

THE BROOKINGS INSTITUTION

Brookings Welfare Reform & Beyond Press Briefing

POVERTY AND INCOME IN 2003:

A Look at the New Census Data and What the Numbers Mean for Children and Families

RON HASKINS, Moderator

Senior Fellow, Economic Studies, The Brookings Institution and Senior Consultant, The Annie E. Casey Foundation

GARY BURTLESS

Senior Fellow, Economic Studies, The Brookings Institution

CINDY MANN

Research Professor, Georgetown University Public Policy Institute

ROBERT RECTOR

Senior Research Fellow, Domestic Policy Studies, The Heritage Foundation

MARGY WALLER

Visiting Fellow, Economic Studies and Metropolitan Policy, The Brookings Institution

Thursday, August 26, 2004

[TRANSCRIPT PRODUCED FROM A TAPE RECORDING]

PROCEEDINGS

MR. HASKINS: Welcome to Brookings. My name is Ron Haskins. I'm a senior fellow here and also a consultant at the Annie Casey foundation.

Today's a big day for inside-the-Beltway nerds. It's a day that occurs once every year, when the Census Bureau releases its poverty numbers and its family income numbers and its numbers on health insurance, and then the pundits begin to make comments and the left and the right battle each other for what these numbers all mean. So we, noticing this over the years, decided we would do something and we would invite pundits who actually are familiar with the numbers and have done that for many years. But they still are a little bit on the crazy side because they have seen the data for about three hours and 45 minutes. And now we're going to do instant analysis here to tell what the data mean.

Here's our plan. I'm going to just briefly summarize some of the main points from the Census Bureau release--and you will see that it's very close to the Census Bureau release itself, their own press conference this morning--and that's just so people in the audience will have a background of what the numbers seem to show. Then we're asking each of our panelists to make 10 minutes of comments. Then I'm going to ask them some questions, and then they really are going to have trouble because then you're going to ask them questions. And then we're all going to go home having realized what all these numbers mean.

We're very fortunate to have a wonderful panel with us today to conduct this instant analysis. Robert Rector, who, appropriately, is on my right, from the Heritage Foundation; Margy Waller, who, most assuredly inappropriately, is on my

right, from the Brookings Institution; Gary Burtless, also from Brookings; and Cindy Mann from Georgetown University.

We've invited Cindy--when we've done this in the past, we normally have not talked too much about the health insurance numbers. But we want to do that this year because a lot of people were noticing that health insurance was declining somewhat and, as you will see, that pattern has continued, so we thought it would be a good idea to say something further about that.

So if we can--who gets to change the slide?

Oh, I get to do it. Now, let's see if I can do this. Aha.

All right, this is in your handout, so I'm not going to go into detail on this, but last year there was a lot of confusion because the Census Bureau published data from the American Community Survey and then they published data from the Current Population Survey, which is the official poverty numbers. And I just wanted you to understand that everything we're going to talk about today, and the official poverty numbers and income numbers and so forth that we quarrel about every year, are the Current Population Survey numbers. Last year there was a lot of confusion on this point.

So what the Census Bureau has done this year is they have published the Current Population Survey numbers, the official numbers, just as they have in the past--actually, a little different, and I'll mention that in just a moment--and they have just included a few tables in their release. I don't think they talked about it in their presentation this morning, but there were a few tables from the American Community Survey. These are very different surveys. But everything we're talking about today is the Current Population Survey, and that is the survey that the Census Bureau poverty,

income, and health insurance numbers have been based on year after year after year. So I just wanted to clarify that point.

Then I also want to clarify that this year, for reasons that I don't really understand--maybe one of our panelists knows about this--but normally, as many of you know, there's been a lot of debate about the poverty number itself. And many people think that the poverty number is a very inadequate measure of poverty and that there are just so many criticisms of the poverty number. For example, many Republicans point out that it doesn't include lots of benefits, like food stamps. It also doesn't include income from the earned income tax credit, because that's given through the tax code and the tax code numbers are not included. Other people point out that families have to work to make money and if they pay five or six or four thousand dollars a year for child care, that's not reflected in the poverty numbers.

So the Census Bureau very wisely developed a whole series of alternative poverty measures that are very, very useful, and I'll show you what some of them look like in just a minute. But this year they have not published those, so they're not in this report as they have been in the past. But it's my understanding that they will be released later. So all of you who crave these additional poverty measures and who like it if they have 20 different measures of poverty rather than one, your wish will be fulfilled some months into the future. I'm not exactly sure when.

Now, let me just present a little bit of information about what we learn from the Census Bureau numbers. These are the numbers for poverty, as you can see. This is people in poverty and children in poverty. Here are children on the top--their poverty rates always exceed all people--and here is poverty rates for all people. As you

can see, poverty declined quite nicely for children every year between 1993 and 2000, but in 2000 it stopped declining and went up. These previous annual increases were not significant, but this year it is significant and children's poverty increased. It increased almost a full percentage point--.9 percentage points, so almost a full percentage point. And of course the poverty rate for all people also increased. So this is three years in a row that these numbers have gone up, although they did not go up significantly in every year, but they did go up significantly this year.

So first, poverty is up.

Secondly, this is poverty in female-headed families and all households.

And there's a very simple lesson here that many people seem not to understand, and that is that poverty, especially in married-couple households, is almost always flat. It doesn't change much. And it's much lower, sometimes by a factor of 5 or 6, than poverty in female-headed families. So if you want to make progress against poverty, the key target is female-headed families. And as you can see, there was a great deal of progress on poverty in female-headed families--and I plan to ask some questions of the panelists about this because it was almost as if the nation had adopted a new policy, which was that we were going to encourage female heads of families to work. And that was done through the welfare bill. We had a wonderful economy during the 1990s, and we changed lots and lots of programs, like the earned income tax credit and Medicaid and all sorts of programs, to make them more friendly to low-income working families. So people could leave welfare and, even if they had low wages, which most of them did, they still would be financially better off.

As you can see, that worked very well. But then when we hit a bump in the economy, poverty in female-headed families increased slightly in 2001 and 2002, and more substantially in 2003. So poverty in female-headed families is up a little bit, and that is something that many people will be concerned about. Poverty in all families was up as well, and it tracks poverty in female-headed families, but it's much less important, as you can see, because it's at a much lower level. So if you want to do something about child poverty, you have to do something about female-headed families. In the last couple of years our policies apparently have not been overly effective, although members of the panel may want to disagree with that.

Here is median income for all families. On the top, for Hispanic families and for black--not families, but households. This year and last year, the Census Bureau has further complicated the definition of race or ethnic group, and now we're presenting data on black-only and black people who identify themselves as black, and other possible ingredients in their ethnic makeup. This has added another level of complexity to the census data. Everything that I show here is black-only, because we believe that that's more comparable with years in the past. We can't make those distinctions from some previous years.

So the lesson here, as you can see, is that family income also is down in all three of these cases, although not all of them are significant. The only one that is actually significant is income in Hispanic families. Again, as in the previous years, there are slight declines in family income, but especially among Hispanic families.

And finally, I mentioned before that I was going to tell you something about these alternative measures of poverty. As you can see, we do not have the data

points for 2003 because the Census Bureau has not released them. I was very tempted to make them up, but I decided probably, being at Brookings and all, that would not be a good thing to do, so I didn't.

But the lesson here is, as you can see from--this is the average income. This is pre-tax income, before people have paid taxes and before they've gotten benefits. Those are the solid lines. And this is the average. And this is the second quintile. And this is the bottom quintile--down here is the bottom quintile, the bottom 20 percent of the distribution. All these for female-headed families.

And the point to make with this chart is that our policies work as they are intended to work, but they reduce the income of average families. And if we showed the third, fourth, and fifth quintiles, this number would get even further away from the line because we tax them more heavily. So as you can see, they actually lose some money, net, and families in the second quintile and in the bottom quintile are better off as a result of government tax policies and spending policies. And there's no question that if we had that number from this year, this same pattern would continue.

But it's always interesting to see how it works. A lot of people, for example, are disappointed, and have said so in the past, that when overall poverty goes down, when family income goes down, that government programs should make up the difference and people's incomes should not go down so much. So it's interesting to compare the post-tax post-transfer number with the number before taxes and before transfers.

So hopefully, later this year we will be able to do that, but we're not able to do that now.

And then finally, these are the health insurance numbers. I think, as Cindy Mann may say later, there's both good news and bad news here. This is the health insurance coverage for children and this is for all people. As you can see, again for the third year in a row, as is the case with poverty and income, the news is basically not good. The number of Americans who are covered by health insurance declined somewhat. For children, though, it actually goes up. And if you look further at the Census Bureau numbers, it goes up, very clearly, because of government policy. There is less private sector coverage and more government coverage. So the news here is both bad and good.

