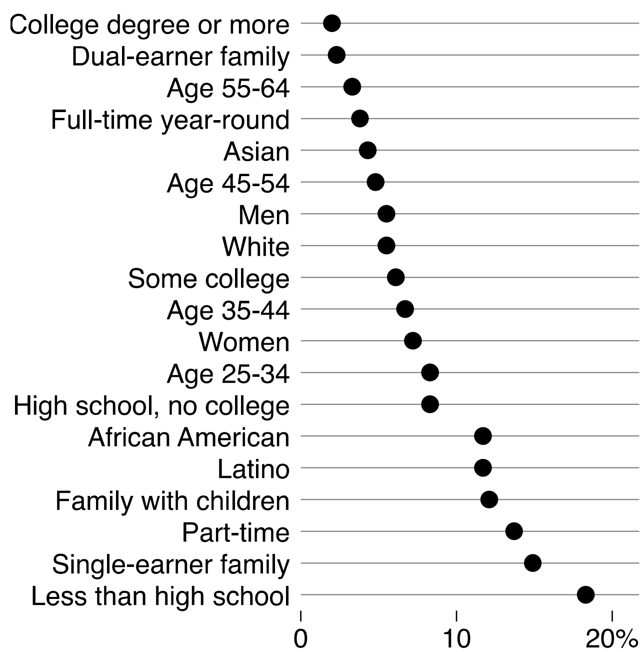

Figure 3. In-work poverty rate by sociodemographic group, 2014

Share of persons in the labor force 27 or more weeks during the year with household income below the official US government poverty line. Data source: Bureau of Labor Statistics, "A Profile of the Working Poor, 2014," bls.gov/cps/earnings.htm, tables 1-5.

Working Americans with more education tend to have lower in-work poverty than those with less education. Among college graduates, about 2 percent are classified as working poor, compared with 19 percent of those with less than a high school diploma.

In line with the education gradient, the likelihood of being among the working poor varies widely by occupation. Workers in occupations requiring higher education and characterized by relatively high earnings — such as management, professional, and related occupations — are least likely to be classified as working poor (around 2 percent). People working in jobs that typically do not require high levels of education are more likely to be among the working poor. Around 14 percent of service workers are classified as such. Indeed, service occupations account for nearly 40 percent of all those classified as working poor. Other higher-risk occupations include construction, agriculture, extraction, and maintenance.

Whites and Asians are less likely to be in-work poor than African Americans and Latinos. The in-work poverty rate decreases from age 25-34 to age 55-64. Men are (slightly) less likely to be in-work poor than women. Married-couple families with at least one member in the workforce have a lower likelihood of living below the poverty level (around 9 percent) than do families maintained by single women (27 percent) or by men (15 percent). Those with children under 18 years old are about 3 times more likely than those without children to live in in-work poverty.

Work intensity — the duration of employment over the reference year and the number of hours worked — matters a lot. Among those who participated in the labor force for 27 weeks or more and usually worked in full-time wage and salary jobs, around 4 percent are classified as working poor. The share is much higher among people working part-time, at around 13 percent. And households with two earners are much less likely to be in-work poor than those with one earner.

TRANSITORY VERSUS LONG-TERM IN-WORK POVERTY

Experiences of poverty tend to come in spells, as a groundbreaking study by Bane and Ellwood (1996) brought out. They found that reductions (or total loss) in labor supply and earnings were the events most commonly associated with entries into poverty. Subsequent studies have confirmed this. However, few contemporary studies have looked at poverty dynamics from the perspective of job characteristics and earnings. Chronic poverty (defined as people living in poverty during a 36-month observation period) affected 3.5 percent of the US population in 2009-2011 (up from less than 3 percent in the 2006-2008 period), as compared to the 31.6 percent of the population that was in poverty for at least 2 months. But 90 percent of the chronically poor were children and working-age adults (Anderson, 2014). Many of them are likely to rely mainly on earnings.

DRIVERS OF IN-WORK POVERTY

In-work poverty is a consequence of low (household) employment, low wages, or low government transfers. Having children or nonemployed adults in the households also increases the poverty risk, but we focus on work-related factors and transfers.

