POLICY

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As the contributions to this issue make clear, the problems that millennials face reflect the major social and economic problems of our time, including the fallout of several decades of slow economic growth and rising inequality. The experience of millennials is distinctive in that they faced the added challenge of entering the labor market in the aftermath of the Great Recession.

The purpose of this concluding article is to review how market forces and public policy responses are affecting millennials. Unfortunately, current tax, labor market, and social policies are regressive and are based on ideology rather than social science evidence. I instead offer several evidence-based progressive alternatives that could reduce inequality and foster mobility for millennials and future generations.

The lost promise of economic growth

Several key social and economic forces have blocked opportunities for millennials and other generations. The overriding problem is that for the last 45 years, economic growth has not trickled down to the poor; for the last 20 years, it hasn't trickled down to the middle class either. And, over the same period, multiple income and estate tax cuts during the Reagan, Bush, and Trump administrations increased the income and wealth of economic elites but provided little help to those below them.

Why did this happen? Economic growth has not benefitted most Americans due to many factors, including globalization, labor-saving technological changes, slower growth in the supply of skilled workers, declining labor union membership and bargaining power, the failure of the federal government to maintain the real minimum wage, changing corporate practices, including the explosion of CEO pay,[1] business-friendly deregulation, pro-business Supreme Court decisions, and persistent racial and gender discrimination.

Over recent decades, these factors combined to reduce inflation-adjusted earnings and stunt opportunities for workers, especially those without college degrees. Only 85 percent of millennial men with a high school diploma and only 70 percent who are high school dropouts are working (see Holzer, pp. 14–17). The earnings of employed millennial men at age 25 are, for example, no higher than were the earnings of baby boomers at the same age (see Percheski, pp. 25–28). For much of the past 45 years, the major driver of progress for working-age families at the middle of the income distribution has not been increased real earnings of men. Rather, household incomes have been boosted by the increased work and earnings of female partners.

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At the bottom of the distribution, household incomes have also been boosted by government policies, such as expansions in federal and state earned income tax credits and increasing food stamp rolls. If it weren't for increased government benefits, the millennial poverty rate at age 30 would be the highest across the four most recent generations (see Mattingly et al., pp. 37–39). To be sure, real wages for workers at the bottom have increased when labor markets are tight, and unemployment is low, as it was during the midto-late 1990s and in the last several years. But, even during these periods, increases in federal and state minimum wage laws were important factors behind the wage growth.

Employment and earnings problems have also reduced the extent of upward mobility. As Raj Chetty and his colleagues document, more than 90 percent of children born in the 1940s earned more (adjusting for inflation) than their parents did when both generations were in their 30s, whereas only about one half of today's millennials will earn more than their parents.[2] Likewise, Michael Hout reports that upward occupational mobility is lower for millennials than for previous generations (pp. 29–32).

Regressive realities

Given that many millennials are faring poorly on key social and economic indicators, what has the current administration done to address their problems? The simple answer is that its relentless pursuit of regressive policies has mainly diminished millennials' prospects. The administration, for example, has rolled back Labor Department regulations designed to protect workers from unfair employer practices, refused to enforce Education Department regulations designed to protect student borrowers from predatory for-profit colleges, has made it more difficult to enroll in coverage under the Affordable Care Act,[3] and is promoting work tests on food stamp and Medicaid recipients that reduce their benefits but do little to increase their employment.

Labor regulations offer another contrast between the progressive and evidence-based policies pursued by the Obama administration and the regressive policies of the current administration. Because the Republican Congress would not pass most legislation proposed by the Obama administration, the Labor Department used changes in regulatory rules to "level the playing field" between workers and employers. Consider the regulations regarding overtime pay. Federal law requires those working more than 40 hours a week be paid 1.5 times their wage for the extra hours but allows firms to exempt salaried workers who earn above a certain threshold and are deemed to have executive, administrative, or professional duties. That threshold was set at $23,660 in 1975 but has not been appropriately updated for more than 40 years. In 2016, the Labor Department issued a rule to raise the threshold to $47,476 and index it for wage growth.[4] However, just before it was to become law, a district court judge in Texas blocked it. In 2019, the current Labor Department proposed setting the overtime threshold at a lower level, $35,308 in 2020, and not indexing it. Heidi Shierholz estimates that workers would receive $1.2 billion less per year under this rule than under the 2016 rule.[5]