That concludes a brief overview of these data. Now we can hear what they all mean. Let's begin with Robert Rector from the Heritage Foundation.

Robert, thank you for coming, and proceed.

MR. RECTOR: Thank you, Ron.

Basically, I think it's pretty obvious to everyone that these are 2003 numbers. They don't necessarily represent what's going on in the economy this year. The numbers are lagged one year.

What we see, I think, in terms of the increase in poverty is fairly typical of recessions in the past. Typically, a recession itself, meaning a contraction of the GDP, lasts less than a year. But in terms of the impact on poverty, in most recessions poverty will go up for three years. It continues to go up for at least two years after the end of the recession. This is the third year after the onset of the recession that started in 2001 and we are seeing poverty continuing to go up. According to the traditional pattern, in 2004 we should expect to see poverty start to go down again.

What we do see--and I'm going to talk based on the handout I gave; if you look at the chart I gave, it starts with Three-Year Impact of Recessions on Poverty--is that in comparison to, for example, the last two recessions we had, in 1980 and 1990, the impact on poverty here has been relatively mild. The increase in overall poverty over the three-year period was about 1.2 percentage points. That's roughly half of the increase in poverty compared to the two prior recessions. The increase in child poverty, 1.6 percentage points over a three-year period, again that's roughly half of the rate of the increase that occurred in the two prior recessions. If you go back four recessions, it's still roughly half. It's considerably lower than in the past.

Increases in poverty and recessions are bad things, but as recessions go, comparatively speaking, this one has been relatively mild in its impact on poverty. And the charts I've handed out showing the three-year increases for all people and for children, I think, demonstrate that. This is a recession that's more in line with the recessions that occurred in the '70s and not like the last two recessions that we had.

Now, I'm just going to briefly talk about the uninsurance numbers because I really am a novice in that field. But I am startled, if you look at the third chart I've handed out here, that normally in Census Bureau data, if it's income or benefits, you undercount it. It's sort of like their motto: You got it, we'll undercount it. But the undercount in terms of government insurance is really quite striking. It's a humdinger. And it's really kind of out of line with other undercounts that we see.

According to HHS data from the program, HHS has and the states had in 2003 53 million people enrolled in the Medicaid program. Okay? If you look at the census figures, they are showing only around 36 million people enrolled. So there's a

gap of 17 million people there that in fact have Medicaid coverage--most of them are getting medical services--and they're not being reported as being covered in the census data.

Now, a lot of that gap is justifiable. You have people in nursing homes that are not in the census population. So they're in the count of coverage, and there are other things in there. But still, a 17 million gap, in terms of gaps I've seen in terms of coverage in the past, this is really very high. I think it's correlated with the fact that the undercount, or the count of the uninsured in the Current Population Survey, is historically quite high relative to other surveys, such as MEPS or SIPP, and the undercount of the coverage that we're giving through Medicaid seems quite severe.

Also, if you look at my chart, you will see that the gap between the Medicaid coverage that we actually have and the number that are being reported in census is getting bigger year by year. That says not only are we overstating the number of uninsured, but probably a lot of this trendline data is also of questionable reliability. Seventeen million people: part of it's justifiable; still, a pretty heavy undercount.

The next chart I'll talk about relates to income inequality. It's the last chart in the package. Ordinarily when we measure income distribution in the United States, the census divides all the households into five equal groups. It ranks them according to income, divides them into five equal groups which we call quintiles, and then it shows the relative share of total income that goes to each quintile. And on that conventional picture, which was the picture released today, you see a pretty stark disparity of income. The top 20 percent of households, or the top quintile, is reported to

have \$14.30--these are 2002 data, but the 2003 are virtually identical--\$14.30 of income for every dollar in the bottom quintile.

But as Ron alluded to, in fact that's pre-tax and it also does not include in-kind benefits and it's missing even a lot of cash welfare. Altogether, the United States spends close to \$750 billion a year on means-tested welfare plus Medicare. If you went back to 1950, that welfare state comprised about 1.5 percent of personal income. Over time, it's risen to above 8 percent of total personal income. And virtually none of that \$750 billion is recorded in these conventional income distribution statistics. Only about \$30 billion of it shows up.

So essentially, we have a very large system that takes a very large chunk of economic resources, mainly out of the top two quintiles, and transfers them for the well-being primarily of the elderly and the less advantaged down primarily in the bottom two quintiles, and virtually none of that massive transfer is recorded in these conventional income distribution numbers at all. If you do record that transfer, if you count the taxes, as Census does, and count the full monetary value of the benefits that are going to the bottom two quintiles, the ratio of income of the top to bottom drops from around \$14:1 down to around \$8.60:1.

But there's another wrinkle. The quintiles don't contain equal numbers of people. The top quintile has about 25 percent of the population; the bottom quintile has around 14 percent of the population. And it's shrinking year by year. One of the reasons the bottom quintile doesn't have very much money is that there are relatively few people in it. That's because the array is 20 percent of households, the households at the bottom are relatively small, contain large numbers of single persons; those at the top are quite

large and generally are married couples with multiple earners. Once you adjust for making--if you allow the quintiles to contain equal numbers of persons, the gap falls down to roughly \$4 in the top quintile for every \$1 in the bottom quintile.

And then there's a farther adjustment that you can make. If you look at the working-age adults at the top and the bottom, the ones at the top, on average, work twice as many hours during the course of a year--again, this is non-elderly adults; I'm not putting elderly in it--work twice as many hours as the ones down at the bottom. In fact, one of the ways to get in the bottom is not to work very much during the year. If the non-elderly adults in the bottom quintile worked as much as the average worker in the rest of the population, the gap would fall down to around \$3 in the top for every \$1 in the bottom. So by that transformation, we've moved from an apparent gap of \$14 at the top quintile to \$1 at the bottom, down to around \$3 to \$1. And I think that that's a very, very significant difference and I think it's important to understand these things.

I would also just conclude that I'd like to talk a little bit further in our questions about what it really means to be poor. I would contend that the average American, when they hear these numbers that there are 36 million poor people, is envisioning conditions of pretty severe deprivation --and polls indicate that--that really don't match the poverty population. Close to half of the poor own their own homes. About 70 percent of them now have cable or satellite television. If you ask them, During the course of the year did you have enough income to meet all your essential needs, did you have enough to feed your family during the course of the year, almost all of the poor families, or close to 90 percent of the poor families, will say yes, we did. Only about a third of the poor families will have any sort of significant deprivation. That doesn't

mean that there are not deprived families, but the median poor family, I think, has much higher living standards than most people think. There's a range, but the median, I think, is much better, and I think that's good news for our nation.

MR. HASKINS: Thank you, Robert.

Margy Waller, do you agree with everything?

MS. WALLER: I absolutely agree with everything.

MR. HASKINS: Okay, that's it for Margy. Gary?

[Laughter.]

MS. WALLER: You know, I wanted to start with, I'm not going to say a quote, but a rephrasing of something that Mollie Orshansky, who developed the measure that we're discussing today, the poverty measure, said about this method of counting the poor. She said she developed it--as a way of counting the poor--as a measure of income and adequacy; not how much is enough, but how much on average is too little.

But my comments today are going to be just right. Okay?

Just quickly, because I think it helps put things in context and, you know, what we're talking about, a reminder that for the 2003 poverty thresholds for two parents and two children, we're talking about \$18,660 a year or, if you're working full-time, \$8.97 an hour.

When Mollie Orshansky developed the measure, she didn't really have a commonly agreed-upon standard minimum need numbers to work with. So there wasn't sort of agreement about how much was necessary for housing, for transportation, for clothing, et cetera. The one thing there was an agreed-upon measure for was food. And she used a survey from 1955 and used the household expenditure for food--which is

about a third, based on the measure she was using--and used that as a way to multiply out this measure that she described as a measure of income and adequacy.

Now, there are number of problems and I think, actually, I do agree with Robert there are--I'm not agreeing with every point made, but that there are some problems with the way that we measure poverty now. And some of those that we don't include, some of the things that help boost income, that are intended to boost income and in fact do lift families out of poverty, but we also don't capture some of the changes that have occurred in society and the expenses that families face when we do this measure.

And just to give one example, and it's something one of my colleagues worked on a couple of years ago. Belle Sawhill and Adam Thomas looked at the expense of child care. So you think about it, in the 1950s we had something like less than 20 percent of women in the work force. Today we're up somewhere over 70 percent. And families simply have to find a way to pay for their child care. In fact, low-income families are spending sometimes as much as a fifth or more of their income to pay for that child care.

