

THE BROOKINGS INSTITUTION

POVERTY AND INCOME IN 2005:

A LOOK AT THE NEW CENSUS DATA AND WHAT THE NUMBERS
MEAN FOR CHILDREN AND FAMILIES

Washington, D.C.

Tuesday, August 29, 2006

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P R O C E E D I N G S

MR. HASKINS: Good afternoon. My name is Ron Haskins. I am a Senior Fellow here at Brookings, and I would like to welcome you. I think this is our fourth annual event on when the poverty numbers come out. They always do it at the end of August. It is amazing that there are this many people in Washington who are not on vacation, so welcome. We are glad that you are here.

We do this event primarily because we want to practice our skills in instant analysis. The data came out I believe about 4 hours and 5 minutes ago. Actually, they were a little late getting it up, so it is a little less than 4 hours ago that it came out. So what we try to do is just do a review of the numbers and put them in some historical context, and I will do that in just a minute in a quick overview primarily on poverty, but I will say just a few words about income and about the data on health-care coverage.

Then we have a very interesting panel to make comments and give us their interpretation on what the numbers mean. Then I will ask them some questions and try to start a fight if I can, and then give you a chance to ask questions. Then we will all go home much more knowledgeable than when we entered the room, so that is our purpose.

Unfortunately, Linda Chavez could not be here today, so as every panelist I believe has pointed out to me in the last 10 minutes, who gets to be the conservative on this panel? We are a little bit unbalanced, but Linda is ill and sent me an email Sunday night and said she might not be able to make it, so it is very unfortunate she cannot be here. So I want you all to make a special effort, I know over there on that side it is going to be especially difficult, to be

conservative, and I am somewhat conservative, so I will ask them the nastiest questions I can think of.

The panel consists of Gary Burtless from Brookings who has been here almost every year. Gary is a labor economist and has contributed greatly to these events in the past, and if we are lucky he will again today. Ron Mincy from Columbia is a professor of economics. I believe this is the first time he has been here for this event, though we have invited him when we have other events here at Brookings. Larry Aber on the far right who was at Columbia for many years but now is at NYU, and he has the distinction of being I think perhaps the third psychologist who has ever walked through the front door. He and I are both psychologists, and we are not economists, and that is our main claim to fame.

MR. MINCY: Boy, do I have a lot of work to do.

MR. HASKINS: Yes, no kidding. So basically you can disregard most of the things that Larry and I say because we are not economists anyway.

The finally, we have Brigid Schulte from The Washington Post. I am very pleased that she could come. Many of you may remember that 3 weeks ago in The Washington Post Sunday Magazine there was a wonderful story about a college program on poverty at Washington and Lee, and that it had a tremendous impact on students, so much so that some of the actually became interested in poverty and people who are poor, and they actually took their first jobs, and she tells several of their stories in there about how committed they became because of this course. So we are very pleased to have Brigid here. And you may remember if you have been here before that every year we try to have someone who is not a professional economist or psychologist, or someone who is

in the real world and can speak actual English and so forth, and, of course, everybody from the Post is brilliant with words, and so we are very pleased that Ms. Schulte could be here today.

So let's show the first slide. Here is the basic data, the poverty rates for children in poverty and for all people in poverty. The historical context here is that we really had a wonderful decline in poverty among both children and people in the 1990s starting in 1994 and 1995, and it was the first sustained decline in child poverty since the early 1970s. There were some very nice outcomes. Black child poverty reached its lowest level ever, poverty among kids in female-headed families reached its lowest level ever.

Then we had this unfortunate four consecutive years of increasing poverty following the recession of 2001, and that is highly correlated with female employment, especially employment among low-income females. It dropped off, and it still has not recovered its level of 2000. But this year for the first time I guess I would say in 5 years, poverty did not decline and it is unchanged. So those of you who are looking for good news here, you could say that the increase in children's poverty has stopped, and even though the number is down a little bit, it is not significant, so we say poverty is unchanged. And those of you who do not like that interpretation will say we are in the fourth year of recovery, and I am sure someone on the panel will say this, and yet child poverty just barely is holding its own. We should expect a lot more than that, so there are problems here.

The next slide is median income for all families, Hispanic families and black households. As you can see, just like the poverty numbers, we had a

very nice increase during the 1990s, and decreases most of the years following 2000, starting in 2001. This year they are up slightly, but slightly, but not significantly. Again, the story is technically there is no change in income.

Then this a little more complicated, but I wanted to show this to you for two reasons. First of all, this is the mean income of all female-headed families. I should point out to you, and many of you probably already know this, that our concern here at the Center on Children and Families that Belle Sawhill and I run is especially concerned with female-headed families, so we always analyze the data looking especially at female-headed families.

Here is the mean of female-headed families, and here is the second quintile, so the bottom quintile here is the bottom 20 percent, the second quintile is the next 20 percent, and those are the families that we are especially interested in because every family on welfare is in those bottom two quintiles, almost all of them are in the bottom quintile, and most of the families who leave welfare are in the second quintile, or some of them are still in the first quintile. So these are the ones that we are especially interested in.

As you can see, these data reflect data from the previous slides, very nice increases in family income, not just in the median but also especially in the second quintile somewhat in the bottom. Then mostly declines starting in 2001 which we would expect from the recession, and now this year up just a notch, but, again, not significant. So for female-headed families, the same thing is true.

I will also tell you, and I think some of the panelists may look at this a little bit, if you look at the overall poverty for children, it actually went

down a little bit, even though it is not significant. If you look at several of the measures, and there are a number of measures in the report and some that are in the tables but not mentioned in the report, poverty among children of female-headed families looks a little worse. In most cases it actually goes up a little bit, though it is not significant. So the picture is a little bit different for female-headed families, and my own opinion is this is extremely important because this is a group that we are especially interested in because most of America's poor children live in female-headed families, and if you want to make progress against poverty you have to make progress in female-headed families. That is exactly where we were making such remarkable progress in the last half of the 1990s, and now again that progress apparently we have not recovered lost ground after the recession of 2001. And even though it is not getting worse and it might be inching up a little bit, it is not getting significantly better. So I would say that this is still an important issue.

Then finally, this is a percent of people and children with government health insurance, and I think this continues the picture from previous years. Even though more people are covered, the percentages go down, and especially they go down for private coverage, and they go up a little bit for government coverage, and the net increase is an increase in the number of people, but a decline in the percentage who are covered by health insurance. So we have a continuing problem with health insurance, and these data at least hint, and I will be glad to hear what the panelists have to say about this, it continues a trend that began in something like 1990 of in almost every year there is a decline in coverage of health insurance by the private sector. I have heard important health

economists say that they think the private sector can as much as it can get out of the business of health insurance, and kids are a wonderful example. We have had good coverage with kids with big increases in the late-1990s and even following the recession, big increases in Medicaid coverage, and this makes the point that if you want to have coverage of health insurance for people, the government probably has to play an increasingly important role, but those of you interested in the budget deficit, you do not like that, so this is a real problem for American public policy, and the problem basically continues.

