

Low-Wage Workers: Can EITC Carrot Pan out with Prison Threat, Make Men Work?

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Seeing positive results from food and bus vouchers as incentives to parolees who hold down jobs, Mindy Tarlow, executive director of the Center for Employment Opportunities, thinks opening up the Earned Income Tax Credit to single, low-income men is a good idea.

Her organization's success providing ex-offenders with transitional jobs has New York University public policy professor Larry Mead thinking that a better idea would be to create public work programs that use the threat of prison to prod troubled young men to show up for their jobs.

A slate of academics and practitioners spent a few hours Sept. 20 at a meeting sponsored by the Brookings Institution debating whether the carrot of an expanded EITC and the stick of prison sanctions would complement one another in promoting work among disenfranchised young men.

Brookings staff were promoting a new book, *The Next Generation of Antipoverty Policies*, which contains Mead's proposal for a "work enforcement" demonstration, as well as a call from Gordon Berlin, president of the research firm MDRC, for EITC expansion.

Berlin's idea has been endorsed by New York City Mayor Michael Bloomberg and has attracted the attention of the House Committee on Ways and Means.

Essentially, it would expand the EITC so that it puts a substantial amount of federal income tax payments back into the pockets of single workers as well as those of the second parents in families with two earners. Under the current program's so-called marriage penalty, married couples must count their joint income when claiming the EITC, which in practice disqualifies couples who earn two relatively low but stable incomes. Berlin's proposal would allow two separate claims.

Currently, the EITC benefits primarily low-income parents with children and provides the most support when only one parent in a two-parent family has earnings.

According to Berlin, in addition to helping dual-income families, his proposal would also provide a work stimulus for childless single men and noncustodial fathers at the low end of the labor market, a group whose incomes have fallen over the years in real terms. A job paying \$6.55 per hour would suddenly be worth about \$8 per hour because of the tax benefit.

"Thirty-four million full-time workers would benefit immediately. The program would have an immediate, certain and long-term effect of reducing poverty among full-time workers," Berlin said.

Tarlow, who runs the New York City-based CEO, likes the idea. Her organization provides life skills training to parolees before it sends them out on work crew jobs across the city, taking one day a week to prepare them for and help them find permanent, unsubsidized employment.

In recent years, the organization has been rewarding participants who stay in their permanent jobs and come back to the office once a month to prove it by showing caseworkers their pay stubs. The reward comes in the form of bus passes and grocery vouchers, and those who have gone to the trouble to claim it have held their jobs longer than those who did not.

Effectiveness of Rewards

Tarlow told MII that she sees the effectiveness of these rewards as an indicator of promise for Berlin's EITC proposal, essentially because it provides an incentive for putting up with low wages.

“Our own experience at CEO has shown that rewarding positive behavior while having significant consequences for negative behavior is an effective strategy,” she said.

CEO is one of several programs Mead credits as inspiration for a program model he is proposing to inspire work among fathers with child support enforcement obligations and ex-offenders.

Mead is calling for a federal demonstration to seed pilot work-enforcement programs around the country that serve these two populations.

Under his idea, judges would tell fathers with unpaid child support and parolees to find a job and pay up, much as they typically do now.

However, after say 60 days, if they are not working, judges would remand them to participate in a work enforcement program that sends them out on work crews like those operated by CEO and other organizations running similar models. CEO's participants clean out city office buildings, erase graffiti, pick up trash in parks and perform other public services for the minimum wage.

Under Mead's ideal program, individuals' wages would be garnished for child support, but caseworkers would also be responsible for helping participants collect whatever economic incentives and work supports they are eligible for, such as food stamps or (if it were expanded as Berlin proposes) the EITC.

Participants who fail to show up for their subsidized jobs or perform them uncooperatively would be sent back to prison. Those who comply for a year or two would be released from the program and allowed to live under their regular level of parole or child support supervision.

Mead said his proposal aims to prevail over a cultural aversion that disenfranchised young men have toward low-wage work by essentially penalizing them for eschewing a job or acting in ways that get them fired.

Although open to incentives like the EITC, Mead said he believes a stronger stick is needed to counteract the influences left on some young urban males by the extravagances of hip-hop artists and other role models portrayed in the media.

With welfare reform, the threat of losing benefits provided that stick for young women, and the EITC rewarded those who complied, according to the professor.

“What is very likely happening is an inverse causation. People go to work and they then get the EITC,” he said of the welfare reform experience.

“The EITC is a great thing, but we can't count on it by itself to increase work levels.”

A number of experts who were asked to review the proposals were wary of promoting employment among poor young men by jailing the noncompliant.

In practice in New York City, parole officers have been coming up with much less disruptive penalties than reincarceration, such as more frequent drug tests, curfews and travel restrictions, Tarlow told Mead.