How a Work-Based Policy Package Can Reduce US Poverty

A Microsimulation Analysis of Community Advocates Public Policy Institute's Work-Based Package

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ABOUT THE URBAN INSTITUTE

The Urban Institute is a nonprofit research organization founded on one simple idea: To improve lives and strengthen communities, we need practices and policies that work. For more than 50 years, that has been our charge. By equipping changemakers with evidence and solutions, together we can create a future where every person and community has the opportunity and power to thrive.

ABOUT COMMUNITY ADVOCATES PUBLIC POLICY INSTITUTE

Community Advocates is a nonprofit, community-based organization in Milwaukee, Wisconsin. Its mission is to provide low-income individuals and families with advocacy and services to meet their basic needs so they may live in dignity. Since its founding in 1975, the organization has evolved from dealing primarily with persons in crisis to providing programs and services that help prevent crisis. In 2008 Community Advocates created the Public Policy Institute to address the root causes of poverty through policy advocacy and community collaboration on economic and public health issues. As part of this effort, David Riemer, the Founding Director and now a Senior Fellow of the Public Policy Institute, designed the work-based policy package whose impacts on poverty, racial disparity, and employment are the core of this analysis.

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Acknowledgments

Executive Summary

The impact of government actions during the COVID-19 pandemic proved that policies can make a substantial difference in reducing poverty. In 2021, due to robust pandemic relief policies, the Supplemental Poverty Measure (SPM), which captures the impact of changes in noncash benefits, taxes, and tax credits as well as changes in regular cash income, fell to its lowest recorded level. As the relief expired in 2022, poverty substantially rose, which raises the question, "What policies could be implemented permanently to have a long-standing effect on reducing poverty?" This report examines a package of policies developed by the Community Advocates Public Policy Institute aimed at substantially cutting poverty. We estimate that the full package of policies would lift roughly three-quarters of low-income people above the poverty line.

We find that the combined policy package would reduce poverty from 11.4 percent to 3.1 percent (or 3.3 percent if we assume the policies do not have employment effects). **This represents a drop of over 70 percent in the number of people experiencing poverty.**

FIGURE ES.1

Supplemental Poverty Measure in 2018

In baseline and with policy package
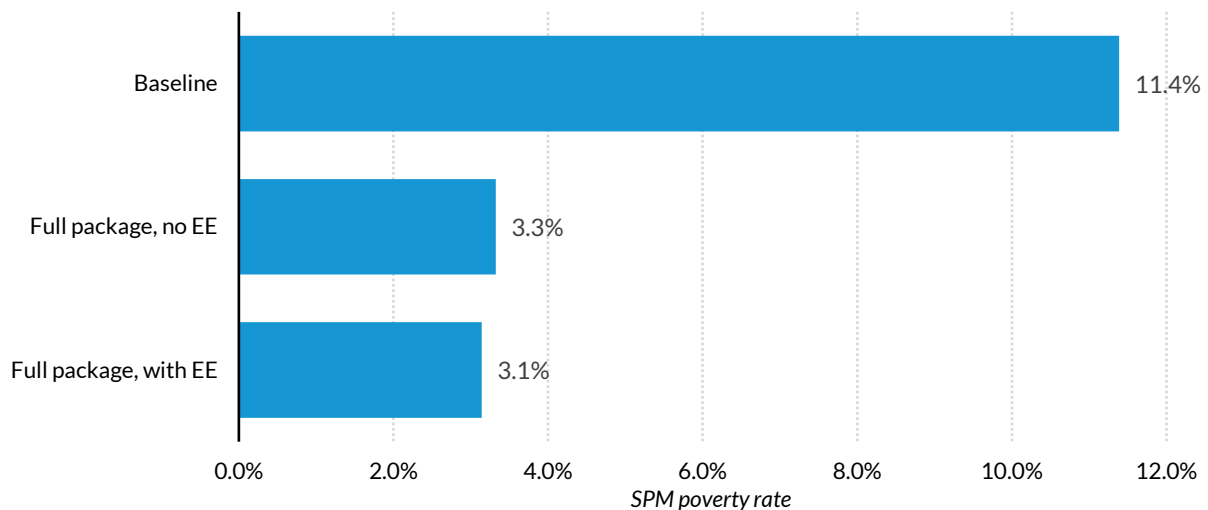
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Source: TRIM3 microsimulation model.
Note: EE = employment effects.

The policy package includes the following components, which we examine both individually and combined for 2018:

- Creation of a transitional jobs program to provide work for unemployed and underemployed people

- Increased federal minimum wage of $13.75 an hour

- Expansion of the earned income tax credit, nearly doubling the maximum credit for people with children and increasing the maximum credit for people without children by almost eightfold

- Expansion of the child tax credit from $2,000 to $3,000 or $3,600 per child, as well as making the credit fully refundable

- Creation of a child care purchasing accounts program designed to cover child care costs for the vast majority of parents

- Increased Supplemental Security Income benefits of $21,245 per year and removal of some current program restrictions such as the asset test

- Increased Social Security benefits of a minimum of $23,066 per year

We analyzed the effects of these policies using the TRIM3 model, a microsimulation model that uses data from the Current Population Survey to assess the impact of changes to government benefit programs and taxes, and our main focus in this analysis was the effect of policies on the SPM.

How a Work-Based Policy Package Can Reduce US Poverty

In 2022, more than 1 in 10 Americans—or 38 million people—experienced poverty. This number has changed little since the 1960s; as measured by the official poverty measure, the percentage of people in poverty has remained between about 10 and 15 percent (Schrider and Creamer 2023). Beyond immediate financial hardship, the negative impacts of poverty are well documented. People experiencing poverty have been shown to have higher levels of stress (Brisson et al. 2020) and are more likely to experience worse physical and mental health (National Academies of Sciences, Engineering and Medicine 2019). Children growing up in poverty are also more likely to be poor in adulthood. At the societal level, poverty is associated with higher crime rates (Imran et al. 2018), and an association exists between poverty rates and increased mortality (Gordon and Sommers 2015).

Given the plethora of harmful consequences associated with poverty, reducing it is a recurring topic in the American political landscape. In early 2021, a stated goal of the American Rescue Plan Act was cutting child poverty in half.[1] Research shows that government interventions can substantially reduce poverty, and previous Urban Institute analysis has found that the ARPA did indeed greatly reduce poverty (Wheaton et al. 2021). Beyond the extraordinary measures enacted during the COVID-19 pandemic, other government policies can reduce poverty. For instance, Shrider and Creamer (2023) show that in 2022, 6 million people were lifted out of poverty by refundable tax credits.

Although it is well known that policies can improve families' economic circumstances, varied opinions regarding the most appropriate policies exist—for example, whether to expand means-tested benefits, institute a universal basic income, or increase tax credits for specific groups. In this project, we analyze a group of policies proposed by Community Advocates, a nonprofit organization in Milwaukee, Wisconsin, aimed at greatly reducing poverty in the United States. We analyze the effect of these policies both individually and as a package.

Recognizing that not all families have people who can work and that individuals have below-poverty resources for different reasons, the package of policies is primarily based on work. Two policies—an increase in the federal minimum wage and increase in the earned income tax credit—are focused on families with people who are employed but earning relatively low wages. A transitional jobs policy would aid families with people who can work but who have been either unable to find jobs or unable to find stable full-time employment. Increases in SSI benefits and Social Security benefits would support

families with adults who are past their working years or who are unable to work due to disabilities. The package also includes a new system of child care purchasing accounts and an increase to the child tax credit. The intention is that different elements of the package will support families in different situations, and that the combination of policies will reduce poverty by a much larger extent than any single policy.

Methodology

We estimate the impacts of the policy package using the TRIM3 microsimulation model, a tool that allows us to hypothetically impose the proposed policies and to capture the secondary impacts of the proposed changes on benefit programs, taxes, and tax credits. Poverty is assessed both before and after the imposition of the proposed policies using the SPM, which captures the impact of changes in noncash benefits, taxes, and tax credits as well as changes in regular cash income.

The TRIM3 Model

Simulating the Baseline

TRIM3—the Transfer Income Model, version 3—is a comprehensive microsimulation model of the major tax and transfer benefit programs in the US. The model is developed and maintained by staff at the Urban Institute with funding primarily from the US Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (HHS/ASPE). The model has been used for over 50 years to assess the impact of policy changes.

The starting point for any analysis with TRIM3 is the development of the "baseline"—the representation of US families and individuals and their economic resources prior to the imposition of the proposed policy changes. Accurately modeling poverty in the baseline is key to estimating the impacts of any alternative policy. This analysis uses data from the 2019 Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS), which contains information covering the 2018 calendar year. The CPS-ASEC contains nationally representative information on demographics, work, income, and participation in government programs. Using data from 2018, before the COVID-19 pandemic, allows us to see the impact of the policy package in an environment unaffected by pandemic-related shocks to the labor market and subsequent government policy responses.[2]

TRIM3 reads in the CPS-ASEC from the selected baseline year and then augments the survey data with additional information on tax and benefit programs. One of the major functions performed by the model is to correct for underreporting of benefits in survey data to reach administrative totals. TRIM3 does this for Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF) benefits, unemployment compensation, Supplemental Nutrition Assistance Program (SNAP) benefits, Low Income Heating and Energy Assistance Program (LIHEAP) benefits, and Special Supplemental

Nutrition Program for Women, Infants, and Children (WIC) benefits. TRIM3 also simulates public and subsidized housing benefits and child care subsidies provided through the Child Care and Development Fund. In addition to these enhancements to benefit program data, TRIM3 also simulates payroll taxes and federal and state income taxes. Importantly, this includes information on tax credits received. More information about TRIM3's procedures can be found in Minton and colleagues (2019).

Simulating Alternative Policies

Once we have simulated the baseline, we can begin to simulate alternative policies. We use TRIM3 to apply the desired policy—either a new program or a change in an existing program—to each household in the survey data.

One of the key features of TRIM3 is that the model not only estimates the direct impact of a change in policy, but it also can capture other impacts of that policy change on programs and on behavior. For instance, if a worker earns more due to a higher minimum wage, that worker might also be eligible for lower SNAP benefits. That worker would also pay more in payroll taxes and may be eligible for more or less federal and state tax credits, depending on where exactly the worker's earnings end up. All of these interrelated effects are captured by TRIM3.

While the model is able to capture how changes in one program might affect another program, we generally assume that a family's behavior is consistent. Specifically, for most programs we assume that a family participating in a program does not change its decision about whether to participate in that program even if its benefit declines due to another program change. The major exception to this is SSI, where we allow families to make a different participation decision. We allow this variation in all simulations, not only the simulations that involve changes in SSI benefits. We also assume that families' child care arrangements stay consistent across simulations. Further, we do not model any changes to out-of-pocket medical expenses or child support payments. In reality, some of the policies examined here might affect these expenses, but we are not able to accurately capture those impacts. For more information, see Minton et al. (2019). Lastly, we model how some of the policies might affect employment. We provide further information on that topic later in the report.

The Supplemental Poverty Measure

This analysis focuses on the impact the proposed policies will have on the SPM. The SPM was developed by the Census Bureau, with involvement from the Bureau of Labor Statistics, as an alternative to the official poverty measure (OPM). The two measures differ in how they define resources and in their poverty "thresholds"—the dollar amounts to which resources are compared to determine if a family is living in poverty. The OPM's definition of resources only includes cash income, such as earnings from employment and certain government benefits like Social Security. The SPM is able to capture the effect of government programs more completely than the OPM, because in addition to cash income its measure of resources includes noncash benefits, such as SNAP and housing assistance, as well as taxes and tax credits. The SPM's resource measure also subtracts expenses such as health care and child care from income. This process creates a much more comprehensive assessment of net resources for each family. The SPM also uses different thresholds than the OPM, which reflect how cost of living varies in different parts of the country. More information on the SPM can be found in Short (2010). Additional information on how TRIM3 implements the SPM is available in Minton et al. (2019). Table 1 shows a summary of how the SPM differs from the OPM.

TABLE 1

Resource and Threshold Definitions in the Official and Supplemental Poverty Measures

Concept	Official poverty measure	Supplemental Poverty Measure
Resources	Cash Income, composed of ■ wages, salaries, and self-employment income ■ interest, dividends, rent, trusts ■ Social Security and Railroad Retirement ■ pensions ■ disability benefits ■ unemployment compensation[a] ■ child support received[a] ■ veterans benefits ■ educational assistance (grants) ■ Supplemental Security Income[a] ■ Temporary Assistance for Needy Families[a] ■ other cash public assistance	Cash income, composed of the same components as the official measure with the following additions and subtractions: + SNAP (formerly the Food Stamp program)[a] + WIC[a] + school lunch + housing subsidies[a] + LIHEAP[a] + federal EITC and refundable CTC[a] + state EITC and other refundable credits[a] - payroll taxes[a] - federal income taxes[a] - state income taxes[a] - child care expenses[a] - other work expenses - out-of-pocket medical expenses - child support paid
Thresholds	National thresholds vary by age (less than 65 and 65 or older) and number of children and adults. The original thresholds were based on the share of income spent on food under an Economy Food Plan developed from a 1955 expenditure survey, multiplied by three because food in 1955 accounted for one-third of total household spending. The thresholds are adjusted annually for price changes using the Consumer Price Index.	Thresholds vary by number of children and adults and by housing status (rents, owns with mortgage, or owns without mortgage), and reflect the 33rd percentile of expenditures by families with two children on a basic set of goods (food, clothing, shelter, utilities), plus 20 percent more, based on five years of Consumer Expenditure Survey data.[b] Geographic adjustments are applied to the housing portion of the threshold.

Source: Adapted from Minton et al. 2019.

[a] These elements are different in TRIM3's estimate of the baseline SPM versus the US Census Bureau's implementation due to TRIM3's correction for underreporting and due to somewhat different methods for estimating the value of housing subsidies, tax liabilities, and tax credits. Additional information is available in Minton et al. 2019.

[b] See Garner (2010) and Short and Garner (2012) for a description of the SPM thresholds.

Baseline Poverty in 2018

In 2018, we estimate that about 11.4 percent of people in the US, or just under 37 million people were in poverty according to the SPM. The poverty rate among children under 18 was 11.0 percent, while the poverty rate among adults between 18 and 64 was slightly higher at 11.1 percent. Older Americans had the highest SPM poverty rate of any age group, at 12.8 percent.

TABLE 2
Baseline SPM Poverty in 2018
Percentage and number in poverty

Characteristic	Percent in poverty	Number in poverty (in thousands)
Age		
All ages	11.4%	36,937
Less than 18	11.0%	8,151
18 - 64	11.1%	22,028
65 and older	12.8%	6,758
Race and ethnicity		
White people (non-Hispanic)	7.9%	15,367
Black people (non-Hispanic)	16.7%	6,648
Hispanic people	18.6%	11,185
AAPI people (non-Hispanic)[a]	13.2%	2,659
People of other race or multiple races (non-Hispanic)	11.7%	1,078
Sex		
Male	10.8%	17,245
Female	11.9%	19,692
Citizenship		
US Citizen	10.4%	30,987
Legal immigrants	20.8%	2,672
Undocumented	26.2%	2,930
Other noncitizen[b]	21.9%	348
Education (age 18+)		
Less than high school	25.4%	6,755
High school or equivalent	14.0%	9,919
Some college or associates	10.2%	7,076
Bachelor's degree or more	6.0%	5,035

Source: Urban Institute analysis using the TRIM3 model applied to data from the March 2019 CPS ASEC.

[a] "AAPI" stands for Asian Americans and Pacific Islanders.

[b] "Other noncitizen" refers to temporary legal residents such as students and people with work visas.

Looking at poverty by race and ethnicity, non-Hispanic white people had the lowest poverty rate (7.9 percent), while Hispanic people had the highest poverty rate (18.6 percent). Black people were also more than twice as likely as white people to be experiencing poverty, with a rate of 16.7 percent. About 13 percent of Asian Americans and Pacific Islanders were in poverty, as were about 12 percent of people who identify as another race or who identify with multiple races.

By citizenship status, native-born and naturalized American citizens were much less likely to be in poverty than any other group, with a poverty rate of about 10 percent. Over a quarter of undocumented residents were in poverty. Additionally, over 20 percent of legal immigrants (holders of "green cards," refugees, and asylees) and other noncitizens were in poverty.

Among people at least 18 years old, the more education individuals had the less likely they were to be in poverty. People with a bachelor's degree or more had a poverty rate of only 6 percent, while people without a high school degree had a poverty rate of over 25 percent.

Additional breakdowns of baseline poverty can be found in appendix A. This includes poverty by geographic area. People who do not live in metropolitan areas had a slightly lower poverty rate than people living in metropolitan areas. California had the highest poverty rate of any state, at 15.6 percent, while Iowa had the lowest at 5.5 percent. Among large metropolitan areas identifiable in the data, the Los Angeles area had the highest poverty rate, at 21.4 percent, while Grand Rapids, Michigan, had the lowest at 4.9 percent. It is important to note that all figures based on survey data are estimates, and uncertainty is greater for smaller areas. For instance, for an area like Wyoming, with a 2018 population of 567,000 and an estimated poverty rate of 9.3 percent, we can be 90 percent confident only that the true rate falls within the range of 7.9 percent to 10.7 percent; confidence intervals are much narrower for larger places.