With that brief overview, we have asked the panelists to remain seated because they are all tied up with mikes and so forth and there will not be any more PowerPoint presentations, so let's go ahead and begin on the far right with Larry Aber and work our way right across the panel. Larry, it's yours.

MR. ABER: Thanks, Ron. Would you mind putting your first slide back up, the child poverty trend slide? You will see it over the Brookings logo which indicates that tries to obscure all real data.

(Laughter)

MR. ABER: Have I established my conservative credentials yet?

I want to focus on child poverty, and the numbers you saw, 17.6 percent of U.S. children now live in households with incomes below the official federal poverty line. That is statistically unchanged from last year, and that equals about 13 million children in the United States. Since it has not changed in the last year, it gives me the opportunity to talk a little bit about changes over the last 4 and 12 years, respectively.

During the 1990s, during the period of significant declines that Ron mentioned, I think it is now pretty commonly accepted that at least three factors contributed to the decline of child poverty: a growing economy created more jobs that low-education, low-skill parents could get. Welfare reform increased incentives for parents to take those jobs. And other social policies like the earned income tax credit made those jobs pay better. It was some combination of those three factors that I think most analysts agree led to this very significant historic decline in child poverty over the course of the 1990s.

There was a recession at the end of the last decade and the beginning of this decade, and we have now seen, depending on how you count it, about a 10- to 12-percent increase in child poverty from its best period in the late-1990s, and that 10- to 12-percent increase remains the same today as it was last year. It is flat, but over the last 5 years, child poverty has worsened by the order of 10 to 12 percent.

What is associated with those increases over that period of time? Probably the downturn in the economy, but the downturn in the economy did not increase the number of people receiving cash assistance. It did bump up food stamps a little bit. So the welfare reform strategy of the 1990s of disincentivizing cash assistance even in a recession seems to be holding.

But I think the big story is job restructuring. I think that there is evidence over the last couple of years that the nature of work, especially for people in the bottom fifth or America, is shifting. It was certainly the story last year with the Midwest. Last year, child poverty increased the most in the Midwest, and there is good evidence that that is because the Midwest lost

manufacturing jobs which are high paid, and increased service-sector jobs which pay, many of them, not much more than poverty-level wages. So I think with that in mind, the big theme for me is the need for continued emphasis on how to understand and support the needs of working poor families.

We have known for a while that the majority of poor children's parents work, and what can we do to support work? I would be very interested to talk during the question-and-answer period about strategies like increasing the minimum wage which you are finally hearing talk about after a decade of silence, and about expanding state earned income tax credits. Some states have them, some states do not. About reducing barriers of low-wage workers to participation in unemployment insurance. Most Americans do not know that low-wage workers because of eligibility criteria are not eligible for the same unemployment insurance benefits as middle-income workers. And we need to continue to shore up TANF, food stamps, and Medicaid, even during this period of great deficits. So that is what I think the numbers that Ron presented this year and over the last couple of years show.

But I want to end by talking about a few of the things that those numbers do not show, and we can go at this a couple of different ways. The first is, and you have heard it historically in this auditorium in the past, does the poverty line make sense now as a gauge for economic security, and most of the debate is whether the poverty line should be adjusted for taxes and in-kind benefits and a variety of things like that. But the basic composition of costs to a family has changed dramatically over the 40 years since we began to measure poverty, and the basic composition is much more expensive in a variety of ways.

If you want to ask me about the family self-sufficiency standard which is about twice the poverty line, it basically takes about twice the poverty line to support a family's minimum needs, and that is going to affect our interpretation quite a bit.

We can talk about a variety of ways of encouraging work. One of the things that I would really ask the audience to think about is how hard it is to get more money through earnings in that no-man's land between about \$18,000 a year and about \$36,000 a year. It is very, very clear from analyses from the National Center for Children and Poverty, and from a variety of other groups, that there is a very high marginal tax rate and benefit loss rate for low-income families as they make the transition from \$18,000 to \$36,000 a year. Ask me if you want, but I will tell you that for every dollar they earn, they get ahead about 34 cents, and that is a very, very tough structural row to hoe if you want to earn your family's way out of poverty.

The last point I want to make is that when families leave welfare, in my opinion, making work the centerpiece of welfare reform was right and was brilliant and it succeeded. But now we have to do the final stage of unfinished work in welfare reform: when parents leave welfare, they enter jobs that make about \$8 an hour. That is a poverty-level wage. How are we going to make it possible for families to work and work at low-wage jobs which is what this economy is creating, and make it possible for them nonetheless to support their children out of poverty? I think there are a variety of strategies that we can adopt, but not if we do not set the goal.

We as a country have not set specific poverty-reduction goals. The United Kingdom has. During the same period when our child-poverty rate has gone up, the United Kingdom has cut its child- poverty rate by 25 percent. If we set numerical goals, implement policies that have been proven to work, we can reduce child poverty. Thanks.

MR. HASKINS: You would never guess that that Larry Aber is on the mayor's panel in New York which as I understand it has set the goal of reducing poverty.

MR. ABER: The Commission recommends, the mayor decides, and the mayor has not finished deciding yet. But a moderate Republican mayor in New York City may be the first American executive in public office who sets specific poverty-reduction goals. We will see in a month.

MR. HASKINS: Ron Mincy?

MR. MINCY: Thank you, first of all. I want to begin by going back a little into the historical context that Ron provided and begin with a big, big picture, which is that I think the fundamental problem with respect to antipoverty policy in this country is that we can no longer rely on economic growth to reduce poverty. So back in say the mid-1960s when we had long periods of economic growth, poverty rates in this country declined quite dramatically. But into the mid-1970s and thereafter, there has been very little association between movements in economic expansions on the one hand, and declines in poverty on the other, and I think these recent data have to be interpreted in that context. They continue this long-term disassociation between economic growth on the one hand, and poverty reduction on the other, and underscore that we have to rely on other

things, other targeted, specialized mechanisms, in order to reduce poverty in this country. And of late, the primary way in which we have been trying to do that is by work requirements on the one hand, and earnings subsidies on the other. So my comments are going to zero on what these data have to say about those two factors.

The second point that I would make here is that what the report shows is that though median family income grew by 1.1 percent between 2004 and 2005, we are in the fourth year of recovery, and yet there was no reduction in poverty, no reduction in child poverty, and very importantly, there were declines in the earnings of men, and declines in the earnings of women. This is the second year in the economic expansion where men's earnings have declined, and the third year in the economic expansion where women's earnings have declined. So the issue is, we are increasingly rely on work as a mechanism to reduce poverty in the United States, to the extent that work is related to economic growth, it worked extraordinarily well in the 1990s because we absorbed many low-skilled workers going to work. However, we are definitely in a jobless growth expansion, and now in addition to the other dilemmas that we face, we are having economic growth, we are even having increases in productivity, but the earnings of most men and women are declining, and that signals for me some fundamental problems.