Employment clearly matters in the United States. Families with two earners are much less likely to be in-work poor than families with one earner. In figure 3 above, we see that, according to calculations by the Bureau of Labor Statistics, the in-work poverty rate in 2014 was 2 percent for families with two earners compared to 15 percent for families with one earner. Similarly, households in which an earner works more hours are less likely to be in-work poor. Brian Thiede, Daniel Lichter, and Scott Sanders (2015, table A1) calculate that the in-work poverty rate as of 2012 was 6.7 percent (similar to the estimate by the Bureau of Labor Statistics shown in figure 1 above). When they calculate the rate among households with someone who worked 50 or more weeks during the year and 35 or more hours per week, the in-work poverty rate is 2.9 percent.

As we noted earlier, the employment rate in the US increased in the 1980s and 1990s but then was flat in the early 2000s before dropping sharply due to the 2008-09 economic crisis. Over the whole of these three and a half decades, there has been relatively little employment gain. For Americans in the bottom quarter of the income distribution, that was true even during the 1980s and 1990s. As figure 4 shows, employment for this group rose during the up-phase of each business cycle but then fell during the recession phase, with no net rise over time. This is part of the reason why, as shown in figure 1 above, the in-work poverty rate hasn't changed over this period.

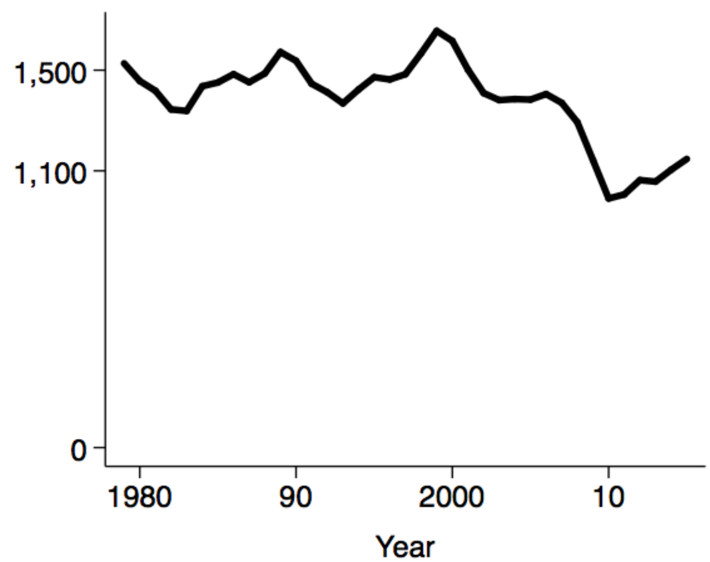

Figure 4. Average employment hours in households in the bottom quartile of incomes

Average annual hours worked in working-age (“head” aged 25-64) households in the bottom quartile of the pretransfer-pretax income distribution. Data source: Keith Bentele calculations using Current Population Survey data (IPUMS March Extracts).

America's mediocre employment performance since 2000 is a bit of a puzzle. The US has pursued a "market liberal" approach to employment growth: a low wage floor, limited labor market regulations, relatively stingy government benefits, comparatively low taxes, steady deregulation of product markets, and limited support for retraining, job placement, and work-family balance. In principle, this configuration of institutions ought to be conducive at least to growth of low-end service positions. In the 1980s and 1990s it was. But not since.

Inadequate demand may be the problem. In the absence of a 1990s- or 2000s-style stock market or housing bubble to fuel consumer spending, it isn't clear where the demand will come from.

Another possibility is that the US may have hit a wall in terms of women's employment, which increased steadily for a number of decades before stalling around 2000. This may be due in part to the absence of paid parental leave and affordable high-quality early education. Many Americans with prekindergarten children want to combine family with paid work, but out-of-home care can be prohibitively expensive. American parents with a child younger than age five in out-of-home care currently pay, on average, about $9,000 per year for that care. For families with incomes below $18,000 who pay for out-of-home care, the average cost amounts to 40 percent of household income. For those with incomes between $18,000 and $36,000, the average is 20 percent of income (Laughlin 2013, table 6). Faced with such unaffordable costs, some parents settle for care that is mediocre or poor (Vandell and Wolfe 2000; Waldfogel 2006; Barnett et al 2012). Others simply forgo employment. Denmark and Sweden offer a twelve-month paid parental leave and high-quality affordable childcare and preschool, and we can see the impact in employment patterns. Among mothers whose youngest child is six to sixteen years old, and thus eligible for free K-12 schooling, the employment rate in the US is just a few percentage points lower than in Denmark and Sweden. Among mothers with a child younger than six, it's 15 percentage points lower (OECD 2011, figure 1.9; Thévenon 2013).