Simulating Alternative Policies

The proposed package of policies includes seven elements: a transitional jobs program, an increase to the federal minimum wages, an expansion of the EITC, an expansion of the child tax credit, a new program of child care purchasing accounts, changes to the SSI program including benefits increases, and changes to Social Security including a benefit increase and changes to payroll taxes. The policies were designed by Community Advocates staff to support different situations that can lead to below-poverty resources, including unemployment, low wages, high child care costs, and the challenges faced by people who are no longer working age or who have disabilities.

We modeled all policies in the 2018 data as if they were fully implemented that year. In this section, we describe the policies and the assumptions used to model them before describing the results in the following section.

Transitional Jobs

The proposed package includes a government jobs program for unemployed and underemployed adults. This program is very similar to that modeled in previous work for Community Advocates (Lippold 2015).

Program Structure

To be eligible for a transitional job, a person must be 18 to 65 years old, legally present in the United States, working fewer than 32 hours per week (including not working at all) and not receiving Social Security or SSI. The policy also excludes people with self-employment income. All jobs under this program would pay $13.75 per hour in 2018, except where local or state minimum wages were higher. (That wage rate is also the proposed level for the federal minimum wage.) The full proposal specifies additional information about the nature and management of the transitional jobs program that do not affect the modeling of the program but which are important to consider. These details are included in appendix C.

Modeling Assumptions

To model this program, we randomly selected eligible people to work at a transitional job, using probabilities specified by Community Advocates. The probabilities vary based on the number of hours the person already worked, if any, their family's income relative to the poverty level, presence of other workers in the household, and other characteristics. (See appendix C for details.)

People currently working who were selected to take a transitional job were assigned hours and weeks of work in the transitional job so that their current number of work hours plus their additional hours of work in a transitional job add up to 40 hours per week.[3]

People not currently working who are selected to take a transitional job were assigned to work either 16, 24, or 40 hours per week for either 40 or 48 weeks, with the assignment based on student status and other factors. We show these details in appendix C.

We modeled two versions of the transitional jobs program, one with lower take-up rates and one with higher take-up rates. The probability of an eligible person taking the transitional job ranges from 1 to 50 percent in the lower take-up scenario and from 1 to 70 percent in the higher take-up scenario. We only present the results of the lower take-up simulation in the main body of the report. The results for the higher take-up version can be seen in appendix A.

The Community Advocates proposal assumes that the administrative costs of such a program would be 25 percent of the wage value of all transitional jobs. That number is included in our estimated cost of the program but does not affect the poverty results.

Increasing the Minimum Wage

The proposed policy package includes raising the regular federal minimum wage in 2018 from $7.25 per hour to $13.75 per hour. (The highest nonfederal minimum wage in 2018 was $13.25, in the District of Columbia.) The proposal also includes raising the federal requirement for the tipped minimum wage from $2.13 to $6.00.

Modeling an increase in the minimum wage includes two important sets of methodological choices: determining which workers are covered by the regular and tipped minimum wages and estimating any "spillover" effects of a higher minimum wage. For both these choices, we roughly followed the procedures from the "Roadmap to Reducing Child Poverty" analysis conducted by the National Academies of Sciences, Engineering and Medicine (2019).

Spillover

We assumed any worker (other than those in specific occupations listed below) who earned 25 cents less than the applicable regular minimum wage or higher was covered by the regular minimum wage. We use a 25 cent cushion to account for misreporting of annual earnings or hours worked. Other than the tipped minimum wage, we do not attempt to model any subminimum wages. We also do not model minimum wage increases for people who have any self-employment income, due to difficulty in correctly identifying hourly earnings for these individuals.

One key decision when modeling an increase in the minimum wage is the extent to which any "spillover effect" is included. The spillover effect describes the phenomenon where, in response to a higher minimum wage, an employer increases the wages of some employees beyond the legal requirement, perhaps to maintain a hierarchy of wages. The NAS report on child poverty includes a helpful example: "If the employer currently has employees making $7.25, $9.00, and $9.75, and the minimum wage increases to $9.15, the employer would be required to raise the wages of the two lower-paid employees to $9.15. The employer might choose to raise the second employee's wages to something higher than $9.15 so that person continues to earn more than the person who previously earned $1.75 less; in that case, the employer might also choose to somewhat raise the wages of the person making $9.75" (National Academies of Sciences, Engineering and Medicine 2019).

We based our assumptions for spillover on the approach used in the NAS report. For a state with a minimum wage of $7.25 in 2018, these assumptions produced a range of $10.50 to $17.00 per hour in which workers would experience a wage increase beyond what is required.[4]

Tipped Workers

A second set of assumptions was required to model the impact of the minimum wage increase on workers covered by the tipped minimum wage. Following the National Academies of Sciences, Engineering and Medicine report, we treat the following occupations as receiving the tipped minimum wage: waiters, bartenders, gaming service workers, and dining room and cafeteria attendants.[5] Workers who earn the tipped minimum wage are required to be paid only the tipped minimum as long as their tips bring them to the regular minimum. If their tips are insufficient, their employer is required to make up the difference.

We treat workers differently in the modeling depending on where their wages are relative to the current minimum wage for nontipped employees and the new minimum wage for nontipped employees. (More details on this treatment can be found in the National Academies of Sciences, Engineering and Medicine report.) If workers appear to have hourly wages below the federal minimum by more than 25 cents, we assume their employers do not comply with the minimum wage law and their wages are not changed. Workers who earn between the current regular minimum wage and the new regular minimum wage are assumed to be receiving the tipped minimum plus tips; their employers would have to raise their wages to reach the new minimum, so we increase their wages to exactly that amount. Finally, workers who currently make more than the new regular minimum wage are apparently earning substantial tips; we increase their wages by the dollar increase in the tipped minimum wage.

Finally, assumptions are required regarding workers who are governed by the regular minimum wage but who might still receive tips. Based on the National Academies of Sciences, Engineering and Medicine report, we assume that barbers, hairdressers, other personal appearance workers, massage therapists, hosts and hostesses, taxi and chauffer drivers, and all other person care and service workers fall into this category.[6] For this group, we estimate each worker's wages without tips. If their wages without tips are more than 25 cents below the current regular minimum wage, we again assume their employer is not in compliance with the law and do not adjust their wage. We also do not adjust wages for workers whose estimated wage without tips exceeds the new regular minimum. For workers whose wage without tips is between the current minimum (including the 25-cent tolerance) and the new minimum, their new wage is equal to the new regular minimum wage plus their estimated tip amount. We do not model spillover for this group.

Employment Effects

Economic studies have found varying results regarding how much the number of jobs would change due to an increase in the minimum wage (see, for instance, Dube and Linder (2024). In recognition of the

uncertainty, we modeled the minimum wage increase both with and without reductions in employment. In the simulation that assumes these effects could occur, we roughly followed the approach described in Giannarelli and Werner (2022). For each person whose wage increases, we calculated the percentage increase in their wage due to the higher minimum wage. We then applied an externally derived elasticity to determine each person's chance of losing his or her job.

For elasticities, we followed the median estimate of roughly -0.47 for teenagers and -0.16 for adults that was used in the Giannarelli and Werner (2022) analysis. As an example of how these elasticities are applied, consider a teenager earning $13.00 before the wage increase and $13.75 after the wage increase. Her percentage increase in wage would be about 5.8 percent. That percentage change is multiplied by the elasticity of -0.47, suggesting a roughly 2.7 percent chance of job loss for this person.[7]

Ultimately, we modeled just under 1.5 million people to lose their jobs due to the higher minimum wage. We modeled people who lost their jobs due to a minimum wage increase as being out of work for up to five months. That was roughly the average duration of unemployment in 2018 and reflects that people will likely be able to find another job.[8] We assume that roughly half of the people who lose their jobs due to the minimum wage increase were able to receive unemployment compensation, equal to 70 percent of the difference between the original earnings and their earnings after having lost their jobs. Undocumented immigrants were excluded from receiving unemployment compensation.

Earned Income Tax Credit Expansion

The proposed policy package included a large increase to the earned income tax credit (EITC). The EITC is a refundable federal tax credit that provides a supplement to the earnings of low-income workers. The size of the credit is determined by the worker's earnings, marital status, and number of children.

The expansion policy would make multiple changes to the EITC. First, it would change the age range of eligibility for tax filers without qualifying children from age 25 to 64 to 18 to 69, with no upper limit for those receiving Social Security. (There is currently no age restriction for tax filers with qualifying children.) The policy proposal would also change how the EITC is calculated for married couples, from being based on combined earnings to being based on each worker's earnings.

The new EITC would also include both a "worker portion" and a "child portion." The worker portion of the EITC phases in at 50 percent of the worker's earnings and is capped at a total credit value of $4,000. The child portion of the EITC phases in at 50 percent of the earnings of the worker claiming the child. The expansion maintains the EITC's existing rules on the definition of an eligible child. When multiple workers can claim a child, the child is assigned to the worker whose earnings would result in

the higher credit. The child portion of the EITC phases in at 50 percent of the claiming worker's earnings, and is capped at a value of $2,500 per child, for up to two children.

Both the worker portion and child portion, if applicable, begin phasing out at $20,000 in adjusted gross income (or earnings, if higher). The worker credit phases out at a 6 percent rate, while the child portion phases out at a 3.75 percent rate if one child is claimed, and a 7.5 percent rate if two children are claimed. For couples filing jointly, the credit would phase out based on the higher of their combined earnings or adjusted gross income.

Overall, compared with the EITC in place in 2018, the proposed EITC would have higher phase-in rates, larger maximum dollar amounts, and later and slower phase outs. Additionally, the proposed EITC would eliminate the marriage penalty present in the 2018 EITC. Figure 1 below shows how the proposed EITC compares with the current EITC for a single filer with one child.

FIGURE 1
Comparison Between Current and Proposed Earned Income Tax Credit
Single tax filer with one child
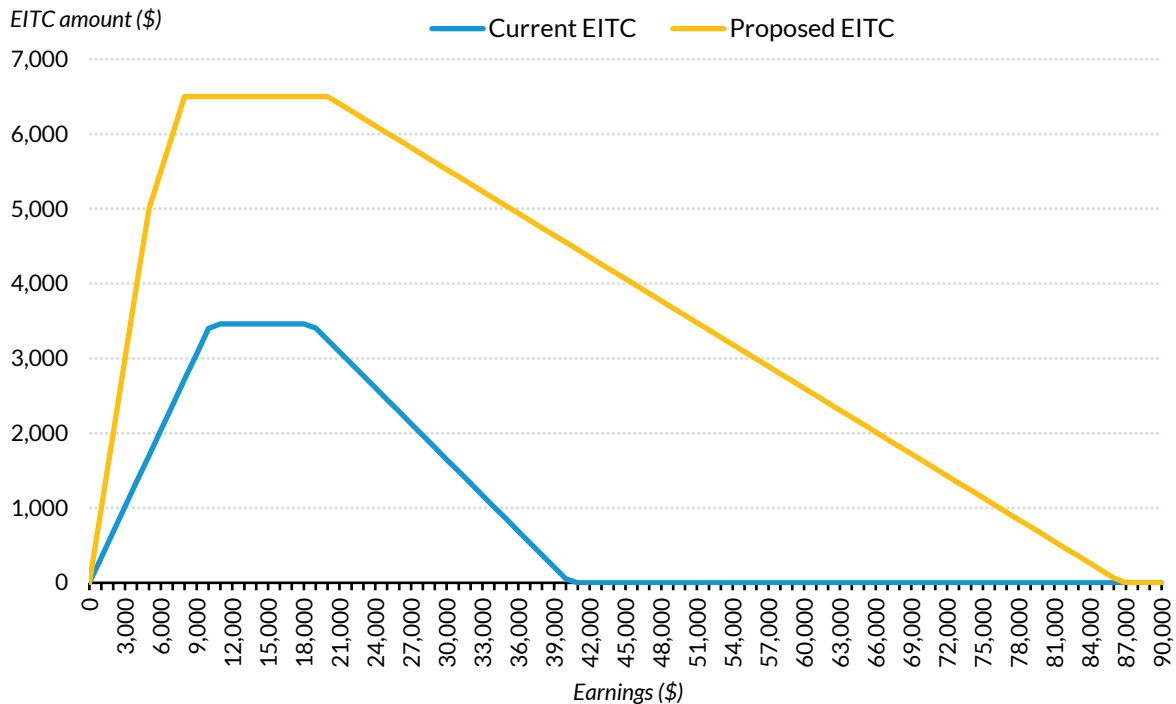
Source: Authors' calculations. Internal Revenue Procedure 2018-57, Internal Revenue Service.
Note: EITC = earned income tax credit.

Table 3 provides additional details about how the proposed EITC policy compares to the policy in place in 2018.

Comparison of Baseline and Proposed Earned Income Tax Credit

Component	2018 EITC	Proposed EITC
Phase-in rates	Based on earnings of filer, or earnings of both members of married couple. Varies by number of qualifying children. ▪ No qualifying children: 7.65% ▪ 1 qualifying child: 34% ▪ 2 qualifying children: 40% ▪ 3+ qualifying children: 45%	Based on individual worker's earnings. ▪ Worker credit: 50% ▪ Child credit: 50%
Maximum credit	▪ No qualifying children: $519 per year ▪ 1 qualifying child: $3,461 per year ▪ 2 qualifying children: $5,716 per year ▪ 3+ qualifying children: $6,431 per year	▪ Worker credit: $4,000 per year ▪ Children credit: $2,500 per year for each of first two qualifying children
Phase-out starts	▪ No qualifying children: $8,490 (increase by $5,680 if married) ▪ With qualifying children: $18,660 (increase by $5,690 if married)	▪ $20,000 in all cases
Phase-out rates	▪ No qualifying children: 7.65% ▪ 1 qualifying child: 15.98% ▪ 2+ qualifying children: 21.06%	▪ Worker credit: 6% ▪ Child credit if 1 child: 3.75% ▪ Children credit if 2+ children: 7.5%
Phase-out ends	▪ No qualifying children: $15,270 (increase by $5,680 if married) ▪ 1 qualifying child: $40,320 (increase by $5,690 if married) ▪ 2 qualifying children: $45,802 (increase by $5,690 if married) ▪ 3+ qualifying children: $49,194 (increase by $5,690 if married)	▪ $86,667 in all cases

Source: Authors' calculations. Internal Revenue Procedure 2018-57, Internal Revenue Service.
Note: EITC = earned income tax credit.

The policy proposal also specifies that recipients of the EITC would be able to receive half of their estimated EITC in monthly installments, with the rest delivered as a lump sum. We did not model this aspect of the policy, as our poverty results are annualized and would be unaffected by monthly versus annual delivery of the credit. As under current law, the EITC would be indexed for inflation.

Many states have their own EITCs that are tied to the federal EITC. We did not make any changes to state EITCs as part of this analysis; that is, we assumed that states would keep their rules the same, and any states with EITCs tied to the federal EITC would see increases in their EITCs. In reality, it is possible that some states might decouple their EITCs from the federal EITC in response to such a large increase.

Additionally, the TRIM3 model assumes all tax units that are eligible for the EITC file for it. In reality, some eligible tax units do not file for the EITC.[9]

Employment Effects

We simulated two versions of the EITC expansion policy: one without employment effects and one with employment effects. "Employment effects" refers to changes in the overall employment level in response to a change in policy.

We modeled an increase in employment for both single mothers and women without children, following previous analyses (Lippold 2015). While most research on the employment impact of the EITC focuses on single mothers, the magnitude of the proposed expansion for childless filers led us to model the increase for single women without children too.

We did not include single men in the employment effects because they already have very high employment rates and are generally less responsive to changes in taxation (Eissa 1996). We also chose not to model any increase or decrease in hours worked for people who are employed. Modeling this tends to have a limited impact on poverty (National Academies of Sciences, Engineering and Medicine 2019). Finally, we did not model a reduction in employment for married mothers, which some research has found (Eissa and Hoynes 2004). The changes to the program included in this expansion; namely, changing to a credit based on individual earnings would likely eliminate much of the negative employment effect for married mothers.

We increased employment of single mothers by 6 percent. We chose this number based on the change in average maximum EITC. The weighted average of maximum EITC increases by just over $3,000 for single filers. Using a formula of 2 percent per $1,000 as identified by Schanzenbach and Strain (2021), this leads to an employment increase of 6 percent. Note that their findings are actually between 2.6 percent and 3.3 percent per $1,000, but we round down due to inconsistencies in the literature (see Kleven 2024).

We increased employment of single women without children by 3 percent. Courtin and colleagues (2022) show that an EITC-like program that has a maximum payment four times larger than the current childless EITC increases labor force participation among childless adults by just under 2 percent. The proposed childless EITC would increase the maximum EITC by eightfold for this group. For both single mothers and single women without children, we limited the pool of potential job-gainers to people between 18 and 64 who were not students and did not report having a disability.

An important consideration when increasing employment is the type of jobs new workers should receive. We gave each new worker a job with an hourly wage of $13.75. We assigned hours worked per week based on the number of hours worked in 2018 by women in poverty. The distribution of new jobs is shown in table 4.