I think the other thing I would be remiss in not mentioning here is that whites are the only race/ethnic group for whom per capita income expanded between 2004 and 2005. There was no expansion in per capital income for Latinos or for African Americans, and as a consequence, this really indicates that

in a number of ways, we are experiencing economic growth in this country, we are experiencing positive changes in overall median income, but these are not clearly not being shared equally between workers and capital owners on the one hand, and, secondly, across racial and ethnic groups.

The third point I would make is that, of course, I think the reductions in male earnings are particularly important because in my mind, there is a triple-edged sword to that, and that this has occurred for second year of this 4-year economic recovery is important.

In the first place, the recession of 2001 broke the brief connection between economic expansion and increases in male earnings. That is to say, average hourly wages of men did not begin to increase until 1995, until well into the economic expansion of the 1990s. And once the recession occurred, we have seen basically no growth in male earnings, and in addition to that, and this again in the two most recent years, we have seen male earnings decline.

That is important for a couple of reasons. One, most families in the United States derive most of their income from the earnings of men, and when the earnings of men are not growing, the polity in general is not receptive to social welfare things that we would do for the poor. So when most American families are not doing well because they depend on the earnings of men and men's earnings are not growing, then the whole country takes a very conservative view toward expanding social welfare programs. So at the same time there is a need for expansion in this programs because of declines in earnings, we are seeing that, again, as the earnings of men decline, we become more selfish as a nation and our ability to do things for the poor diminishes.

I think the second thing has to do with men who are not members of married couple families or two-parent families, but, instead, men who are low income and tend to have lots of child support obligations. What these results essentially mean is that the earnings of men particularly at the bottom of the skill and educational distribution are declining most significantly, and their capacity to pay child support is diminishing as well. In my view, if you want to understand why it is that child-poverty rates are beginning to turn in the opposite direction, it is because only women of late have been contributing to the growth of income among the lowest-income families, men have not been part of that improvement, and today these data suggest that the conditions of men are getting worse.

This is important because over the long haul we have had dramatic expansions in the number of children for whom paternity is established, on the number of mothers who have a child support order, and especially among unmarried and African American mothers who have a child support order. In 1990, 70 percent of black women who were custodial parents did not have a child support order. In 2002, only 44 percent of them did not have a child support order. So as we see the decline in male earnings, it is again reducing our capacity as a nation to be generous toward the poor, and it is decreasing the capacity of men at the bottom of the skill distribution to contribute to reductions in child poverty.

Finally, to the last point that Larry made, most men do not receive the earned income tax credit, or do not get much of it. That is to say, if they are in married couple households, they face these high marginal tax rates that Larry mentioned, and if they are noncustodial parents who tend to have lower incomes,

they are technically childless, they may have a child support order, but their earnings are not being increased as a consequence of the EITC.

So I think the real story here that few people will pay attention to because we mostly look at these numbers and say poverty in female-headed families, what is happening in child poverty, most kids, again, have two parents have somewhere, we are increasingly turning to both of their parents to support them, and what these data tell us is that the ongoing stagnation and decline in male earnings means that we are going to have little progress in the future around child poverty, and we are not going to get there unless we do something about the earnings of men as well as the earnings of women. Thank you.

MR. HASKINS: Gary Burtless?

MR. BURTLESS: There is good news in this report which Ron the first mentioned, the poverty edged down or at least it did not increase last year, and that certainly represents progress after you have had four successive years in which the poverty rate rose. Median household income and per capita income measured in the sense of surveys increased after adjusting for inflation last year, and, again, that represents an improvement after four successive years in which incomes fell.

Income seems to have improved for households up and down the income distribution, meaning that if you look at folks in the bottom one-fifth and the middle one-fifth and the top one-fifth, and all the other fifths that that you can find, there are income improvements there. Again, that represents an improvement after four successive years in which households in many categories saw declines every year or saw most years with declining incomes. I want to

return to this point about how people in different positions of the income distribution fared later on.

Another bit of good news if you care about the underdog is that women's earnings rose relative to men, and so women now who are on full-time year-round schedules have the highest percentage of male full-time year-round earnings that they have ever enjoyed. So there is good news.

There is less good news. Okay, let's just say what it is, it is bad news. It's bad news. The reason that women gained on men is because their real earnings did not fall as fast as men's did. That is good if you care about the underdog, but it is not good if you care about the absolute well-being of the people who are working for a living. Men's earnings fell 1.8 percent in 2005, compared with 2004 after adjusting for inflation, and women's only fell 1.3 percent.

The percentage of Americans who are covered by a health insurance plan fell compared with 2004, and this falloff in insurance coverage is continuing a trend that we have seen since the peak of the last economic expansion in the year 2000. The falloff in coverage has been particularly big amongst working age adults, which is exactly where the falloff was largest in years ever since the peak of the last expansion.

While income gains were pretty good in the Northeast and on the West Coast, I guess that matches what has happened to house prices in those regions, at least until the beginning of this year, incomes continued to slip in the Midwest, and they probably stagnated in the South. So that is the news.

Let me discuss a couple of things at greater length. The first one is what about health insurance noncoverage. The Census Bureau's estimates of the percentage of the population that is not covered by a health insurance plan showed an increase of 1.3 million people in 2005. That means a little bit more than 46.5 million Americans do not have health insurance. The fraction of the population without coverage inched up three-tenths of a point to almost 16 percent, and that is up from a little over 14 percent of the population who lacked coverage at the peak of the last expansion.

If we try to look at the part of the population where insurance coverage is falling off, we see it is heavily concentrated in working age adults. Adults between 25 and 54 years old have seen fairly sizable declines in their coverage since the peak of the last economic expansion. In 2000, among young adults 25 to 34 years old, over two-thirds were covered by an employer-provided health insurance plan, and last year, only 60 percent were. So there was a falloff of 7-1/2 percentage points in the share of these young adults who are covered by an employer health plan. Some of that was offset by increases in government insurance, Medicaid or some other public insurance, but still there was a net drop of 4-1/2 percentage points in these young adults' coverage, and the same is true for people a little bit older.

I think that these changes are mainly affecting adults in prime age because there has been some falloff in employment in this age group, so if you do not have a job you cannot get health coverage by a job. Jobs are lost slightly more often, so people go through some of the year without employment. And there is less provision by employers of dependence benefits. So if you are

married to somebody who is employed, maybe your spouse is less likely to sign on for insurance coverage for you. Again, government insurance has stepped up especially for families with children, but it has not done so for childless families.

As to wider inequalities, a second thing I want to talk about is this money income report continues a pattern that has gone on for a long time, but especially since the depths of the last recession. It is not just a situation in which there is a falloff in the incomes of people who receive very low wages compared to people who receive average wages. Actually, I think below the upper-middle part of wage distribution, there is not very much more change in the distribution of wages. They have remained flat now for 7 and 8 years. What we are seeing is a big change in the ratio of earnings of people at the very top of the wage distribution compared with everybody else, even people who are paid pretty well. But, of course, that means that middle-income families are not gaining very much income in this economic recovery.