So if you factor in the expense of going to work, then as Adam and Belle showed, looking at 1998 data, when income is adjusted for child care expenses, an almost 2 million additional people, of whom about half are children, are thrown into poverty. So if you subtract the cost of that child care from the income, you throw a lot more people into poverty under the poverty threshold. And that would have increased the overall poverty rate in that year, from 11.5 percent to 12.2 percent. So you can see it's a very significant factor and one that we aren't considering at all.

I guess it raises kind of a question about what do we want the poverty measure to tell us. There are lots of things that we expect the poverty measure to tell us. It draws a line, in some people's minds, between those who have enough and those who don't; defines, in some places, those who should get social services and work support assistance. It can be used as a formula for distribution of federal funds for social services. It helps us assess a kind of sense of well-being over time and how various subgroups are doing. And importantly, I think, for what I'm going to follow this with, it provides a means of evaluating the effectiveness of our government policy and our investments. That's a lot to ask, actually, of a single measure.

Today I was struck very much by the increase in the poverty rate for children, particularly by the fact that deep poverty is up; that is, the households for whom their income is below 50 percent of the poverty level. In fact, I think, about a third of the poor people in 2003 had income below half the poverty level, not just below the poverty level. Also, the average amount that the income of those poor households is below the poverty line, what's sometimes called the poverty gap, is greater--I think this is right--is greater in 2003 than in any year on record.

So we're seeing something happening with people who are very, very poor, in extreme poverty. And I want to say something about that and also about those working families and what they're experiencing, and relate it to a conversation that we're sort of in the middle of now about welfare reform reauthorization.

Just I think last week, the administration announced that our welfare-- what we call TANF--caseloads declined in 2003, and made the statement that this means

that more Americans are actually achieving self-sufficiency. I think that today's numbers would call that into question somewhat.

We have other evidence, and this is also reported on the HHS Web site, that of those families who are eligible in their state--based on state definitions, which means they're very poor--eligible for cash assistance, fewer of them are actually getting that assistance than in the past. So actually, in the mid-1990s about 8 in 10 of those families who were eligible for cash assistance got it, and in the most recent year for which we have data, it's dropped to below 5 in 10 of those families. So 5 in 10 of those families who would, we think, be eligible for getting cash assistance are not getting it.

We don't know why that's happening. There are lots of possible explanations. Clearly we need to know more about why. But if those are families--and there seems to be an increase in this number--families who are not getting any kind of safety net assistance through either unemployment insurance or cash assistance through welfare, and they're not working, then we need to know why that's happening and we need to do something about that.

Also, since we passed welfare reform legislation in 1996, as Ron pointed out, there was a lot of success. Lots of people went to work, people were doing better, a lot of the work supports that were put into place were in fact supporting those families and helping them move out of poverty in terms of their actual household incomes. But we've learned a lot about what makes that work, and it's things like subsidizing child care assistance, providing transportation help, even housing assistance. There's growing evidence that all of these things help families get jobs, keep jobs, and move up the job ladder. We also have learned that there are many long-term welfare recipients who have

many barriers to work. Those who are sanctioned or who have reached time limits also seem to have many barriers to work as well.

Combined, these two factors suggest to me that we need to be doing something to address both those working poor families who aren't quite doing well enough to move out of poverty as well as those who seem to be suffering a great deal or whose income is dropping into the extreme poverty level because they don't have work and they don't have safety net assistance.

In the same period of the recession where we saw problems with employment and jobs and the poverty rate increasing, states were simultaneously changing their policies around work supports like child care for a combination of reasons, one of them being a reduction in state resources because of higher unemployment, fewer income taxes coming into the states. We saw decreases in child care support systems. One study, I think, showed that over half of the states had changed their child care assistance in the last few years. GAO did a study showing that nearly half had changed their policies in ways that led to fewer children getting help.

Currently as part of the welfare debate, the child care block grant is part of that--it's a big part of that, in fact--and the administration has indicated that they don't think we need to spend more on child care right now, while the Senate, by a wide majority, passed a very significant increase in child care funding.

Meanwhile, the bills--all the bills, in fact, and the administration--have pushed for an increase in work requirements and in the number of people who would be participating in work activities. Now, this doesn't mean, necessarily, work in the private sector; it means activities designed to engage families who have not been able to find a

job in the private sector. And I think that that may not make sense in light of what we see here today and have seen in the last couple of years. In fact, if states are forced to create those kinds of programs, that actually means in turn they have to further reduce their spending on things like child care or services to families with multiple barriers.

So I would suggest that, instead, we drop plans to force states to create these expensive and, frankly, untested programs that are sort of make-work programs, that we significantly increase child care funding not because we're increasing work requirements, but because we have a huge gap in the number of families that we're serving now with child care and we know it helps families increase their income and move out of poverty. We should increase minimum wage, we should make it easier for states to reform child support rules so that more families get child support. In fact, there's bipartisan agreement about doing this. We should move forward with it.

And I'll say something that I don't think has been said very much--it's really not on the table--and that is we really, based on today's numbers in particular, we need to design a safety net program for families who are not working and are not getting cash assistance. We need to figure out why that's happening and do something to make sure that we're not leaving those children, an increasing number of children, in a very extreme poverty situation.

MR. HASKINS: Thank you.

Gary Burtless.

MR. BURTLESS: I'm actually crazier than Ron Haskins suggested. He said we're idiots to come up and talk to you after just four hours of poring over the data. The first two telephone calls I received from reporters this morning arrived 20 minutes

into Dan Weinberg's talk over at the Census Bureau. If you read any foolish statements from me in tomorrow's papers, you'll know that it was based on almost complete ignorance when I spoke.

[Laughter.]

MR. BURTLESS: The first two speakers have told you a lot about the problems with the measures and statistics that were released today. Let's grant all that. I want to talk about what they indicate in terms of the trends in the economy and in well-being.

It looks as though household incomes moved sideways last year, except for families at risk of falling into poverty. For them, incomes edged down. Median income was flat or slightly down over 2002, which actually represents an improvement after two straight years of decline. Earnings of full-time workers held fairly steady, though with small improvements for men and small reductions for women. The statistics just mentioned are helpful for describing the situation of middle-class families and workers, but the working-age adults who are most vulnerable to falling into poverty experienced small drops in their income. This caused the poverty rate to rise a bit, especially amongst kids. The poverty rate of children went up almost a percentage point, bringing about three-quarters of a million extra children below the poverty line.

The labor market problems of young workers showed up in a couple of different ways in the statistics released today. First of all, health insurance coverage among working-age adults fell another 0.7 of a percentage point. That's a fall of about 2.5 percentage points since the end of the last economic expansion in 2000. Compared with the end of the last expansion, almost 4 percentage points fewer working-age adults

are covered by an employer's health plan. And government-paid insurance has only picked up a little bit of the slack caused by the fall in that kind of insurance. I'm now talking about 18- to 64-year-old adults, the people who are of working-age.

Now, things have worked out better for kids, at least with respect to health insurance. Even though their coverage under employer-sponsored plans has followed the same trend as their parents' coverage--that is, it's edged down--government insurance has offset almost all this decline. Kids had a little higher health insurance coverage in 2003 than they did back in 2000, the end of the last expansion. But all of the gain can be traced to a sizable increase in government insurance coverage. Those coverage rates increased 4.7 percentage points for youngsters, bringing government insurance coverage rates up to almost 30 percent. A reasonable guess would be that reforms in the Medicaid program in the early 1990s and the rolling out of the S-CHIP program, the State Child Health Insurance Plan, in the late and mid-nineties have been very important in protecting insurance coverage for kids.

But the reforms I just mentioned are ones that mainly affect youngsters and a few single parents who are raising these youngsters. They didn't do much for most working-age adults. Employment-based insurance has fallen. It's fallen 6.3 percentage points for the 25- to 34-year-old population, young adults who have just entered the work force. Employment-based insurance has fallen 4.5 percentage points amongst people 35 to 44, and it's fallen 3-1/3 percentage points amongst 45- to 50-year-olds since the end of the last economic expansion. Part of this drop is undoubtedly traceable to lower employment rates in these age groups. I'm going to come back to that in a minute. Part may be due to higher premium charges that the employers are imposing if you want

to bring a dependent into coverage under the plan, and this discourages some workers from insuring their dependents.

Among 55- to 64-year-olds, employer coverage has actually increased since 2003, and the reason for that, I think, is that employment rates amongst these near-retired folks in the population have actually increased over the recession and recovery. Employment rates in this group have held up very well. We can talk later about why that might be.

Since median and per capita incomes were little changed between 2000 and 2003 and the poverty rate rose, it stands to reason that the U.S. income distribution took another turn against folks who are in the lower ranks of the income distribution. And this resumes a trend that ran pretty strongly between 1980 and 1994. Households in the bottom one-fifth of the income distribution saw their incomes fall about 3 percent last year, after adjusting for the effects of inflation. Folks in the middle of the distribution had flat incomes, as I said before. And for households in the top part of the distribution, incomes edged up some.