Earned Income Tax Credit Job Characteristics
For women modeled to join the labor force due to the increased earned income tax credit

Percentage distribution of new jobs assigned (%)	New hourly wage ($)	New hours worked per week	New weeks worked per year
Single mothers			
32	13.75	40	52
16	13.75	40	26
28	13.75	30	52
24	13.75	25	24
Single women without children			
36	13.75	40	52
12	13.75	40	26
30	13.75	25	52
22	13.75	25	24

Source: Author's calculations from the 2019 CPS-ASEC.

Using the parameters above, we estimate that about 1.36 million women would join the labor force due to the expansion of the EITC. Of this number, about 580,000 are single mothers and about 780,000 are single women without children.

Child Tax Credit Expansion

The proposed policy package includes an increase to the child tax credit (CTC) very similar to the expansion included as part of the American Rescue Plan Act (ARPA) passed in early 2021. The proposal would increase the CTC from $2,000 per child under age 17 to $3,000 for children ages 6 to 17 and $3,600 for younger children. Like the ARPA, the proposal made the CTC fully refundable so that it was accessible even to parents with very low or no earnings. The only difference between the proposed expansion and the ARPA version was that the proposed expansion would start to phase out at a lower level of income, $87,000 for single filers and $174,000 for married filers and at a faster rate (10 percent versus 5 percent).[10] As with the EITC, we assume that all tax units eligible for the CTC receive it.

Employment Effects

We modeled one version of the CTC without employment effects and one version with employment effects. Evidence on the effects of the expanded CTC or a child allowance is varied; however, the preponderance of the literature indicates a small reduction in employment (Wielk et al. 2023).

We roughly followed the approach in Bastian (2023) by calculating the change in the economic return to work before and after the expansion of the CTC and then applying an elasticity to generate the probability that a worker would leave their job. This approach models the substitution effect; that is, replacing the baseline CTC with the expanded CTC removes the phase in, effectively taking away an incentive to work. Following Bastian, we do not model an income effect.

To calculate the change in return to work, we divide the CTC amount that the tax unit is eligible for prior to the expansion by the pretax earned income of the tax unit. In the case of married couples where both spouses work, each spouse has the same change in return to work—the tax unit's CTC divided by the unit's earned income. We then get the probability of someone leaving his or her job by multiplying the change in return to work by a selected elasticity. We use elasticities of 0.4 for single mothers with low income, 0.2 for single mothers with higher income and married mothers, and 0.05 for other people claiming CTC-eligible children. We exclude people who have total SPM resources greater than $95,000 in the baseline from leaving their jobs. This is in line with Bastian, who excludes high-income parents due to their low employment sensitivity to changes in taxes.

After calculating the change in return to work for each worker in a tax unit affected by the CTC expansion and applying the appropriate elasticity, we model roughly 358,000 people to leave their jobs due to the expanded CTC. This number is close to Bastian, who estimates about 367,000 people to leave employment.

Child Care Purchasing Accounts

The proposed policy package includes a policy that would provide families with accounts that could be used to pay their child care costs. Due to difficulties modeling this policy exactly, we first explain the proposed policy and then describe how we implemented it in TRIM3.

Purchasing accounts would be assigned to a family based on the number and age of children in the family. To be eligible, either the child or the parent claiming the account had to be a US citizen or legally present. For each child, the family would receive the following amount in a purchasing account:

- For children 0 to 2, $50/day for up to 25 days during each month (max of $1,250/month and $15,000/year)

- For children 3 to 5, $40/day for up to 25 days during each month (max of $1,000/month and $12,000/year)

- For children 6 to 12, $35/day for up to 25 days during each month (max of $875/month and $10,500/year)

- Children ages 0 to 12 could receive up to 30 percent boosts if they had a special need

- Children 13 to 18 qualified for the same amount as children 6 to 12, if they had a special need; otherwise they did not qualify

Purchasing account amounts could not be saved or accumulated. Eligible adults would not receive the amounts in cash. Rather, they would be electronically transferred either weekly or monthly, to pay the daily amounts of child care services obtained from a qualified child care provider. An account could not be used to pay for child care that costs more than the amounts above or that is provided by a non-qualifying child care provider.

The primary challenge with modeling this policy is that in TRIM3, child care expenses are estimated at the family level, rather than at the child level like the purchasing account. Thus, rather than attempting to assign child care costs to individual children, our broad approach to modeling this policy was to eliminate child care expenses for most families. While there are a small number of families whose expenses exceed the amount they would receive in purchasing accounts, it is possible that some of these families would either receive additional purchasing account "top-ups" from states and localities, or would opt into less expensive child care that could be paid for by the purchasing account.

To determine whether a family has its child care expenses eliminated, we divide families into four groups by amount of child care expenses and by family income. First, for each family, we add up the total potential cash value of purchasing accounts and compare that with their total child care expenses. We next classify each family by whether their income is less than 200 percent of SPM poverty or more than 200 percent SPM poverty.

We eliminated all expenses for

- 100 percent of families whose purchasing accounts exceed child care expenses and whose income is below 200 percent of SPM poverty,

- 95 percent of families whose purchasing accounts exceed child care expenses and whose income is above 200 percent of SPM poverty,

- 90 percent of families whose purchasing accounts do not exceed child care expenses and whose income is below 200 percent of SPM poverty, and

- 75 percent of families whose purchasing accounts do not exceed child care expenses and whose income is above 200 percent of SPM poverty.

The majority of families have a higher total purchasing account amount than expenses. An important caveat to note is that some families may have expenses that exceed the purchasing account amount for one child while still having total child care expenses less than their total purchasing account amount. According to the policy they would not be able to use excess account funds from one child to pay for another child's expenses. However, we are not able to capture that nuance in the model.

Employment Effects

We implemented a version of the child care policy that includes employment effects. Modeling the employment effects of this policy involves more guesswork than for the minimum wage, EITC, and CTC policies, because this type of policy has not previously been implemented and studied.

We first looked for research on how maternal employment responds to changes in the price of child care, also known as elasticity. Research on the elasticity of maternal employment to the price of child care is varied, so we followed the approach of the NAS in their 2019 child poverty report. When modeling a policy to reduce the cost of child care, the NAS selected an elasticity of 0.2. In order to translate that elasticity into a change in employment, they multiplied the elasticity by the average reduction in child care costs among affected families. Finally, they multiplied the resulting number by the number of working mothers in order to get the target number of mothers to begin work.

We followed a similar approach for this analysis. We used the same elasticity of 0.2, multiplied by the average cost reduction of affected families of 88 percent. Finally, we multiplied that result by the number of employed mothers in families affected by the child care policy, 21 million. The resulting number of mothers targeted to begin work is about 3.7 million, which is a little over half of the number of nonworking mothers potentially affected by the child care policy. Encouragingly, this number matches closely with the results from a Center for American Process survey of parents (Glynn and Hamm 2019). They found that 51 percent of nonworking mothers who identified as "homemakers" would look for work if child care were more affordable and easier to access. We did not include fathers in our employment effects because of the limited research base.

Mothers who were newly selected to work as a result of the child care purchasing accounts policy were assigned jobs with the same characteristics as mothers who begin work due to the EITC, as shown earlier in the report in table 4.

Supplemental Security Income Benefit Increase

The proposed policy package includes changes and enhancements to the Supplemental Security Income (SSI) program. The primary change increases the maximum benefit for adults receiving SSI to 175 percent of the poverty guideline for one individual, which was $12,140 in 2018. The new maximum annual benefit would be $21,245 for an individual, compared with $9,000 under 2018 law. In couples where each partner is eligible for SSI, each partner could get the maximum benefit, which is also different than 2018 law. The benefit would phase out based on taxable income. It would phase out at a 50 percent rate after $5,000 of taxable income for single or head of household filers and $10,000 for joint filers. The proposed SSI policy did not make any changes to SSI for children under age 18.

Currently, the amount of SSI that someone is eligible for is based on monthly earnings. Changing to taxable income necessitates changing to an annual income measure. Recipients would have to estimate their taxable income at the beginning of the year, and any overpayments would need to be paid back at the end of the year. This does not affect the modeling, but it is important to note.

Due to the switch to using an annual income measure, the new SSI policy would eliminate all monthly reporting requirements. The policy would also eliminate current monetary tests for eligibility in SSI such as the asset test and deemed income test. Other than income, this policy specified that eligibility for SSI would be based on age and disability status. To model the removal of monthly reporting, we assumed that anyone who appears disabled in TRIM in one month of the year is marked as eligible for the full year. Individuals receiving Social Security would not be eligible to receive SSI.

In our modeling, we assumed that anyone receiving SSI in the baseline also took SSI under the new policy. Among people eligible for SSI in the baseline but not modeled to receive it, if the potential new amount was less than the baseline eligible amount, we assumed they did not take the new benefit. However, if the potential new amount was higher than the baseline eligible amount, we assumed 50 percent would take the new benefit. We also assumed that 50 percent of people who became newly eligible for SSI under the policy would take it.

We did not model any employment effects for this policy. It is possible that more generous benefits and increased eligibility for SSI would reduce employment, as some research has indicated (Neumark and Powers 2008). On the other hand, the new policy would also eliminate the SSI asset limit, which may

inhibit employment by preventing SSI beneficiaries from having more than an extremely modest amount of savings. Additionally, SSI currently phases out after a very small amount of earnings. Increasing the level at which the phase out occurs could allow people with disabilities to access part time jobs without risking their SSI (Smalligan and Boyens 2022). Thus, the overall impact of the new policy on employment is ambiguous.

Social Security Minimum Benefit Increase and Payroll Tax Change

The proposed policy package includes a new Social Security benefit equal to 190 percent of the 2018 poverty guideline for one individual, totaling $23,066. The proposal specifies that this benefit would apply only to primary beneficiaries of Social Security Old Age or Disability Insurance. Recipients getting Social Security via their status as survivors, spouses, or children of recipients would continue to receive the same amount as in the baseline.

To model the policy, we kept Social Security benefits the same for all recipients 18 and younger. We also attempted to identify spouse and survivor recipients for whom benefits would not change, although these individuals are not directly identifiable in the data.

To attempt to identify spouses, we first separated all individuals who receive Social Security, were married with their spouse present, and whose Social Security made up less than half of the total Social Security received by the household. We then randomly selected a number of spouses roughly proportional to the total number of Social Security recipients in the TRIM data as the number of spouses in the Social Security Administration (SSA) data.[11] Those randomly selected did not have their Social Security benefits increased.

For survivors, we first separated all individuals who receive Social Security and were widowed or widowers. We then randomly selected a number of this group roughly proportional to the total number of Social Security recipients in the TRIM3 data as the number of survivors in the SSA data. Those randomly selected did not have their Social Security benefits increased.

In total, we identified about 6.4 million Social Security recipients in TRIM3 as either spouses, survivors, or children, and therefore ineligible to receive a higher benefit. This number constitutes about 12 percent of the Social Security recipients in the TRIM3 data. In the SSA data, about 17 percent of Social Security recipients are spouses, survivors, or children. The difference stems from the fact that TRIM3 underestimates the number of child Social Security beneficiaries.

Despite the shortfall in the number spouses, survivors, and children in our data, we do not believe that we are overestimating the number of people who should get an increased benefit. This is because in general there are fewer Social Security recipients in TRIM3 than in the SSA data. Thus, with our exclusions above, we increase benefits for about 47.6 million people out of the 54.0 million Social Security recipients in TRIM3. In the SSA data, we estimate that about 52.3 million of the 62.9 million recipients would be eligible for a higher benefit.

As with the new SSI policy, we did not model any employment effects as a result of this change to Social Security. It is possible that higher benefits could encourage older workers to retire earlier, thus lowering the employment level. However, the effect of increasing Social Security benefits on employment is not very clear (see, for instance, Blau and Goodstein 2010). Additionally, we tested an alternative scenario in which roughly 5 percent of people who received a higher Social Security benefit and were employed were selected to leave their jobs. This simulation showed a minimal effect on the poverty level, relative to the same policy simulation without any reduction in work due to the policy. Given the lack of literature, and the low likelihood of major changes to poverty numbers, we decided against including employment effects for Social Security.

In addition to changing the minimum Social Security benefit, this policy also included a change to payroll taxes. The policy package proposes removing the cap on income that is subject to taxes to fund Old-Age, Survivors, and Disability Insurance (OASDI). In 2018, the cap was $128,400. We modeled eliminating the cap for both employees and employers, thus allowing OASDI payroll taxes to be collected on all earnings.

Policy Package

In addition to modeling each policy individually, the main focus of our analysis was on the effect of the combined package of policies. For the most part, modeling all the policies at once was straightforward, and we made the same adjustments as described above in the discussion of individual policies. However, a few areas needed additional decisionmaking, especially with respect to employment effects.

For the combined policy package, in addition to the people gaining jobs due to the individual EITC and child care purchasing account simulations, we assumed that some people would be induced to start work by a combination of the EITC and the child care purchasing accounts. We limited these additional jobs to mothers only, since women who were not mothers would not directly benefit from the child care purchasing accounts.

To calculate this number, we followed the same approach as NAS (2019). The number of new jobs for mothers in the package was computed as the midpoint between the number of people with a new job in any of the individual simulations and the sum of the numbers of new jobs across the simulations. In this case that corresponded to just over 4 million new jobs. This is about 250,000 more jobs than the number of jobs in either the EITC or child care individual simulations.

We did not model any additional reductions in jobs beyond the job loss created by the CTC and minimum wage simulations. Given the two different mechanisms of job reductions (voluntary quits for the CTC versus involuntary job loss for the minimum wage), it seems unlikely that there would be a combined effect.

We also had to decide if and how the employment effects of the different policies would interact with one another. For instance, would someone who started work due to the expanded EITC be eligible to lose her job due to the minimum wage increase? We decided to not allow that to happen, and only modeled people who lost their jobs in the standalone minimum wage simulation to lose their jobs due to the minimum wage in the combined policy. We did allow people who lost their jobs due the minimum wage increase to be eligible for transitional jobs. We did not let people who left their jobs due to the expanded CTC to get transitional jobs, because we considered those people to be opting out of all employment.

Modeling the combined policy package also meant we had to make a decision on how the child care purchasing accounts would interact with other programs that changed employment. We assumed that everyone who began a job due to the transitional jobs program or because of employment effects from the EITC utilized the full amount of the child care purchasing accounts that was available to them. This assumption did not impact the poverty reduction effect of the package; instead, it is only relevant to the budgetary effect of the policy package.

Results

Individual Policy Results

We simulated each policy program individually and all policies together. The antipoverty impacts of each individual policy are shown below in figure 2. We also included the full policy package in this figure. For policies with both an employment effects version and a no employment effects version, this figure only shows the version with employment effects. Full results are available in appendix A. Detailed results for the individual policies are also shown in appendix B.

FIGURE 2

Effect of Proposed Policies on SPM Poverty Rate, 2018

Full population
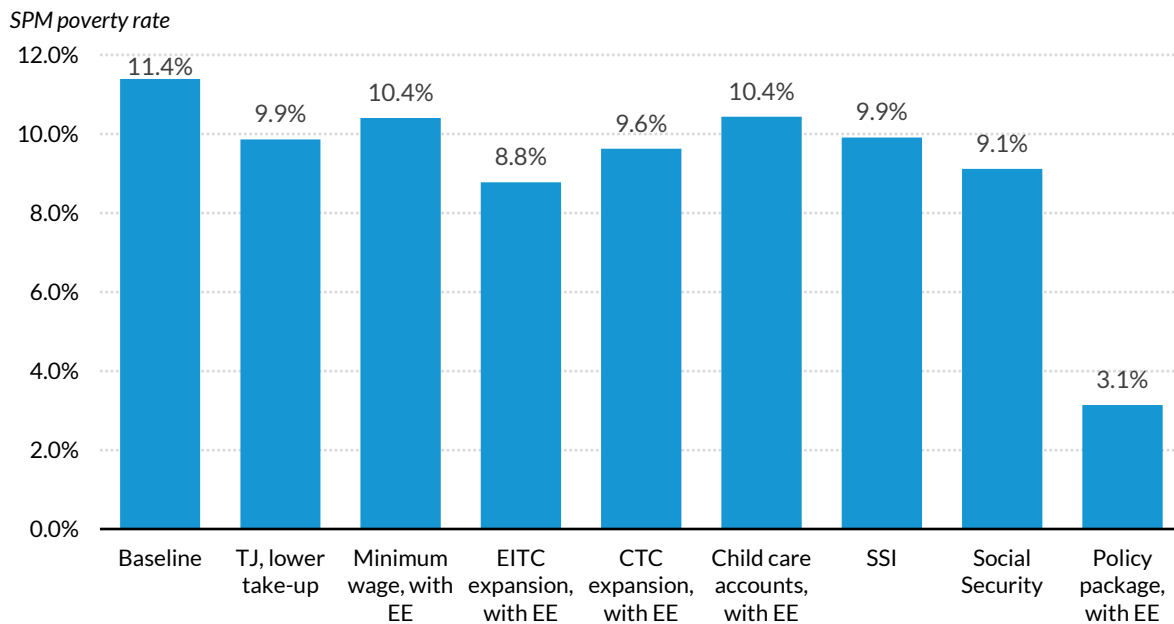
Source: TRIM3 microsimulation model.