I think I have some numbers. I did some calculations. I wish I could put them up on the board, but Ron does not give me access to this high-tech stuff, so I have to just report what I have found. Since 1989, two business cycles have occurred, and households who are just one-tenth up the way from the very bottom of the American income distribution have seen real gains in their incomes of about 3 percent according to this latest Census Bureau report. In the middle, income gains have been about 4-1/2 percent. If you are at the 90th percentile, they have been about 14-1/2 percent. At the 99th percentile, according to our income tax records, the gains have been about 25 percent. At the 99.9th percentile, the gains have been 42 percent rise inflation-adjusted incomes. And if

you are just in the top one/one hundredth of 1 percent of the U.S. income distribution, the income gains since 1989 have been about 75 percent after adjusting for inflation.

So there is just this long-term very skewed distribution of the benefits that have been derived from rising incomes in the United States, and as long as that continues, we are going to get money income reports like this one in which there is very, very slow progress in reducing American poverty.

MR. HASKINS: Thank you very much. Brigid?

MS. SCHULTE: I think that was fascinating. I am Brigid Schulte. I am a reporter at The Washington Post, and this is very weird for me to be up here. I am usually standing in the back with a notebook.

I wrote a story for The Washington Post Magazine. I spent several months on it. Ron asked me to come and talk about it, and I am in no way an expert, so I have been listening with just as much interest as all of you guys to what these guys had to say.

I was asked to go down to Washington and Lee University in Lexington, Virginia, and write about what they were saying was a cutting-edge poverty studies program. Not knowing anything about Washington and Lee, I went on line and looked at it, and it was 95 or 96 percent white, incredibly upper-income kids, tuition in the \$30,000 range, and I thought, cutting-edge poverty program, are you kidding me?

I went down there very skeptical wondering what was going on, and over the course of several months sat in on several classes, met with a lot of

different students and professors, and it was really astounding what I ended up seeing.

I ended up focusing on about six students who were there, and they all had such amazing personal journeys. I think what struck me most about this program is that it includes a lot of this stuff, public policy, a lot of very tough academics. There is a syllabus that I brought me if anybody is interested, it is fascinating. You read conservative thinkers, liberal thinkers, philosophers, psychologists. It gives students a real grounding in understanding what is poverty.

But probably the most effective thing is then what they do is they couple that with an 8-week-long summer internship where the students actually go and work with poor people and they live with poor people. So this not like going to a soup kitchen and handing out the soup and patting yourself on the back and drive-by charity or anything. I think that is what struck me the most, because I think perhaps in all of our lives we have seen do-gooders. I remember the Thanksgiving baskets, the canned goods, your kidney beans nobody wanted, and what struck me the most is that when we think about poverty, a lot of times we are thinking about it in these very macro terms.

There is such a huge gulf between middle-income people who sort of run the world, or the upper-income people who run the world, I should say, and what it is really like to be a poor person. We have all sorts of romanticized notions about the dignity in poverty, and what struck me the most was how these students ended up finding the humanity in people who are so different from them.

I brought some journals along. The students are required to keep journals, and one student that I focused on in particular, her name was Ingrid Easton, and why she appealed to me is when I first met her, she was an economics major and did not really know what to do with her life. Her father is a doctor, her mother was in the medical profession. Being a good daughter was very, very important to her. She was offered a very high prestigious summer internship with Goldman Sachs in New York, and of course, as you can imagine, any parent they are so thrilled, oh my God, this is wonderful, this is going to get you started on your way. And she had to really decide was she going to do this summer internship or was she going to do the poverty internship and come and live at the N Street Village here in D.C. and work at D.C. Central Kitchen where the model there is they take people off the streets, the homeless, recovering from addiction, and they put them to work in the kitchen, and they are the bosses. If you go and volunteer at D.C. Central Kitchen, you take your orders from these folks who are going through a food-handlers training program. And at the end of their program there, they can then go ahead and get a certificate if they pass their certificate with the city and get a job and work their way out of poverty. She was very interested in that model of a nonprofit people getting themselves out of poverty.

She thought long and hard about it, and she decided to turn down Goldman Sachs. She said when she broke the news to her family, all that she could hear was crackling on the other end of the phone and they were not very happy with her initially. But it turned into a real life-changing experience for her, and I was going to read you a little bit of her journal from that time.

This is a girl who grew up in Charlotte, North Carolina, private schools. She said downtown Charlotte was just not a place that you went. She lived in the suburbs and really had no tangible experience with people different from herself. She says here, "The argument that in our society today we are all starting in an even playing field boggles my mind. I would like to pretend that the work I am doing this summer is hard. I'd like to pretend that I am being selfless and kindhearted by being here and working so others can have a better life. I am learning how blessed I am and how ridiculous it is to think anything I am doing is all that special.

"The thing is, it isn't hard for me to get up and do these things, because I have had people telling me since I was born that I would be successful. I know that I will get a job hopefully after college and probably make enough money to live on. What is hard is growing up with only negative influences, voices, feedback, and finding confidence within yourself."

She goes on to say how one of her jobs was to help the workers at D.C. Central Kitchen prepare for interviews, and they were terrified. She remembers one woman just leaning over and grabbing her leg, "I can't do this," and that was so foreign to her and quite an education.

I do not know if my time is coming up, but she is going to be going out to San Francisco, and somehow she is not quite sure what she is going to do, but she wants to take what she has learned and this sense that she is a part of a larger community, that she has a responsibility not to just make her parents proud, although that is something that she wants to do, not just to make a lot of money,

not just to have a prestigious position, but to make the world a better place. I'll stop at that.

MR. HASKINS: Thank you very much. That was interesting.

Let's start with this. Let's say that the Democrats take over both Houses and next time win the presidency in 2008. Can you imagine that we are going to have antipoverty programs that pay people money through some welfare-like mechanism that is going to get them out of poverty and have a significant impact on the poverty rate? Quick answer.

MR. ABER: I can imagine government spending money differently for positive incentives, not negative incentives, that both reduce income poverty and help families.

MR. HASKINS: So not means-tested benefits in the sense of something like a negative income tax or increased welfare benefits?

MR. ABER: In the developing world, there is the development of a strategy called conditional cash transfers which some people might know about, where government targets poor families and poor communities and pays increase in their family income that reduces poverty conditioned in parents' investment in their children's human capital. Do they go to prenatal visits? Do they bring children to well-baby visits? Are their kids attending school 85 percent of the time? Those are developing-world criteria to make rewards.

We could pay low-income families to invest in their children in a different way and both have an effect on income poverty and a positive effect on parents investing in their kids' human capital.

MR. HASKINS: Ron?

MR. MINEY: As to your question, antipoverty strategy unrelated to work, we have tried that for 40 years or something, and that is how we got to the welfare reform that we have.

On the other hand, it is clear that we are going to need greater work incentives and greater work supports. We are committed in a way to an economy which growing, but not expanding employment opportunities for low-skilled people, and they need high earning subsidies. The question is, can we deal with some of the marginal tax rates that flatten those subsidies at the middle of the income distribution, and can we make some of those work supplements available to less-educated men.