A lot of the extra hardship in the latest census report seems be concentrated among folks between 25 and 50, who saw the biggest drop in health coverage. To add insult to injury, working-age people in their 20s and early 30s also experienced the biggest drops in household income. That is, households headed by someone in their 20s or early 30s, saw their incomes decline 3.5 to 5 percent, compared with the incomes of the same households one year earlier.

If we take a longer-term perspective, I would point out, as Robert Rector earlier mentioned, that the rise in poverty and the fall in real wages and income in this

recession-recovery cycle continue to seem less serious than the same trends seen in the mid-1970s, in the late 1970s, in the early 1980s, and in the early 1990s. Since the end of the last expansion in 2000, the overall poverty rate, as Robert pointed out, has only edged up 1.2 percentage points and the poverty rate of youngsters has only gone up about 1.4 points. And he documents that the increases in these poverty rates were much bigger in the '90s and the '80s.

There are two reasons, I think, for this surprise: First, the unemployment rate did not rise quite so much in the recent recession, so there's a little less hardship from the labor market; second, real wages have held up quite a bit better in this recession than they did in the last three. The downside is that the labor market is not recovering nearly so fast in this recession-recovery cycle. Wages have held up well for people who've hung onto their jobs, but a lot of people lost their jobs and a lot would like to enter the work force. Spells of unemployment have lasted a lot longer this time than is typical, given the unemployment rate we've seen. Even though the unemployment rate now seems pretty moderate, the percentage of adults in the United States who hold jobs has fallen down further and stayed down longer than we've seen in the past few recession and recovery cycles. The problems seem particularly acute for younger adults and for women who are middle-aged or younger.

The combination of job loss and much longer than average spells of looking for work is not a recipe for robust income gains, especially for folks who are in the bottom ranks of the working-age population. For folks who do land a job, there's also the question of whether they will be offered, or will be able to afford, their

company's health insurance plan. The evidence suggests that fewer of them are being offered a plan or fewer of them feel they can afford to take it up.

Now, the job gains so far for this year, 2004, have been a lot better than they were in the last two. Perhaps when we get together next year and talk about the income and poverty reports, there will be better news to talk about than we've had for the last three.

MR. HASKINS: Thank you, Gary.

Cindy Mann.

MS. MANN: Hi. Picking up the rear.

I've been asked to talk about the health insurance data, but let me just divert a little bit, as Robert did, to talk just a minute about the poverty data, because it is often--mind-glazing? eye-glazing?--to think about all of these numbers. As Margy was speaking and talking about what the numbers translate to in terms of dollars, I was doing my calculation. And for a family of three at the top of the poverty range, right--it goes from zero to the poverty level--it means about \$51 a day for all of your rent, your utilities, most of your food--you usually get food stamps in addition, but it's still a big chunk of your food costs--your transportation, your school supplies, your boots for your kids. And that's even assuming that your health care's fully paid for and that your child care is fully paid for, which often, as we see by the data talked about today, is not true. And that's the top of the poverty line, not the 50 percent of the poverty line. I actually spent 50 percent of the daily allotment under the poverty line just going in my cab, I just realized, back and forth to this meeting from my office.

So there's a lot of numbers being floated around, but I think it's always hard to just imagine how stark life is for people who have to live within the income ranges that we're talking about.

So let me turn to health insurance. The news is, I think, decidedly not good today on health insurance, as other people, and Ron in particular, have discussed. The number of people who lacked health insurance, and the percentage, increased. The number increased by 1.4 million, to about 45 million people in 2003. It is the largest number of people who lack health insurance ever recorded. The data goes back to 1987. Biggest number that we've ever had. It is also the largest number and the largest percent of people lacking health insurance within the working-age population, between 18 and 64. That's pretty sobering. And as we've talked about and other people have mentioned, it is the third consecutive year of increase in the number and percentage of people without health insurance coverage. In percentage terms in 2003, 15.6 percent of Americans, almost one out of six, were uninsured. That's an increase from 15.2 percent last year.

It's important to think about in light of the discussion of the recession and who's employed and who's not employed, is that the uninsured, most of the uninsured-- almost three-quarters, about 73 percent--have a worker in the family. These are not primarily people who are at least totally out of work. They may have lost one wage, they may have lost some of their wages, they may be in a new job. And so often, when people go into a new job, they are not eligible to take up health insurance from their employer. But they are predominantly people with earnings in the households.

The other thing that's very important to remember is that significant disparities, racial and ethnic disparities, continue to exist. We see that again in the 2003 data, and Ron pointed out some of that. If you just look at the uninsurance rates among Latinos, about a third, almost one out of three Latinos in this country, have no health insurance.

Essentially, all of the increases--at least I've been able to figure out from my four hours of looking at the data--essentially all of the increase in the numbers of people who've become uninsured over the last year are among people with annual incomes below \$75,000, and almost all of it is among adults. For children, the percent of uninsured remained about the same as it did last year. And as pointed out, they saw pretty much the same decline in employer-sponsored coverage as did adults but, unlike adults, for children the public program's response was much more robust and it fully offset the decline in the employer-sponsored coverage.

Let me mention a couple of things to look at more closely. First of all, Robert points out that there is considerable disparity between the census data and the actual administrative data and the Medicaid data. So true. And, you know, I can't tell you how many countless hours people spend thinking about that disparity. But two things to point out--and we can talk more about it if people are really inclined. One is that the trend really hasn't changed. So the disparity's been there for a long time, but the trend, the ratio between administrative data and the CPS reporting of Medicaid--which I think everybody acknowledges is an under-reporting of Medicaid--is there. So when we're talking about what's going on and what the trends are, the differences, I think, shouldn't distract us.

The second thing--and I've included some background materials in my handout and I'm not going to spend time going through it--but the information that comes out of these census data mirrors the data that comes out of other surveys. And I just produced some data in the background materials from the Community Tracking Survey--very similar analysis, looking at health insurance from 2000 to 2002: employer coverage down; public program coverage up, particularly for children, offsetting--in the Community Tracking Service more than offsetting the decline in employer-sponsored coverage; not the same story for their parents or for other adults. You see that also in the NSAF, the Urban Institute's Assessing Federalism data as well. A very similar trend. So I think what we're seeing in terms of the trends and the dynamics in health insurance from the census data are very much in line with what other surveys are reporting.

I'm running out of time, so let me just say a couple of things about what to expect as we move forward. I think what we can expect on the private side is further declines. We see premium costs for health insurance continuing to rise. The increase is abating a little bit, but it's continuing to rise. It's rising for employers, it's rising for their employees, and that's going to continue to produce a decline in coverage in the employer sector.

And the other thing to note is that the changes in the labor market all point to a decline in employer-sponsored coverage as well. We are seeing people going into jobs that are less likely to offer health insurance coverage--out of the manufacturing sector into the wholesale, retail, and service sector. We are seeing more people in part-time, seasonal jobs, jobs that are less likely to offer health insurance; and people going

into small firms rather than larger firms. Also a factor associated with lack of health insurance.

So I think we can expect the trend around employer-sponsored coverage to continue; that is, a continued decline in that coverage.

But the big question mark is whether Medicaid will be able to continue to do the kind of job we've seen it do so far with respect to children and expand its capacity to do its job with respect to parents. We are very much at a crossroads, I think, in terms of our public programs, and it should cause us a great deal of concern given what we see in these data for the last couple of years, which is that but for public programs, the numbers of uninsured people would be much, much higher.

The crossroads is at the state level and at the federal level. At the state level, states bear about 47 percent, on average, of the cost of Medicaid and it is a difficult burden when their revenues are going down. And so we have seen some cutbacks already. And actually, in the period of time following this data, we are seeing even greater cutbacks. The last slide in the handout I have shows you CHIP enrollment in the state of Texas, the state with by far the highest uninsurance rate in the country, has declined markedly over the last seven months because of changes in policy adopted by the state due to their budget decisions. We are seeing less cuts in children's coverage than for other populations, but an indication of the severity of the constraints is that we are seeing cuts to children's as well as to parents' coverage. So a big question mark, what happens at the state level.

Very big question mark as to what happens at the federal level. I think as everybody is aware, Medicaid reform has been discussed back and forth between the

governors. The president proposed a return to a Medicaid block grant proposal in his 2003 budget, where federal dollars would be capped. They would increase each year, but they would be capped and wouldn't increase as need and enrollment increased. And I think, very clearly, if we had had that situation over the last year, we would not have seen even these numbers that we see today. We would have seen far more children and some more adults join the ranks of the uninsured had the federal dollars been capped.

