

## STRATEGIES TO SUPPORT WORK AND REDUCE POVERTY

1. *Raise the minimum wage and index it to inflation.*

"Trickle up" economics works. Raising the minimum wage boosts the earnings of workers at the bottom of the earnings distribution, as well as those earning slightly higher wages as employers strive to maintain differentials between entry-level workers and those just above them. Its value has been eroded by inflation over the years. Even after the recent increases the minimum wage is worth 31 percent less in 2000 than it was in 1968. An increase would raise wages for millions of the lowest-earning California workers. Indexing the minimum wage would protect their earning power from future erosion.

2. *Expand the Earned Income Tax Credit (EITC) and create a state EITC.*

The federal EITC provides a supplement to low-income families with earnings from work. The EITC is an exceptionally well-targeted, effective way to channel assistance to poor families and is one of the most potent anti-poverty tools in policymakers' arsenal. However, many workers earn so little that even with the EITC they are unable to support a family. Also, the EITC phases out as incomes rise (families with two or more children are eligible only if their income was less than \$30,580 per year in 1999). Given the high cost of living in many parts of California, families may earn well above the EITC cutoff and still not be able to make ends meet. Expansion of the federal EITC, coupled with a state EITC, would boost the incomes of working families most in need of assistance.

3. *Adopt living wage policies.*

A growing number of cities, including Los Angeles, Oakland, and San Jose, have adopted ordinances that require businesses that receive public contracts to pay a "living wage" to their employees. Most living wages are below what would be needed to support a family. Still, these ordinances provide a real increase for many workers who would otherwise earn far less. Although their impact is limited to public contractors, living wage ordinances are a good way for government to demonstrate its commitment to decent wages for all workers.

4. *Make the Unemployment Insurance system work for the working poor.*

Fewer and fewer of those who lose their jobs due to changes in the economy and in work patterns receive unemployment insurance. On average, only 38 percent of California's unemployed receive unemployment benefits. Coverage has diminished among the unemployed as a result of the increase in part-time, temporary, and lower wage work. Specific changes that would help low wage workers access the Unemployment Insurance system include:

- Establishing a "moveable" or flexible base period to extend eligibility to persons with recent earnings who may not qualify under the current "look back" rules that delay eligibility for benefits;
- Instituting a dependent allowance to provide supplemental benefits to unemployed persons with dependents; and
- Increasing the minimum benefit paid to low wage workers.

5. *Encourage education to boost earnings.*

Close to one half (48 percent) of adults in working poor families in California lack a high school diploma or GED. Much has been written in recent years about the correlation between the growing wage gap, poverty, and workers' level of educational attainment. The risk of living in poverty decreases as one's level of education rises. Nationally, one in six workers with less than a high school diploma live below poverty, compared to a seven percent poverty rate among high school graduates who have not gone on to college. College graduates tend to fare even better: just four percent of workers with an Associate Degree and two percent of those with a four-year degree lived in poverty.

6. *Improve access to health care.*

Cost presents a formidable barrier to obtaining health insurance for poor families who lack employer provided health coverage. Over 537,000 children in working poor families have no health insurance. These families have income, but cannot afford to purchase coverage. Few of the working poor have sufficient resources to purchase coverage on their own. California should utilize the flexibility provided by federal law to extend Medi-Cal coverage to parents in working families with children. California should also expand outreach efforts to boost the Medi-Cal and Healthy Families enrollment among those who are currently eligible, but not receiving assistance.

7. *Promote Food Stamps as a supplement to work.*

Relatively few of the working poor receive food stamps, despite having incomes below the eligibility threshold. Many do not qualify because of the program's strict assets limits. Others do not apply because they are unaware that they are eligible, because of the stigma attached to receiving public assistance, or because of the difficulty involved in applying for benefits. The state should promote Food Stamps as a income supplement for low income families and consider expanding categorical eligibility to additional groups of persons that qualify for assistance under federal law but not current state law.

8. *Make child care affordable and accessible.*

For families with children in need of child care, the cost can be prohibitive. Though low income families may meet eligibility requirements for subsidized child care, it is often unavailable. In addition to cost, availability is a key issue for working poor parents who are more likely to work non-standard hours and have changeable schedules. Subsidized care at a child care center or a home is often unavailable outside of the traditional Monday through Friday work week and work day. Specific approaches include:

- Expanding funding for subsidized child care;
- Establishing a centralized registry to help parents locate the care they need;
- Encouraging expansion of "off hour" child care for parents working outside the traditional 9 to 5 workday;
- Increasing the supply of infant and toddler care; and
- Increasing support for after-school programs for school-age children.