Notes: CTC = child tax credit; EE = employment effects; EITC = earned income tax credit; SSI = Supplemental Security Income; TJ = transitional jobs program

Of the individual policies we modeled, the expansion of the earned income tax credit, including employment effects, has the largest antipoverty effect. This policy would lower the overall share of people in poverty from 11.4 percent to 8.8 percent. The policy that increases Social Security benefits

has the second largest antipoverty impact, lowering the share of people in poverty to 9.1 percent. The impact of the full policy package is much larger than any individual policy, because different families are helped by different policies, and some families have their resources raised over the poverty level by a combination of policies. In the next section, we discuss the impact of the policy package in detail.

Combined Policy Package Results

Impact on Poverty

The impact of the package of policies on the overall poverty rate, both without and with employment effects, can be seen in figure 3. Without employment effects, the poverty rate for the full population falls from 11.4 percent to 3.3 percent. This is a decline of over 70 percent and would result in more than 26 million people being lifted out of poverty. With employment effects, the poverty rate would fall slightly more, to 3.1 percent. An additional 700,000 people would be removed from poverty with employment effects.

FIGURE 3

Effect of Proposed Policy Package on Supplemental Poverty Measure Rate, 2018

Overall and by age group
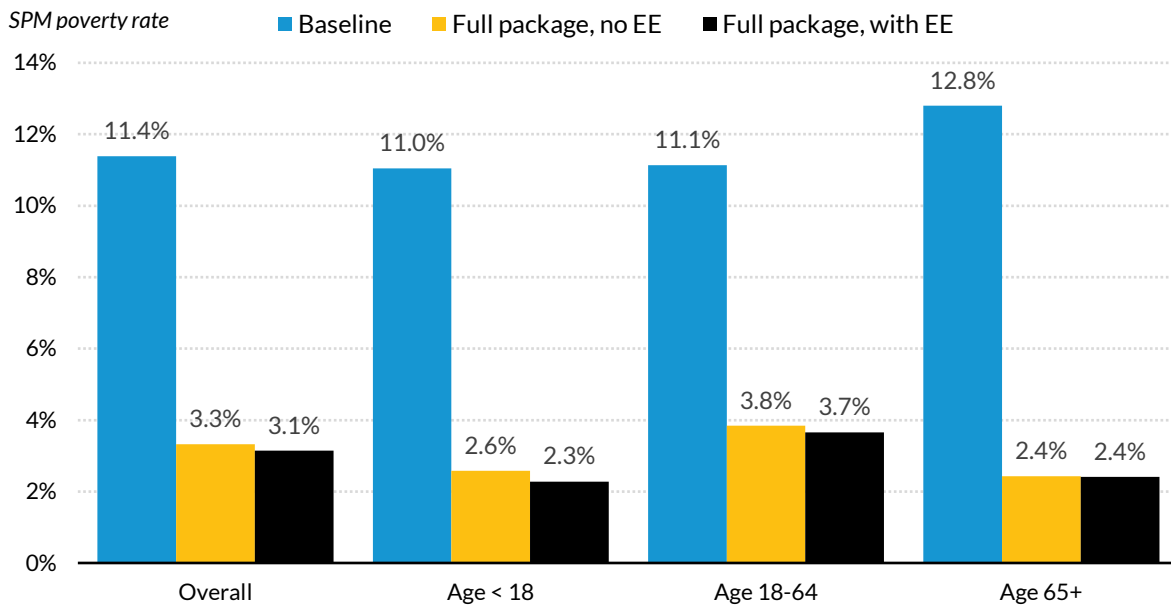
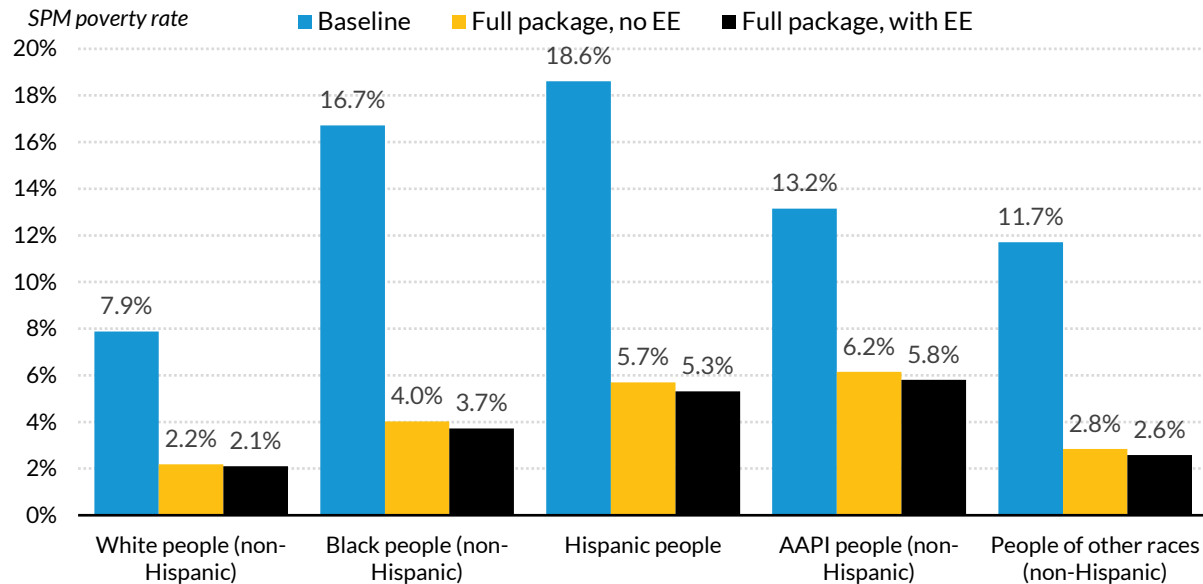**Source:** TRIM3 microsimulation model.
Note: EE = employment effects.

The poverty package would also substantially reduce deep poverty (defined as having resources less than half the poverty level) from 3.2 percent to 1.3 percent. It would also reduce near poverty (defined as having poverty between 100 percent and 150 percent of the poverty level) from 15.8 percent to between 7 and 7.6 percent, depending on whether employment effects are modeled. The great majority of people in the country, about 90 percent, would have resources greater than 150 percent of the poverty level.

Figure 3 also shows the antipoverty effects of the policy package by age. The policy package reduces poverty substantially for all age groups. The impacts are greatest for people age 65 or older, with poverty reductions in excess of 80 percent, from nearly 13 percent to 2.5 percent. Impacts are smallest for those of working age, between 18 and 65, but are still quite large, with poverty falling by about two-thirds for this group. Children see poverty declines almost as large as seniors.

Figure 4 shows the impact of the policy package by race and ethnicity. The policy package reduces poverty for all race and ethnicity groups by at least 50 percent. The most affected groups are Black people and people of other races or ethnicities not identified in the data, including people of multiple races. The poverty rate for Black people declines from just under 17 percent to around 4 percent, while the poverty rate for people of other races falls from about 12 percent to under 3 percent, both declines of over three-quarters. Hispanic people see their poverty rate fall from 18.6 percent to between 5 and 6 percent, depending on employment effects, representing a decline of just over 70 percent. White people also see their poverty rates fall substantially, from about 8 percent to about 2 percent. The slightly smaller decline in poverty for Hispanic people relative to Black people may be because more Hispanic people are undocumented and thus unable to fully benefit from the policy package. Appendix table A.5 shows the poverty impact for US citizens only. When the policy package's impacts are measured for citizens, the poverty reduction impact for Hispanic people almost equals that for Black people.

FIGURE 4
Effect of Proposed Policy Package on Supplemental Poverty Measure Rate, 2018
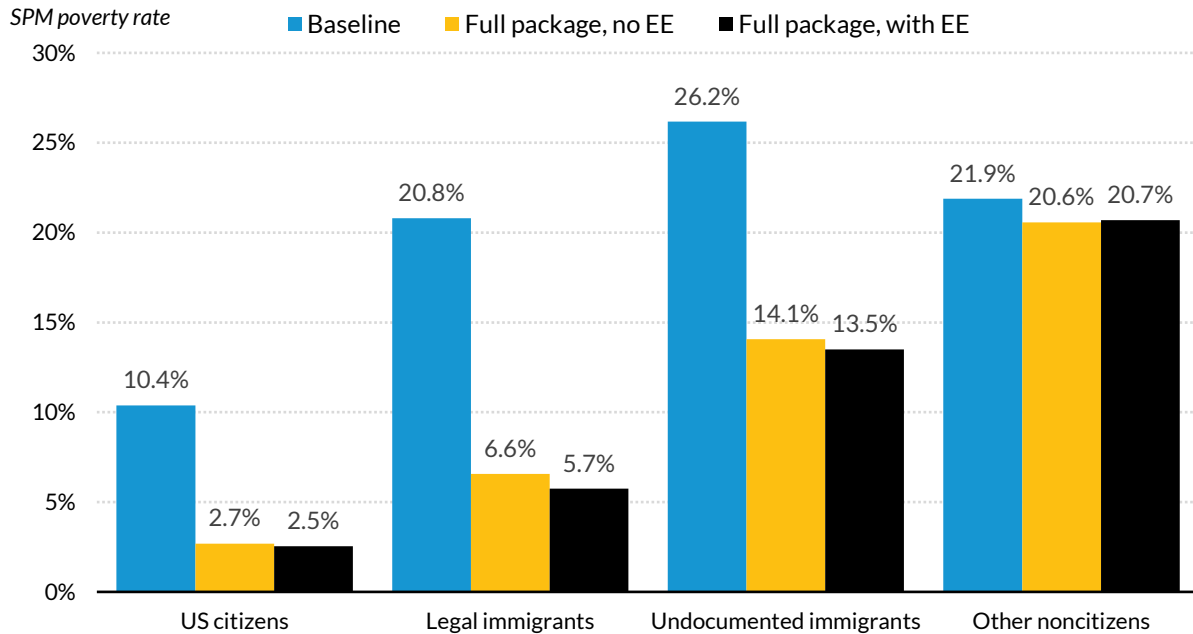*By race and ethnicity*

SPM poverty rate

■ Baseline   ■ Full package, no EE   ■ Full package, with EE

Race/Ethnicity	Baseline	Full package, no EE	Full package, with EE
White people (non-Hispanic)	7.9%	2.2%	2.1%
Black people (non-Hispanic)	16.7%	4.0%	3.7%
Hispanic people	18.6%	5.7%	5.3%
AAPI people (non-Hispanic)	13.2%	6.2%	5.8%
People of other races (non-Hispanic)	11.7%	2.8%	2.6%

Source: TRIM3 microsimulation model.
Notes: AAPI = Asian American and Pacific Islander; EE = employment effects. People of other races include Native Americans and people of multiple races.

Asian Americans and Pacific Islanders (AAPI) experience the smallest poverty decline of any race and ethnicity group. This is consistent with prior research looking at antipoverty policies by race and ethnicity (see, for example, Wheaton and Kwon 2022 and Wheaton et al. 2021). Those prior papers speculated on various reasons that people of AAPI heritage might be less impacted by antipoverty policies than other groups. For instance, AAPI people are more likely to live in high-cost areas "where more resources are needed to be lifted out of poverty" (Wheaton and Kwon 2022).

Figure 5 shows how the policy package affects people by their immigration status. US citizens see the greatest reduction in poverty, with percentage of citizens in poverty falling from over 10 percent to about 2.5 percent. Undocumented immigrants still experience substantial poverty reductions, but those reductions are much smaller than among US citizens or legal US residents. Undocumented people are typically not eligible for most US safety net programs, including the programs looked at in this analysis, such as the EITC, CTC, and Social Security.

FIGURE 5
Effect of Proposed Policy Package on Supplemental Poverty Measure Rate, 2018
By immigration status

SPM poverty rate

■ Baseline ■ Full package, no EE ■ Full package, with EE

US citizens: 10.4%, 2.7%, 2.5%
Legal immigrants: 20.8%, 6.6%, 5.7%
Undocumented immigrants: 26.2%, 14.1%, 13.5%
Other noncitizens: 21.9%, 20.6%, 20.7%

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Source: TRIM3 microsimulation model.
Note: EE = employment effects.

The smallest poverty reductions, less than 10 percent, are among noncitizens who are neither legal immigrants nor undocumented immigrants. This group includes temporary immigrants, such as people with temporary work visas and students from abroad. Temporary immigrants are typically not eligible for assistance programs, similar to undocumented immigrants. A distinguishing factor for temporary immigrants that helps explain the very low poverty reduction, even relative to undocumented immigrants, is that temporary immigrants are much more likely to live alone. This means they are less likely than undocumented immigrants to live in a family with someone whose eligibility for benefits lets them benefit from the policy package.

Figure 6 shows the effect of the policy package on poverty rates by educational attainment, for adults only. In the baseline, over a quarter of people without a high school degree live in poverty. Under the policy package, that percentage would fall to under 7 percent, a reduction of around three-quarters. People whose highest educational attainment is a high school degree would also see their poverty rate fall by about three-quarters, from 14 percent to roughly 3.5 percent. Those who attended some college

classes or received at least a bachelor's degree would see somewhat smaller but still substantial decreases in poverty.

Effect of Proposed Policy Package on Supplemental Poverty Measure Rate, 2018
*By education attainment (age 18+ only)*

SPM poverty rate

Legend: Baseline, Full package, no EE, Full package, with EE

Category	Baseline	Full package, no EE	Full package, with EE
No high school degree	25.4%	6.7%	6.3%
High school degree	14.0%	3.6%	3.4%
Some college or associate's degree	10.2%	3.6%	3.5%
Bachelor's degree or more	6.0%	2.5%	2.4%
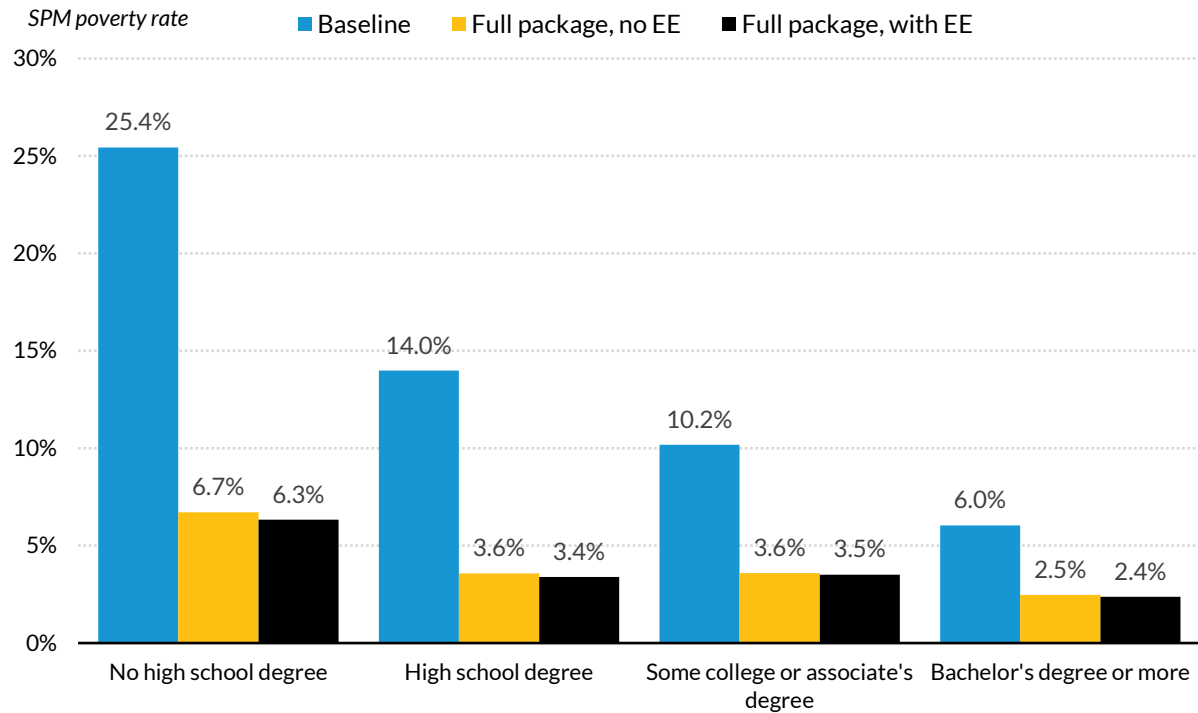
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Source: TRIM3 microsimulation model.
Note: EE = employment effects.

Finally, in figure 7, we examine how the policy package affects adults by their baseline SSI and Social Security recipiency status. People who did not receive either SSI or Social Security in the baseline saw their poverty rate fall from about 11 percent to close to 4 percent. SSI recipients would see huge declines in poverty under the policy package, from close to 40 percent to just over 1 percent. Social Security recipients experienced a decline in poverty from about 12 percent to 1.4 percent. Finally, people receiving both SSI and Social Security in the baseline saw their poverty rates fall by about 40 percentage points. Additional breakdowns of the impact of the policy package are available in appendix A.

