Joe Molieri/Bread for the World

A Fair Deal for Workers

Chapter Summary

In families without substantial wealth, income from work is the primary buffer against hunger. Yet increasing numbers of American jobs pay only poverty-level wages. For most workers, wages are eroding in real value. When the economy grows, the top earners capture far more than their share of the gains. Wage rates are just one of the components of the economy that is out of balance. The changes in society over the past half-century—most prominently, the new norm that most women are in the paid workforce—have not been accompanied by government policies that adequately reflect these realities and ensure that workers have the support they need to meet their responsibilities. In the United States today, where the expectation is that parents work outside the home, government has a role in protecting the welfare of children, elderly people, and people with disabilities by setting standards to ensure that all workers can fulfill their job and family commitments.

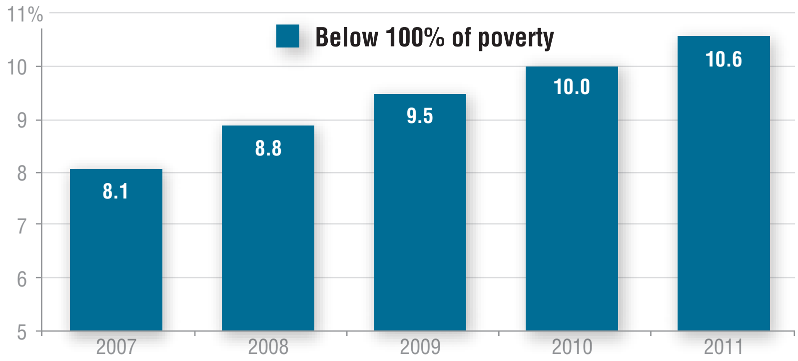
MAIN RECOMMENDATIONS IN THIS CHAPTER

- The federal government should improve the job opportunities and conditions for low-wage workers by actively enforcing the Fair Labor Standards Act and the Civil Rights Act.
- Congress should raise the minimum wage so that a full-time, year-round worker can support a family of four above the poverty line, and it should eliminate exemptions so that no worker is paid a subminimum wage.
- The president should direct government agencies to consider employee wages and working conditions as a factor in awarding federal contracts.
- Make quality child care accessible to every family in America and guarantee all workers family leave, paid sick leave, and the right to request flexible work schedules.

According to the U.S. Department of Labor, today's fastest growing occupations require a high school degree or less and pay poverty-level wages,[1] meaning they are not enough to raise a family of four, two parents and two children, above the poverty line. This is about $24,000 a year in 2014.[2] But it's easier to understand the economic reality of many families if we translate that into wages: a job must pay about $12 an hour to enable a full-time, year-round worker and her family to escape poverty.

In 2002, 23 percent of U.S. workers earned poverty-level wages. By 2012, that proportion had climbed to 28 percent[3] and the average wage of workers in this group was $8.66 an hour.[4] Workers in these low-wage jobs usually have no employer-sponsored health insurance, no paid sick leave, and no paid vacation days. They are part of a group often called "the working poor." They embody an economic reality that today seems to be unique to the United States among high-income nations. People who live in poverty in other developed nations are almost always out of work or the family member of someone who is.[5] But in the United States in 2011, more than 10 million families with at least one member in the workforce were living in poverty.[6] See Figure 2.1. Low-wage workers and their families are, by and large, the face of American poverty. If these 10 million workers had earned enough to put them over the poverty line, the country would have had 58 percent fewer families in poverty.[7]

Figure 2.1 **Share of All Working Families Living in Poverty**



Source: Brandon Roberts, Deborah Povich and Mark Mather (2012), "Low-Income Working Families: The Growing Economic Gap," The Working Poor Families Project. Analysis of U.S. Census Bureau, American Community Survey data.

"Simply put, U.S. work and family policies have not been updated to reflect the new reality of American family life," explain Jane Waldfogel and Sara McLanahan, writing in the journal *The Future of Children* published by Princeton University and the Brookings Institution.[8] The new reality of American family life is that too many jobs do not pay enough, do not enable parents to balance work and family responsibilities, and do not provide workers with any bargaining power to negotiate higher pay or more flexible schedules. The government policies now in place do not go far enough in addressing these problems.

"In virtually every area of work-family policy, provisions in the United States tend to be less well developed and less equitably distributed than those in most peer countries," say

From 2009 to 2012, three years into the recovery from the Great Recession, the incomes of the bottom 99 percent of wage earners grew by an average of **0.4 percent.**[1]

From 2009 to 2012, the incomes of the top 1 percent of earners grew by an average of **31.4 percent.**[2]

Waldfogel and McLanahan. More than four in 10 private sector workers—and more than 80 percent of low-wage workers—do not have paid sick days.[9] Every developed country in the world, except for the United States, provides new mothers—and often, fathers—with paid time off to bond with their baby.[10] In the United States, about 40 percent of workers are not even guaranteed job-protected family leave that is *unpaid*.[11]

In other high-income countries, the law specifically permits workers to request flexible scheduling, while in the United States, many workers are afraid of giving the impression that they have any sort of work-family conflict. "Motherhood may entail a wage penalty all on its own," writes Heather Boushey in an article for *The Future of Children*. "A growing body of research suggests that mothers often experience explicit discrimination because of their roles as caregivers and their need for workplace flexibility."[12]

Richard Lord

Formal care for young children is associated with better cognitive and school-readiness outcomes.

The stark economic conditions facing many families today are aggravated by the inadequate response of policymakers to the predicament of millions of people either unemployed or underemployed by working only part-time when they want and need to work full-time. The country has entered its fourth year of recovery since the end of the Great Recession—yet the unemployment and underemployment rates remain stubbornly high.

According to the nonpartisan Congressional Budget Office, the economy is not expected to get close to full employment for years. Chapter 1 discussed how policymakers could spur job growth through macroeconomic adjustments and government investments. Chapter 2 will focus on improving the quality of low-wage jobs, proposing core labor standards for all so that the new economic reality of American life will begin to include a more supportive work environment.

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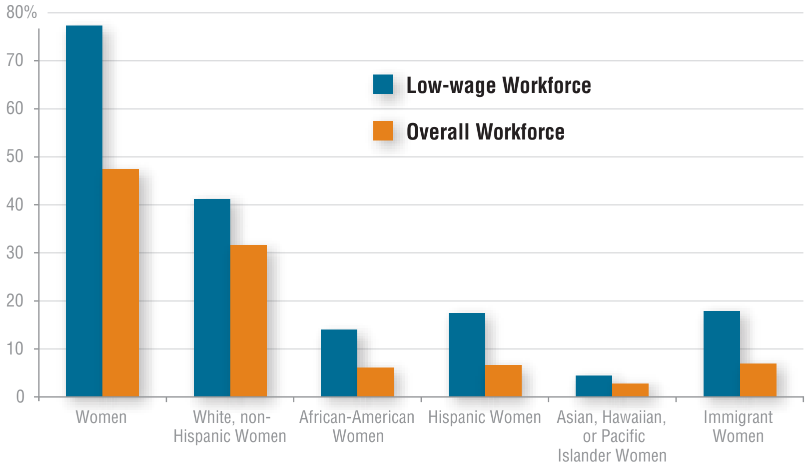
Congress has raised the minimum wage only three times in the last **30 years**.

The highest wage earners are **four times** more likely than the lowest wage earners to receive paid sick days, nearly **twice as likely** to have paid vacation days, and **five times as likely** to have access to paid family leave.[3]

America's Poverty-Wage Workers

America's poverty-wage workforce is predominantly female.[13] See Figure 2.2. While plenty of men also get stuck in poverty-wage jobs, they have more pathways for escape. The female workforce is concentrated in industries that historically pay less than those dominated by men—low-wage work in restaurants, retail sales, cleaning, and particularly care of children and elders,[14] in contrast to sectors such as construction and manufacturing.[15] Women are 94 percent of the country's childcare workforce and 88 percent of the home health care aides who care for elderly and disabled people.[16] Both occupations have a median wage of about $20,000 a year.[17]

Figure 2.2 **Women's Share of Low-Wage and Overall Workforces**



Source: National Women's Law Center (2013). Analysis of 2012 Current Population Survey and Bureau of Labor Statistics data. The low-wage workforce is defined here as the 10 largest detailed low-wage occupations with median wages of less than $10.10 per hour.