Another regressive policy imposes work requirements on Supplemental Nutrition Assistance Program (SNAP) and Medicaid recipients who are not working or engaged in work-related activities for a fixed number of hours per month. Such work tests ignore the evidence that many low-wage workers experience job instability or volatility in hours, often dictated by employers.[6] The requirements assume that variations in labor supply result primarily from worker choice and not primarily from employer demands and practices. This assumption is off the mark: The experience with work requirements implemented after the 1996 welfare reform demonstrates that many poor adults are willing to take minimum wage jobs but lack the skills and experience that employers demand. Others have multiple health, mental health, and other personal problems that have led them to experience many months in which they have no earnings and no cash assistance.

Neither the federal nor state governments are required to provide supportive services or subsidized jobs to overcome the barriers to employment of job seekers who cannot find an employer to hire them, even in labor markets with low unemployment rates. Rather, if they fail to document that they have worked enough hours to satisfy the requirement, they can lose access to food and medical care.

As a final example, consider this administration's harsh immigration policies. Under one proposed policy change, immigrant parents may be reluctant to apply for food stamp and Medicaid benefits to which they are legally entitled, because doing so might endanger their legal status.[7] The "public charge" rules that have been in place since 1999 deny an immigrant who relies on cash assistance programs (Supplemental Security Income, Temporary Assistance for Needy Families, long-term institutional nursing care under Medicaid) from becoming a lawful permanent resident. The administration would broaden the definition of public charge to include SNAP, Medicaid, and other programs, even though evidence suggests that this would reduce participation by U.S.-born children with immigrant parents.

Progressive proposals

The policies being pursued by the current administration are exacerbating the problems that millennials face. If our current labor market and welfare policies aren't meeting the needs of millennials and older generations, what should be done?

The good news is that many evidence-based, progressive policy alternatives are available. For five decades, social scientists have developed increasingly sophisticated quantitative and qualitative research methods and used larger longitudinal and administrative data sets to analyze how changes in the economy, the demographic composition of the population, our social norms and family relationships, and government policies have affected employment and earnings, poverty and income and wealth inequalities. Many policy reforms, based on rigorous analyses, have been developed that can raise living standards, promote opportunity, and reduce economic inequalities among millennials and others.

A recent example, the Patient Protection and Affordable Care Act (also known as Obamacare), dramatically decreased the number of uninsured individuals, and paid for the coverage expansions by raising income taxes on the wealthy. As Mark Duggan and Jackie Li show (pp. 47–50), millennials in particular benefitted from the expansion in coverage, as the share of adults in their 20s without health insurance fell by more than half from 2009 to 2017.

Many scholars have proposed other policies that could help millennials and others struggling in today's economy. Two recent publications are noteworthy: the *Russell Sage Foundation Journal of the Social Sciences* released a special issue titled *Anti-poverty Policy Initiatives for the United States*;[8] and the National Academy of Sciences (NAS) released a report titled *A Roadmap to Reducing Child Poverty*.[9] The first publication evaluates the economic and distributional effects of a universal child allowance, a higher federal minimum wage, a federal jobs guarantee, community college reforms that would provide skills needed for middle-income jobs, food stamp reforms, and other policies. The NAS report carefully evaluates all the social science evidence and recommends expanding the earned income tax credit; expanding child care subsidies; raising the federal minimum wage to $10.25 by 2021 and then indexing it to inflation; expanding training and employment programs; increasing food stamp benefits for families with children; expanding the housing choice voucher program; expanding the maximum Supplemental Security Income child benefit; changing the federal child tax credit to a child allowance; introducing a child support assurance program; and increasing immigrants' access to safety net programs. Implementing a comprehensive policy agenda containing these policies could help restore the kind of shared economic growth that we saw in the quarter-century following World War II and deliver a better future for millennials and the generations that follow.