The United States also has a comparatively small public sector, it has made limited use of subsidies for private-sector employment, and it has no explicit or implicit employment guarantee (Freeman and Gottschalk 1998).

Wage levels are the second source of in-work poverty. Four pieces of evidence suggest they too matter in the US.

First, since the 1970s, the statutory federal minimum wage hasn't been high enough for a person employed full-time year-round to bring a family of three or more above the official poverty line. Note, though, that thirty states have a statutory minimum wage above the federal minimum of $7.25. Employers in California and Massachusetts, for example, must pay their workers a minimum of $10 an hour.

Second, as just noted, Brian Thiede and colleagues estimate the poverty rate among households with a person employed 50 or more weeks in the year and 35 or more hours per week to be about 3 percent, rather than zero.

Third, if we look back at figure 2, which shows poverty rates in various rich nations, we see a stark contrast between the United States (and to a lesser degree Canada) versus Australia, Ireland, and the United Kingdom. The latter group have overall poverty rates similar to Canada and the US but much lower in-work poverty rates. As figure 5 suggests, this is partly a consequence of much higher minimum wages in Australia, Ireland, and the UK. The measure of the minimum wage level, on the horizontal axis, is the number of weekly hours of minimum-wage employment needed for a single adult with two children to have earnings above a relative poverty line. It includes not only wages but also taxes paid and government benefits received (see below). The higher the minimum wage, using this measure, the lower the ratio of in-work poverty to overall poverty. This too tells us that wage levels matter for in-work poverty in the United States.

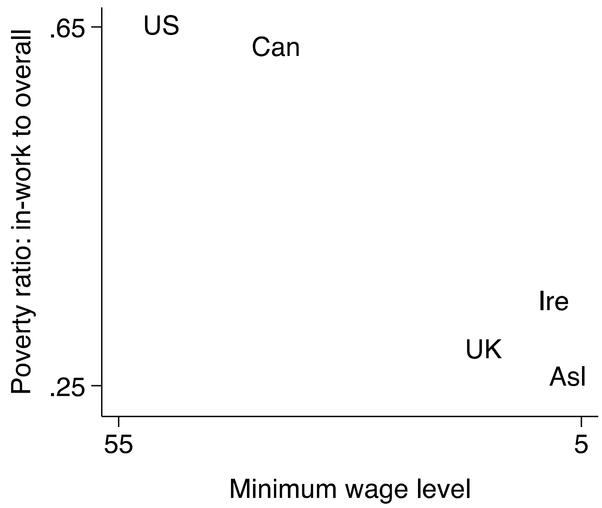

Figure 5. Ratio of in-work poverty to overall poverty by minimum wage level

Vertical axis: In-work relative poverty rate divided by overall relative poverty rate. For data source, see the note to figure 2. Horizontal axis: Number of weekly working hours needed to move a single adult with two children at minimum wage, including taxes and government benefits, above a relative poverty line. Data source: OECD, *Employment Outlook 2015*, figure 1.16.

Fourth, as figure 6 shows, US wage levels at the low end have been flat during the past several decades. This is true for both the statutory minimum wage and the wage at the tenth percentile of the distribution. Stagnant wages have contributed to America's lack of progress in reducing in-work poverty (figure 1 above).

Figure 6. Statutory minimum wage and tenth-percentile wage, United States

The wage levels are in 2012 dollars; inflation adjustment is via the CPI-U-RS. Data source: Economic Policy Institute, stateofworkingamerica.org/data.

A big part of the story behind wage stagnation in the United States is the economic changes that have occurred since the 1970s, particularly growing competition in product markets, itself due to globalization and to falling barriers to entry in domestic sectors, and technological advance. The "shareholder value" revolution in corporate governance, which encourages management to focus on short-run profit performance, and thereby on keeping labor costs low, has also contributed. So too has the rise in low-skill immigration.