In 2011, U.S. women who worked full-time, year-round earned 77 cents for every dollar earned by men.[18] While differences in education and training account for some of the wage gap, much more is due to gender discrimination. Race is a compounding factor—hunger is far more widespread among racial and ethnic minorities. African American and Hispanic women earn just 83 percent and 71 percent, respectively, of what white women earn.[19] For an African American woman working full time, the gender wage gap costs her the equivalent of 118 weeks of food per year, and a Latina loses the equivalent of 154 weeks.[20] Latinas who are legal immigrants and have been in the United States for less than five years are not able to receive SNAP benefits. No legal immigrants, male or female, are eligible for SNAP benefits before they have been in the country for five years, a policy that makes little sense in light of setting a goal to end hunger.

Women are overrepresented in minimum wage jobs.[21] One of the myths about the minimum wage is that most of the earners are teenagers[22]—but in reality, 80 percent are age 20 or older.[23] Two-thirds of restaurant workers who earn the "tipped minimum wage" (an exemption to minimum wage laws on the grounds that workers can make up the difference in tips) of only $2.13 an hour are women.[24] See Box 2.1 on page 66. They are women like Claudia Muñoz, an immigrant from Mexico who supported herself for years by working in restaurants while she attended college in Texas. She survived mostly from the $30 to $40 a day she collected in tips. Muñoz works for the Restaurant Opportunities Center, an advocacy organization whose focus is raising wages and improving working conditions for all U.S. restaurant workers. "There were times when I wouldn't eat all day," she recalls. Employees at one restaurant where she worked were provided with a meal worth up to $6.50—if they worked a full shift. But when the restaurant wasn't busy, they were generally sent home before the end of the shift, so they weren't allowed to eat.[25]

Workers with the least predictable schedules are those with jobs in restaurants and retail. A typical worker in retail sales makes $21,000 a year, with cashiers earning just $18,500.[26] In addition to being sent home early on slow sales days, as Muñoz described, workers also may not know from one day to the next what their schedule is. They may be scheduled for a couple of days but put on call for the rest of the week, which makes it almost impossible to take other jobs to make up the income or to schedule college classes. Retail giant Wal-mart uses "just-in-time" schedules, meaning that workers cannot plan ahead because their work schedules change depending on how busy the store is. Most people know of Wal-mart's reputation for low prices—and its reputation for paying low wages. As the largest private employer in the United States, Wal-mart's influence on wage rates and working conditions stretches across the entire economy. This is because other retailers must reduce their labor costs in order to be competitive with Wal-mart's. One way to do this is to schedule workers for part-time rather than full-time work.[27]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Seven of the 10 lowest paying jobs in the United States are in the restaurant industry.

Young workers with children are twice as likely to be living in poverty as the rest of the adult working-age population.[28] In fact, having a baby is one of the leading causes of a "poverty spell."[29] The Family and Medical Leave Act (FMLA) grants some parents the right to 12 weeks of unpaid leave after the birth or adoption of a child. Low-wage workers are less likely than others to meet the requirements for the FMLA, which include working for a company with at least 50 employees and having worked for at least 1,250 hours during the preceding 12 months.[30] Less than 60 percent of private sector workers are eligible for FMLA.[31] Many who don't qualify are single parents, primarily mothers, whose responsibilities at home make it difficult to put in long hours at work. More than 75 percent of single mothers are in the labor force,[32] but many receive little or no financial support or help looking after their children from the children's father. One reason single-parent families have higher rates of poverty is that the primary responsibility for supporting children falls on only one adult. The share of families headed by single mothers surged during the 1970s and rose less rapidly in the 1980s. Since 1990, the rate has leveled off.

The public discourse about poverty often focuses on single mothers, but the eroding value of wages affects all low- and middle-income families. Families that have not fallen behind have managed this mainly by working longer hours. From 1979–2007, married women in middle-income families increased the number of hours they worked annually by 58.5 percent, or 522 hours—the equivalent of three months of full-time work.[33] These families maintained their foothold on the middle class mainly because they had two incomes.

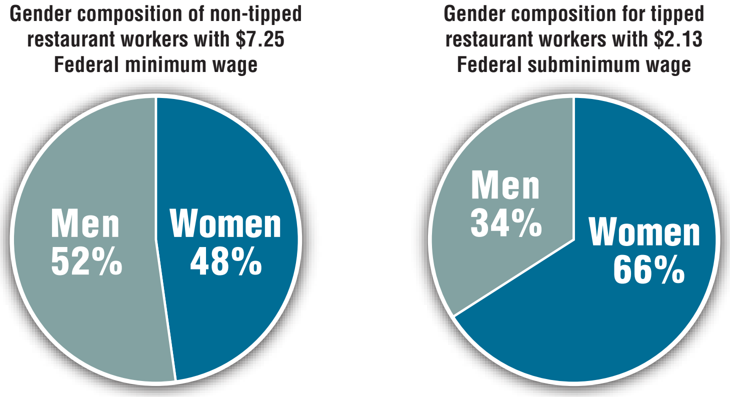
BOX 2.1

RESTAURANT WORK

Seven of the nation's 10 worst-paying jobs, according to the Department of Labor, are in the restaurant industry.[34] From five-star establishments to fast food, low wages are the norm. In fact, we can tell to what extent the economy is still struggling from the effects of the Great Recession by the rate of job growth in the food service sector. In a strong economy, many jobs in restaurants go unfilled because higher-paying jobs are available elsewhere. Presently, job growth in the restaurant sector remains strong—an ominous sign for the nation's economic recovery.

The server in a restaurant where you recently ate could be earning as little as $2.13 per hour, the federal "subminimum wage" for this job. Many Americans do not realize that the federal minimum wage of $7.25 an hour does not apply to all jobs—the law allows exemptions for specific job categories, including restaurant servers who can receive tips. In white tablecloth restaurants, tips can be a significant source of income, but for most restaurant workers they are not. One result is that servers are three times as likely to live in poverty as the workforce as a whole.[35] On the other hand, the National Restaurant Association (NRA) projected that restaurant sales would top $660 billion in 2013.[36]

Figure 2.3 **Gender Composition of Low Paid Workers in the Restaurant Industry**



The large majority of workers in tipped occupations impacted by the subminimum wage of $2.13 are women.

Source: Restaurant Opportunities Center United (2012), *Tipped Over the Edge: Gender Inequity in the Restaurant Industry.*

In the past, the tipped minimum wage was tied to the overall minimum wage, but since 1991, the tipped wage has been frozen at $2.13, while the minimum wage has received raises. The tipped wage was officially severed from the minimum wage as part of welfare reform legislation of 1996. The NRA, which represents 380,000 restaurant companies in the United States,[37] lobbied hard for this provision. During the 1994 and 1996 election cycles, the NRA contributed more than $90,000 [$142,000 in 2013 when adjusted for inflation][38] to the reelection campaigns of members of the congressional committees with jurisdiction over the tipped wage.[39] Waiters and waitresses, with median earnings of $8.93 an hour including tips, cannot hope to have the influence enjoyed by the NRA.[40]

RETAIL WORK

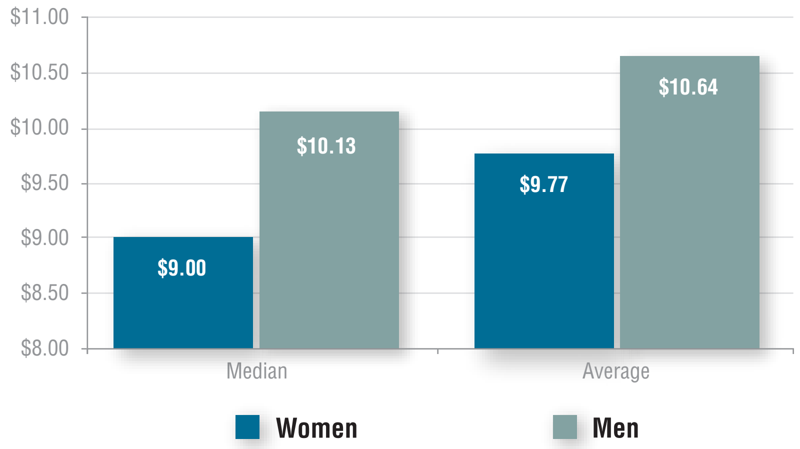
The nation's 15 million retail workers earn a median wage of $10.09 an hour.[41] One in five retail workers is providing their family's only paycheck.[42] Catherine Ruetschlin, with the nonpartisan public policy organization Demos, estimates that a wage standard of $25,000 for a full-time, year-round worker at the nation's largest retailers—those employing 1,000 workers or more—would improve the living standards of 5 million workers and their families.[43] Would this damage the businesses? Ruetschlin determined that it would cost the largest retailers less than 1 percent of their annual sales. If half the costs were passed onto consumers, the average household would spend just 15 cents more per shopping trip.[44]

"There is absolutely no tradeoff between low prices and good jobs."