FIGURE 7
Effect of Proposed Policy Package on Supplemental Poverty Measure Rate, 2018

By baseline SSI and Social Security recipiency
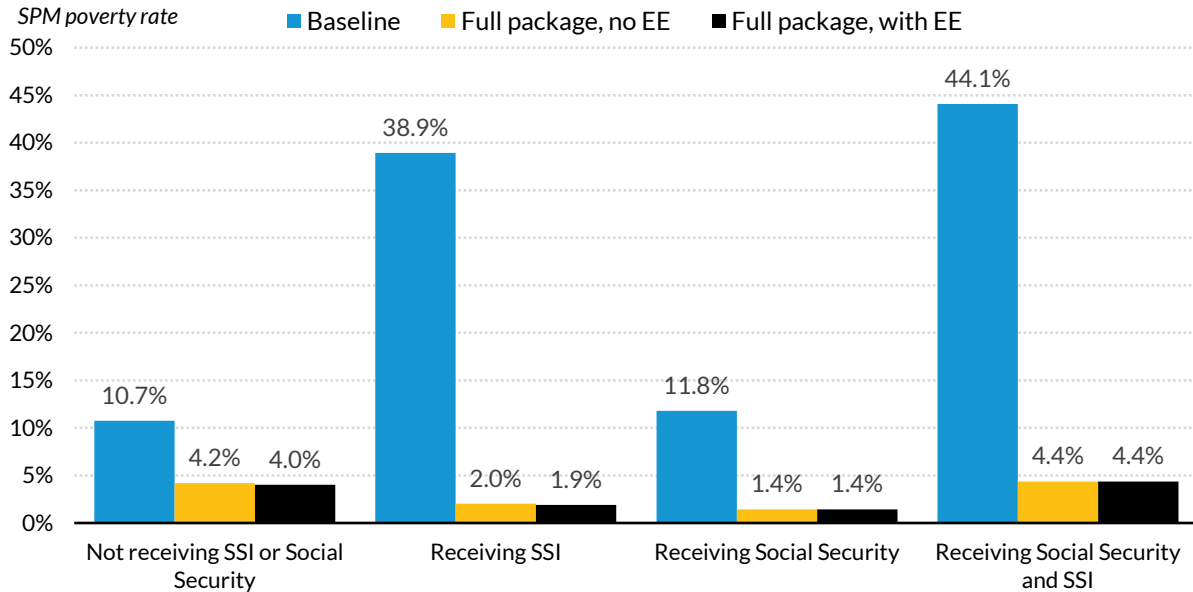
Source: TRIM3 microsimulation model.
Notes: EE = employment effects. SSI = supplemental security income.

The analysis shows that some people would continue to have resources below the SPM poverty level. Approximately 10 million people would still experience SPM poverty when indirect employment effects are assumed. However, about 60 percent of that group, or 5.9 million, are estimated to be better off than they would have been without the package, as they or someone in their family benefits from at least one of the policies. These 5.9 million people see their family incomes rise by an average of $7,100.

Impact on Employment

The policy package would cause net employment to increase. In the version without employment effects, this increase is driven by the transitional jobs program. The total number of new jobs in this scenario is just over 4.2 million.

For the version of the policy package that includes employment effects, the net increase in employment is about 6.7 million. This change in employment comes from the net effect of transitional jobs, increased employment due to the EITC and child care policies, and decreased employment due to the minimum wage and CTC policies. Figure 8 shows the breakdown of the overall change in

employment by jobs gained due to transitional jobs program, jobs gained due to several policies' employment effects, and jobs lost due to other policies' employment effects. It is important to note that people selected to lose their jobs due to the increase in the minimum wage only do so for five months and are then assumed to regain employment. Thus, the net change in employment shown below is not necessarily the net change in employment at a specific point in the year, but rather the total number of jobs lost and gained at any point due to the policy.

Effect of Proposed Policy Package on Employment
Package with employment effects

Jobs (thousands)
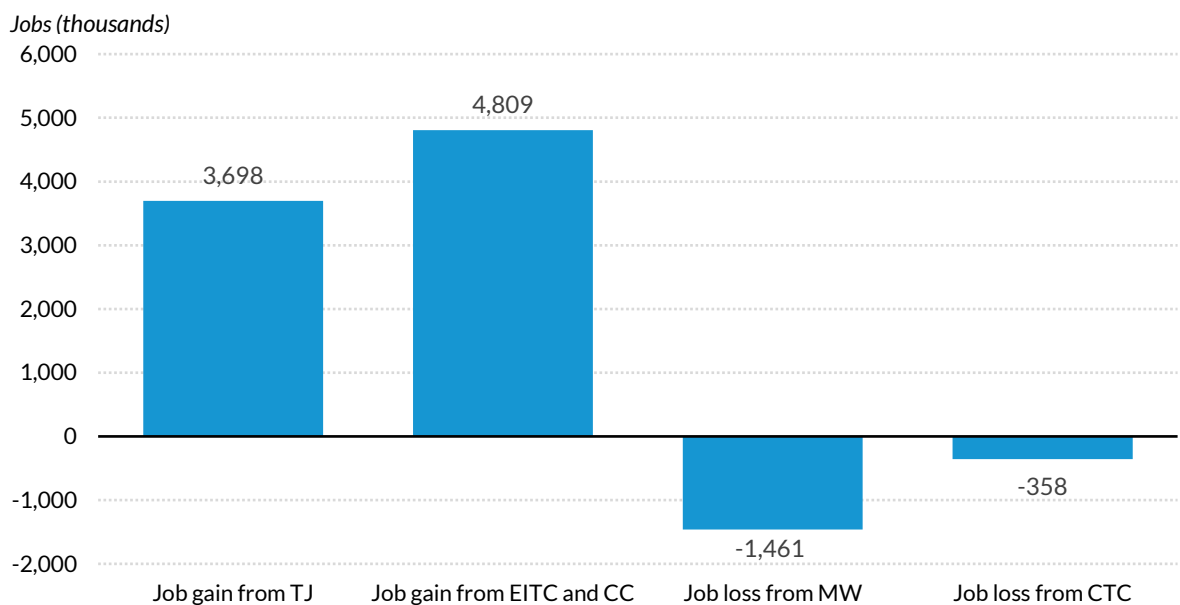
Source: TRIM3 microsimulation model.
Notes: CC = child care purchasing accounts program; CTC = child tax credit; EITC = earned income tax credit; MW = minimum wage; TJ = transitional jobs program. The number of people who gain a transitional job in the package with employment effects is lower than the number of people who gain a transitional job in the package without employment effects because some people in the former are modeled to get a job due to the EITC or child care purchasing accounts instead. People who lose their jobs due to the increase in the minimum wage are assumed to only do so for five months.

In addition to changing employment levels, in both versions of the policy package, the transitional jobs program and the higher minimum wage increase earnings for some people who were already working. Figure 9 shows the percentage increase in total earnings in the United States that results from employment changes caused by the policy package.

FIGURE 9
Effect of Proposed Policy Package on Earnings

Percent change in earnings across full population

Percent Increase
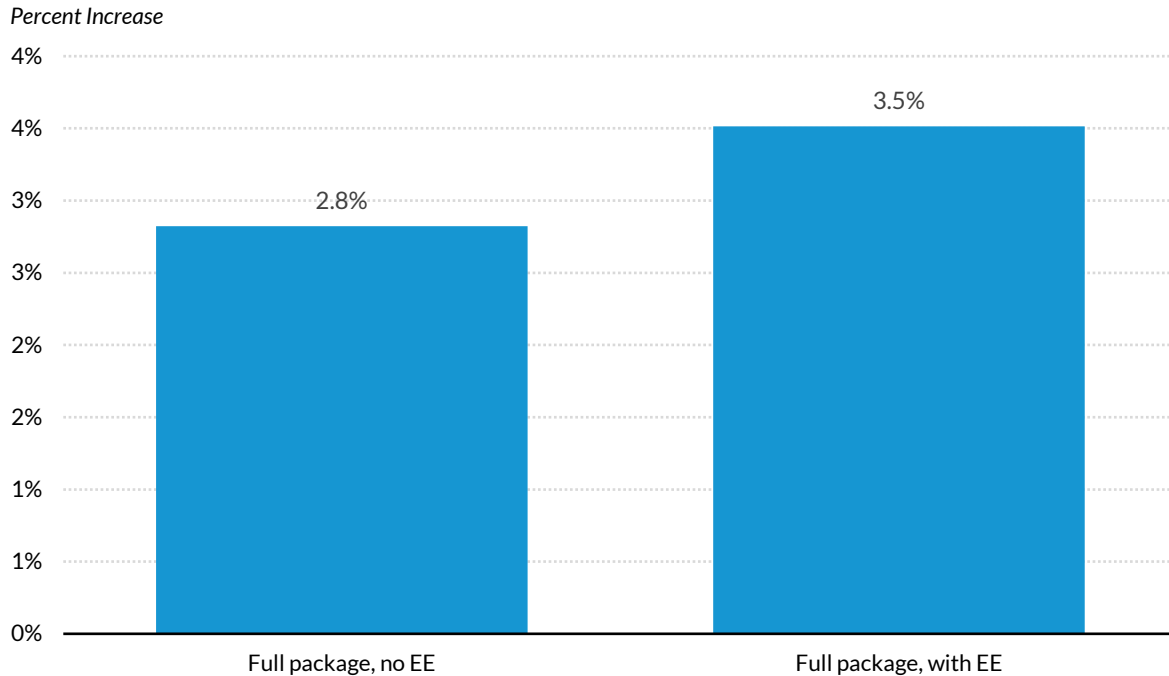
Source: TRIM3 microsimulation model.
Note: EE = employment effects.

Net Cost of Policy Package

The policy package would increase costs to the government, as shown in table 5. This table details the different categories of government spending and revenue that would change. The first set of rows shows the change in direct government spending on programs such as SSI. This is further broken out into programs that see an increase in spending and those that they see a decrease in spending. Increases in spending on SSI and Social Security, as well as the transitional jobs program and child care purchasing accounts, cost the government just under $750 billion in the package with employment effects. Spending for some programs would fall by about $40 billion under the package, due to people who benefit from other parts of the package being eligible for lower amounts of SNAP, TANF, or other benefits. Considering both increased costs and decreases, direct expenditures would increase by a little over $700 billion.

Another source of cost to the government from the policy package comes from changes to tax credits, known as "tax expenditures." Tax expenditures increase substantially due to the enhanced EITC and CTC, while the child care purchasing accounts reduce the expenditure on the child and dependent care credit. Net costs due to tax expenditures increase by around $330 billion.

Finally, we also show changes in tax revenue other than tax expenditures. Federal income tax collection increases as more people are employed and have higher wages. Payroll tax collection increases due to employment changes and from removing the cap on taxable earnings. This increase in revenue reduces government costs by about $220 billion. Combining these effects, we estimate the policy package would increase cost to the government by about $800 billion in the version with employment effects.

TABLE 5

Budgetary Impact of Policy Package

Total government impacts

Government impact measure	Full package, no EE (millions of $)	Full package, with EE (millions of $)
Change in direct spending		
Increase in direct spending	-$668,088	-$744,922
Decrease in direct spending	$34,119	$38,101
Net change in direct spending	-$633,969	-$706,822
Change in federal tax expenditure		
Increase in EITC tax expenditure	-$234,884	-$240,348
Increase in CTC tax expenditure	-$91,151	-$90,801
Decrease in CDCTC expenditure	$3,254	$3,257
Net change in tax expenditure	-$322,781	-$327,892
Change in tax revenue excluding expenditures		
Increase payroll tax revenue	$171,952	$181,784
Increase federal income tax revenue	$36,889	$44,775
Decrease in state tax revenue	-$4,223	-$2,708
Net change in tax revenue	$204,618	$223,851
Overall fiscal impact	**-$752,132**	**-$810,862**

Source: TRIM3 microsimulation model.
Note: CTC = child tax credit; CDCTC = child and dependent care tax credit; EE = employment effects; EITC = earned income tax credit.

Without employment effects, net government expenditures would increase by about $750 billion, while the version with employment effects would increase spending by around $810 billion. Additional details about how spending on specific programs would change can be found in appendix A.

Conclusion

The poverty package would dramatically reduce poverty in the United States, cutting the number of people in poverty by over 70 percent. To put this in context, Urban Institute researchers previously estimated that the American Rescue Plan Act, enacted by the Biden administration in 2021, would reduce poverty by a little over one-third (Wheaton et al. 2021). The package would lower the US poverty rate to between 3.1 percent (with indirect employment effects) and 3.3 percent (without those effects).

The very large reduction in poverty is achieved through the combination of individual policies rather than being due to any one policy. Considering the policies individually, the largest impact is from the EITC expansion, which reduces the poverty rate to 8.8 percent. The other policies reduce the rate from the baseline of 11.4 percent to rates ranging from 9.1 percent to 10.4 percent. Different policies address the needs of people in different situations—working but earning low wages; unable to find a job; and not able to work due to age or disability. Further, some families may have their resources raised above the poverty level only by a combination of policies—e.g., the combined effects of a higher minimum wage and higher EITC.

The package of policies does not raise all families above the poverty threshold. However, among the roughly 10 million people who remain in SPM poverty when indirect employment effects are assumed, about 60 percent, or 5.9 million, are still better off than they would have been without the package, as they or someone in their family benefits from at least one of the policies. These 5.9 million people see their incomes rise by an average of $7,100.

The poverty package would also substantially reduce deep poverty (defined as having resources less than half the poverty level) and near poverty (defined as having poverty between 100 percent and 150 percent of the poverty level). The vast majority of people in the country, about 90 percent, would have resources greater than 150 percent of the poverty level.

Although these results are striking, several caveats apply to the analysis. First, we have not modeled the funding for these policies (e.g., through income taxes, payroll taxes, or by reducing other spending) or how that funding could affect families' economic wellbeing or the broader economy. Second, there is uncertainty regarding employment effects; we based our assumptions on the available economic literature. Third, the analysis required other assumptions, for example regarding "spillover effects" from the minimum wage increase. Fourth, we have used pre-pandemic data; the impacts if these policies were applied to today's population and economic circumstances could differ somewhat.

The broad and deep antipoverty impacts of this package of policies suggest that, even with somewhat different assumptions or data, the package could still produce an unprecedented reduction in material hardship in the United States. Poverty would fall dramatically for people of all ages, races, and backgrounds. For policymakers and others who are debating ways to reduce poverty, these results show the potential impacts of addressing multiple reasons for poverty through a comprehensive work-based package.

Appendix A. Detailed Policy Package Results

Supplemental Poverty Measure in Baseline and with Policy Package

Including lower and higher transitional jobs take up

Characteristic	2018 SPM Poverty Baseline	Policy Package with Lower Transitional Jobs Take-Up Rate		Policy Package with Higher Transitional Jobs Take-Up Rate	
		No employment effects	With employment effects	No employment effects	With employment effects
Age					
All ages	11.4%	3.3%	3.1%	3.0%	2.9%
<18	11.0%	2.6%	2.3%	2.4%	2.2%
18-64	11.1%	3.8%	3.7%	3.5%	3.3%
65+	12.8%	2.4%	2.4%	2.4%	2.3%
Race/Ethnicity					
White people (non-Hispanic)	7.9%	2.2%	2.1%	2.0%	2.0%
Black people (non-Hispanic)	16.7%	4.0%	3.7%	3.6%	3.4%
Hispanic people	18.6%	5.7%	5.3%	5.3%	4.9%
AAPI people (non-Hispanic)	13.2%	6.2%	5.8%	5.5%	5.3%
People of other races (non-Hispanic)	11.7%	2.8%	2.6%	2.5%	2.3%
Sex					
Male	10.8%	3.2%	3.1%	2.9%	2.8%
Female	11.9%	3.5%	3.2%	3.2%	3.0%
Citizenship/Legal Status					
US Citizens	10.4%	2.7%	2.5%	2.4%	2.3%
Legal residents	20.8%	6.6%	5.7%	5.6%	5.0%
Undocumented immigrants	26.2%	14.1%	13.5%	13.9%	13.4%
Other noncitizens	21.9%	20.6%	20.7%	20.6%	20.7%
Education (age 18+)					
Less than high school degree	25.4%	6.7%	6.3%	6.3%	5.9%
High school degree or equivalent	14.0%	3.6%	3.4%	3.2%	3.1%
Some college or associate's degree	10.2%	3.6%	3.5%	3.3%	3.2%
Bachelor's degree or more	6.0%	2.5%	2.4%	2.3%	2.2%
SPM Unit Type					
Couple with children < 18	6.8%	1.5%	1.3%	1.4%	1.2%
Couple without children < 18	7.7%	1.7%	1.7%	1.6%	1.6%
Single adult with children < 18	22.8%	6.1%	5.3%	5.6%	5.1%
Single adult without children < 18	21.7%	9.3%	9.2%	8.8%	8.7%
Other type of unit	11.2%	2.8%	2.6%	2.4%	2.3%
Employment Status (age 18+)					
Working full time, full year (35+ hours, 50+ weeks)	3.8%	1.2%	1.2%	1.1%	1.2%
Working part time or part year	12.1%	4.6%	4.6%	4.4%	4.4%
Not working	21.7%	6.2%	5.7%	5.5%	5.1%
Age 18-64					
Not Receiving SSI or Social Security[a]	28.8%	12.3%	11.1%	10.5%	9.6%