If you do not have custody of a child, you do not have an earnings supplement. On top of that, if you have a child-support obligation, you have a substantial tax on your wages in the form of child support, which men should pay, which has the effect of discouraging their work. So we have to spread it around.

MR. HASKINS: Gary, can you imagine big, new welfare programs that help people get out of poverty?

MR. BURTLESS: I cannot imagine even a Democratic Congress and President immediately coming up with a way to spend money on no-strings-attached transfers just to raise people out of poverty.

However, based on the experience of the Clinton Administration, I think within 2 months of the time they came into office, I was on the Hill testifying about raising the earned income tax credit. I can imagine them raising the minimum wage very quickly, and I can imagine them trying, perhaps

unsuccessfully, to do something about the declining rates of health insurance coverage among people of working age.

MR. HASKINS: As a reporter, and with this experience with all these kids who are really committed to reducing poverty, can you imagine the federal or state government giving money to people to get them out of poverty?

MS. SCHULTE: What I would say is something a little different. With the old ways of thinking about poverty and thinking about who is poor and the stereotypes that so many of us have about poverty, I do not know we will find a solution unless and until people are more educated and there is more of a connection between human beings all across the class levels.

When you look at polls, a majority of people have a view that if you are poor, that it is your fault, that there is some failing in you. And as long as people have that view, there is not going to be the political will, and there will some people on a certain end of the political spectrum who will say why throw good money after bad? There are a lot of people who hold that view.

What I would say is that there needs to be a whole lot more education throughout the country, a whole lot more connection between people and a sense of community before there will be the political will to change things on the national level.

MR. HASKINS: So it only took 7 minutes to establish the point that we are not ready to do War on Poverty kinds of solutions where we give a lot of money away and reduce poverty. And we could have added to that that the American public would not like it anyway and there are all kinds of poll data that show this.

The question is what we are going to do, and there have been several hints here. What is going to prevent us from having report after report after report in future years just like this one where poverty did not go down, but it did not go up, we are sort of in neutral. What are we going to do to really reduce poverty and take another million or two million kids out of poverty? What are the public policies that we need here to do it?

MR. MINCY: There is a Senate Bill S-367 or 27 that provides an earned income tax credit for men who have a child support obligation and gives them a structure through the EITC that is very similar to the one that exists for custodial mothers. That is one of the things that we should be doing.

One of the challenges with that, however, is that the politics of this are that it does not give any ITC to a custodial parent who is delinquent in his child support obligation. These data tell us that that does not make sense. Both the instability of employment at the low tail of the skills distribution and declining earnings that if you have a low skill in men, the likelihood that he will miss his child support obligation in the last 10 years is very, very high.

MR. HASKINS: We do not want to get too far in the weeds here, but as a former congressional staffer, this strikes me as not a very big problem. I know that there is widespread even among militant female groups who represent mothers—

MR. MINCY: That's what he says.

(Laughter)

MR. HASKINS: We have such groups. I will be happy to introduce you to people if you want to meet some of them. Even those groups

agree that if males would agree to pay child support starting today and in the future, they will bracket the arrearages. So this problem could be saying.

MR. MINCY: That is what I am saying what we should be doing?

MR. HASKINS: So your proposal then, and I think this is something that everybody should pay attention to because I think there is going to be a lot of discussion on this in the next 5 or 6 years, and I would be even bolder in predicting if it were not for our budget situation but that we will have a big EITC for males whether they have kids or not.

So one way to increase wages of males would be to supplement the EITC like we do now with females who head families. What do you think of that as an economist?

MR. MINCY : We supplement the wages of males who head families, too, if they have children and if their families have low enough income. The law makes no distinction between the genders.

MR. HASKINS: Under this new proposal, males would have an EITC, moms would still have their EITC that is tied to both their work and the fact that they have a child, and if they got married they both keep their EITC so that there would not be a marriage penalty. It would be a very expensive program, and I would assume you probably could not do it for less than \$20 billion a year, but what would you think of this as an antipoverty measure?

SPEAKER : I am a voter. I would vote for it.

SPEAKER : I would add that we still have not made work pay. There is simply no question as I was saying that as families make the transition from earning about \$16,000 to earning somewhere into the mid-thirties that the

combination of slowly losing benefits like food stamps, like child care, and also experiencing certain cliffs as in the State of Pennsylvania and a single mother and two kids, when she moves their income from \$19,000 to \$20,000, a thousand-dollar increase in income, she loses \$2,000 of food stamp benefits. There is another notch at \$35,000 or \$36,000 where the combination of losing health insurance for her kids and child care for her kids means that she is losing another \$5,000. That combination of slow phase-outs and notches are independent. The food stamp policy is not coordinated with the child care policy, is not coordinated with the other policies, and so you can have cumulative effects. That is not rocket science to figure out.

The National Center on Children and Poverty has a thing called the family resource simulator. It lays out those perverse incentives in 10 states. We could lay them out in 50 states and fix them. One other example is we spend a huge amount of money paying for well-baby care for kids and regular health care for kids through emergency rooms. They do not have medical homes, and it is expensive and inefficient care. We could create incentives so parents establish medical homes, get regular well-baby care through those, and have enough money in savings to invest in early childhood specialists, in pediatric care facilities, that could increase children's vocabularies by triple by the time they are in preschool.

The combined savings of reducing inappropriate emergency room visits and reducing special ed placements would pay for up to a \$2,000 to \$3,000 a year set of incentives to help parents invest in the right way in their kids. Those are smart, rational policies.

MR. HASKINS: Belle Sawhill and our colleagues here at Brookings have done a number of studies, and other investigators have done studies, looking at Census Bureau data and analyzing that if you change various factors what impact would it have on poverty, and the number-one factor that has the biggest impact on poverty is increasing work levels. We have subjected this to a national test when we passed welfare reform in 1996, and it worked exactly like it was written up on the boards, mothers went to work, we supplemented their income with EITC and other policies, and poverty dropped substantially for the first time since the 1970s, and was definitely conceded in Census Bureau records that it was the earnings that did it because the mothers' income from welfare, broadly defined, went down every year during that period from 1994 to 2000. So increasing work is a solution, and we all agree on that.

The second most effective solution was increasing marriage rates among low-income families, and especially minority families. If you could just reach the level of marriages that we have in this society in the 1970s, so not some pie in the sky thing, but the actual level that we had in the 1970, it would reduce poverty by almost 30 percent, the second-most effective, and it was more effective than doubling cash welfare.

My question is, what are the prospects that we actually could increase marriage rates, and how should we go about it? Ron, you have written widely on this. What do you think?

MR. MINCY: A couple of things. One, we should do it. I am fully supported of the demonstration projects where the resources were released earlier this summer, and that is going to solve part of the problem. It is going to

package the incomes of people who currently have low incomes together. It will create economies of scale within households, stretch money longer, and do a lot of other things for the third of unmarried parents who remain romantically involved and for whom the likelihood of a marriage is real. So I think we should go about and do that.

