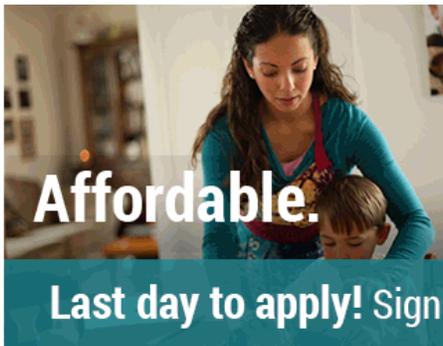


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# In our opinion: Earned Income Tax Credit provides better poverty relief than raising the minimum wage

By In Our Opinion  
 For the Deseret News  
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President Barack Obama signs the budget bill in the Oval Office of the White House, Friday, Dec. 18, 2015, in Washington. (AP Photo/Carolyn Kaster)

Carolyn Kaster, AP  
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### Summary

Data suggests that minimum wage increases have little effect on the wealth of low-income families. A much more effective policy would be to expand the Earned Income Tax Credit.

A recent study on the impact of increasing the minimum wage offers an important perspective in the ongoing debate over policies aimed at equalizing income and increasing fairness in the labor market. In short, the research suggests raising the minimum wage does little to help millions of families trying to escape from a cycle of poverty.

An [analysis](#) by the Federal Reserve Bank of San Francisco shows that minimum wage increases passed by several states in recent years have not increased the relative wealth of low-income families. The study indicates that a much more effective policy would involve expanding the Earned Income Tax Credit, which has a notable impact on families living in many Utah communities.

The research provides a good set of data points from which to form an objective analysis of proposals floated by political candidates who have latched on to the issue of income inequality as an area of policy focus

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prescription by the Obama administration and has been widely championed by Democrats in Congress, as well as the three principal Democratic presidential candidates. Twenty-three states have raised the minimum wage beyond federal levels, and several municipalities, including Salt Lake City, have acted to do the same. The Federal Reserve's research would point to the failure of these moves to accomplish their stated goals.

The bank says that minimum wage increases impact low-wage workers, but the connection between those working for low wages and families living beneath the poverty line is weak. Impoverished families are affected more by the inability to find full-time work, regardless of the wage. Forty-six percent of low-wage workers already make more than \$10 an hour, and 36 percent have hourly wages above \$12. Only 18 percent of additional income generated by increasing the minimum wage ends up in families living below the poverty line. At the same time, 32 percent of the increases go to families with incomes at least three times higher than the poverty level. The distributional realities of increasing the minimum wage render it a relatively ineffective means of pulling people out of poverty.

The study conversely demonstrates the continuing value of the Earned Income Tax Credit, which Congress made permanent in its recently passed bipartisan budget package. The EITC has lifted millions of families out of poverty and allowed children in those families access to better educational opportunities, according to [research](#) by the Brookings Institute, which parallels the findings of the Federal Reserve.

The tax credit particularly impacts large families with a single working parent. More than 80,000 families in Utah receive the credit and would have risked falling close to or below the poverty line had Congress not extended the law.

The research offers an important reminder of the value of considering actual data when discussing complicated and emotional issues. Policies advocated with good intentions may very well not produce their intended benefits. Their value is then only in the category of giving their proponents a reason to feel better about their respective agendas.

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