Medicaid operated as it was intended to do over the last couple of years, which is it is a counter-cyclical program. More people become in need, either because of their income or because they've lost health insurance coverage, or both, and the program automatically responds both because it is an entitlement program--there is no cap on enrollment--and because the federal dollars are there are to support that guarantee of coverage. Without those two features, we would see a very different response to the decline in employer-sponsored coverage.

MR. HASKINS: Okay. Let me pose three questions of the panelists before giving you an opportunity to ask whatever is on your mind. It's not necessarily for everybody to respond, but you're welcome to if you want to. I hope at least one of you responds to each of these questions, because if you don't, I will.

MS.MANN: There's the challenge.

MR. HASKINS: I think you could make an argument that during the 1990s we had quite a remarkable and substantial change in our, sort of, mega-policy to deal with low-income families, and of course it was welfare reform. But what that strategy entails is much more work, much more employment, much higher earnings from low-wage jobs, and then a different type of government program supporting low-income

families: the earned income tax credit; food stamps, of course, supports both families on welfare and off; much greater expenditures on child care; and so forth. And if you look at the Census Bureau data, this is just crystal clear, that if you look at welfare income for mothers below, say, \$21,000, which is the bottom 40 percent of mothers--and this would capture almost all the mothers that were on welfare or were likely to go on welfare in the future--their income from welfare declines every year starting in 1994. It just goes down every single year until 2000--and it only goes up slightly after 2000, which is another story.

And meanwhile, if you look at their earnings, and especially if you look at their earnings plus earned income tax credit, which is highly correlated with earnings, it goes up very substantially; and net, the families on the bottom are better off by about 20 percent in constant dollars.

So I think you could conclude that welfare was successful, on average, for a broad group of low-income families that heretofore were on welfare for many, many years and now they were either encouraged or in some cases forced to leave welfare and their earnings went up and their total family income went up and their poverty rates went down. And you could see the data from female-headed families that that was where the real progress was made, was among female-headed families.

All right. Now we come to 2001, 2002, 2003. And every year employment inches down a little bit among female heads of families, this year included--and I think this was the biggest increase in not being employed--and child poverty inches up in each of these years.

So, two questions. First, do we have a wise national policy that tries to force or encourage or whatever it takes to help low-income moms get off welfare and get into the labor force--is that a wise policy, and should we continue to emphasize that the way we do? And then question number two is, does the recession and the impact of the recession on employment among female heads going down and child poverty going up somewhat indicate that this policy needs some adjustment and that there are additional policies that we should employ to help these families during times of recession?

You smiled, so you get the first answer.

MS. WALLER: It's a long question, Ron.

MR. HASKINS: No, it's a simple question. Are we doing the right thing, and could it be better?

MS. WALLER: Well, just before he left office, President Clinton gave a speech to the Arkansas legislature, and he talked about a few things that he thought they should pay attention to, federal policymaking they should pay attention to in the years to come. And one of the things on his list was welfare reform. And he said, you know, it's been--what had it been then, five years?--since they passed the bill and that it was, you know, probably time to reassess and there were some questions he had about how things were going. And one of the questions he had was what's going to happen when we hit a recession. He said we don't know yet, and he said "I don't think we're going to face that problem for awhile"--which he turned out to be wrong about.

But I think the answer to the question is we haven't perfectly designed the welfare reform bill to deal with an entry-level worker population that apparently loses their jobs when the recession hits. I mean, the single mothers suffered more in terms of

the employment rate in recent years than the population overall. And I think that we need to know more about why that is and address those issues, both in terms of making sure that they get what they need during that time they're unemployed in order to support their children, but also to prepare them to go back into the work force and to do better once they get there.

I don't think the answer is tougher work requirements, more work hours for those mothers while they're on assistance, but perhaps providing more incentives to states to help them get jobs that are better jobs, that they keep once they leave welfare.

MR. BURTLESS: Do you want an answer?

MR. HASKINS: Yes.

MR. BURTLESS: Okay. The correct answers to these two questions--

[Laughter.]

MS. MANN: Wait a minute, I want to write this down.

MR. BURTLESS: --are, A, was it wise national policy? This is a normative not a positive question, so I will give a normative not positive answer. From a democratic perspective, led with a small "d," the policy was an overwhelming success in the following sense: It brought policy toward single-parent families closer into conformity with what most voters in the United States expect of public assistance. Most voters believe that people should be expected to work in exchange for some part of their income, rather than rely on someone else to support their standard of living. And that view changed because of what mothers in married-couple families were doing. There were huge changes in the behavior of two-parent families. Both spouses are very likely to be at work even when they have young children. And I believe that, by very large

majorities, people under the age of 50 in the United States think that if you're a single parent, you should not be excused from the obligation to contribute to the support of your own children.

So in a normative sense, I believe that the policy has been successful. Does it need fine-tuning? Well, relative to what I anticipated would happen to single parents in the first serious recession after reform, this recession has had very benign effects on mothers who are rearing children in single-parent families. Their employment rates do not seem to have fallen, and their unemployment rates do not seem to have risen, in the way that I expected in the early 1990s. I thought these were very vulnerable people, and in all previous recessions known to me, people in the most vulnerable circumstances in terms of their training and their previous work experience have suffered the worst rises in unemployment and the biggest drops in employment. And surprisingly, that has not been the case over the last three years.

So I would say, relative to what a reasonable person--and I define myself as such--would expect, the policy doesn't seem to have been as harmful as one would have thought in the worst stages of a recession.

MR. HASKINS: Good. Robert?

MR. RECTOR: Well, I think that in the mid-1990s we achieved a rhetorical consensus on a new approach to welfare. And that was that single parents would be required to work or prepare for work as a condition of getting aid and that, in doing that, welfare benefits would go down, this would allow us to transfer most AFDC cash over into other services such as daycare, and that in that consensus, which was based on virtually universal support, that enabled us to also, even though there wasn't an

explicit quid pro quo, to be more generous about welfare in many other ways--we could expand the earned income tax credit, we could have S-CHIP, things like this, we could have pretty large expansions in daycare--and institutions like the Heritage Foundation, if not jumping up and down with joy over these expansions, at least our whining was kept to a relatively low level. And you would recognize that there are a whole bunch of people to the right of me who regard me as a real lefty. And because I'm not whining about--

MR. HASKINS: No, that's an exaggeration.

MR. RECTOR: It's actually because I have not spent the last five years complaining about the fact that aggregate welfare spending didn't go down. In fact, some parts of it went up fairly substantially.

So was this policy a success? I think it was quite successful compared to what many thought was going to happen. And there was a broad philosophical support for what we did. We moved mothers into the work force, earnings went up, supports for work went up at the same time.

Does this policy need to be fine-tuned? I don't think it needs to be fine-tuned, because it's dead. I think that consensus is now gone. And when you look at the TANF program, you find that 60 percent of TANF mothers are completely idle and they're not required or doing any activity while they're on the rolls. When you look at parallel programs such as food stamps and public housing, which for a large part cover exactly the same population, there are no work requirements in those programs and there's absolutely dead, fall-on-your-sword opposition to ever putting work requirements in those programs.

And I would simply say that when we tried to put through welfare reform packages that renewed the work requirements in TANF, which were in my mind the essence of that act, out of the party whose name starts with the letter D we never got a bill back that required more than 15 percent of the caseload to do anything actively. I was quite shocked, and I think a lot of people were shocked, because, you know, I thought that there had been a change and an agreement that we wanted to go in something of a new direction. Rhetorically that agreement is still there; in substance, I think that virtually every element of the '96 reform is now effectively opposed. And I do not see any prospect of a serious bill getting out of the Senate that has any type of meaningful work requirement in it.

So I think that that consensus has essentially broken down. I think that that's regrettable. And it also will probably lean to a greater polarization here, that if we no longer have a consensus that Food Stamp recipients who are able-bodied ought to prepare for work or that TANF mothers who are able-bodied ought to prepare for work as a condition for getting aid, then I think you may find greater whining on the budgetary side coming from conservatives who were willing to tolerate expansions in some of these other areas on the understanding that the very nature of welfare had been changed. And I think that change is now being effectively rescinded.

MR. HASKINS: It doesn't impress you that there are half as many mothers on welfare now as there were before?

MR. RECTOR: Oh, it does. But I think that was a result of the early implementation of the law. I continue to see increasing laxness and falling away from that. There are now no longer any federal work requirements. I'm probably totally

responsible for that, for the provisions that I put in the law that didn't turn out the way that they were expected. And I don't see any prospect that those federal work requirements are going to be restored anytime soon.

MR. HASKINS: Margy, you have 10 seconds.