These shifts have been especially powerful in the American context because of the limited and declining strength of labor unions. Figure 7 shows the steady fall in the unionization rate and in the share of workers covered by collective bargaining in recent decades.

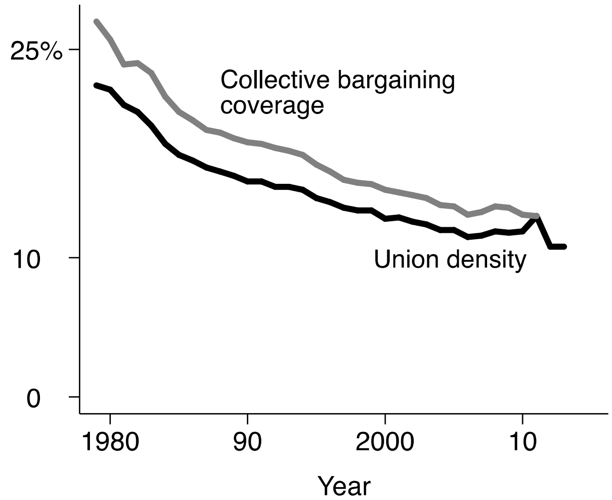

Figure 7. Unionization and collective bargaining coverage

Union density is the share of employees who are union members. Collective bargaining coverage is the share of employees whose wages are set by collective bargaining. Data source: Jelle Visser, "ICTWSS: Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention, and Social Pacts," Amsterdam Institute for Advanced Labour Studies, version 4, 2013, series ud, ud_s, adjcov.

So employment and wages are key drivers of in-work poverty in the United States. What about government transfers? They have had an impact too. The EITC, which goes only to households with some earnings from employment, raises the incomes of 1 to 3 percent of the population from below the US government's poverty line to above the line (Meyer 2010; Center on Budget and Policy Priorities 2014; Scott and Crandall-Hollick 2014).

The EITC matters in another way too: for households without children, it is so low that it makes virtually no difference for poverty reduction. As figure 8 shows, the credit can be more than $5,000 for a household with two children and more than $6,000 for a household with three or more, but for those with no children it is tiny.

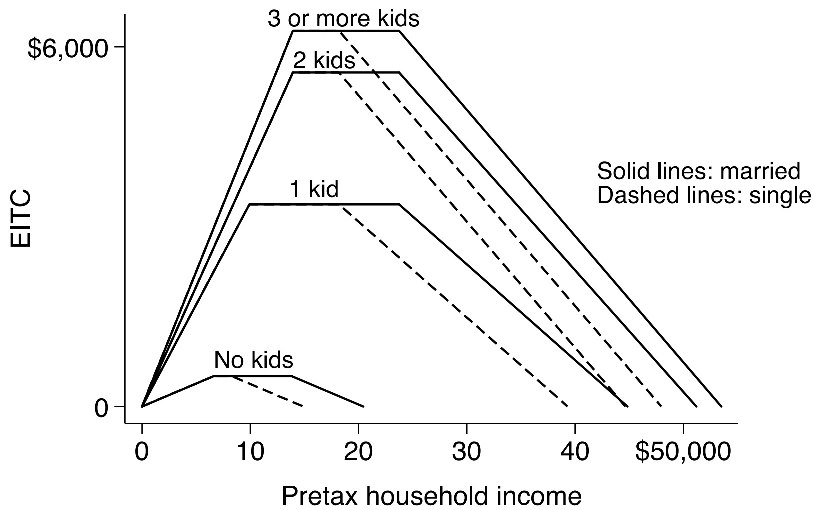

Figure 8. US Earned Income Tax Credit benefit structure

The benefit levels shown are for 2016. Data source: Tax Policy Center, "Earned Income Tax Credit Parameters."

In 2014, 23 states offered state-level supplements to the EITC. Together with differences in statutory minimum wage levels, that leads to sizable differences across states in minimum income protections for working lone parents, as Parolin (2016) demonstrates. Full-time work at the federal minimum wage ($7.25 in 2014) lifted a household in Mississippi to just over half of the poverty threshold[1] prior to accounting for taxes and additional transfers. Vermont's $8.73 per hour minimum wage, on the other hand, lifted income to 65% for the working lone parent, prior to taxes and additional transfers.