— Zeynep Ton, MIT

"There is absolutely no tradeoff between low prices and good jobs," says Zeynep Ton, an expert on the retail sector at the Sloan School of Management at the Massachusetts Institute of Technology.[45] And, in fact, higher wages are good for business: a study by the Wharton School of Business at the University of Pennsylvania found that each $1 increase in worker pay leads to an additional $4 to $28 in sales each month.[46] Well-paid, experienced employees provide better customer service, and improvements in worker morale lead to lower turnover, so companies save the costs associated with replacing workers. These are significant: Ton and her colleague Robert Huckman found that the cost of replacing a worker earning $8 an hour at a retail chain store is at least $3,500 and sometimes as much as $25,000.[47]

Figure 2.4 **Gender and Wages in the Retail Sector**



Median wage is calculated by dividing all surveyed wage earners into two equal groups.

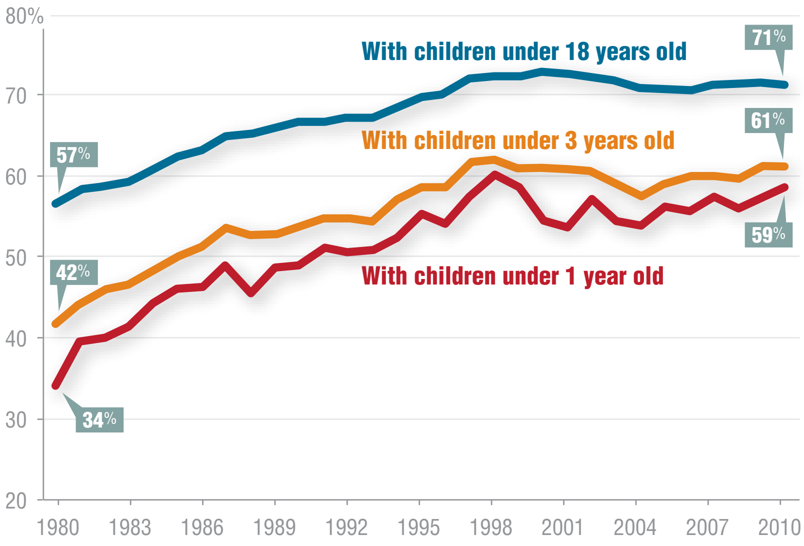
Average wage is calculated by dividing aggregate wages of the group by the number of wage earners included in the survey.

Source: Retail Action Project (2011). Based on a survey of 2,000 professionals across the United States in a variety of retail and fashion-related fields.

Balancing Work and Family

The Great Depression of the 1930s led to the New Deal, a set of economic initiatives that embodied a new social contract between the government and the public. As part of the New Deal, President Franklin D. Roosevelt and the Secretary of Labor, Francis Perkins, drafted the seminal Fair Labor Standards Act, which Congress passed in 1938. The law benefits families in many ways—particularly those in the lowest-paying jobs. The Fair Labor Standards Act set a federal minimum wage, established the 40-hour workweek, and required employers to pay employees overtime for any hours over 40 per week. In 1938, 40 hours was considered a short workweek and the country was still reeling from the effects of the Great Depression. Reducing unemployment was the president's top priority, and the new law made it possible to put more people back to work.[48]

Figure 2.5 **Mothers' Labor Force Participation Rate, 1980-2010**



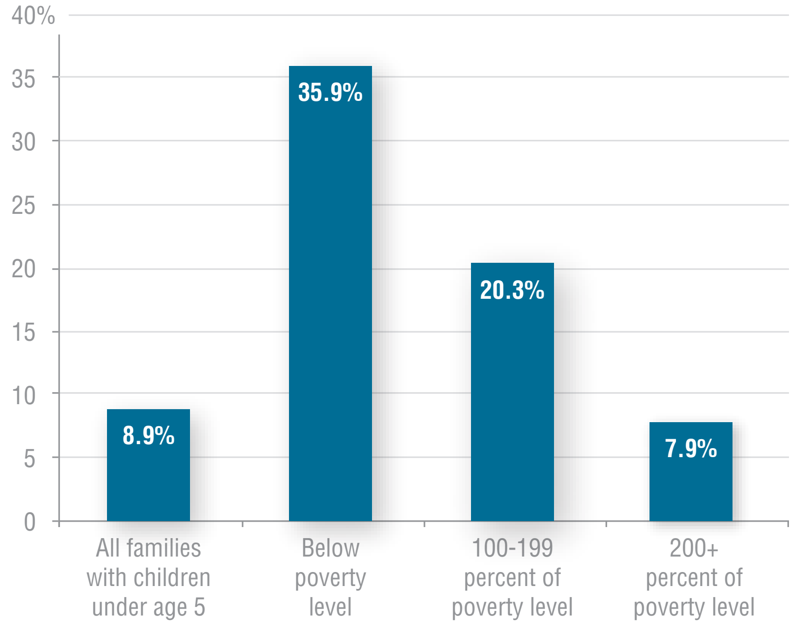
Source: Demos (2011), *The State of Young America*. Demos analysis of Current Population Survey data.

The Fair Labor Standards Act sets the "floor" for the fair treatment of workers and it remains a vital piece of legislation, but it does not address the dual role of workers who are also caregivers. In the 1930s, most women with children at home were not part of the paid workforce. President Roosevelt and Secretary Perkins, the first female Cabinet secretary, could not foresee the transformation of the American workplace as women entered the workforce in large numbers and more mothers added "breadwinner" to their responsibilities.[49] This made the care of children and elders a much more complicated undertaking. This transformation is still under way: between 1980 and 2010, mothers in the workforce with children under age 18 increased by 14 percent; mothers with children under age 6 by 19 percent; and mothers with infants by 25 percent.[50] See Figure 2.5. In survey after survey,[51] parents, regardless of their income level, report that they are exhausted and under stress from managing work and family commitments.

The Fair Labor Standards Act is silent on whether workers have a right to adapt their schedules to meet family needs. In the United States, workers who are allowed flexible scheduling and family leave tend to be those earning the most, while low-wage workers, arguably those most in need of these benefits, are the least likely to receive them.[52] In the late 1990s, the U.K. government enacted a law that gives parents the right to request flexible schedules. Employers must provide this flexibility unless they can prove it will have an adverse economic impact. Although they objected initially, employers soon accepted the new law as they saw the benefits of increased employee productivity, satisfaction, and retention.[53] The British law has now been expanded to cover family caregiving needs beyond child care—for example, caring for a disabled spouse.

Children in low-income families are more likely to have chronic health problems. One reason families become poor is that when a parent is forced to choose between keeping a job and caring for a sick child, she or he generally opts to take care of the child. Federal standards that require paid sick leave and paid family and medical leave would go a long way toward helping parents—and all workers—manage their work and family responsibilities.

Figure 2.6 **Poor Families Spend a Larger Share of Their Income on Child Care**



Source: Heather Boushey and Jane Farrell (2013), "A Woman's Agenda for the 21st Century: A Dozen Policies to Promote Economic Security for Women and Their Families," Center for American Progress. Authors' analysis of U.S. Census Bureau data.

Child Care

More and more parents—57 percent in 2010, up from 49 percent just four years earlier—describe child care as an economic necessity.[54] In theory, families with lower incomes can get federal childcare subsidies, but currently, only one in six families that qualify actually receive this support.[55] A number of studies show that subsidized childcare enables more mothers to work, especially full-time, and that subsidies reduce poverty.[56] The Child and Dependent Care Tax Credit, a nonrefundable credit, allows eligible families to deduct up to 35 percent of the cost of care from their taxes, but most low-income families are ineligible because they don't earn enough to owe income tax. If the credit were refundable, like the Earned Income Tax Credit, anyone with earned income who pays for child care would be eligible for it.

The annual cost of full-time care for an infant in a childcare center ranges from $4,600 in Mississippi to $15,000 in Massachusetts, according to the National Association of Child Care Resource & Referral Agencies.[57] The high cost of care puts it out of reach for many families, especially those who earn too much to qualify for a subsidy but not enough to pay for high-quality care themselves. After paying for child care and other expenses associated with working, they may find they have little if anything left over. When both parents are working in low-wage jobs, they may be able to eke out a living without cutting back on their food consumption or resorting to emergency services such as a food pantry or soup kitchen. On one income, however, that is extremely difficult. There is not a single U.S. state where a couple relying on the income of one person in a poverty-wage job could afford a two-bedroom apartment at fair market rates.[58] In addition, child care is hard to find—particularly high-quality child care, and particularly care during the nontraditional days and hours required of many low-wage workers.