Characteristic	2018 SPM Poverty Baseline	Policy Package with Lower Transitional Jobs Take-Up Rate		Policy Package with Higher Transitional Jobs Take-Up Rate	
		No employment effects	With employment effects	No employment effects	With employment effects
Receiving SSI	35.6%	0.8%	0.8%	0.8%	0.8%
Receiving Social Security	18.6%	1.4%	1.4%	1.4%	1.3%
Age 65+					
Not Receiving SSI or Social Security	35.6%	12.9%	12.8%	12.4%	12.3%
Receiving SSI	48.6%	4.5%	4.1%	4.0%	3.7%
Receiving Social Security	12.3%	1.7%	1.7%	1.7%	1.7%
SSI and Social Security Recipiency (age 18+)[a]					
Not Receiving SSI or Security	10.7%	4.2%	4.0%	3.8%	3.7%
Receiving SSI	38.9%	2.0%	1.9%	1.9%	1.8%
Receiving SSI and Social Security	44.1%	4.4%	4.4%	4.0%	4.0%
Receiving Social Security	11.8%	1.4%	1.4%	1.4%	1.4%
Metro Area Status					
In metro area	11.5%	3.5%	3.3%	3.2%	3.0%
Not in metro area	10.6%	2.3%	2.1%	2.1%	1.9%
Metro status not defined	11.5%	2.8%	3.3%	2.6%	3.2%
Receiving Social Security (all ages)	11.8%	1.4%	1.4%	1.4%	1.4%
State					
Alabama	13.1%	3.0%	2.8%	2.5%	2.4%
Alaska	12.7%	5.4%	5.3%	5.2%	5.1%
Arizona	12.1%	2.6%	2.8%	2.7%	2.8%
Arkansas	11.5%	2.6%	2.5%	2.5%	2.4%
California	15.6%	5.6%	5.2%	5.2%	4.8%
Colorado	10.9%	3.4%	3.6%	2.9%	3.2%
Connecticut	11.5%	3.6%	3.6%	3.4%	3.4%
Delaware	11.2%	3.4%	3.5%	3.4%	3.4%
District of Columbia	13.3%	4.5%	4.1%	4.2%	3.8%
Florida	14.7%	4.6%	4.3%	4.2%	3.9%
Georgia	13.3%	3.7%	3.7%	3.2%	3.3%
Hawaii	10.8%	3.3%	3.2%	3.3%	3.2%
Idaho	8.4%	3.3%	3.3%	3.2%	3.2%
Illinois	9.8%	2.6%	2.5%	2.4%	2.3%
Indiana	8.9%	1.3%	1.2%	1.2%	1.1%
Iowa	5.5%	1.7%	1.5%	1.4%	1.4%
Kansas	5.7%	1.3%	1.5%	1.3%	1.5%
Kentucky	10.9%	2.1%	1.7%	1.9%	1.5%
Louisiana	13.4%	2.4%	2.2%	2.2%	2.0%
Maine	8.1%	2.1%	2.0%	1.7%	1.6%
Maryland	10.8%	3.3%	3.0%	3.2%	2.9%
Massachusetts	8.5%	2.5%	2.6%	2.4%	2.5%
Michigan	8.3%	2.4%	2.1%	2.2%	1.9%
Minnesota	5.6%	1.6%	1.6%	1.5%	1.5%
Mississippi	13.6%	3.0%	3.1%	2.6%	2.7%
Missouri	8.2%	2.1%	1.6%	2.0%	1.5%
Montana	10.1%	2.9%	3.0%	2.7%	2.8%
Nebraska	8.6%	2.3%	2.2%	1.8%	1.7%
Nevada	13.2%	3.2%	3.0%	3.1%	3.0%
New Hampshire	7.0%	1.6%	1.8%	1.3%	1.4%

Characteristic	2018 SPM Poverty Baseline	Policy Package with Lower Transitional Jobs Take-Up Rate		Policy Package with Higher Transitional Jobs Take-Up Rate	
		No employment effects	With employment effects	No employment effects	With employment effects
New Jersey	12.3%	4.3%	4.2%	3.6%	3.7%
New Mexico	11.1%	2.8%	2.7%	2.6%	2.6%
New York	11.6%	4.0%	3.8%	3.6%	3.5%
North Carolina	12.4%	2.9%	2.7%	2.7%	2.5%
North Dakota	8.8%	2.6%	2.6%	2.3%	2.3%
Ohio	8.0%	1.6%	1.6%	1.5%	1.5%
Oklahoma	10.3%	2.8%	2.5%	2.5%	2.3%
Oregon	10.6%	3.4%	3.2%	3.3%	3.1%
Pennsylvania	9.6%	2.4%	2.1%	2.0%	1.9%
Rhode Island	4.7%	1.2%	1.0%	1.1%	0.9%
South Carolina	11.4%	3.4%	3.0%	3.3%	2.9%
South Dakota	6.0%	1.9%	1.9%	1.8%	1.9%
Tennessee	9.3%	2.8%	2.4%	2.3%	1.9%
Texas	13.6%	3.8%	3.7%	3.3%	3.3%
Utah	7.4%	2.7%	2.7%	2.4%	2.4%
Vermont	8.0%	2.6%	2.1%	2.6%	2.1%
Virginia	11.2%	2.6%	2.5%	2.5%	2.4%
Washington	7.3%	3.1%	3.0%	3.0%	2.9%
West Virginia	10.5%	1.9%	1.8%	1.8%	1.7%
Wisconsin	7.5%	1.9%	1.9%	1.8%	1.9%
Wyoming	9.3%	3.2%	2.9%	3.1%	2.8%
Metro Area					
Atlanta-Sandy Springs-Roswell, GA	12.7%	3.7%	3.7%	3.1%	3.2%
Austin-Round Rock, TX	12.9%	5.0%	5.0%	4.3%	4.3%
Baltimore-Columbia-Towson, MD	13.1%	4.6%	4.0%	4.5%	3.8%
Birmingham-Hoover, AL	15.4%	3.9%	3.3%	2.5%	2.5%
Boston-Cambridge-Newton, MA-NH	8.2%	2.5%	2.6%	2.5%	2.6%
Buffalo-Cheektowaga-Niagara Falls, NY	9.0%	4.6%	2.4%	3.3%	2.4%
Charlotte-Concord-Gastonia, NC-SC	9.9%	1.9%	1.6%	1.9%	1.6%
Chicago-Naperville-Elgin, IL-IN-WI	9.6%	2.3%	2.2%	2.2%	2.1%
Cincinnati, OH-KY-IN	5.0%	0.8%	1.1%	0.8%	1.1%
Cleveland-Elyria, OH	8.6%	1.9%	1.9%	1.9%	1.9%
Columbus, OH	9.4%	2.9%	2.9%	2.9%	2.9%
Dallas-Fort Worth-Arlington, TX	13.2%	3.3%	3.1%	3.0%	2.9%
Denver-Aurora-Lakewood, CO	10.8%	3.1%	3.8%	2.7%	3.3%
Detroit-Warren-Dearborn, MI	8.9%	3.0%	2.3%	3.0%	2.2%
Grand Rapids-Wyoming, MI	4.9%	1.1%	1.1%	0.8%	0.8%
Hartford-West Hartford-East Hartford, CT	9.6%	2.3%	2.3%	2.0%	2.0%
Houston-Baytown-Sugar Land, TX	14.0%	4.2%	3.7%	3.7%	3.4%
Indianapolis, IN	10.3%	1.5%	1.6%	1.5%	1.6%
Jacksonville, FL	19.1%	3.7%	3.7%	3.6%	3.6%
Kansas City, MO-KS	6.7%	1.3%	1.3%	1.3%	1.3%
Las Vegas-Paradise, NV	13.8%	2.8%	2.8%	2.7%	2.7%

Characteristic	2018 SPM Poverty Baseline	Policy Package with Lower Transitional Jobs Take-Up Rate		Policy Package with Higher Transitional Jobs Take-Up Rate	
		No employment effects	With employment effects	No employment effects	With employment effects
Los Angeles-Long Beach-Anaheim, CA	21.4%	8.7%	7.5%	8.0%	6.9%
Louisville, KY-IN	8.4%	3.0%	2.5%	1.9%	1.4%
Memphis, TN-MS-AR	10.1%	2.8%	2.8%	1.9%	1.9%
Miami-Fort Lauderdale-West Palm Beach, FL	17.0%	5.8%	5.1%	5.5%	4.8%
Milwaukee-Waukesha-West Allis	8.0%	1.9%	1.6%	1.9%	1.6%
Minneapolis-St Paul-Bloomington, MN-WI	5.4%	2.0%	2.0%	2.0%	2.0%
Nashville-Davidson-Murfreesboro	8.1%	2.7%	2.3%	2.3%	1.9%
New Orleans-Metairie, LA	11.6%	3.2%	3.2%	2.9%	2.9%
New York-Newark-Jersey City, NY-NJ-PA	13.7%	4.6%	4.4%	4.1%	4.0%
Oklahoma City, OK	8.2%	2.0%	1.8%	1.8%	1.5%
Orlando, FL	17.7%	5.6%	6.3%	4.8%	5.5%
Philadelphia-Camden-Wilmington, PA-NJ-DE	11.6%	3.0%	2.7%	2.6%	2.3%
Phoenix-Mesa-Scottsdale, AZ	12.0%	2.5%	2.6%	2.7%	2.8%
Pittsburgh, PA	5.6%	2.0%	2.0%	1.7%	1.7%
Portland-Vancouver-Hillsboro, OR-WA	8.4%	3.3%	3.3%	3.3%	3.3%
Providence-Warwick, RI-MA	6.9%	1.4%	0.9%	1.1%	0.7%
Raleigh, NC	11.3%	2.9%	3.6%	2.9%	3.6%
Richmond, VA	16.2%	3.2%	5.5%	3.2%	5.5%
Riverside-San Bernardino-Ontario, CA	14.8%	3.7%	3.2%	3.4%	3.0%
Rochester, NY	6.7%	3.8%	3.8%	3.5%	3.5%
Sacramento-Arden Arcade-Roseville, CA	10.7%	2.8%	2.8%	2.5%	2.5%
Salt Lake City, UT	10.3%	3.1%	2.3%	3.0%	2.2%
San Antonio, TX	7.1%	2.5%	2.6%	1.8%	1.9%
San Diego-Carlsbad-San Marcos, CA	13.4%	3.3%	3.3%	3.1%	3.1%
San Francisco-Oakland-Fremont, CA	12.1%	5.5%	5.3%	5.1%	4.9%
San Jose-Sunnyvale-Santa Clara, CA	12.4%	5.2%	5.3%	4.9%	5.0%
Seattle-Tacoma-Bellevue, WA	12.0%	3.3%	3.7%	3.1%	3.7%
St. Louis, MO-IL	7.5%	3.9%	3.8%	3.8%	3.6%
Tampa-St. Petersburg-Clearwater, FL	12.2%	4.3%	3.5%	3.8%	3.1%
Tucson, AZ	13.0%	3.5%	3.0%	3.2%	2.7%
Tulsa, OK	10.6%	2.6%	1.8%	2.4%	1.5%
Urban Honolulu, HI	11.2%	3.1%	3.0%	3.0%	2.9%
Virginia Beach-Norfolk-Newport News, VA-NC	11.0%	1.5%	1.3%	1.5%	1.3%
Washington-Arlington-Alexandria, DC-VA-MD-WV	9.6%	2.9%	2.5%	2.9%	2.5%

Source: TRIM3 microsimulation model.

Notes: AAPI = Asian American and Pacific Islander; EE = employment effects. People of other races include Native Americans and people of multiple races. Education is attainment at time of survey. For SPM units, "couple" includes both married couples and unmarried cohabiting partners. A child is any biological, step, or adopted child. SPM units that include people other than the core family defined by the first four rows are included in ""other type of unit." "Social Security" refers to Social Security old age benefits, as well as disability insurance.

[a] SSI and Social Security recipiency are based on baseline status.

TABLE A.2
Employment Impact of Policy Package
Including lower and higher transitional jobs take up

Characteristic	2018 Baseline	Policy Package with Lower Transitional Jobs Take-Up Rate		Policy Package with Higher Transitional Jobs Take-Up Rate	
		No employment effects	With employment effects	No employment effects	With employment effects
Baseline					
Number of people employed (thousands)	167,555	171,758	174,243	173,868	176,097
Aggregate earnings (millions $)	$9,204,602	$9,464,513	$9,527,978	$9,510,552	$9,570,023
Policy package impact change from baseline					
People working in baseline whose earnings increased					
Number of people		43,569	42,195	43,778	42,425
Aggregate earnings		$174,895	$166,905	$178,471	$170,787
Average annual increase		$4,014	$3,956	$4,077	$4,026
People with new jobs (not working in baseline)					
Number of people		4,203	8,507	6,313	10,361
Aggregate earnings		$85,016	$171,200	$127,479	$209,476
Average annual increase		$20,227	$20,126	$20,192	$20,218
People who lose jobs					
Number of people			1,819		1,819
Aggregate earnings			-$14,730		-$14,843
Average annual decrease			-$8,099		-$8,161
Total net change					
Number of people with any change		47,772	52,520	50,091	54,605
Change in number of people employed		4,203	6,688	6,313	8,542
Aggregate earnings		$259,911	$323,375	$305,950	$365,420
Average annual change		$5,441	$6,157	$6,108	$6,692

Source: TRIM3 microsimulation model.

Note: People who lose their jobs due to the increase in the minimum wage are assumed to only do so for five months.

Budgetary Impact of Policy Package
Including lower and higher transitional jobs take up

Benefit Program or Tax	2018 Baseline	Policy Package with Lower Transitional Jobs Take-Up Rate		Policy Package with Higher Transitional Jobs Take-Up Rate	
		No employment effects	With employment effects	No employment effects	With employment effects
Temporary Assistance to Needy Families (TANF)					
Families receiving benefits (avg. month)	1,165	1,069	967	1,029	938
Aggregate annual benefits	$5,877	$5,351	$4,729	$5,111	$4,583
Supplemental Nutrition Assistance Program (SNAP)					
Units receiving benefits (avg. month)	19,727	15,331	14,953	14,904	14,580
Aggregate annual benefits	$49,651	$31,693	$29,482	$30,267	$28,365
Low-Income Home Energy Assistance Program (LIHEAP)					
Households with benefits (annual)	5,767	3,698	3,538	3,577	3,430
Aggregate annual benefits	$2,822	$1,751	$1,675	$1,689	$1,622
WIC[a]					
People with benefits (avg. month)	5,865	5,806	5,786	5,806	5,786
Aggregate annual benefits	$4,161	$4,126	$4,113	$4,126	$4,113
Public and subsidized housing					
Households with subsidy during year (annual)	5,599	4,986	4,941	4,955	4,915
Aggregate rent subsidies	$47,527	$32,999	$31,939	$32,173	$31,241
Child care subsidies (not purchasing accounts)					
Families with subsidies (avg. month)	809	713	691	710	688
Aggregate value of subsidy	$6,861	$6,018	$5,853	$6,010	$5,845
Unemployment Insurance (UI)					
People with any UI during the year	5,017	4,985	5,567	4,958	5,545
Aggregate annual benefits	$24,854	$25,055	$27,161	$24,978	$27,102
Transitional jobs					
People with transitional jobs	0	4,688	4,270	7,007	6,354
Total wages paid	$0	$93,694	$86,201	$139,733	$128,359
Administrative costs[b]	$0	$23,424	$21,550	$34,933	$32,090
Child care purchasing accounts[c]					
Families with benefits	0	7,952	11,491	8,313	11,665
Aggregate cost	$0	$58,410	$142,777	$66,480	$146,570
Supplemental Security Income (SSI)					
Enrollees remaining on SSI					
Children		1,135	1,128	1,132	1,125
Adults		4,475	4,477	4,464	4,466
Aggregate annual benefit		$99,169	$98,715	$98,928	$98,444
New enrollees					
Children		0	0	0	0
Adults		3,416	3,427	3,252	3,260
Aggregate annual benefit		$56,475	$56,656	$53,007	$53,090
Discontinued from SSI					

Benefit Program or Tax	2018 Baseline	Policy Package with Lower Transitional Jobs Take-Up Rate		Policy Package with Higher Transitional Jobs Take-Up Rate	
		No employment effects	With employment effects	No employment effects	With employment effects
Children		31	38	34	41
Adults		2,571	2,569	2,583	2,580
Total program enrollment (ever during year)	8,212	9,026	9,032	8,848	8,851
Aggregate annual benefits	$55,080	$155,644	$155,371	$151,935	$151,534
Social Security					
People with benefits	53,960	53,960	53,960	53,960	53,960
Aggregate annual benefits	$840,638	$1,232,434	$1,232,434	$1,232,434	$1,232,434
Payroll taxes (OASDHI)					
Wage/salary workers paying tax	158,938	163,141	167,058	165,252	168,912
Taxes paid by worker and employer	$1,164,896	$1,336,848	$1,346,680	$1,343,916	$1,353,136
Federal income taxes					
Number of returns					
Positive tax	107,657	80,861	81,160	81,090	81,382
Negative tax	20,709	58,666	59,182	59,571	60,036
Amount of tax liability					
Positive tax returns	$1,379,377	$1,305,001	$1,309,969	$1,305,779	$1,310,704
Negative tax returns	-$63,677	-$275,193	-$277,386	-$278,245	-$279,742
Federal earned income tax credit (EITC)					
Units with credit	18,264	81,721	82,722	82,929	83,803
Aggregate amount of credit	$37,823	$272,707	$278,171	$277,940	$282,508
Federal Child Tax Credit (CTC)					
Units with credit	40,583	40,221	40,236	40,160	40,180
Aggregate amount of credit	$114,772	$205,923	$205,573	$205,839	$205,501
Federal Child and Dependent Care Credit (CDCTC)					
Units with credit	6,447	1,287	1,275	1,288	1,276
Aggregate amount of credit	$3,790	$536	$533	$536	$532
State income taxes					
Number of returns					
Positive tax	93,719	93,487	94,021	94,254	94,741
Negative tax	7,988	11,089	11,285	11,202	11,362
Amount of tax liability					
Positive tax returns	$377,183	$376,382	$378,084	$377,125	$378,765
Negative tax returns	-$2,359	-$5,781	-$5,968	-$5,858	-$6,001
Benefit program cost changes					
Increased costs		$668,088	$744,922	$729,921	$797,517
Decreased costs		-$34,119	-$38,101	-$36,672	-$40,114
Net change in costs		$633,969	$706,822	$693,248	$757,403
Tax changes					
Payroll tax revenue net change		$171,952	$181,784	$179,020	$188,240
Federal income tax revenue net change		-$285,892	-$283,117	-$288,166	-$284,738
State income tax revenue net change		-$4,223	-$2,708	-$3,557	-$2,060
Net change in taxes		-$118,163	-$104,041	-$112,703	-$98,558
Total change in government expenditure		$752,132	$810,862	$805,952	$855,961

Source: TRIM3 microsimulation model.