Vermont is one of 23 states to offer a supplement to the EITC, matching, in this case, 32% of the federal benefit, in the form of a refundable tax credit. Vermont's EITC supplement boosted net income for this working lone parent by an additional 6.2% of the poverty threshold, making it one of only two states (Connecticut being the other) to offer income protections that push this family type across the poverty threshold at full-time, minimum wage work.

For low-earning households with kids, the EITC and possible supplements do provide a significant income supplement. That the US is relatively generous in this respect is also demonstrated in the chapter by Marchal, Marx, and Verbist in this volume, where three US states (New Jersey,

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[1] Parolin (2016) uses a federal relative threshold (60 per cent of equivalized national median household income.

Nebraska, and Texas) are included for reference. Yet low-earning households with children in the US still do relatively badly compared to those in other rich countries because minimum wages are so low. The EITC compensates for this, but only up to a level.

As noted earlier, the share of Americans receiving the EITC has increased significantly since the mid-1980s, and the benefit amount rose between the mid-1980s and the mid-1990s (Kenworthy 2015; Marchal and Marx, 2017). Why, then, didn't the in-work poverty rate decrease? The reason is that other government transfers that go to at least some employed Americans — unemployment insurance and social assistance (AFDC-TANF) — decreased. Another key piece of US social assistance, food stamps (officially called Supplemental Nutritional Assistance Program, or SNAP), has been flat over time in both coverage and benefit level.

The expansion of the EITC in 1993 produced some striking results that may hold lessons for other countries, including marked increases in labor market participation and declines in poverty among some segments of the population, especially single-parent households (Hotz and Scholz, 2003; Eissa and Hoynes, 2004). It needs to be stressed, however, that these initial results happened in favorable economic circumstances, including strong labor demand and low unemployment. The relatively large increases in labor supply of lone mothers in the American setting also resulted from welfare reform, notably the transformation of the social assistance scheme into a temporary support system with a time limit on benefit receipt, as discussed earlier. This provided a strong push incentive, with the EITC acting as pull. Not all who were forced out of passive dependence found their way to employment (Grogger, 2003; 2004). In addition, take-up of the EITC is incomplete — only 75 percent according to some estimates (Holt 2011).

There are potential downsides to subsidizing low-paid employment. While the EITC is intended to encourage work, EITC-induced increases in labor supply may drive wages down, shifting the intended transfer toward employers. On the basis of theoretical modeling, Rothstein (2010) argues that a substantial portion of the intended transfer to low-income households is actually captured by employers via reduced wages. The transfer to employers is borne in part by low-skill workers who don't receive the EITC. There is some empirical evidence corroborating the potential wage erosion effect of EITC, but the effects do not appear to be strong or conclusive (Leigh, 2010; Chetty et al., 2013)

To sum up: The in-work poverty rate in the United States has been flat at least since the mid-1980s, if not earlier. The reason is that employment hours, wage levels, and government transfers have all remained largely constant during this period.

PROSPECTS FOR THE WORKING POOR IN AMERICA

What are the prospects for America's working poor? In some respects they are bleak. The US has experienced a "great decoupling" of wages from productivity. The two used to rise in tandem, but since the 1970s wages for Americans in the lower half have been stagnant even as productivity has increased. Some of the key drivers of this trend — declining unionization and collective bargaining, an intensified managerial focus on short-term gains and thus wage cost cuts, growing monopsony power in certain industries — are unlikely to reverse or even moderate any time soon. Furthermore, technological change, and to some extent international competition, have thus far mainly affected middle-skilled jobs, especially in manufacturing. Many service jobs, such as those in domestic transport, retail, and hospitality, have remained relatively sheltered from these developments (Autor, 2015). That may be about to change. Automation is affecting an ever wider range of jobs, including jobs that require few or no formal qualifications. Online platforms like Uber and AirBNB are driving pay down in some already-low-paid sectors of the economy while also pulling workers into ever-smaller jobs (Hill, 2015).