These families have good reason to feel frustrated. Having the second parent enter the paid workforce may make their household income look good on paper, but paying for child care and other work-related expenses makes their actual financial situation far less rosy. Suzanne Bianchi, professor of sociology at UCLA, explains: "They may feel that they have done everything right—completed high school or some college, married before having children, worked hard at their jobs—and yet they still struggle to carve out a reasonable family life and hold onto jobs that are critical to their family's economic well-being."[59]

Richard Lord

People 85 and older are the fastest growing share of the U.S. population, with about two-thirds reporting functional limitations performing routine daily tasks.

Adult Care

While child care is a major concern for many workers, many others need to care for adult family members, especially elders, who are sick or disabled. Some workers face both challenges at once. About 25 percent of workers report that they have elder-care responsibilities; by 2020, this figure is expected to rise to 40 percent.[60] With the baby boom generation now starting to retire and advances in health care making it possible for people to live longer, adults in the coming decades may start to spend more years caring for their parents than for their children.

The typical caregiver is between the ages of 35 and 64, female, and employed.[61] Women—most often wives or adult daughters—provide more than 75 percent of the care given to adult family members.[62] While relatives may well be caring for elders out of love, it is likely to be a financial necessity as well, since the cost of paid care for elderly people is outpacing the ability of families to pay for it.[63] In 2009, the American Association of Retired Persons (AARP) put the value of unpaid care at $450 billion a year, more than twice what the country spends on paid long-term care services from all sources.[64]

The Family and Medical Leave Act is the only law that deals specifically with the challenges of working while providing elder care.[65] For those who qualify, the offer of up to 12 weeks of unpaid leave is better than nothing, but it is not feasible for most low- and moderate-income families, nor will it meet the needs of those whose relatives have chronic health problems rather than an acute crisis once a year. "Two-thirds [of caregivers] say they reduce hours at work [when they start caring for elders]," says Howard Gleckman, author of *Caring* *for Our Parents.* "Not only does that reduce their current standard of living, it also jeopardizes their own retirement. It means they have less to put away in savings and fewer Social Security benefits. Over their lifetime, caregivers give up hundreds of thousands of dollars in potential income."[66] Gleckman, who publishes an influential blog with the same name as his book, says, "Even as Congress talks about the importance of caregiver support, it does little. The 40 to 50 million family caregivers need real help but the system they rely on for support is failing them."[67]

The United States is unique among peer nations in not providing universal public access to preschool.

Child and Adult Care Workers: The Other Side of the Equation

The Department of Labor reports that caregiving is one of the nation's fastest growing occupations,[68] with demand fed by the increasing demands on workers and the rise in the share of the population that is elderly.

A person's quality of life from birth to death is shaped by the quality of care available to him or her. As important as professional caregiving is to the functioning of the U.S. economy today, it ought to pay better than poverty-level wages. Improving the quality of care starts with improving the quality of caregiving jobs.

Raising the Floor on Child Care

The choice is ours as a society: the person caring for young children can have minimal qualifications and earn less than a worker in a fast food restaurant, or be a well-trained professional in child development and earn enough to meet a family's needs. How childcare workers are seen and treated speaks volumes about our priorities.

Child care must first provide a safe and nurturing environment—criteria that not all childcare situations meet, particularly those that low-wage workers can afford. Second, child care must provide educational enrichment; this is not an optional luxury, since high-quality child care can have a lasting impact on child development and is linked to school readiness. The science of brain development tells us to start children's education before kindergarten. Not only do children and their parents benefit, so does society. Nobel Prize-winning economist James Heckman of the University of Chicago has shown that a dollar invested in the education of children under age 3 leads to $8 to $9 in later productivity gains.[69] Parents don't think about productivity gains when they drop off their child with a care provider. They do think about giving their child the best chance of success in life.

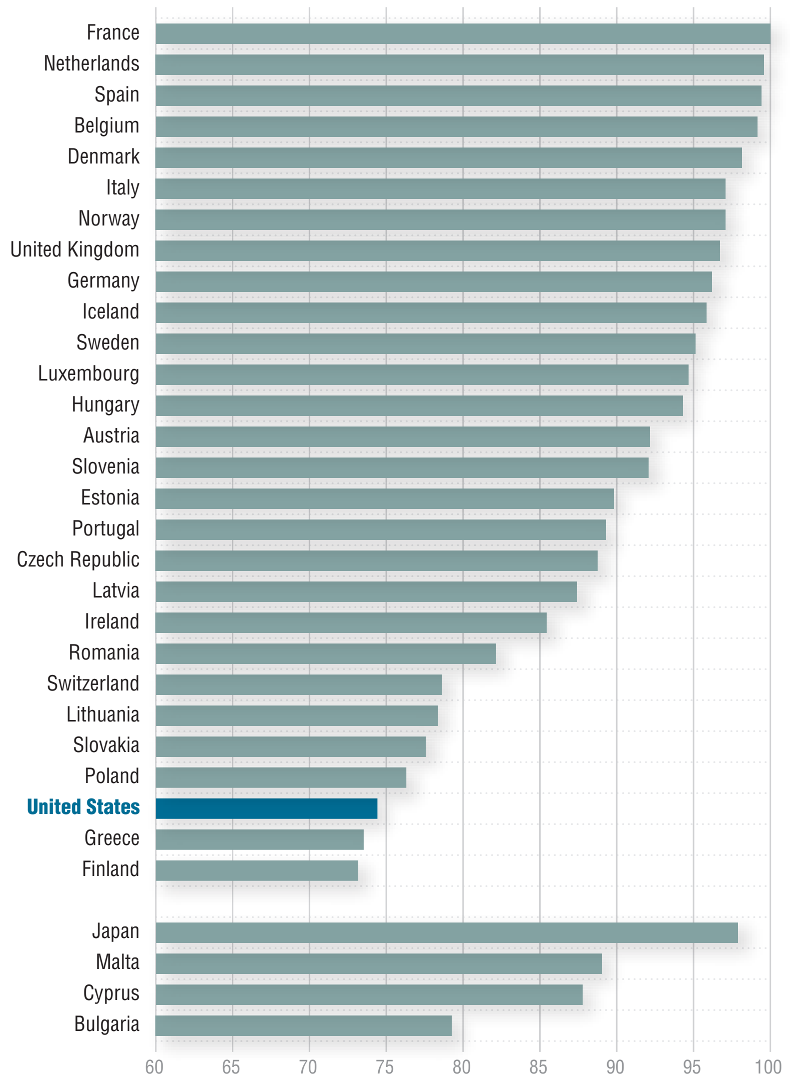

Richard Lord

Before they enter kindergarten, children who grow up in poverty are already falling behind. For example, on average, their vocabulary includes only *one-third* as many words as children the same age from middle- and high-income families.[70] Head Start, the federal early education and care program, serves only about two out of five eligible preschool-age children (three- and four-year-olds) and Early Head Start serves just 4 percent of eligible infants and toddlers.[71] Nationwide, about one-tenth of all children under the age of 5 are enrolled in Head Start or a state-based prekindergarten program (which, like Head Start, may also be means-tested).[72]

Experts consider the typical quality of early education in the United States to be low by developed-country standards.[73] The United States is unique among peer nations in not providing universal public access to preschool in the year or two before school entry.[74] The fact that childcare workers generally earn poverty-level wages virtually guarantees that the standards for their training as educators will be low. "In France, pre-kindergarten teachers are required to be more highly trained than public school teachers," says author and economist Robert Kuttner. "They must get additional course credits in public health and early child development, and they are compensated accordingly."[75] In Nordic countries, early childhood education teachers are trained and paid the same as elementary school teachers. Correlation may not be causation, but in these countries, which provide some of the highest quality early education in the world, people who grow up in low-income homes are less likely to remain poor as adults than their American counterparts.[76]

The share of early childhood education teachers and administrators with a four-year college degree averaged 43 percent in the early 1980s, but fell to 30 percent

Figure 2.7 **Preschool Enrollment Rates**



Source: UNICEF (2013), *Child Well-being in Rich Countries.*

in the early 2000s.[77] The declining share of college-educated workers reflects changes in the economy and new opportunities that have opened up to educated women. Women are still overrepresented in the early education field as they always have been, but it is not surprising that college-educated women would leave traditional but lower-paying fields as a greater variety of better-paying career choices opened up.

In 1971, the United States came close to enacting comprehensive childcare legislation at the federal level, when Congress passed the Comprehensive Child Development Act with bipartisan support. The legislation guaranteed every family access to child care and set federal standards for quality control and staff training. But President Richard Nixon vetoed the bill, saying that "federally-supported, institutional child care would undermine the family by encouraging mothers with young children to go out to work."[78] Of course, he couldn't stop the mass entry of mothers into the workforce, which was fueled by a powerful combination of individual aspirations and economic necessity.