MS. WALLER: I'll take 10 seconds. I just so disagree with this statement that there's no support for work requirements. I think there's overwhelming support for responsibility and obligations on the part of people who are getting cash assistance to move toward work, and that means work in the private sector, unsubsidized work.

And secondly, it's just absolutely not true that 60 percent of cash assistance recipients are not doing anything. In fact, it's the flip of that. It's 60 percent, over 60 percent who are doing something. They just aren't doing something that counts under the federal law as an activity that counts toward work requirements. But the states have them doing things, they're just other things that help them prepare for work. And those aren't necessarily bad things when we've seen the kind of caseload-decline that we've seen. They're probably good things.

MR. HASKINS: Having brilliantly forged consensus on this panel with my first question, I now have a second question of a similar variety.

We see from the Census Bureau data with the measure of half the poverty level, the so-called deep poverty--and we've seen this in previous years--that that number--and you can dispute the exact way this is measured, but there is a problem at the bottom. I don't think there's any denying that. There is an increase in the number of families who are doing very badly at the bottom--defined in different ways. And an

explanation is easy to find. In the old days, they could go on welfare and stay there forever, essentially. And if the state got upset with them, they sent them another letter and said come to the, you know, program. And then if they didn't come, they sent them another letter, and so forth.

Now they throw them off the rolls. So there are consequences. And so we do have a building up at the bottom. I do not think this is an overwhelming problem; I'm not saying this is something, you know, that we need to jump out the window over. But it is a problem, and the question is what should we do about it.

Robert.

MR. RECTOR: Let me first contest those numbers to a degree, and let me just back up on a major point. One issue of concern to me is the gross undercounting of total income in the Census Bureau data. There is a \$3 trillion disparity between income as counted in the Current Population Survey and personal income as counted in the national income and gross domestic product accounts over at the Bureau of Economic Analysis. Maybe a trillion of that you could take off the table for various reasons; you're still left with a \$2 trillion disparity. A lot of that's at the top, a very large amount of it's at the bottom.

Let me just pull one category up. In the terms of--because it exactly applies to this group that somehow is lingering at the bottom of the Current Population Survey with no apparent income, or very little apparent income. The Bureau of Economic Analysis, which measures the gross domestic product, based on various studies that they've done assumes that there is \$400 billion in cash self-employment--\$400 billion in cash self-employment--in the U.S. economy--this is non-professionals for

the most part--which is neither reported to the IRS nor to the CPS. If they hid it from the IRS, they're not going to tell the CPS about it. Four hundred billion dollars.

Let's say that it's only \$200 billion. Most of that money would be going into the bottom two quintiles or the bottom three quintiles. Anyone who's read ethnographic literature about very low-income single mothers, there are a lot of individuals coming in and out of the household all the time, there's lots of different income sources coming in and out, part of which is gray market, part of which isn't. And I think that our ability to capture accurately the incomes down there at the very bottom is very--is not only suspect, we really can't do it.

So if to the extent that one of the responses that mothers got off welfare but they're relying more on the income of the boyfriend or the father of the child or there's gray market activity that's in the household that isn't being reported to the government, I think it's very--almost inevitable that there was an increase in unreported earned income in a lot of these households. We really aren't going to catch that. So the farther down the income distribution you go, the more severe that gets.

Now, that was in part a weasel answer. Let's assume, and I think you're probably right, that there is something of a problem there. I think that one of the responses would have been greater outreach there of conditioned aid. Go and try to find some of these mothers, bring them into programs--not to give them a new cash entitlement, which we could call maybe AFDC or something, but to bring them into a conditioned aid program. That is something that I've talked about quite seriously with people on the other side of the political spectrum over the last three years. I essentially

don't regard that as serious anymore because I essentially think this work-based compromise that was there in the '90s is dead.

So talking about--since we're not even talking about serious work requirements for those already on the rolls, new outreach programs for those that are not, it's not viable.

MR. HASKINS: Robert, you didn't hear that Margy completely refuted your contention?

MR. RECTOR: Absolutely. Total refutation.

MR. HASKINS: Margy, would you like to add anything to this?

MS. WALLER: Well, you know, I'm willing to talk with you more about your idea.

[Laughter.]

MS. WALLER: I agree. I don't think we should go back to, you know, recreate the AFDC program, because we want to have a program that's work-based. But we ought to find out more about what's happening--why this trend is occurring, why we're seeing it, what it means. We ought to measure better what the household income is. And then we ought to try to do what we can to help those families, and outreach seems like a good way to go.

MR. RECTOR: If I could just throw in a little point on that. The numbers that I thought that I used saying that 60 percent of TANF recipients are idle, I believe those count all activities.

MS. WALLER: No.

MR. RECTOR: Well, they do. But anyway, let's set that aside.

MR. HASKINS: Let the record show that we have a disagreement up here on the panel.

MR. RECTOR: If in fact 60 percent--this is an argument I have, like, every two weeks or so. If in fact 60 percent of the caseload is engaged in some type of constructive activity, then what's wrong with having a 50 percent work participation rate and broadly define acceptable activities?

MS. WALLER: I agree with that.

MR. RECTOR: Well, boy, you wait until you see a piece of legislation that actually does that. Absolutely not. Not even close. Not even within 30 percentage points. Okay?

And so I've been saying this for two years: okay, if there are so many working, let's--what's wrong with 50 percent? And we have repeatedly, in this room, over and over, both the administration and the Heritage Foundation, have said why can't we have a flat-out 50 percent working rule--not today, but in 2011? Okay? We did this just about three weeks ago. The challenge was put out in the room. It was put out by me, it was put out by Wade Horn: What's wrong with a realistic 50 percent activity rate? And there was no response, no response on the parties that could act--not you, but the parties in the Senate that would actually make that decision. The answer has been repeatedly, for two years, no.

MR. HASKINS: Robert, Margy has a theory that after the 1st of January, she will be in a position to do something about that.

MR. RECTOR: Okay.

[Applause.]

MR. RECTOR: And then we'll get a 50 percent work rate, right?

MR. HASKINS: Yes. Absolutely.

MS. WALLER: With broadly defined activities.

MR. RECTOR: Very broadly, I'm sure.

MR. BURTLESS: Sadly, I think what you're hearing is inside baseball.

And even more sadly, it's inside minor league baseball.

[Laughter.]

MR. BURTLESS: This is not a crucial issue to the interests of poor people or of middle-income voters who care about the well-being of poor people. Whether we have a 50 percent work participation rate with bogus statistics turned in by local welfare authorities to show that they're conforming, or whether we have a 35 percent requirement, is not a very important issue. Margy pointed out the most basic thing, which is that we now have half the caseload that we had before reform. With the remaining half, the work participation rate percentage is not a very crucial issue.

So let's return to the question that Ron asked. He thinks that the evidence suggests that deep poverty has increased, and I think that it probably has. I don't think that the \$400 billion of self-employment income that Robert Rector thinks is laying around in the United States is being picked up by very many of the welfare recipients or would-be welfare recipients who are in deep poverty right now, but let's leave that to the side.

What I would do is give services to families containing children. By services, I have in mind assured health insurance, not a system like we currently have which demands a lot of action on the part of parents to get the insurance card. But

automatic insurance for children. Inexpensive or free early childhood education to try to remedy some of the deficits that children bring to kindergarten and first grade. And access to better schools and teachers in grades K-12 for people who come from very disadvantaged backgrounds.

We do have a food stamp program in the United States that continues, I think under a very broad consensus in the United States, to provide food to poor families containing children. This program has been reformed, too, since 1995. We now do put more strings on the benefits that people receive under this program if they do not have children and they're between 20 and 50 years old. But it is certainly true that we haven't monkeyed around with food stamps very much. If you're poor and you want to go through the effort of applying for food coupons, you can still receive them in the United States without a work test. But I don't think that there are many voters in the United States who think it is objectionable to give people food coupons so they can feed their families regardless of how much time they're out spending looking for work or holding down a job. That is a safety net program to assure youngsters that they're going to be fed every night.

So that's my answer. Thank you.

MS. MANN: If I could jump in, even though I'm not--

MR. HASKINS: Do it quickly, because I'm about ready to bring you into this conversation anyway.

MS. MANN: Oh, okay. Well, let me just say quickly, following up what Gary said, I think that maybe it's just--you know, I was involved in the TANF bill but less in reauthorization, so I see a distance from it. I think that the debate about the work

requirements and are we still for work, are we not still for work, are we locked into, you know, the 1960s or whatever, misses the point that we have a rise in the number of children who are in poverty and we have a significant percent of children who are in poverty. And I think that the question, really, is what do we do about that. Putting aside was it a good law, a bad law, do we--we're not going to undo and go back and we're not going to resurrect the AFDC program, but we've got a significant poverty issue. And I think that it is important to get beyond the was-it-a-good-law-was-it-a-bad-law and think about how to attack that. And I think having more work requirements is not going to change what we see today in terms of those poverty numbers.