But I also understand one thing it will not do. I have just completed some work that looks at what are the impacts of marriage on men's earnings. One of the reasons why members of Congress supported this idea was that they thought that if men were married, they would be moved by the social obligation to provide for their children indefinitely and to earn more would not happen. We ran these numbers over, under, around, and through under all sorts of assumptions and we could not get statistically significant implications for men's earnings if they transition to marriage, and I am very confident that those results are not there. So I do think that you do need to increase marriage rates so that people pool their money more effectively, but I still think that there will be a need for supplements to their earnings, and we have some challenges in the ways in which we supplement earnings now.

Again, for the two-thirds of parents who will not marry, you pointed out that 70 percent of black children are raised in single-parent households, for the two-thirds of that 70 percent who do not get married, in order for those men to contribute to their kids, they are going to need to be part of this strategy which will mean we have done everything we could almost to make the likelihood that they have a child support obligation real. Paternity establishment rates are up to 60 and 70 percent, mothers have child support orders, but these

guys do not have earnings and they do not have consistent employment, so that needs to be part of it.

MR. HASKINS: Gary, what do you think? Do you think marriage is a viable strategy, that if we could actually figure out how to increase marriage it would reduce poverty?

MR. BURTLESS: We have taken the shotgun out of the arsenal of tools that can be used to make men marry women.

(Laughter)

MR. BURTLESS: Or perhaps more precisely, make women accept the man, the loser, who put her in her condition. So I do think that this is pie in the sky.

JUDGE MALLET: You think it is pie in the sky?

MR. BURTLESS: I do, yes.

JUDGE MALLET: Because it will not work?

MR. BURTLESS: That genie came out of the bottle in the 1960s and 1970s, and you are not going to put it back in the bottle with the aughts and aught 10s.

MR. HASKINS: Does the panel agree with that, that it is a failed strategy because the culture and that's it?

MR. ABER: I think that I agree with Ron that we should try and we will get some marginal improvement in it, but I agree with Gary that there is going to be a limit to that improvement and perhaps a severe one.

And I would say two other things. The first is that traditionally we have asked of men the wrong thing at the wrong time in life. When they are

young and broke, we ask them for money and not time. And when they are older and have a few more dollars, we have alienated them so much that when they have money, we are not there to ask it of them.

We could change how we engage men in a significant way that also I think would have a positive benefit on child poverty. It may not have a positive effect on marriage rates, but it will have a positive effect on child poverty.

MS. SCHULTE: I would like to add something to that. Jason DeParle is a New York Times reporter and he wrote a wonderful book called "American Dream" and it he follows a number of single mothers. But he raises a very interesting point that goes right to what you are talking about, how can you create this as a policy? I would argue that it goes back further than the 1960s. Particularly in African American culture he talks about going back to the days of slavery, going back to sharecropping days, that there has been instability in the family structure for generations, so that is not something you are going to fix with legislation, and that is not something you are going to change overnight.

I would argue that anybody who wants to increase marriage rates, while it might be laudable, read "Random Family" by Nicola Blanche. She spent about a decade with an Hispanic family in the Bronx, if you want to find out what life is really like for some people and why some of these policies may sound good up here on this stage but may not work out there.

MR. ABER: But I think the other issue is that if you talk to low-income parents and minority parents, again, in the survey of unwed parents that we conducted, 50 percent of them said that they thought their prospects in

marriage were good to excellent when the child was born. Moreover, if you look at Jason DeParle's book, one of the things that one of the moms said is, "The thing that I would want most is for things to have worked out better for the father of my child."

I do not know if it is the culture is dominating what individual people want. And secondly, in the programs that are not operating in Baltimore on the street in building strong families, what some of these families are saying is this is the first opportunity we have had for someone to come to us and help us understand how to manage our relationships.

So, yes, I think we should now go to them given that the option is working itself out and, again, it will become part of a complex set of strategies to reduce poverty, and I think this is long overdue.

MR. HASKINS: And prove Gary Burtless wrong.

MR. ABER: And prove Gary Burtless wrong.

MR. HASKINS: That will never happen, right? Let me ask you another question. At Washington and Lee was marriage a part of the curriculum? Did they talk about marriage and its role in increasing poverty and its possible role in decreasing poverty?

MS. SCHULTE: They talked an awful lot about the statistics that you guys have all talked about in single motherhood, and certainly marriage has a role in that. But I did not sit through every single class, so I do not know that I am qualified to answer that question.

MR. HASKINS: Let me ask you another question. Back in the days when the Republicans first took over the House and there were a lot of big

ideas about welfare reform, just at that moment or about a year before, a book was published by a well-known conservative named Marvin Olasky, and I think it was called "The Tragedy of American Passion" if my memory serves me. The tragedy was, and Olasky's complaint was, that government could never truly solve poverty because the only way to solve poverty, and it sounded very much like what you were describing in that program, was for true personal connection between people who were not poor and people who were poor, that people would do all kinds of things like serve in soup kitchens, churches would be involved in so forth, and a lot of conservatives liked that.

MS. SCHULTE: Yes.

MR. HASKINS: They think that the private sector ought to do this and we should have fewer government programs. Is that what the Washington and Lee program is point toward?

MS. SCHULTE: I think what the Washington and Lee program does is that it exposes students to certainly that philosophy and that point of view, and alternate philosophies that also say that government is very responsible.

I think what you end up with is they have wild and raucous debates and you have people left-leaning who turn more to the center and you have right-leaning people who come more to the left, and I think at the end you come up with the majority saying that it has to be both.

MR. HASKINS: It has to be both, yes. Now we have arrived at that moment you have all been waiting for.

MR. BURTLESS : Wait.

MR. HASKINS: You are going to defend yourself?

MR. BURTLESS: No. I am surprised, Ron, you did not ask what about changing the outcomes in the next generation. You have a start as a psychologist studying these little children, so what about the next generation?

Suppose we say marriage is never going to work as a solution, it would personally as a solution, but it is just —

(Interruption)

MR. ABER: — society can force people to want to have, and you concede or you forcefully argue that the public would never tolerate no-strings-attached cash to reduce poverty. And, by the way, do not let Ron fool you, it does reduce poverty. The reason Sweden has a 4-percent poverty rate among children and the United States has 16 or 17 percent, is a very big dose of public programs to make sure that people do not become poor. So let's not kid ourselves that throwing money at the problem does indeed reduce the size of the problem.

MR. HASKINS: As the elderly in the United States show quite clearly.

MR. BURTLESS: Absolutely. So what about the next generation?

MR. HASKINS: No, I am the moderator so I cannot lecture.