Richard Lord

The high annual turnover rate (30 percent) of child care staff in the United States is directly related to poverty-level wages.

Raising the Floor on Adult Care

In 2008, the Institute of Medicine (IOM) stated that the education and training of adult care workers is insufficient to prepare them to provide high-quality care. IOM called for raising worker standards, including "fundamental reform in the way the workforce is trained."[79] A bachelor's degree is more common among childcare workers than adult care workers. A college degree is not a requirement in either field; in fact, a high school degree is not required either.[80]

In 2013, nearly half of adult care workers were enrolled in public safety net programs such as SNAP and Medicaid.[81] Low pay and meager benefits lead to high annual turnover rates—between 44 percent and 65 percent.[82] This inevitably causes disruptions in patient care and inefficiencies in the use of Medicaid and Medicare funds, under which many of the services adult care workers provide are financed. Because the federal government is thus a "paying customer" of adult care services, it can directly influence compensation policies. See the section below titled "A Higher Road to Better Paying Jobs."

Raising workers' skill levels and wages would lead to costs savings in Medicaid and Medicare. It would also mean savings to taxpayers since workers would need fewer publicly financed safety net programs for themselves and their families.[83] The Affordable Care Act contains provisions that support workforce development and other improvements in job quality.[84] But as things stand, the workers are so poorly compensated that it is unrealistic to expect them to invest in their own training without some guarantee of improvements in pay and working conditions.

In 2002, Evelyn Coke, an adult care worker from New York, took her employer to court. She had worked for years without days off or overtime pay and 70-hour weeks for less than the minimum wage.[85] Like restaurant servers, adult care workers were not covered by the minimum wage and overtime protections in the Fair Labor Standards Act, because the law still had a "companionship exemption" for those who care for elderly and disabled people. This is a relic of the past that shows how adult care work was traditionally viewed—as though things had not changed since the days when it meant that a woman from the neighborhood would come to read to an elderly person whose sight was failing.

Home health care services for the elderly is one of the fastest growing fields of employment, while it remains one of the lowest paid.

In 2007, the case reached the Supreme Court, which ruled that it was up to the White House to change the compensation policies for adult care workers.[86] In 2011, the Obama administration proposed a rule change to remove the minimum wage exemption. During the review phase, the Department of Labor received close to 26,000 comments, overwhelmingly in support of the change.[87] Lobbying against the rule change was the extremely profitable home care industry.[88] Approximately 70 percent of adult care workers are employed by home care agencies.[89] The Department of Labor estimated that the additional costs of covering adult care workers under federal minimum wage standards would be less than 0.1 percent of the industry's $84 billion in revenues.[90]

In September 2013, the Obama administration announced it was extending minimum wage and overtime protections to the adult care workers, although the change will not go into effect until January 2015. "These new rules are a major victory for the 2.5 million home care workers in America, and the millions more who will be needed to meet America's growing need over the next decades," said Sarita Gupta, executive director of Jobs with Justice and American Rights at Work. "By extending basic labor protections to in-home care workers, the Department of Labor has helped pave the way for strong, sustainable growth of the care workforce."[91]

One person who did not see this day arrive was Evelyn Coke. She died in 2009 at the age of 74.

An Honest Day's Pay

For some time now, policymakers have understood that low-wage work does not pay enough to support a family. As early as the 1970s, the Earned Income Tax Credit (EITC) was used to supplement low wages. The EITC offsets federal payroll and income taxes. It has enjoyed bipartisan support because it rewards work. Its explicit objective is to reward low-income families with children where a parent does the right thing by holding a job.

Every year the EITC lifts millions of families with children out of poverty. It moved an average of 6 million people above the poverty line in each of the years 2009, 2010, and 2011, and it reduced the effects of poverty for an additional 21 million people whose incomes remained below the poverty line.[92] The program has been around long enough that researchers have data to show that children whose families claimed the EITC credit are earning higher incomes as adults and relying less on government safety nets than their peers whose families did not receive the EITC.[93] EITC participation is also associated with improvements in children's school performance,[94] improvements in maternal health, and reductions in premature and low birth weight babies.[95]


iStock

The majority of low-wage workers earning $10 per hour or less are employed at large businesses with at least 100 employees.

The EITC has been the policy instrument of choice because it is less of a burden to employers than raising wages. But an increase in the federal minimum wage that accurately reflects living costs is long overdue. In his 2013 State of the Union address, President Obama called for raising the minimum wage to $9 an hour by 2015 and indexing it to inflation. "The president believes no one who works full time should have to raise their family in poverty," read a statement from the White House press secretary after the State of the Union.[96] In 2012, 3.5 million workers were paid minimum wage or less—that's 4.7 percent of all workers paid by the hour.[97]

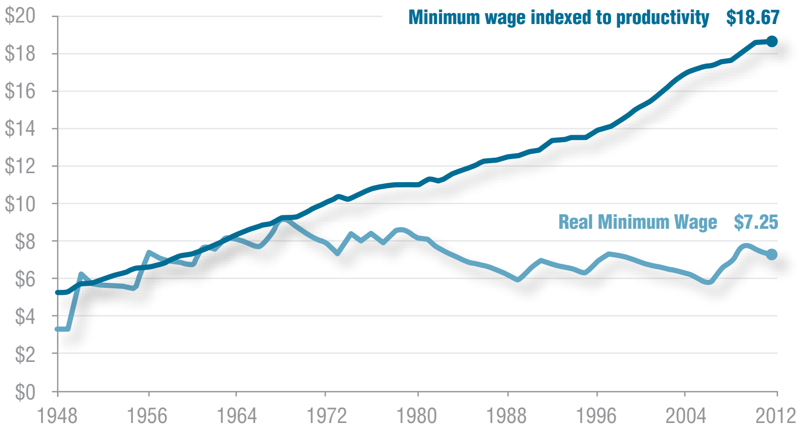
At $9 an hour, a full-time worker would have an annual income of $18,018. In 2015, a family of four dependent on that worker's income would still be $6,600 below the poverty line.[98] While the president's proposal falls far short of his objective as stated by his press secretary, we don't want to minimize the value of any increase in the minimum wage. The current federal minimum wage is $7.25 an hour, so a full-time worker earning the minimum wage has an annual income of less than $15,000. According to the Economic Policy Institute, a $9 minimum wage would directly boost the wages of more than 13 million workers and lead to increases for another 4.7 million.[99]

No less important than the dollar amount of the minimum wage is the president's proposal to index it to inflation, which would mean adjusting it regularly. Currently the minimum wage is not indexed to inflation, so its real value begins to depreciate immediately and workers don't catch up until the president and Congress decide to raise it again. The timing of increases that require a congressional vote is unpredictable at best. Adjusted for inflation, the real value of the minimum wage peaked in the late 1960s. By 2012, it had decreased in value by nearly one-third,[100] and with it so did the purchasing power of minimum wage workers.

The rise of income inequality in the United States is fundamentally about the divergence between productivity growth and wage growth. The U.S. economy has grown much larger since the late 1960s. So has income inequality. This was not an inevitable outcome. See Figure 2.8. In the first few decades after World War II, living standards improved for everyone because productivity and wages grew at the same rate. But in recent decades, the gains from productivity growth have gone almost exclusively to the top earners. Nowhere does income inequality come into sharper focus than at the bottom of the income distribution, where the minimum wage sets the floor. If the minimum wage had kept pace with productivity growth, *it would now be $18.67 an hour in 2012 dollars.*[101] Had wages and productivity risen at the same rate for everyone, as in the past, the poverty rate in 2007 would have been 44 percent lower than it was.[102]

Figure 2.8 Too Many Americans are More Productive But Not Higher-Paid

Real federal minimum wage compared to what the minimum wage would be if it had been indexed to productivity since 1968



Source: Heidi Shierholz (2013), "Lagging minimum wage is one reason why most Americans' wages have fallen behind productivity," Economic Policy Institute. Author's analysis of Total Economy Productivity data from the Bureau of Labor Statistics Labor Productivity and Costs program. Minimum wages are from the U.S. Department of Labor Wage and Hour Division and deflated using the CPI-U-RS.