Although I cannot address all these proposals in detail, I close by highlighting the sharp contrast between the NAS committee's progressive proposal regarding child tax credits and the regressive changes included in the current administration's signature policy accomplishment, the Tax Cuts and Jobs Act of 2017.[10] The act provided large tax cuts for the top one percent, for corporations, and for multi-million-dollar estates, thereby increasing income inequality, wealth inequality and the deficit. It did increase the child tax credit from $1,000 to $2,000 per child but structured the change regressively so that 11 million children in low-income working families received an increase of less than $75, and another 15 million in moderate-income families received less than the full $1,000 increase. For example, a single mother with two children working full-time at the minimum wage received $75 more than under the prior law; a married couple with two children earning $24,000 received $800 more; and a married couple with two children earning $100,000 received $2,000 more. The law also raised the level at which the credit is phased out from $150,000 for families with two children to $400,000 for these families. As a result, a married couple earning $400,000 received no credit under prior law, but $4,000 under current law.

A fully refundable child tax credit would reduce child poverty from 14.8 to 11.9 percent.

If instead the credit were fully refundable, as the NAS report proposes, millions of nonworking and working low-income families would receive additional support. This would reduce child poverty, using the supplemental poverty measure, from 14.8 to 11.9 percent according to Christopher Wimer and Sophie Collyer;[11] the NAS committee estimates a 3.4 percentage point reduction in child poverty from a $2,000 child allowance.[12]

The simple conclusion: Policies for reducing poverty and inequality and promoting opportunity and mobility that are proposed in the RSF journal, the NAS committee report, and by other authors in this issue offer evidence-based progressive alternatives to the many regressive policies and regulatory changes of the current administration.

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Notes

1. Mishel, Lawrence, and Jessica Schieder. 2018. "CEO Compensation Surged in 2017." Economic Policy Institute. This report shows that the ratio of CEO compensation to that of the average worker rose from the 20s in the 1970s to more than 250 in recent years. The top hedge fund managers received more than $1 billion per year in recent years. Sorkin, Andrew Ross. 2019. "Bridgewater's Ray Dalio Tops the List of Hedge Fund Manager Compensation." *New York Times*.

2. Chetty, Raj, David Grusky, Maximilian Hell, Nathaniel Hendren, Robert Manduca, Jimmy Narang. 2016. "The Fading American Dream: Trends in Absolute Mobility Since 1940." NBER Working Paper No. 22910.

3. The Congressional Budget Office estimates that the number of uninsured people under age 65 increased by more than 1 million under the current administration, from 27.5 million in 2016 to 28.9 million in 2018. Congressional Budget Office. 2019. "Health Insurance Coverage for People Under Age 65: Definitions and Estimates for 2015 to 2018."

4. If it had been updated for inflation since 1975, the threshold would have been about $53,000 in 2016.

5. Shierholz, Heidi. 2019. "More Than Eight Million Workers Will be Left Behind by the Trump Overtime Proposal." Economic Policy Institute.

6. About 10 percent of workers earning less than $10 per hour make an employment transition each month compared to about 4 percent earning more than $20 per hour. Bivens, Josh, and Shawn Fremstad. 2018. "Why Punitive Work-Hours Tests in SNAP and Medicaid Would Harm Workers and Do Nothing to Raise Employment." Economic Policy Institute.

7. Yoshikawa, Hirokazu, Ajay Chaudry, Sarah Rendón García, Heather Koball, and Trenel Francis. 2019. "Approaches to Protect Children's Access to Health and Human Services in an Era of Harsh Immigration Policy." Institute of Human Development and Social Change.

8. Berger, Lawrence, Maria Cancian, and Katherine Magnuson, eds. 2018. *RSF: The Russell Sage Foundation Journal of the Social Sciences. Antipoverty Policy Initiatives for the United States* 4 (2–3).

9. Duncan, Greg, and Suzanne Le Menestrel, eds. 2019. *A Roadmap to Reducing Child Poverty*. Washington, D.C.: National Academies Press.

10.Center on Budget and Policy Priorities. 2018. "2017 Tax Law's Child Credit: A Token or Less-Than-Full Increase for 26 Million Kids in Working Families."

11. Center on Poverty and Social Policy. 2019. "Reforming the United States Child Tax Credit to Create a Universal Child Allowance."

12. *A Roadmap to Reducing Child Poverty*. Table 6-3.

13. Sandra Danziger, Greg Duncan, Harry Holzer, Heidi Shierholz, Timothy Smeeding and Christopher Wimer provided helpful suggestions on a prior draft.