(Laughter)

MR. HASKINS: I was thinking that Ron might mention this, or Larry as a psychologist, that many of you know that we publish a journal here with Princeton called "Future Children" and one issue ago was entirely devoted to marriage, and whereas 15 years ago or so you could have had a terrific debate in the academic world about whether marriage was really the best situation for kids,

I think that debate is larger over now. Larry is a psychologist and hangs out at universities and has a right to have an opinion here, but I think most people would agree that you would get a second benefit that in addition to reducing poverty that you would have a positive impact on children. Certainly, if you look at national data, you can see that kids who are reared by female-headed families as opposed to kids who are raised by their married, that the differences in everything from school achievement to suicide rates are very substantial. One of the articles in that journal by Paul Amato actually includes cost and benefit numbers and shows that you could spend a lot of money on marriage programs, and even if they worked marginally 10 or 15 percent, you would probably cover the cost by reducing all these kinds of problems. What do you think, Larry?

MR. ABER: I think that posing marriage versus other types of government policies as an either/or is not the way forward.

MR. HASKINS: I was not suggesting that. The question is whether it would work and whether it would have impact on the kids?

MR. ABER: I agree with you that the bulk of the evidence suggests now that, all other things being equal, and it is hard to make them equal, marriage is good for kids.

MR. HASKINS: Good. On that note—

MR. ABER: No, I am just going to add that—

(Laughter)

MR. ABER: All other things being equal, rising family incomes is good for kids. There is actually a strong evidentiary base that rising incomes is good for kids than marriage is good for kids, they are not either/or, and I do think

that while welfare reform has been very successful in shifting the emphasis to work, the last 4 years of these reports indicate the glass ceiling on that strategy. It has got us part of the way there. We do not want to go back. But if we are not charting some new territory, we are not going to go forward.

MR. HASKINS: I think that is right. So now, unless one of the panelists interrupts me again in my valiant attempt to get the audience involved in this discussion, do we have questions or comments from the audience? Let me say before we start that we do not need any long statements.

SPEAKER : Those are from us.

MR. HASKINS: Yes, we get to make the long statements, so a brief statement or a question. And please tell us your name and your organization.

MS. ROSS: I am Martha Ross from here at Brookings. Some of the comments were about the labor market and the effect of restructuring of jobs and that economic expansion is not leading to a decline in poverty. I wondered what your thoughts were on work force development programs as a strategy in terms of, there is a whole range, it could be education and training, it could be unionization, and it could be subsidized jobs, as another strategy to help the earnings go up. And, of course, one problem that we have now is that funding for those programs is generally that as to the federal government it is trickling down and it is not a whole lot of money and groups have to cobble together funding sources from multiple places. I wonder what your thoughts are on that.

MR. HASKINS: Gary?

MR. BURTLESS: I just want to talk about the development and training of workers to make them so that they can earn more money. There are two things to bear in mind. One is that unlike just giving people an earned income credit to top up the lousy job that they earn, which actually does directly raise their income, if instead you put your money on training them, then whether there is a payoff is going to depend on whether an employer can be found who is going to hire them at a higher wage, and in some cases such employers can be found, but in many, many cases they cannot be found. So it is much more a gamble, and you can help a few people, and lots and lots of evidence has accumulated over the last three decades on the success of these kinds of programs, which groups it seems to work for best and so on, but the fact of the matter is, it is not a very big gain in income of the typical person who is enrolled in these programs. And even if you take the total earnings gains, it is not terribly much. We could greatly expand the size of these programs, but I would not anticipate that you are going to get a very big increase in earned income.

MR. HASKINS: So his answer is, like almost everything else that we have talked about here, marginal impacts. Does anybody want to disagree?

SPEAKER : I do not want to disagree, but embellish. Those three decades of demonstrations in work force development demonstrated that what works are job search programs, work force programs, which get low-skilled women to move from nonemployment to employment.

The other piece of the puzzle is that we have not identified effective programs that, again, work for low-skilled men, and I think that is the big missing link, how to get them into the labor force, to maintain employment, to

have consistent track records and to hang around long enough in a job to begin to increase their earnings, that is the thing that we do not know how to do.

Let me just be clear that we have had a lot of gender inequity, oddly enough, in our income security policies for decades. Again, if we are going to do something about child poverty, both parents have to play a part in the puzzle.

MR. HASKINS: Does anybody else want in? Next question?

MS. WATSON: Sara Watson with the Pew Charitable Trusts. Ron, I thought Gary lobbed you a big fat softball for you to talk about preschool and early education.

MR. HASKINS: I thought he did, too.

MS. WATSON: My question is, you talk a lot about federal policies. Are there states that you think are doing a good job at lifting people's incomes or are there particular state policies that you think others should pay attention to?

MR. MINCY: My own view is, I am going to be something of a broken record here, but I think the most important places where we could begin to influence what happens with child poverty has to do with state policies and child support. There is not a lot you can do at the federal level in terms of the enforcement of child support, but you can do a lot at the state level.

Today in some states around the country, some of my colleagues, and Elaine Sorensen has completed this study, she looks at eight states, and she determines that 55 percent of the arrearages owed in child support are for men whose incomes are less than \$20,000 a year, and most of the increases in those

arrears is caused by my interest on the debt, penalties and the like, and, again, these are men often whose child support obligations occur initially because they lose a job. So a place for changes in welfare policy at the level of the state have to do with child support, the passthrough of child support, and really is where the action is, and I think it will have a major impact on men's work incentive, their work activities, and, again, the amount of child support that they pay.

MR. HASKINS: Larry, you can say whatever you want to, but in the process of doing that, her question obviously is preschool programs, high-quality programs during the preschool years, can those be expected to have an impact in the long run?

MR. BURTLESS: To answer it in that order, the best scientific evidence clearly suggests that preschool programs designed right, early childhood programs designed right, can improve children's school readiness, and from everything else we know about children's academic performance, we project that it would have effects on poverty in the future. But implementing high-quality programs is enormously difficult, and paying for them is enormously difficult, as Sara knows better than anyone else.

She raised the issue of state differences, though, and I want to take the opportunity to mention two other things. In addition to the release of the money and income report today based on the current population survey, the American Community Survey released data today at the same census site. It shows the national poverty rate to be about 13.3 percent, not 12.7 percent. There is a little difference. But it provides tremendously good estimates of state variation in poverty, and of local area variation in poverty.

To give an example, the state with the lowest poverty rate in the United States according to the American Community Survey is today New Hampshire at 7 percent, the highest rate, three times higher, Mississippi at 21 percent. State variation in the underlying economic conditions in state policies is so great. We are only beginning to learn. There are at least 10 federal programs that affect low-income families with children that states have big discretion on what they are going to do about. So we are only beginning to study the enormous variation that exists at the state level and how states can package in the most intelligent way antipoverty policies to really have the maximal impact on kids.

MR. HASKINS: Would I take from this that you would be a big supporter of block grants and give the states some money and let them figure it out?

MR. BURTLESS: You will recall that several years ago I said keep the money the same, let's just re-up on welfare reform because we are not going to do better than that. I will repeat it again. I think we played the work and welfare reform card as it existed in the 1990s about as far as it can go. We do not want to go backwards. But if we do not make low-income work pay better, and if we do not find a few other nonwork strategies to really help low-income families and communities, we are not going to go forward.

MR. HASKINS: Next question?

MR. FEDYNSKY: Pete Fedynsky, Voice of America. What effect has globalization and outsourcing had on the health and welfare of Americans?