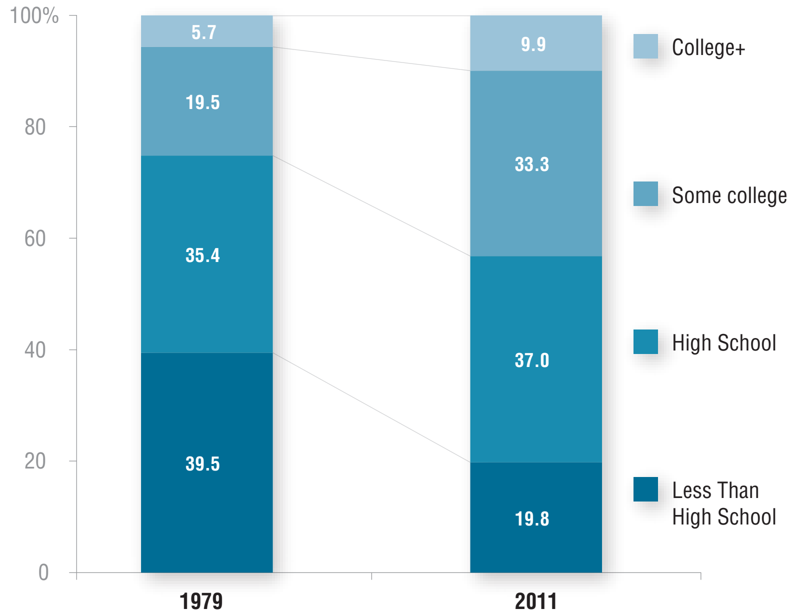
This divergence between productivity growth and wage growth is frequently attributed to differences in educational attainment. This is true to some extent—better-educated workers have always commanded higher wages—but the relationship between differences in educational attainment and the rise of income inequality has been greatly exaggerated. There is more inequality *within* the group of workers with college degrees, for example, than there is between college-educated workers and everyone else. In the middle fifth of the income distribution, where there are plenty of workers with bachelor's degrees, master's degrees, and PhDs, the average annual earnings in 2007 would have been $18,897 higher if productivity and wage rates had continued to rise in tandem.[103]

Low-wage workers are on the whole better educated today than when they were receiving their fair share of productivity growth. See Figure 2.9. One way to do the right thing for all workers across the income distribution would be to start distributing the gains from productivity growth more fairly. There has been sufficient economic growth for everyone to benefit. From 2002-2011, for example, productivity increased by 16.1 percent—yet the inflation-adjusted compensation (wages and benefits) of both high school graduates and college graduates fell.[104]

The argument most often used against raising the minimum wage is that it would lead employers to lay off workers or cut back on their hours. The effect on employment outcomes of raising the minimum wage has been widely studied; in fact, it is one of the most studied subjects in economics. There is little evidence that moderate raises lead to higher unemployment or reduced work schedules. Jared Bernstein of the Center on Budget and Policy Priorities explains that raising the minimum wage "won't transform the labor market or rebuild the middle class, but it is a vital if small part of the connective tissue that used to bind even our lowest wage workers to the more broadly shared prosperity that has eluded them for decades."[105]

The minimum wage and the EITC are tools policymakers can use to fix some of the broken places in the economy for low-wage workers. "What combination of these two policies should we use to achieve the goal of guaranteeing workers and their families a decent living standard?" ask Jeannette Wicks-Lim and Jeffrey Thompson, economists at the University of Massachusetts, in a study appropriately titled *Combining Minimum Wage and Earned Income Tax Credit Policies to Guarantee a Decent Living Standard to All U.S. Workers.*[106] The key variable they identify is the minimum wage tipping point—that is, the largest minimum wage hike that the U.S. economy would be able to absorb without producing significant layoffs or reductions in workers' hours.[107] They conclude, "A 70 percent minimum wage hike falls below the tipping point." [108]

Figure 2.9 **Low-Wage Workers, by Education, 1979 and 2011**



Source: John Schmitt and Janelle Jones (2012), "Low-wage Workers Are Older and Better Educated than Ever," Center for Economic and Policy Research.

A Higher Road to Better-Paying Jobs

The U.S. government permits private sector firms to pay workers poverty-level wages in the federal contracting process. This can be changed rather simply by requiring companies that compete for government contracts to adopt a "high-road" approach to compensating their lowest-paid workers.

In 2012, the federal government paid private sector firms $517 billion to provide it with goods and services.[109] Just a few examples of the workers paid poverty-level wages under government contracts: janitors and food service workers in government buildings, truckers who haul food served in school cafeterias around the nation, and sewing machine operators who produce uniforms worn by members of the armed forces.

Fidelina Santana, a 40-year-old mother of three, is the sole breadwinner for her children. She works in the food court at a federal office building in Washington, DC. "Even after [nine] years of hard work, I only earn $9.50 an hour and I don't have any benefits," says Santana. "To make ends meet, I need to work 73 hours a week. I don't even get overtime. I work so much because I am a single mother of three children. I need to feed them and put a roof over their heads, even if it's only a bedroom that I rent in my sister's house."[110]

Table 2.1 Low-Wage Private Sector Workers Funded by Public Dollars

Jobs funded through direct federal contracts	560,000
Jobs funded through SBA loans	204,000
Jobs funded through Medicare spending	759,000
Jobs funded through federal Medicaid spending	425,000
Jobs funded through federal Child Health Insurance Program spending	2,000
Jobs supported by Public Buildings Service property leases	9,000
Jobs funded through federal infrastructure funds	33,000
total	**1,992,000**

Source: Amy Traub and Robert Hiltonsmith (2013), "Underwriting Bad Jobs: How Our Tax Dollars are Funding Low-Wage Work and Fueling Inequality," Demos.

The Department of Defense (DoD) is by far the largest contractor for government goods and services.[111] An estimated 20,000 workers make military uniforms.[112] Since the law requires that all U.S. military uniforms be made domestically, DoD is the world's largest purchaser of U.S.-made textiles. Sewing machine operators in the uniform manufacturing plants earn an average of $10.22 per hour. Lucy Johnson (a pseudonym) works on a federal contract to provide uniforms to DoD. She's been a sewing machine operator for 25 years at a plant in Knoxville, Tennessee, and earns $7.25 an hour. The company she works for earned $13 million from federal contracts in 2012 alone and a total of more than $200 million since 2002.[111] Johnson is now 65, but retirement is out of the question. She receives Social Security benefits and Medicare (which covers 80 percent of her medical expenses). But with a heart condition that costs her $100 per month in out-of-pocket medical expenses, she can barely afford to eat even with the help of food stamp/SNAP benefits.[114]

"Low-wage government contract workers outnumber all the low-wage workers at Wal-mart and McDonald's combined."

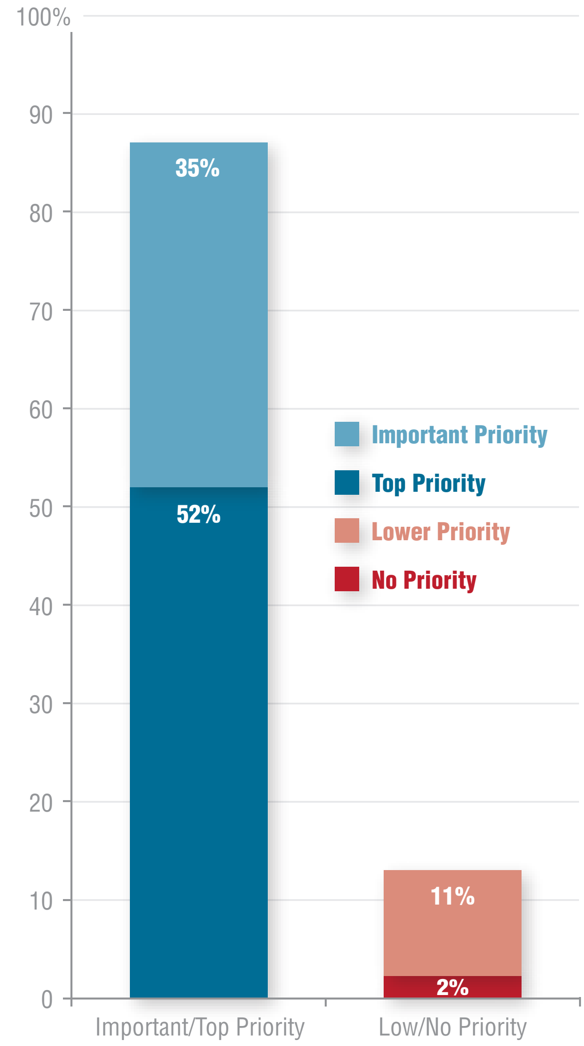
A 2013 study by Demos, a nonpartisan public policy organization, found that nearly 2 million private sector employees working on behalf of American taxpayers earn $12 per hour or less.[115] See Table 2.1. As mentioned earlier, a family of four with one worker earning $12 an hour is right at the poverty line. These 2 million low-wage government contract workers outnumber all the low-wage workers at Wal-mart and McDonald's combined.[116]

Amy Traub, who co-authored the Demos report, "Underwriting Bad Jobs: How Our Tax Dollars Are Funding Low-Wage Work and Fueling Inequality," testified before Congress in May 2013 about the effects of low wages paid by federal contractors. She put the burden on taxpayers in context: "When federally funded workers are paid low wages, taxpayers are, in effect, subsidizing their jobs twice. First we pay for the work itself. But we pay again when workers earn so little that they require public benefits, such as Medicaid, food stamps, and housing assistance, to support their families."[117]

President Obama has the authority to improve workplace standards at firms that do business with the federal government. The administration has pushed hard to eliminate waste and abuse in federal contracts, and better treatment of workers could save money for the government. He can issue an executive order requiring federal agencies to take all possible steps to raise workplace standards, including paying better wages. Past presidents have used their authority to redress discrimination in the contractor workforce. In March 2009, Obama did in fact announce plans to reform federal contracting policies in ways that reward high-road firms.[118] But in March of 2011, an official in the Office of Management and Budget announced that these plans had to be put on hold.[119] Time is running out for the president to follow through on his pledge.