I think one of the things we need to think about is, if many of those people had been in jobs and lost their jobs, there was no unemployment insurance system that was helping them, which is what we rely on and a lot of other workers rely on as a cash substitute when the job market fails. So we need to look at unemployment insurance or some other method for supporting families when the job market isn't robust enough to be able to keep those who are more marginally employed employed.

MR. HASKINS: Okay, last question. We clearly have a huge health insurance problem in the United States. We want more employment, we don't want--a lot of people, at least, do not want to pile lots of requirements on employers and forcing them to cover certain sorts of workers with health insurance, and in any case that problem is increasing because fewer and fewer employers are covering all their employees and there are constant cutbacks by major companies and lots of small businesses are offering no coverage at all.

So to think that the future is that we're going to get more coverage from employers, I think, is dubious, but if someone wants to argue that we should or could, then make that point.

And similarly, government has picked up a lot of the slack, as we could see very clearly in the data--the Medicaid program and the S-CHIP program. But even here there is considerable pressure, especially from the states and including states with Democratic governors, that their budgets are absolutely ripped by increasing health costs which are not about to go away.

So, again, what is the answer? How can we be sure that children and other Americans receive health insurance--or health care, as the case might be, if there's a distinction here--and what policies should we put in place, and what's the appropriate distribution between the private sector and the public sector?

Why don't you go first and then let's see if anybody else dares to contradict you.

MS. MANN: Or join in and say, oh my gosh, she's right.

Well, I think that I agree with you that we're not going to see a rebound of the employer-sponsored system. To the extent that still is the basis for coverage for the majority of Americans, I think it is worth thinking about policies that will help at least stem the decline, things that will help contain some costs. And I think there are things that can be done around prescription drugs, I think there are some things that can be done around disease management and people with chronic illnesses. It will contain costs to some degree, it will help both in the public and private sector.

But let's turn more to, then, the answer to where's the public program policy going to go in light of the pressures on states? And I don't think that's going to abate. I mean, clearly, recently the pressure has been higher because of revenues being down at the state level at the same time health costs were going up and, to some degree, Medicaid enrollment was going up. But we're going to see an aging of the population, and Medicaid is the default payer for long-term care and I think that people don't necessarily understand that. People don't necessarily understand that at the state level. On average, about 41 percent of all Medicaid spending is for Medicare beneficiaries. They are a smaller share of the enrollees, but they are very expensive individuals to cover, for very good reason--they are people with high medical needs. This cost is growing per person, and the number of people who are needing this coverage is growing.

I think there are lots of separate policies that we can think about, but I think fundamentally and big-picture we need not just to think about the realignment between public and private, but the realignment between federal and state. And I think that the federal government has assumed some responsibility through the Medicare program for people who are over 65, for their health insurance, and for some people with disabilities, but there is a tremendous gap in that assumption of responsibility. It took on prescription drugs; that will kick in in 2006. But states then were asked to pay back the cost of the prescription drug pickup that the federal government did in the new law, through the so-called claw back. So states are getting little, if any, fiscal relief from that advance.

I think there are areas where we need to realign the responsibility between the federal government and the state, both in terms of the elderly as well as in

terms of the counter-cyclical responsibility. I think what we've seen during the recession is that, not surprisingly, states are least able to pick up the added cost of a counter-cyclical health insurance program like Medicaid when they need to. The increased matching rate that occurred for 18 months for Medicaid, that just ended at the end of June, was a real help. It, I think, averted a lot of Medicaid cutbacks, and I think we need to look more seriously at making those kinds of solutions permanent.

The last thing I'll say is we really need to look at the adults. There's a big hole in the program. For parents there is a minimum standard and all parents with incomes below minimum have to be covered, but that minimum is quite low, well below the poverty line in most states. And that's why we see Medicaid not doing the counter-cyclical pickup job for adults, for parents, that we see with children in these data. And for childless adults, there is really no place in the Medicaid program for them at all unless they're disabled or elderly.

So we really need to think about the breadth of the Medicaid program and it doing a better job of covering a wider swath of people as well as some assumption of the financial responsibilities at the federal level.

MR. HASKINS: Anybody else want to add anything to this? Robert.

MR. RECTOR: I think before we devise policies, it's very important that we have to have an accurate sense of the magnitude and the trendline in the problem. I'll simply toss out some things. It's not my primary area of expertise. But we're struck by the fact that the Survey of Income and Program Participation shows an uninsured rate that's half that of the Current Population Survey. That's a pretty big disparity.

Generally, SIPP is more accurate than CPS. It matters whether there are 45 million uninsured people or 22 million.

When we look at the Medical Expenditure Panel Survey, we see flatness. We do not see a trend of increasing percentage of people that are uninsured. We see basic flatness.

Also, vis-à-vis--we seem to have agreed that there's a huge undercount in Medicaid enrollments in CPS. It's difficult, it's tricky, but we see not a uniform under-reporting but an increasing gap. And I think the chart that I passed out shows that, that there's a gap, an increasing gap in terms of the Medicaid that is not being caught in the CPS. And that would also affect your trendline.

Some other things. According to the Medical Expenditure Panel Survey, 88 percent of employees in the United States are employed in firms that provide medical coverage. Not perfect, but that's a far higher number than I thought it was. A very significant number of people that are uninsured in fact had medical coverage offered at the employer didn't take it. That's a tricky problem.

Another problem here that we need to think about. According to various different studies, there are roughly 9 million illegal aliens in the Current Population Survey. They comprise perhaps 10 percent of all the poor people, unknown what percentage of the uninsured, but quite clearly there are a significant number of millions of people that are recorded in there as uninsured that are in fact illegal aliens. It doesn't mean that after you make those corrections you don't still have a substantial problem left over, but in fact, maybe if we define the problem a little bit more clearly and use better data, the problem might in fact be more manageable than we think it is.

Final point tossed out. Candidate Kerry has suggested allowing any American in the United States who's uninsured to enroll in the Federal Employees Health Benefits System. Wonderful idea. Do it tomorrow, okay? Now, the devil's in the detail--do you really let them into the Federal Employees Health Benefits System, which gives them a choice of over 100 different providers to choose from, or do you put them in something that gives them a choice of two and is not really the federal health benefits system which senators and congressmen themselves participate in? But I think that would be a very nice step if in fact we really did that.

MR. HASKINS: Okay, we have time remaining for a few questions from the audience. Let me admonish people who are going to ask questions not to ask long questions. Please have short questions, to give the panelists time to respond.

QUESTION: With the current election campaign, what is the impact of these statistics? What do they mean for the president and for the Kerry campaign?

MR. HASKINS: Excellent question. Will these numbers have an impact on the campaign, and if so, will it be different for the candidate than for the president?

MR. RECTOR: I think that, in particular, John Edwards has tried to make a continuing issue of this, and I think they will continue to do so. I would simply say that he seems to seriously misrepresent the conditions that we're talking about. He gave a speech a while back where he talked about 35 million poor people and characterized them as children that go to bed hungry. And in his most famous one, he was talking about a little girl who needed a winter coat to go to school and didn't have a coat. I think you couldn't more seriously mischaracterize the poor than that. I think it

stands right about up there rhetorically with Ronald Reagan's welfare cheats who had multiple Cadillacs.

You could certainly find a few people in the United States like that, but I would say you would be almost infinitely more likely to find poor people that have cell telephones, telephone answering machines, and satellite TV reception than you would be to find someone who lacks a coat and needs it to go to school.

MR. HASKINS: Gary?

MR. BURTLESS: Well, my suspicion is it's going to be easier for the Kerry campaign to use these numbers. It's always a tough case to make, if you're the incumbent party, to say, well, poverty didn't rise as much on our watch as it might have if the recession had been even worse. And that, is the case they have to make. I presume the other party will make the case that incomes have fallen for three years and poverty has risen for three years and the percentage of people who are covered by a health insurance plan has fallen for three years. Well, that's a very easy case to make. It's tougher to say it would have been worse had the recession been worse.

MS.MANN: I'll just add, on the health insurance I think the Kerry campaign has been spending more time, generally, focusing on its health insurance proposal. And given that we have a record-high number of uninsured people produced by this data, it seems to me that that will be seen as a validation of the importance and the central factor that some kind of remedy around the health insurance problem ought to be a key part of the debate.

MR. HASKINS: The moment this forum ends, though, the Bush campaign will be calling Robert and then they will know that the problem is much smaller than advertised.