[a] The TRIM3 WIC simulation does not adjust for underreporting of benefits paid to pregnant women.

[b] Administrative costs of the transitional jobs program are not explicitly modeled. Instead, they are assumed to be 25% of the wages paid.

[c] Child care purchasing account numbers include assumption that all mothers starting work due to child care purchasing account, EITC, or transitional job use the full amount of their purchasing account.

Distribution of People by Supplemental Poverty Measure Ratio

Including lower and higher transitional jobs take up

Income as Percent of SPM	2018 Baseline	Policy Package with Lower Transitional Jobs Take-Up Rate		Policy Package with Higher Transitional Jobs Take-Up Rate	
		No employment effects	With employment effects	No employment effects	With employment effects
< 50% SPM	3.2%	1.3%	1.3%	1.1%	1.1%
50% -< 100% SPM	8.2%	2.1%	1.9%	1.9%	1.8%
100% -< 150% SPM	15.8%	7.6%	7.0%	7.3%	6.7%
150% -< 200% SPM	13.5%	15.1%	14.9%	15.0%	14.8%
200%+ SPM	59.3%	74.0%	75.0%	74.6%	75.6%

Source: TRIM3 microsimulation model.

Supplemental Poverty Measure in Baseline and with Policy Package for US Citizens

Including lower and higher transitional jobs take up

Characteristic	2018 SPM Poverty Baseline	Policy Package with Lower Transitional Jobs Take-Up Rate		Policy Package with Higher Transitional Jobs Take-Up Rate	
		No employment effects	With employment effects	No employment effects	With employment effects
Age					
All ages	10.4%	2.7%	2.5%	2.4%	2.3%
<18	10.6%	2.2%	2.0%	2.0%	1.9%
18-64	9.8%	3.0%	2.9%	2.7%	2.6%
65+	12.2%	2.2%	2.1%	2.1%	2.1%
Race/Ethnicity					
White people (non-Hispanic)	7.8%	2.1%	2.0%	1.9%	1.9%
Black people (non-Hispanic)	16.3%	3.7%	3.5%	3.3%	3.1%
Hispanic people	15.9%	3.9%	3.6%	3.5%	3.3%
AAPI people (non-Hispanic)	11.0%	3.8%	3.5%	3.3%	3.2%
People of other races (non-Hispanic)	11.8%	2.9%	2.6%	2.6%	2.3%
Sex					
Male	9.8%	2.5%	2.4%	2.3%	2.2%
Female	10.9%	2.8%	2.7%	2.6%	2.4%
Education (age 18+)					
Less than high school degree	23.0%	4.5%	4.3%	4.1%	3.9%
High school degree or equivalent	13.1%	3.0%	2.8%	2.7%	2.5%
Some college or associate's degree	9.7%	3.2%	3.2%	2.9%	2.9%
Bachelor's degree or more	5.4%	2.0%	1.9%	1.8%	1.7%

Source: TRIM3 microsimulation model.

Notes: AAPI = Asian American and Pacific Islander; EE = employment effects. People of other races include Native Americans and people of multiple races. Education is attainment at time of survey. For SPM units, "couple" includes both married couples and unmarried cohabiting partners. A child is any biological, step, or adopted child. SPM units that include people other than the core family defined by the first four rows are included in "other type of unit." "Social Security" refers to Social Security old age benefits, as well as disability insurance.

Appendix B. Detailed Individual Simulation Results

Supplemental Poverty Measure in Baseline and with Individual Policies

Including lower and higher transitional jobs take up, percentage point change in poverty rate

Characteristic	2018 SPM Poverty Baseline	Transitional Jobs		Minimum Wage		Earned Income Tax Credit		Child Tax Credit		Child Care Purchasing Accounts		SSI	Social Security
		Lower take up	Higher take up	No EE	With EE	No EE	With EE	No EE	With EE	No EE	With EE		
Age													
All ages	11.4%	9.9%	9.3%	10.3%	10.4%	9.2%	8.8%	9.4%	9.6%	11.2%	10.4%	9.9%	9.1%
<18	11.0%	9.6%	9.1%	9.7%	9.8%	8.2%	7.5%	6.2%	6.6%	10.7%	8.8%	10.2%	10.2%
18-64	11.1%	9.3%	8.7%	10.0%	10.1%	8.7%	8.3%	9.9%	10.0%	11.0%	10.4%	9.7%	9.7%
65+	12.8%	12.1%	11.9%	12.5%	12.6%	12.3%	12.2%	12.5%	12.5%	12.8%	12.7%	10.1%	5.3%
Race/Ethnicity													
White people (non-Hispanic)	7.9%	6.8%	6.4%	7.4%	7.4%	6.7%	6.4%	7.0%	7.1%	7.8%	7.4%	6.6%	5.7%
Black people (non-Hispanic)	16.7%	13.6%	12.9%	15.3%	15.4%	13.5%	12.7%	13.3%	13.5%	16.3%	15.5%	13.9%	13.1%
Hispanic people	18.6%	16.7%	15.9%	15.9%	16.1%	14.1%	13.4%	14.2%	14.5%	18.4%	16.2%	17.3%	16.6%
AAPI people (non-Hispanic)	13.2%	12.1%	11.1%	12.4%	12.4%	10.7%	10.3%	11.7%	11.8%	13.1%	12.0%	11.7%	11.4%
People of other races (non-Hispanic)	11.7%	10.0%	9.3%	10.9%	10.9%	8.7%	8.3%	9.2%	9.5%	11.5%	10.8%	9.9%	9.7%
Sex													
Male	10.8%	9.3%	8.8%	9.8%	9.9%	8.7%	8.4%	9.1%	9.2%	10.7%	9.9%	9.3%	8.8%
Female	11.9%	10.4%	9.8%	10.9%	10.9%	9.6%	9.1%	9.8%	10.0%	11.7%	10.9%	10.5%	9.4%
Citizenship/legal Status													
US Citizens	10.4%	8.9%	8.4%	9.5%	9.6%	8.3%	7.9%	8.5%	8.7%	10.2%	9.5%	8.9%	8.1%
Legal residents	20.8%	17.6%	16.5%	19.0%	19.1%	15.5%	15.0%	17.5%	17.7%	20.6%	18.3%	18.6%	18.3%

Characteristic	2018 SPM Poverty Baseline	Transitional Jobs		Minimum Wage		Earned Income Tax Credit		Child Tax Credit		Child Care Purchasing Accounts		SSI	Social Security
		Lower take up	Higher take up	No EE	With EE	No EE	With EE	No EE	With EE	No EE	With EE		
Undocumented immigrants	26.2%	25.7%	25.4%	21.0%	21.3%	22.5%	22.2%	22.6%	22.8%	25.9%	23.4%	26.0%	25.2%
Other noncitizens	21.9%	21.9%	21.9%	21.3%	21.3%	21.8%	21.8%	21.8%	21.9%	21.9%	21.9%	21.8%	21.5%
Education (age 18+)													
Less than high school degree	25.4%	21.8%	20.8%	22.9%	23.1%	21.2%	20.4%	22.1%	22.2%	25.3%	23.8%	21.3%	19.1%
High school degree or equivalent	14.0%	11.9%	11.2%	12.7%	12.8%	11.4%	10.9%	12.6%	12.7%	13.8%	13.2%	11.5%	10.4%
Some college or associate's degree	10.2%	8.9%	8.5%	9.3%	9.4%	8.3%	8.0%	9.3%	9.4%	10.1%	9.8%	9.0%	8.0%
Bachelor's degree or more	6.0%	5.3%	5.0%	5.7%	5.7%	5.1%	5.0%	5.8%	5.8%	6.0%	5.8%	5.4%	4.8%
SPM Unit Type													
Couple with children < 18	6.8%	6.0%	5.8%	5.9%	5.9%	4.7%	4.5%	4.1%	4.4%	6.5%	4.9%	6.5%	6.6%
Couple without children < 18	7.7%	6.6%	6.3%	7.2%	7.2%	6.8%	6.7%	7.7%	7.7%	7.7%	7.7%	6.2%	4.6%
Single adult with children < 18	22.8%	20.8%	19.8%	20.3%	20.4%	17.6%	15.2%	11.4%	12.9%	21.7%	18.9%	21.0%	21.2%
Single adult without children < 18	21.7%	20.3%	19.7%	20.5%	20.6%	19.0%	18.7%	21.7%	21.7%	21.7%	21.7%	19.2%	16.4%
Other type of unit	11.2%	8.8%	8.0%	10.0%	10.1%	8.7%	8.2%	9.2%	9.3%	11.0%	10.4%	9.3%	9.0%
Employment Status (age 18+)													
Working full time, full year (35+ hours, 50+ weeks)	3.8%	3.6%	3.5%	3.0%	3.0%	2.2%	2.2%	3.2%	3.4%	3.7%	3.5%	3.6%	3.7%
Working part time or part year	12.1%	11.0%	10.6%	10.5%	10.6%	8.1%	7.9%	10.7%	10.8%	11.9%	11.7%	11.4%	11.0%
Not working	21.7%	18.1%	16.9%	21.0%	21.0%	20.3%	19.4%	20.2%	20.2%	21.7%	20.8%	17.6%	14.7%
Age 18-64													

Characteristic	2018 SPM Poverty Baseline	Transitional Jobs		Minimum Wage		Earned Income Tax Credit		Child Tax Credit		Child Care Purchasing Accounts		SSI	Social Security
		Lower take up	Higher take up	No EE	With EE	No EE	With EE	No EE	With EE	No EE	With EE		
Not Receiving SSI or Social Security[a]	28.8%	21.1%	18.4%	27.2%	27.3%	25.9%	24.0%	25.9%	26.1%	28.7%	26.5%	25.5%	26.5%
Receiving SSI	35.6%	32.8%	32.1%	35.0%	35.1%	33.8%	33.3%	32.2%	32.4%	35.6%	35.2%	10.4%	28.1%
Receiving Social Security	18.6%	17.1%	16.5%	18.4%	18.4%	18.1%	17.4%	16.9%	16.9%	18.6%	18.4%	19.1%	2.3%
Age 65+													
Not Receiving SSI or Social Security	35.6%	32.7%	31.7%	34.9%	34.9%	34.2%	34.0%	34.8%	34.8%	35.6%	35.4%	17.3%	32.2%
Receiving SSI	48.6%	47.1%	45.9%	47.3%	47.3%	46.4%	45.7%	47.5%	47.5%	48.5%	48.4%	34.1%	23.4%
Receiving Social Security	12.3%	11.7%	11.6%	12.1%	12.1%	12.0%	11.9%	12.0%	12.0%	12.3%	12.2%	12.0%	2.1%
SSI and Social Security Recipiency (age 18+)[a]													
Not Receiving SSI or Social Security	10.7%	9.0%	8.3%	9.6%	9.6%	8.3%	7.9%	9.6%	9.7%	10.6%	10.0%	9.5%	10.0%
Receiving SSI	38.9%	36.6%	35.9%	38.1%	38.1%	36.7%	36.2%	36.3%	36.4%	38.9%	38.6%	17.4%	26.3%
Receiving SSI and Social Security	44.1%	42.3%	41.0%	43.1%	43.1%	42.6%	42.1%	41.7%	41.7%	44.1%	43.8%	54.6%	5.7%
Receiving Social Security	11.8%	11.1%	10.9%	11.6%	11.6%	11.4%	11.2%	11.3%	11.3%	11.8%	11.7%	11.7%	1.9%

Source: TRIM3 microsimulation model.

Notes: AAPI = Asian American and Pacific Islander; EE = employment effects. People of other races include Native Americans and people of multiple races. Education is attainment at time of survey. For SPM units, "couple" includes both married couples and unmarried cohabiting partners. A child is any biological, step, or adopted child. SPM units that include people other than the core family defined by the first four rows are included in "other type of unit." "Social Security" refers to Social Security old age benefits, as well as disability insurance.

[a] SSI and Social Security recipiency are based on baseline status.

TABLE B.2
Employment Impact of Individual Policies
Including lower and higher transitional jobs take up

Characteristic	2018 Baseline	Transitional Jobs		Minimum Wage		Earned Income Tax Credit, with EE	Child Tax Credit, with EE	Child Care Accounts, with EE
		Lower take up	Higher take up	No EE	With EE			
Baseline								
Number of people employed	167,555	171,758	173,869	167,555	166,094	168,913	167,197	171,240
Aggregate earnings	$9,204,602	$9,298,296	$9,344,345	$9,370,819	$9,357,573	$9,231,100	$9,194,679	$9,277,462
Policy package impact change from baseline								
People working in baseline whose earnings increased								
Number of people		485	694	43,084	41,623			
Aggregate earnings		$8,678	$12,254	$166,217	$157,050			
Average annual increase		$17,894	$17,663	$3,858	$3,773			
People with new jobs (not working in baseline)								
Number of people		4,203	6,314			1,358		3,685
Aggregate earnings		$85,016	$127,489			$26,498		$72,860
Average annual increase		$20,226	$20,191			$19,510		$19,772
People who lose jobs								
Number of people					1,461		358	
Aggregate earnings					-$4,080		-$9,923	
Average annual decrease					-$2,793		-$27,717	
Total net change								
Number of people with any change		4,688	7,008	43,084	43,084	1,358	358	3,685
Aggregate earnings		$93,694	$139,743	$166,217	$152,970	$26,498	-$9,923	$72,860

Characteristic	2018 Baseline	Transitional Jobs		Minimum Wage		Earned Income Tax Credit, with EE	Child Tax Credit, with EE	Child Care Accounts, with EE
		Lower take up	Higher take up	No EE	With EE			
Average annual change		$19,985	$19,941	$3,858	$3,551	$19,510	-$27,717	$19,772

Source: TRIM3 microsimulation model.

Note: People who lose their jobs due to the increase in the minimum wage are assumed to only do so for five months.