The government has a limited ability to influence the behavior of private sector companies, but the government is the customer in the public sector–or, to put it differently, the taxpayer is the customer. Polls consistently show that the U.S. public wants the government to do more to help ensure that working families can afford a decent standard of living. See Figure 2.10. So then, most Americans are likely to agree that the federal government should be doing business with high-road companies that pay their workers a living wage, not with low-road companies that pay poverty wages. Demos suggests a point system to reward contractors that pay their workers living wages. The government already uses a performance-based system to evaluate contractors on the quality of their work, so a component on how they compensate their employees would be a simple addition to the existing evaluation system.[120]

Figure 2.10 **What Priority Should the Federal Government Give to Addressing Problems of the Working Poor?**



Source: American Values Network (2012), "Poll: Voters Prefer Candidates Who Talk About Working Poor."

Bargaining Power

In an economy with full employment, workers have some bargaining power when it comes to wages and benefits. High unemployment has the opposite effect–people who are out of work and desperately need jobs can't afford to make many demands about the pay and benefits. The less bargaining power a worker has with her employer, the less pay she will accept to do the job. If an employer breaks the law–discriminates on the basis of race or gender, fails to pay overtime, or simply steals wages—people who struggle to gain any job are often afraid to stand up for their rights.

Traditionally, low-wage workers have gained bargaining power by forming unions and bargaining collectively. Blue-collar workers covered by collective bargaining agreements earn more than 23 percent more than their peers in similar jobs not covered by such agreements.[119] Unions also have the effect of increasing wages for non-union workers in the same industry and geographic area.[120] This is important because it means that unions are not just narrow interest groups benefitting their members but can also advance the interests of a wider proportion of working people.

The United States lags behind other industrialized nations in collective bargaining coverage of workers.

In 2011, 17.8 percent of blue-collar men were covered by collective bargaining agreements, down from 43.1 percent in 1978.[123] The decline in union membership mirrors the decline in wage rates since the late 1970s; it is a major cause of the increase in wage inequality in the United States over the same period. The main reason that union membership is falling, argue labor leaders, is that the federal government has permitted management to block workers from organizing. If management fires workers who attempt to organize, the workers have the right to petition the National Labor Relations Board for redress. But some of these cases have dragged on for years, so long that the workers who tried to form a union have moved on to new jobs. The Employee Free Choice Act, a bill that would make it easier for workers to form a union and harder for management to prevent this, passed with bipartisan support in the House of Representatives in 2007 but was killed by a threatened filibuster in the Senate. Overall, only 11.8 percent of workers are now represented by a union, yet 58 percent say they would like to be.[124] Hence it would be premature to write unions off as an artifact of a bygone era. Between 1933 and 1954, union density rose from 7 percent to 28 percent,[125] and there is little reason to believe that unions could not rise again.

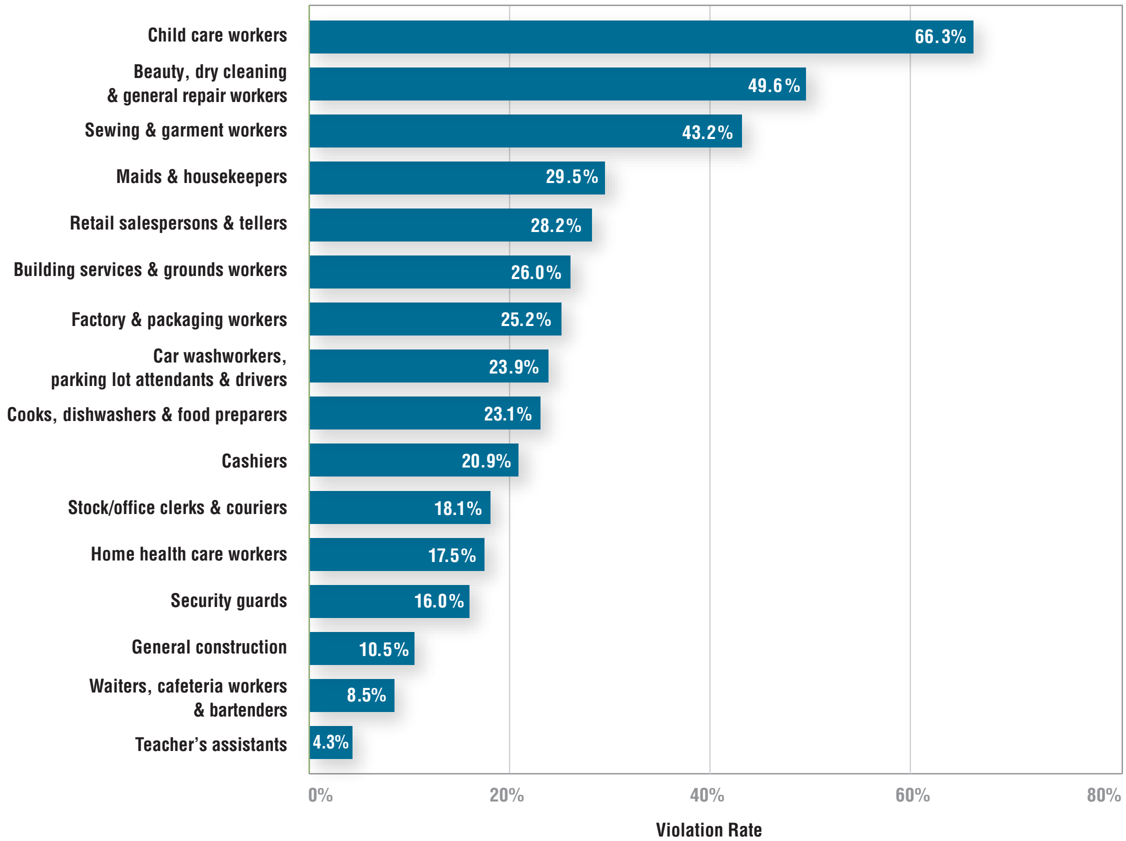
"Blue-collar workers covered by collective bargaining agreements earn more than 23 percent more than their peers in similar jobs not covered by such agreements."

For the moment, however, declines in union membership also mean fewer of the advantages that union members once enjoyed. Unions serve as watchdogs, ensuring that employers comply with workplace regulations. Thus, workers now find themselves more dependent on the enforcement of regulations in the Fair Labor Standards Act at a time when there is great hostility to government regulation. It is a precarious position. Between 1980 and 2007, the number of inspectors enforcing federal minimum wage and overtime laws declined by a third—while the labor force grew by half.[126]

In 2011, more than 7,000 collective actions were filed in federal court alleging wage and hour violations under the Fair Labor Standards Act.[127] A 2008 survey of low-wage workers in Chicago, Los Angeles, and New York—the three largest U.S. cities, with a combined labor force of more than 11 million workers—found that 26 percent were paid less than the minimum wage, 76 percent were underpaid or not paid at all for overtime hours, and 70 percent worked off the clock before or after their paid shift. On average, the 4,387 workers in the survey were not paid for 15 percent of their time—an average of $2,634 was stolen from their annual earnings.[128] The vast majority of these workers were supporting at least one child. The wage theft meant that every month, families had $219.50 less to buy food and meet other expenses.