MR. HASKINS: That was a great question. Very succinct. Nicely done. Gary, do you have an equally succinct answer?

MR. BURTLESS: I think that global competition is one of the forces that is affecting the distribution of earned income in the United States. It is one amongst many, but it is one, and the availability of alternative places to produce things, both goods and services in other countries where wages are much lower, benefits are much less costly, does increase the bargaining power of employers compared with workers.

In this recovery, one of the notable features of changes in income has been the shift in national income from wages and compensation earned by workers to profits received by companies in the United States. Companies are getting a bigger share of the national income, and workers are getting a smaller share, and that helps explain why median workers and below-average pay workers are not receiving income gains in proportion to the rise in income.

MR. HASKINS: Does anybody want to add anything?

SPEAKER : Even corporate executives in America are not sending their mothers to China or India for home health care. There are jobs that are high-demand jobs, they are human care jobs in early education, in home health care, in elderly care. There has to be some way of paying those jobs better and training people for them better. Some things can and should go offshore through global competition, and some things have to stay here, and we have to change how we are rewarding some of those kinds of jobs.

MR. BURTLESS: Globalization has an influence on the wages that those people receive, too, for the following reason. If you cannot make a car

in Michigan, you may find that your next job is working in a nursing home, and the fact that a lot fewer cars or a lot fewer equipment is being made in the United States and more is being imported from somewhere else does—

SPEAKER : It reduces the demand for labor.

MR. BURTLESS: It does not reduce the demand for labor, but it does reduce the bargaining power of the people who have the mix of skills that it takes both to work on an assembly line building a car and work in nursing homes where you can do relatively unskilled work.

SPEAKER : This speaks to the kind of structural change that has occurred in the economy that may have a long-term implication for the way in which we do antipoverty policy. If as a consequence of the reduction of the power in unions, the growth in immigration, and increase in globalization means that there will be a lot of workers who will be working in low-wage jobs, then our commitment to earnings subsidies as a strategy is not a short-term thing and it may be a long-term thing, and will have to be concerned with two things: what is the level of coverage and what is the amount. We have made some progress in terms of level of coverage, and how we have to think about where additional progress needs to be made, first, and, secondly, what about changing the marginal tax rate so that as families find themselves eking up the income distribution, they can gain from those benefits as well, and that may be something that we are committed to if we are in a society that says, as Ron began, income-security policies unattached from work are a thing of the past.

MR. HASKINS: One more question.

MS. GENSER: I am Joannie Gensler (?) from the Food and Nutrition Service USDA. I would like you to speak about the impact of increased immigration on these poverty figures.

MR. HASKINS: I happen to know you just wrote about this, Gary.

MR. BURTLESS: I think that the immigrant population did better in this poverty report. There were thousands of numbers given today, and I have probably read less than a half-percent of them, but my vague recollection is that immigrants did better.

But on the whole over a long period of time, over the last 30 or 35 years, immigration has probably increased inequality in the United States and increased the poverty rate, and the reasoning is simple. Immigrants nowadays typically come to the United States with a lot fewer skills than American workers have. I think over a quarter of immigrants who are 25 and older lack a high school diploma, and for people born in the United States, the number is more like 11 or 12 percent, so they have a lot fewer educational credentials.

If we measure the wages that immigrants earn compared with native-born people who are the same age and gender, there has been a bigger and bigger gap over time in how much immigrants earn relative to what the native-born person of the same age and gender earns. Maybe it not getting any worse now, but the fact that it has opened up so much in the last 30 years means that every immigrant who enters, typically is going to raise the likelihood of poverty for somebody in the United States, and that is assuming that there are no spillover effects on the wages and employment prospects of people who were born in the

United States. That has driven up the poverty rate compared with what it would be if we had not more immigration, or compared with the situation in which immigrants brought the same credentials and skills in 2006 that they brought in 1965 or 1969. So immigration has had a big effect.

There is an irony in this big effect, of course. People from very poor parts of the world, and most immigrants now come from very poor parts of the world, they are not coming from Europe, they are not coming from Canada, they are coming from Asian countries that are poor, and they are coming from Latin American countries that are poor. The move to the United States even if it brings them to a position where they are below the poverty line in the United States, still for those families represents a tremendous improvement in their well-being. It is a huge engine for progress in real incomes of these people.

So even though it might make American inequality look worse, even if there are no spillover effects on the wages that Americans can earn, nonetheless, it represents a tremendous improvement in the welfare of people who have migrated to the United States, and the children of people who have migrated to the United States.

Here is a number to bear in mind of how big this number is. In the United States, if you look at adults between 20 years old and 40 years old, 1 in 4 people in the United States either is an immigrant to this country or is the child of an immigrant to this country. So this is not trivial, and that number is way up compared with the end of the 1960s which may have been the low point for the importance of immigration in the United States.

So this is a very big factor, but it is not an explanation for this generation after generation poverty which unfortunately seems to be a very severe problem in the United States relative to other rich countries around the world.

MR. HASKINS: Are there other questions from the audience on the role of immigration? Do you have anything to add to this?

SPEAKER : There is also evidence that immigration is shifting regionally, so that there are new destination states like Georgia and North Carolina which are receiving heavy flows of workers from Mexico, and it is changing the local economies of Georgia and North Carolina.

I agree with everything that Gary said. I would also say that there are quite deliberate public policies that could be used to help in some of these areas. So I still think that we can rethink some of the welfare reform legislation, I think that is an area that many people would be interested in pursuing. And as far as I know, we do not want to close our doors to immigration. So the question is how to soften the negative economic impact and enhance the positive economic impact of this flow of immigrants.

MR. HASKINS: But if the poverty rate of the United States goes up by 3 percentage points and all of the increase is because there are more poor immigrants—

SPEAKER : That is not the reason. You are not saying that those are the facts now are you?

SPEAKER : Actually, that is the fact, comparing today with the late-1970s. All of the increase in poverty over that era is really immigration. There is no other part of it. There is no remainder.

It is true in individual groups of the population, poverty might go up and down, but the fact of the matter is, the facts I just mentioned are basically what is going on. Immigrants are poorer than they used to be because they bring poor credentials to the United States and they are a bigger share of the population. Those two factors in interaction give us the long-term rise in poverty that we have seen. It is not an explanation for the rise of poverty since 2001, immigration has not changed that much since 2001, but over a long period of time, this is indeed a very major explanation. The thing is, do you feel so bad about poverty, if you think that its long-term rise is partly produced by a factor that really is improving the living standards of so many people entering the United States, then it really makes you think very hard about whether it is so terrible.

MR. HASKINS: On that note, I would like to point out that in this very room on September 19th at 10 o'clock we will unveil the next issue of "Future Children" which is on social mobility, and there are fascinating chapters in that volume. We will focus the public event on September 19th on education as the way to promote social equality, and we also will have a panel of journalists who have written about this issue. So join me in thanking the panel.

(Applause)

MR. HASKINS: And thank you all for coming, and good day.

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