TABLE B.3

Budgetary Impact of Individual Policies

Including lower and higher transitional jobs take up

Benefit Program or Tax	2018 Baseline	Transitional Jobs		Minimum Wage		Earned Income Tax Credit		Child Tax Credit		Child Care Accounts		SSI	Social Security
		Lower take up	Higher take up	With EE	With EE	No EE	With EE	No EE	With EE	No EE	With EE		
Temporary Assistance to Needy Families (TANF)													
Families receiving benefits (avg. month)	1,165	1,087	1,046	1,147	1,152	1,165	1,093	1,165	1,220	1,165	1,035	1,177	1,142
Aggregate annual benefits	$5,877	$5,398	$5,155	$5,828	$5,847	$5,877	$5,426	$5,877	$6,265	$5,877	$5,033	$5,903	$5,767
Supplemental Nutrition Assistance Program (SNAP)													
Units receiving benefits (avg. month)	19,727	18,783	18,369	18,793	18,896	19,727	19,432	19,727	19,856	19,667	19,224	19,562	17,377
Aggregate annual benefits	$49,651	$45,525	$43,786	$45,897	$46,346	$49,651	$47,843	$49,651	$50,605	$48,952	$45,691	$45,118	$44,084
Low-Income Home Energy Assistance Program (LIHEAP)													
Households with benefits (annual)	5,767	5,458	5,332	5,470	5,479	5,767	5,702	5,767	5,767	5,763	5,616	5,353	4,628
Aggregate annual benefits	$2,822	$2,667	$2,602	$2,672	$2,677	$2,822	$2,790	$2,822	$2,822	$2,820	$2,748	$2,598	$2,233
WICª													
People with benefits (avg. month)	5,865	5,858	5,858	5,821	5,821	5,865	5,861	5,865	5,866	5,865	5,837	5,863	5,859
Aggregate annual benefits	$4,161	$4,158	$4,158	$4,134	$4,134	$4,161	$4,160	$4,161	$4,161	$4,161	$4,144	$4,160	$4,157
Public and subsidized housing													
Households with subsidy during year (annual)	5,599	5,553	5,519	5,517	5,526	5,599	5,576	5,599	5,599	5,598	5,578	5,475	5,242
Aggregate rent subsidies	$47,527	$45,241	$44,291	$46,421	$46,515	$47,527	$46,556	$47,527	$47,619	$47,367	$46,420	$43,625	$40,255

Benefit Program or Tax	2018 Baseline	Transitional Jobs Lower take up	Transitional Jobs Higher take up	Minimum Wage With EE	Minimum Wage With EE	Earned Income Tax Credit No EE	Earned Income Tax Credit With EE	Child Tax Credit No EE	Child Tax Credit With EE	Child Care Accounts No EE	Child Care Accounts With EE	SSI	Social Security
Child care subsidies (not purchasing accounts)													
Families with subsidies (avg. month)	809	844	862	728	726	809	849	809	786	809	809	804	808
Aggregate value of subsidy	$6,861	$7,074	$7,182	$6,082	$6,062	$6,861	$7,331	$6,861	$6,672	$6,861	$6,861	$6,838	$6,851
Unemployment Insurance (UI)													
People with any UI during the year	5,017	4,964	4,940	5,038	5,643	5,017	5,009	5,017	5,012	5,017	5,006	5,017	5,017
Aggregate annual benefits	$24,854	$24,646	$24,579	$25,277	$27,444	$24,854	$24,827	$24,854	$24,841	$24,854	$24,813	$24,854	$24,854
Transitional jobs													
People with transitional jobs		4,688	7,008										
Total wages paid		$93,694	$139,743										
Administrative costs[b]		$23,424	$34,936										
Child care purchasing accounts[c]													
Families with benefits										7,324	11,009		
Aggregate cost										$43,179	$131,064		
Supplemental Security Income (SSI)													
Total program enrollment (ever during year)	8,212	8,209	8,206	8,094	8,104	8,212	8,212	8,212	8,219	8,212	8,206	9,533	6,207
Aggregate annual benefits	$55,080	$54,879	$54,739	$54,211	$54,233	$55,080	$54,976	$55,080	$55,136	$55,080	$54,769	$166,440	$48,856
Social Security													
People with benefits	53,960	53,960	53,960	53,960	53,960	53,960	53,960	53,960	53,960	53,960	53,960	53,960	53,960
Aggregate annual benefits	$840,638	$840,638	$840,638	$840,638	$840,638	$840,638	$840,638	$840,638	$840,638	$840,638	$840,638	$840,638	$1,232,434
Payroll taxes (OASDHI)													
Wage/salary workers paying tax	158,938	163,141	165,252	158,938	158,897	158,938	160,296	158,938	158,593	158,938	162,623	158,938	158,938
Taxes paid by worker and employer	$1,164,896	$1,179,248	$1,186,318	$1,189,864	$1,187,872	$1,164,896	$1,168,954	$1,164,896	$1,163,454	$1,164,896	$1,176,048	$1,164,896	$1,297,526
Federal income taxes													
Number of returns													
Positive tax	107,657	110,096	111,233	110,148	110,023	79,751	79,764	103,926	103,882	107,821	108,505	107,657	108,170
Negative tax	20,709	21,226	21,377	19,584	19,650	53,503	54,753	27,162	27,190	20,546	20,652	20,709	20,638
Amount of tax liability													
Positive tax returns	$1,379,377	$1,383,609	$1,386,056	$1,395,188	$1,394,258	$1,295,615	$1,295,842	$1,360,109	$1,359,905	$1,381,667	$1,387,873	$1,379,377	$1,391,997
Negative tax returns	-$63,677	-$65,360	-$65,973	-$59,130	-$59,311	-$213,668	-$220,127	-$135,626	-$135,655	-$63,108	-$63,041	-$63,677	-$63,424
Federal earned income tax credit (EITC)													

Benefit Program or Tax	2018 Baseline	Transitional Jobs		Minimum Wage		Earned Income Tax Credit		Child Tax Credit		Child Care Accounts		SSI	Social Security
		Lower take up	Higher take up	With EE	With EE	No EE	With EE	No EE	With EE	No EE	With EE		
Units with credit	18,264	18,757	18,893	16,952	17,046	79,623	80,937	18,264	18,124	18,264	18,305	18,264	18,183
Aggregate amount of credit	$37,823	$39,005	$39,373	$33,851	$34,058	$271,588	$278,149	$37,823	$37,390	$37,823	$37,862	$37,823	$37,670
Federal Child Tax Credit (CTC)													
Units with credit	40,583	41,002	41,137	40,767	40,756	40,580	40,990	40,312	40,304	40,583	41,231	40,583	40,371
Aggregate amount of credit	$114,772	$116,043	$116,572	$117,119	$116,921	$114,760	$115,651	$205,988	$205,960	$115,183	$117,771	$114,773	$114,581
Federal Child and Dependent Care Credit (CDCTC)													
Units with credit	6,447	6,632	6,727	6,559	6,548	6,447	6,535	6,447	6,374	1,256	1,256	6,444	6,448
Aggregate amount of credit	$3,790	$3,902	$3,974	$3,918	$3,907	$3,790	$3,850	$3,790	$3,759	$521	$521	$3,790	$3,791
State income taxes													
Number of returns													
Positive tax	93,719	95,799	96,742	95,167	95,066	89,749	90,226	93,707	93,596	93,784	94,299	93,724	93,773
Negative tax	7,988	7,982	7,938	7,533	7,561	11,585	11,854	7,999	7,996	7,947	7,920	7,924	8,007
Amount of tax liability													
Positive tax returns	$377,183	$378,992	$379,895	$382,509	$382,169	$369,095	$369,383	$377,230	$377,027	$377,457	$379,570	$377,184	$377,535
Negative tax returns	-$2,359	-$2,426	-$2,416	-$2,159	-$2,173	-$6,161	-$6,435	-$2,362	-$2,336	-$2,282	-$2,328	-$2,358	-$2,360
Benefit program cost changes													
Increased costs		$117,330	$174,999	$423	$2,590		$469		$1,489	$43,179	$131,064	$111,385	$391,796
Decreased costs		-$7,460	-$10,662	-$6,735	-$6,166		-$2,425		-$202	-$860	-$6,354	-$8,659	-$19,776
Net change in costs		$109,870	$164,337	-$6,312	-$3,576		-$1,955		$1,287	$42,318	$124,710	$102,726	$372,020
Tax changes													
Payroll tax revenue net change		$14,352	$21,422	$24,968	$22,976		$4,058		-$1,442	$0	$11,152	$0	$132,630
Federal income tax revenue net change		$2,549	$4,383	$20,358	$19,247	-$233,753	-$239,985	-$91,217	-$91,450	$2,859	$9,132	$0	$12,873
State income tax revenue net change		$1,742	$2,655	$5,525	$5,172	-$11,890	-$11,876	$44	-$133	$351	$2,417	$2	$351
Net change in taxes		$18,643	$28,460	$50,851	$47,395	-$245,643	-$247,803	-$91,173	-$93,025	$3,210	$22,701	$2	$145,854
Total change in government expenditure		$91,228	$135,877	-$57,163	-$50,971	$245,643	$245,848	$91,173	$94,312	$39,108	$102,009	$102,724	$226,166

Source: TRIM3 microsimulation model.

[a] The TRIM3 WIC simulation does not adjust for underreporting of benefits paid to pregnant women.

[b] Administrative costs of the transitional jobs program are not explicitly modeled. Instead, they are assumed to be 25 percent of the wages paid.

[c] Child care purchasing account numbers include assumption that all mothers starting work due to child care purchasing account, EITC, or transitional job use the full amount of their purchasing account.

Appendix C. Transitional Jobs

Community Advocates included additional details about the nature of the transitional jobs provided by the program. First, transitional jobs would be widely available across the US, easily accessible in every neighborhood and community, and offer a variety of useful jobs.

Additionally, each individual, when requesting a transitional job or working in a transitional job, would be subject to the same basic conditions that all job applicants and all employees must meet. These include answering truthfully all questions related to their eligibility, satisfactorily carrying out the specific transitional job work they have been hired to perform and meeting other essential standards of conduct. Transitional job workers will be fired for criminal conduct on the job, mistreating or abusing other individuals while on the job, and dishonestly claiming hours of work they did not perform. While employed, transitional job workers will be subject to the same taxes and withholdings as all other workers in the labor market. Their work and earnings will also provide them the same benefits as all other workers in the labor market.

The entities that hire transitional job workers and overall managers of each community's transitional job program will be required to ensure that

- each specific transitional job is clearly defined;

- potential transitional job workers receive clear explanations of the specific jobs available to them, including the nature of each job's tasks, and the expectations that go with each job;

- transitional job workers are provided any training and equipment needed to perform their work;

- transitional job workers, once hired, are fully oriented as to the specific tasks they will be expected to carry out;

- transitional job workers are carefully supervised on the job;

- all legal requirements related to transitional job work are fully met;

- the work performed by every transitional job worker will be in one of the following areas: environmental conservation; park maintenance and improvement; neighborhood clean-up; libraries and reading; support for teachers and other school employees; public safety; public health; help for persons with limited mobility (not involving health care or long-term care); removal of lead pipes and other hazards; housing rehabilitation, construction, and

maintenance; infrastructure improvement; and other local priorities; or enable a private-sector employer to increase the size of its workforce; and

▪ no public or private sector employer shall use an individual who is eligible for a transitional job individual subsidized job placement to

» displace or replace an employee, position, or volunteer, or to partially displace or replace an employee, position, or volunteer, such as through reduction in hours, wages, or employment benefits; or

» displace or replace an employee participating in a strike, collective bargaining or union activities, or union organizing.

▪ All transitional job applicants and workers will receive individualized information and assistance leading, as quickly as possible, to unsubsidized and permanent employment in the regular economy, including the provision of appropriate no-cost and low-cost counseling, education, training, and leads that help them to move into and remain employed in the regular labor market.

TABLE C.1
Transitional Job Take-Up Rates in Lower Scenario
By baseline income-to-poverty ratio and hours worked per week

	Average Hours Worked per Week Prior to Transitional Job			
Percent of SPM Poverty Threshold	0	1 to 16	17 to 24	25 to 32
< 100%	50%	40%	20%	15%
100% -< 150%	40%	30%	15%	10%
150% -< 200%	30%	20%	10%	5%
200% -< 250%	10%	5%	2%	0%
250% -< 300%	2%	0%	0%	0%
300% +	1%	0%	0%	0%

Source: Authors' assumptions.

Notes: These take-up rates were further adjusted depending on individual characteristics. Individuals living with a part-time worker, SSI or Social Security recipient, but not a full-time worker were assumed to take up a transitional job at 80 percent of the above rates. Individuals who lived with a full-time worker were assumed to take up a transitional job at 60 percent of the above rates. People who report they are taking care of the home or family or are receiving pension income and who do not live with another worker or SSI or Social Security recipient were assumed to take up a transitional job at 50 percent of the above rates. Students were assumed to take up a transitional job at 40 percent of the above rates. People who report they are taking care of the home or family or are receiving pension income and who live with a part-time worker or SSI or Social Security recipient were assumed to take up a transitional job at 40 percent of the above rates. People who report they are taking care of the home or family or are receiving pension income and who live with a full-time worker were assumed to take up a transitional job at 30 percent of the above rates. In addition to these reductions, people who are disabled have their take-up rates reduced by a further 25 percent.

TABLE C.2
Transitional Job Take-Up Rates in Higher Scenario
By baseline income-to-poverty ratio and hours worked per week

Percent of SPM Poverty Threshold	Average Hours Worked per Week Prior to Transitional Job			
	0	1 to 16	17 to 24	25 to 32
< 100%	70%	50%	35%	20%
100% -< 150%	60%	40%	25%	10%
150% -< 200%	50%	30%	15%	7.5%
200% -< 250%	25%	15%	2.5%	1%
250% -< 300%	5%	1%	0%	0%
300% +	1%	0%	0%	0%

Source: Authors' assumptions.

Notes: These take-up rates were further adjusted depending on individual characteristics. Individuals living with a part-time worker, SSI or Social Security recipient, but not a full-time worker were assumed to take up a transitional job at 80 percent of the above rates. Individuals who lived with a full-time worker were assumed to take up a transitional job at 60 percent of the above rates. People who report they are taking care of the home or family or are receiving pension income and who do not live with another worker or SSI or Social Security recipient were assumed to take up a transitional job at 50 percent of the above rates. Students were assumed to take up a transitional job at 40 percent of the above rates. People who report they are taking care of the home or family or are receiving pension income and who live with a part-time worker or SSI or Social Security recipient were assumed to take up a transitional job at 40 percent of the above rates. People who report they are taking care of the home or family or are receiving pension income and who live with a full-time worker were assumed to take up a transitional job at 30 percent of the above rates. In addition to these reductions, people who are disabled have their take-up rates reduced by a further 25 percent.

The hours and weeks worked assigned to nonworkers selected to take a transitional job were also based on family and individual characteristics:

- Newly selected workers who were not students, who were either receiving pension income or not working because they were taking care of the home or family, and who were not receiving SSI or Social Security were assigned to work 24 hours per week for 40 weeks

- Newly selected workers who were part-time students and who were not receiving pension income, not taking care of the home or family, and not getting SSI or Social Security were also assigned to work 24 hours per week for 40 weeks

- Newly selected workers who were full-time students and who were not receiving pension income, not taking care of the home or family, and not getting SSI or Social Security were assigned 16 hours per week of work for 40 weeks

- All other nonworkers selected for transitional jobs were assigned 40 hours of work per week for 48 weeks

Notes

1. See "Statement on Child Tax Credit Awareness Day," University of California Stanta Barbara, the American Presidency Project, accessed February 3, 2025 https://www.presidency.ucsb.edu/documents/statement-child-tax-credit-awareness-day.

2. We did not use data for calendar year 2019 because those data were collected in March 2020 and evidence exists that nonresponse related to the COVID-19 pandemic affected the results (Rothbaum and Bee 2021). The first year of primarily post-COVID data—2023—was not available at the point we began this analysis.

3. We modelled this group to work 52 weeks across their existing job and transitional job. The proposal for real-world implementation would limit people to 48 weeks per year in a transitional job, but due to limitations within the model, we were not able to implement specification.

4. To create the wage range in which workers would be affected by spillover, first we identified the halfway point between the existing regular minimum wage in the state and the new minimum wage. This was the beginning point of the range. In a state using the federal minimum wage, this would be $10.50. To mark the end of the range, we subtracted the beginning of the range from the new minimum wage (in this case, $13.75 - $10.50 = $3.25) and add the result to the new minimum wage, meaning that spillover would end for those earning more than $17. Workers earning less than the beginning of the spillover range but more than 25 cents below the current minimum wage ($7 in this example) would see their wage increased to exactly $13.75. Those earning between $10.50 and $17 would have a new wage equal to their $13.75 plus half the difference between their current wage and $10.50. For example, someone earning $11.50 before the policy would earn $14.25 after it. Someone earning $16.00 before the policy would earn $16.50 after it.

5. In data developed by the compensation research firm PayScale (see "How Your Tips Impact Incomes PayScale's 2012-2013 Tipping Study," PayScale, accessed August 12, 2024, https://www.payscale.com/tipping-chart-2012) the median hourly base pay (excluding tips) in these occupations in 2012 was below $8.00 ($5.10 for waiters, $7.60 for gaming services workers, and $7.70 for both bartenders and for dining room and cafeteria workers). For all other occupations identified as receiving substantial levels of tips (e.g., hairdressers), median hourly base pay exceeds $8.00, indicating that these occupations generally receive tips in addition to a regular wage of at least the minimum wage.

6. This list of occupations includes all those listed as predominantly tipped occupations in an analysis by the Economic Policy Institute (Allegretto and Cooper 2014) other than those considered to receive the tipped minimum wage.

7. We did not follow the procedure described in Giannarelli and Werner (2022) to adjust the elasticities based on the number and average wage of affected teenagers in our data, because the minimum wage modeling in this work included the added complication of tipped workers, which was not a part of Giannarelli and Werner.

8. As per the Federal Reserve Economic Data base, see "Average Weeks Unemployed [UEMPMEAN]," retrieved from Federal Reserve Bank of St. Louis, January 24, 2025, https://fred.stlouisfed.org/series/UEMPMEAN.

9. See "EITC participation rate by states: Tax years 2014 through 2021," Internal Revenue Service, accessed February 5, 2025, https://www.eitc.irs.gov/eitc-central/participation-rate-by-state/eitc-participation-rate-by-states.

10. The CTC in the ARPA had a two-stage phase out, where the first $1,000 (or $1,600 for younger children) phased out beginning at $112,500 of income ($150,000 for married couples) and the remaining $2,000 began to phase out at $200,000 of income ($400,000 for married couples).

11. The number of Social Security recipients by type can be found in table 5.A1 of the 2019 Annual Statistical Supplement, see "Annual Statistical Supplement, 2019," Social Security Administration, November 2019, https://www.ssa.gov/policy/docs/statcomps/supplement/2019/index.html.

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