Wage theft takes a variety of forms. It happens in big firms and small. Workers at a Nash-

Figure 2.11 **Minimum Wage Violation Rates by Occupation: Survey of Workers in Chicago, Los Angeles, and New York City**



Source: Annette Bernhardt, Ruth Milkman, et al. (2009) *Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities,* National Employment Law Center.

ville car wash were told they were off the clock anytime there were no customers onsite. In Madison, Wisconsin, a cook was working 40 hours a week at two restaurants owned by the same employer who counted each of the 40 hours separately.[129] Workers may be ordered to stay late or come in early and not be paid for the additional hours. They may be forced to work through breaks. Day laborers aren't paid at the end of the day. A job ends, and the last paycheck–which may be for weeks of work–never gets signed. Tips are withheld. Workers are classified as independent contractors rather than employees. Workers in retail sales (cell phones, for example) regularly work on commission. Some employers delay payments for months and establish payment systems that are confusing and easy to manipulate.

Wage theft is common among undocumented day laborers. Construction is the most common occupation for day laborers.

In 2008, Wal-mart settled a class action suit for nearly half a billion dollars, the largest lawsuit settlement ever for wage and hour violations.[130] Over the course of a decade, 14 7-Eleven franchises stole millions of dollars in wages from dozens of workers.[131] The victims were undocumented immigrants and thus easy prey for the employers, who knew that the workers had no recourse since they could not go to authorities for fear of deportation.

Kim Bobo, executive director of the Interfaith Worker Justice Network and author of *Wage Theft in America*, says there is no comprehensive study of wage theft across all 50 states. But based on regional or city studies such as the one mentioned above in Chicago, Los Angeles, and New York, she estimates that the total value of wages stolen from workers could easily reach $100 billion a year.[132] Think about it–$100 billion could buy a lot of nutritious food and safe housing for families living in poverty in this country.

"Between 1980 and 2007, the number of inspectors enforcing federal minimum wage and overtime laws declined by a third—while the labor force grew by half."

Not only is wage theft a crime against individuals and groups of workers, but it harms all workers and society by weakening workplace standards intended for the protection of everyone. "When unscrupulous employers violate the law, responsible employers are forced into unfair competition," writes the National Employment Law Project, which conducted the survey in Chicago, New York and Los Angeles, "setting off a race to the bottom that threatens to bring down standards throughout the labor market."[133] Better enforcement by government inspectors is a must. A revitalized labor movement would make a big difference. A commitment to reaching full employment is a key solution for the long term.

IMMIGRANTS IN THE U.S. FOOD SYSTEM

Andrew Wainer, Bread for the World Institute

More than 70 percent of all hired U.S. farm workers are foreign-born, mostly from Mexico, and about half are undocumented.[1] Many arrive in the United States to escape poverty and hunger in their homelands. They can earn more money in the United States, but they still live on poverty-level wages and suffer from food insecurity.

Maria, an immigrant from Mexico who works harvesting vegetables, is an example of the sacrifices that immigrant agricultural workers make to feed their families. Maria came to Florida *para salir adelante*—to get ahead. She arrived as a teenager in the mid-1990s, escaping a life of poverty on her family's Oaxacan corn patch.

In south Florida, she worked seven days a week filling bins with squash, tomatoes, beans, and cucumbers. She and her husband envisioned a future for their family that was out of reach in Oaxaca, one of the poorest states in Mexico. Neither of them enjoyed working in the Florida fields, but without papers, it's all they could do. "That's why we came here—to work," said Maria, now 34 years old. "In the factories or restaurants they ask for papers, but in the fields no."

"Immigrants play an important role in the food system from fields to restaurants—as dairy workers, meat processing workers, cooks, busboys, and more. More than half of food sector workers—both immigrant and native-born—earn poverty wages."

In 2008, when the country plunged into a deep recession, agricultural work in Florida grew scarce. To supplement their income, the couple would travel north to plant tomatoes during the Florida off-season. In 2010, Maria couldn't go because she was pregnant, so her husband went to Ohio alone. The family has not been together since.

Traveling by bus on his way back to Florida, Maria's husband was stopped by immigration officials and deported to Mexico. "He wants to return, but it's very difficult," she said. "They charge $4,000 to $5,000 to cross the border. This is money I don't have."

Maria thought about going back to Mexico. For her U.S.-born children, Mexico is an unknown and unappealing destination; they're American in every sense of the word. Despite Maria's full-time job, the loss of her husband's income means that Maria's daughters, who are citizens, depend on federal nutrition programs. Maria herself relies on support from civil society organizations like the Farm Worker Association of Florida. She continues to work in the fields. For the sake of her children, she's going to stay in the United States and hope for the best.

Some version of Maria's story is true for thousands of immigrant farm workers in the United States. The poverty rate for farm worker families has decreased over the past 15 years, but it is still more than twice that of all wage and salary employees combined, and it's higher than that of any other general occupation. Hired farm work is among the lowest-paid work in the country.

In 2006, the median earnings of these workers—$350 per week—were lower than those of security guards, janitors, maids, and construction workers. Only dishwashers were found to have lower weekly earnings.

The agriculture sector is not alone in its dependence on newcomers. Immigrants play an important role in the food system from fields to restaurants—as dairy workers, meat processing workers, cooks, busboys, and more. More than half of food sector workers—both immigrant and native-born—earn poverty wages.[2]

"Only 20 percent of restaurant jobs pay a living wage, and women, people of color, and immigrants are often excluded from these living-wage positions."

A 2009 study[3] by the National Milk Producers Federation (NMPF) found that half of all dairy farms surveyed used immigrant labor, and 62 percent of the nation's milk supply comes from farms using immigrant labor. Research on the impact of immigration on the industry found that a 50 percent reduction in foreign-born labor would result in the loss of 2,266 dairy farms.[4] As with other jobs in the food system, the outdoor work and irregular hours deter many citizens who have other labor options. One article quotes a California dairy farmer as saying, "I haven't had a non-Hispanic want to do this work in 10 years."[5]

The animal slaughtering industry employed 486,000 workers in 2010. Census data indicate that one-third of meatpacking jobs are done by immigrants, although the percentage may be much higher due to underreporting.[6] According to the Bureau of Labor Statistics (BLS), "Meatpacking is one of the most dangerous manufacturing jobs in the U.S., with injuries that include muscular trauma, repetitive motion disease, cuts, and strains."

The importance of immigrants to food production doesn't end on the farm or in the dairy or slaughterhouse. Out of about 12.7 million workers in the restaurant industry, an estimated 1.4 million or 10 percent are foreign born, according to the BLS. Some are legal immigrants, while many are not. Hundreds of thousands of undocumented immigrants work as chefs, dishwashers, and busboys.[7] Another study found that nearly 20 percent of restaurant cooks and 30 percent of dishwashers are undocumented immigrants.[8] As with other industries, the proportion of unauthorized workers is likely larger than these studies indicate because of underreporting.

Only 20 percent of restaurant jobs pay a living wage, and women, people of color, and immigrants are often excluded from these living-wage positions.[9] And like food processing jobs, restaurant work is much more dangerous than other sectors. In 2011, the Centers for Disease Control reported restaurants as the third most frequent setting for outbreaks of food-borne illness (after cruise ships and long-term care facilities).[10] Life for immigrant workers in the food system is tough for many reasons—low wages, irregular working hours, dangerous working conditions, and increasingly, immigration enforcement measures that push unauthorized workers out of their jobs. Given the challenges facing laborers, many immigrants choose to start their own restaurants or open their own markets catering to the immigrant community.

Entrepreneurship allows them more control of their working conditions and contributes food resources to communities that often lack them, turning food deserts into oases. For example, much of Detroit is a food desert, but the southwest part of the city—known as Mexicantown—is traditionally home to immigrants and has become a food oasis thanks to immigrant food entrepreneurs. "In southwest Detroit you have…really large grocery stores that cater to the ethnic community," said Hector Hernandez, executive director of Southwest Housing Solutions, a community development organization in Detroit. "They have fresh products. You don't find these sorts of grocers in any part of the city."

Migrant workers process green peppers on Uesugi Farms in Gilroy, California.

Unauthorized immigrants come disproportionately from rural environments in their home countries, where they grew their own food and raised animals to feed their families. Once in the United States, they gravitate to the food industry since they have this background and that's where the jobs available to them are. Legalizing unauthorized immigrants will help them earn more money for their families and make larger contributions to the U.S. economy. The 1986 legalization measures led to an increase of 15 percent in legalized immigrants' incomes over five years.[11] This means not only that legalization reduced poverty, but also it contributed to the U.S. economy, since the legalized immigrants paid more taxes and had more money to spend on community goods and services. A 2010 RAND study on the effects of legalization found that it could, by removing barriers, make the labor market more efficient, helping both workers and employers. "Illegal status generates barriers that constrain the choices of both workers and employers," the study concluded. "In this sense, legalization could be interpreted as a removal of such barriers, which could potentially improve... the overall efficiency of the labor market."

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