MS. MANN: Then that's my opening to just say one word on data, because I didn't get to respond to Robert. I really disagree on both what the SIPP and the MEPS say. And one of the things that I didn't get to say in my talk before, but I have some slides before you, is that in fact, you won't be surprised to hear me say that I think the census data under-reports the problems of uninsurance because it is not looking at bouts of uninsurance over periods of time. The first two charts in this background handout look at MEPS data--

MR. HASKINS: In other words, it's under-reported because at any given moment--

MS. MANN: Moment--

MR. HASKINS: --the number is smaller than if you looked at--

MS. MANN: Than if you looked at a period of time. And in this MEPS data looking at four years and very substantial numbers of people, particularly low-income people and particularly racial and ethnic minorities have significant bouts of uninsurance over a period of time. And they are not small--many of them lasting a year so more. So that's the other aspect of the data that we didn't have a chance to get into but that people need to think about.

MR. HASKINS: Good question. Let's have another good question. Yes.

QUESTION: I'd like you to help me understand something. The number of illegal immigrants is guessed to be about 11 million in this country, and the statistical

abstracts say that 7.2 percent of the population are non-citizens. Considering that these have very restricted access to your safety net, how do you think this--or do you have any ideas or opinions how this impacts the level of the poverty rate? Are they at all included in this Census Bureau data or do you just consider citizens and legal immigrants maybe, and then calculate the poverty rates? How do you do this?

MR. BURTLESS: Some of them are probably included. If the census taker happens to knock on the door of a household where an illegal immigrant resides and that person gives answers, the answers are reflected in the data. The census taker does not ask whether you are a legal resident of the United States. The census taker asks are you an immigrant to the United States, and the question of legality does not come up. My suspicion is that many illegal immigrants are unrepresented. If they were included, probably the poverty rate would be higher.

MR. HASKINS: There is one complication that we ought to just clarify, which is there are many illegals who have children in the United States, and if they do, the children are citizens. And they're eligible for all welfare benefits.

MR. BURTLESS: No, the children if born in the United States.

MR. HASKINS: Yeah. Yeah, that's what I said. If they have children in the United--okay, if they have children born in the United States--I said "have" in the United States--then they are eligible for the benefits. So it's a complex issue.

QUESTION: [Off microphone, inaudible.]

And EITC is not eligible for non-citizens. So my question is how--

MR. HASKINS: No, no, that is not true that--no, that's false. That's not true. Non-citizens can get earned income tax credit. If they file an income tax return, they can claim it. One's presumption is that many of them do not file income tax returns.

MR. RECTOR: Well, my--there are studies that indicate that the majority of the illegals are in fact in the CPS and that there are eight to nine million illegals in the CPS and that they would comprise--if that's right, they could comprise a tenth of the poor and perhaps a similar number of the uninsured. If they're in there, they would clearly be disproportionately in those groups. So that's my understanding of the issue. It's a difficult thing to analyze.

MS.MANN: Another point that somebody just raised--I lost track of who--is that in the welfare law there is also a restriction on accessing benefits for legal permanent--people legally in the country but who have been here for less than five years. So we have a problem in terms of accessing health insurance, TANF benefits, other assistance for--

MR. BURTLESS: But not emergency medical assistance.

MS.MANN: But not emergency--

MR. HASKINS: Yeah, there are a number of exceptions. That's one, but there are many others.

MS. MANN: Right. They can't access Medicaid or CHIP, on a general basis.

QUESTION: Do the numbers, then, increase or decrease pressure on the Senate, either from the states, from the governors, or else to break the logjam on welfare

reform? Are they better off sticking with the '96 law based on these numbers, or going ahead with something that increases child care money in return for work requirements?

MR. HASKINS: Another way to ask this is will the numbers today have any impact on the probability that Congress will actually reauthorize the Welfare Reform Act.

MR. RECTOR: I would say it would have zero impact. But I think you've couched the alternatives improperly, okay? This is what I've been saying, that basically the rhetorical consensus that was reached in 1996, but in substance it is completely dead and nailed in the coffin. And I'll just give one clear example of that. The Baucus bill, Senator Baucus's bill which was introduced two years ago, is the leading Democratic bill in the Senate, their centerpiece. He got on the floor and said I love welfare reform, what we want to do is retain the 1996 law, it was a good law, it was a success. His bill then wiped out every sentence in that law--over 100 pages of deletions and the substitution of about 250 pages of new material. So if that's retaining the '96 law, it would be difficult to know what changing it was. And that's the kind of nonsense that's going on here and it's why I think, and I think most people on the Republican side essentially think, that this compromise is pretty near dead.

MS. WALLER: None of those changes, though, did anything to the work requirement--

MR. RECTOR: They completely annihilated them.

MS. WALLER: They did not completely annihilate them. They changed some of the definitions. But the obligation to participate in an activity to lead to work was still there and I think is still widely supported. I do agree, I don't think these

numbers are going to lead to action this year. I think the chances of action this year on welfare reauthorization--I'm not going to say zero, but they're close. However, I do think that they should force whoever the next administration is and the Congress next year to rethink and recalculate, start from the beginning, what do we need to change about the '96 law, instead of starting again from the proposals that are on the table today.

MR. HASKINS: Another question?

QUESTION: How successful has the work requirement been in terms of training people? Because we keep hearing that they're working at McDonald's and places where--I shouldn't mention that particularly, but at fast-food restaurants and places like that. And that isn't training that's going to help them lift themselves out of poverty. Does the new--one you mentioned, now, the Baucus, you said. I didn't know about it. But does that have any kind of thing about training people? And also providing health care for the kids while they're in training?

MR. RECTOR: Multiple questions there. I think that basically a lot of people would contest that premise. I think that we have a lot of experience with training programs and we have a lot of controlled experiments which show that training programs effectively raise the hourly wage rate of trainees by maybe 2 or 3 percent. They're not very effective. I think that to the extent that the '96 act was effective, it was based on the premise that work itself was the best way to raise income, and so it was what was called a work-first orientation on moving people into real jobs--recognition that in fact the idea that somehow these single mothers are going to be in higher-paid or more professional type jobs is an illusion, it's not going to occur; therefore the emphasis was on putting them into the jobs that they could really take. They're not minimum

wage, but they're \$7-\$8-an-hour jobs for the most part. And then very extensive supplementation of their income through an expansion of the earned income tax credit, which is now \$4000 a year; food stamps on that; providing Medicaid to the children; allowing most of those TANF benefits that used to go to monthly cash checks to now come over and subsidize daycare.

I think there is a sort of idea in the public that that worked pretty well. Unfortunately, I see the support for that eroding and we're increasingly, and I think we've seen on this panel, returning to the kind of debates that we had in the late '80s and '90s.

Talking about the erosion of consensus, you just heard Gary, who I respect very deeply, essentially say that the major concern of Republicans in welfare reform, which is these work requirements, is not only not going to be fulfilled, it's completely unimportant. That's a pretty good indicator of an erosion of consensus.

MR. HASKINS: Last question.

QUESTION: I think that we all agree that, you know, reducing poverty is a good goal. But what my question would be is wouldn't it be helpful if we were able to define this goal? In terms of food insecurity, we have a national goal to cut food insecurity in half by 2010. Shouldn't we also have a goal regarding cutting poverty and, you know, wouldn't that be helpful in terms of designing policy?

MR. HASKINS: Well, I think the evidence in Great Britain is that it probably does help motivate policymakers to think hard and clearly about designing policies to achieve some goal. You know, my impression is that since Prime Minister enunciated and got his cabinet to support an idea of targets, specific targets for

improving the well-being of British families, British children, there have been a series of policy moves that were in part designed to achieve that goal. So I agree, it does help.

MR. RECTOR: I think that would be a goal that would not have political consensus at all, because essentially you could meet that goal just by increasing welfare handouts. For the most part, what's happened in Great Britain, there's certainly not any national consensus on doing that. I could propose an alternative goal, which would be to set a goal of increasing what I would call prosperous self-sufficiency--the percentage of the population that's able to maintain itself above the poverty level without government assistance. And that would be a goal which I think everybody actually could agree to. It's a harder goal, obviously a much harder goal. But that's one that I think you could achieve a much greater consensus that that would be a worthwhile goal. There would be no consensus that what we really ought to do is just go back and give more welfare assistance and thereby bring the poverty rate down.

MR. HASKINS: To the extent that we have agreement on this panel, poverty is up, but less than previous recessions; income is down, especially at the bottom of distribution, but less than Gary Burtless expected; and health insurance covers fewer children, although members of this panel have raised questions about the data on which that conclusion is based, but I think there's a lot of evidence that we do have problems with health insurance and the solutions are not easily at hand.

Thank you all for coming. To be continued.

[Applause.]

[END OF TAPED RECORDING.]

- - -