Yet there are some hopeful signs. Walmart, America's largest employer with a workforce of 1.4 million, announced in 2015 that it would significantly increase the wages of its lowest-paid workers. This came as a surprise to many, given Walmart's history of relentless cost cutting (and fierce opposition to unions) in an industry where low-paid work and job insecurity already are rampant. The announced pay raise was in part a response to years of image-damaging criticism, but Walmart also hopes to boost staff motivation and productivity. Some other retailers have followed suit. It is too soon to tell whether this is the beginning of an upward trajectory in wages or merely a one-off increase that will soon be eroded by inflation. Either way, the wage level of Walmart's lowest-paid workers remains very low.

In response to living wage campaigns (see chapter XXX in this volume), several municipalities and local governments have enacted ordinances that require employers to pay wages higher than the federal minimum. These ordinances sometimes cover only businesses that receive state assistance or have government contracts, and they typically only stipulate a minimum wage a few dollars above the federal or state minimum. But some are much larger. In 2016, two of America's most populous states, California and New York, decided to raise their minimum wage by the early 2020s to $15 an hour — a level twice as high as the current federal minimum wage. According to one estimate (Cooper, 2016), increasing New York state's minimum wage from $9 to $15 will boost earnings for 37 percent of the state's workforce. Among those getting raises, annual pay will increase by an average of 23 percent, or nearly $5,000 (in 2015 dollars). That is a sizeable impact.

A key concern is how employment will be affected. One study predicts that the cost of the higher minimum wage to employers will be fully offset by turnover reductions, productivity increases, modest price increases, and higher sales revenues due to increased worker purchasing power (Reich et al, 2016). Other analysts expect a sizeable negative impact on employment (Krueger 2015; Scheiber and Lovett 2016). Even if job losses turn out to be modest, effects for low-paid employees may not be unambiguously positive. There is some evidence that they sometimes 'pay' for minimum wage hikes in the form of greater flexibility requirements in scheduling or in reduced fringe benefits.

It bears stressing here that not all workers at or near the minimum wage are working poor. Many are second or even third earners in a middle-income household (e.g. young people still living with their parents). But for sole low-paid earners, minimum wage hikes of the magnitude enacted in New York and California do matter in a significant way. It remains to be seen whether other states will follow suit.

What about work intensity? A substantial proportion of America's working poor are poor because they are not able to work full-time year-round. For some, this is because there is not enough work available where they live or because they have personal obstacles. For others, America's near-absence of family-friendly policy supports is a significant obstacle (Gornick and Meyers 2003; Boushey 2016; Kenworthy 2016). In particular, parents of young children face high childcare costs, which must be weighed against potential additional income. The challenge is especially large for lone parents, a group that has grown from 20 percent of families with children in 1980 to nearly 30 percent today (Census Bureau 2016, table CH-1).

A small number of states and cities have enacted or expanded prekindergarten programs for four-year-olds. In New York City, for instance, Mayor Bill de Blasio campaigned on a pledge of pre-k for all city children. Elsewhere, progress is hampered by policy makers' reluctance raise taxes to provide adequate funding. There are also concerns about quality and local mismatches between supply and demand. And preschool often is not available on nights and weekends, when the growing number of low-skilled parents who work atypical hours need it.

Finally, turning to prospects for redistribution, a key question is how the Earned Income Tax Credit will fare. The EITC has a significant impact on the living standards of American households with low earnings and one or more children. Initially created as a refund for payroll tax payments for low-earning households, expansions in the late 1980s and early 1990s turned the program into the America's largest antipoverty program for the working-aged. A number of states and some cities have supplements to the federal EITC, and the program enjoys broad and robust public support (Page and Jacobs 2009). The most needed change is an increase in the benefit level for low earners without children.

At the time of this writing, in early 2017, it is still unclear what direction federal policy in the United States will take. Under a Democratic administration, increases in the federal minimum wage and the EITC, along with introduction of paid parental leave and universal preschool, would have been on the table. With Republicans in control of the presidency and both houses of congress, a continuation of existing programs would appear to the best case scenario.

The prospect of policy stagnation, or worse, at the federal level may prompt the states and lower-level governments to take compensatory action. As we already noted, two of the largest states — California and New York — have put minimum wages on a path toward $15 per hour, more than double the current federal minimum wage. As Parolin (2016) demonstrates, there has been significant divergence in social and labor market policies at the state level. Policy diversity across the states appears to be greater today than at any time before. That diversity looks likely to increase even further.

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