THE BROOKINGS INSTITUTION

POVERTY AND INCOME IN 2009:

A LOOK AT THE NEW CENSUS DATA AND WHAT THE NUMBERS MEAN

Washington, D.C.

Thursday, September 16, 2010

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Opening Remarks:

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Panelists:

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P R O C E E D I N G S

MR. HASKINS: My name is Ron Haskins. I'm a senior fellow at Brookings, and this is, I think, our 8th Annual Poverty Day -- I guess I shouldn't call it a celebration. Some years it's a celebration; some years it's not. This year it's not. And I'd like to welcome you all here.

We have a very straightforward program. I'm going to give a brief overview of the main numbers, not all of them, by any means. And some of the panelists may select other numbers that they think are important and put them into historical context so you get to see what the trends have been.

And then we're fortunate enough to have Becky Blank here. I'll say a few more words about her in a minute, but we need to get her out of here quickly because she's much in demand at Brookings today. There's a Brookings event that she had to go give a speech at as well, so as soon as she finishes, she will leave.

And then we have a wonderful panel, and I'll introduce them at the appropriate time.

So let me begin with a few brief remarks about the data and what they show. The first thing, of course, is poverty. Now, this is going to be -- let's see if I can actually do this. I need this little pointer, which doesn't appear to be -- ah, there it is, okay.

So I think everybody is familiar with the fact that we are having a problem with poverty and have been for several years. And poverty, of course, is much more serious among -- boy, that pointer disappears. I think I'll just try to forget it. Can you come point at this?

And, of course, it's obvious that we have much greater poverty in female-headed families than in married couple families. In female-headed families, in a typical year, poverty is 5 times as great. So because we've been having more and more female families in United States, primarily because of non-marital births, not because of divorce because divorce has leveled off, and so as a result of that we have this little engine chugging away behind the scenes, pushing the poverty rate up year after year after year. So even if we were going to hold the poverty rate steady, we have to be doing something to compensate for the additional -- for the additions to poverty because we have more and more children in female-headed families. We're now very close to 30 percent at any given moment. And over their entire childhood, of course, the number is much bigger than that of children who spend some time in a female-headed family and live with this much higher probability that they will be in poverty. So poverty's up among everybody, but especially up among children.

I think I'll just mention here, I know some of the panelists will talk about this, that we have a number of economists, Becky and others. Becky inspired many of these models that predict poverty. And for some reason, I don't know if Becky will comment on this, but the models were not necessarily great at predicting this year. A lot of people thought there'd be a 15 percent poverty rate in the child -- overall poverty rate. And my colleague Belle Sawhill, in a paper that's available I believe in your papers, thought there'd be a much higher child poverty rate as well. So, you know, this is kind of like Wall Street: When the stock market, there's predicted to be some horrible economic event and it's only very bad and the stock market goes up, that's kind of the situation we're in here, that this certainly is not a good year when 1.4 million additional kids are poor. But maybe it would have been 1.8 or 1.9 or 2 if the predictions had come correct, so that's at least somewhat encouraging.

Also income is not a very good story, although income did not actually decline this year, which I think many people thought it would. Again, I think this is an interesting development that income did not increase and did not -- I mean, did not decline. But we still have these huge gaps in income and we haven't done anything in many years or nothing has happened in the economy among individual choices, among government policy that has really filled these gaps. As you know, we have gaps beginning school achievement and go all the way to employment and then to family or household income, and we're not doing much to close those gaps, so that will remain to be a problem.

Then we have income of female-headed families. I've already said that the income of female-headed families is a big problem in the United States. And kids who are in female-headed families are four or five times as likely to be poor. And here we see in the income in female-headed families at the mean, but then also in the middle of the second quintile, the middle of the bottom quintile, the bottom fifth and the second fifth. And here again you can see that there has been a slight decline. It's not huge, but there has been a decline. But once again, the impressive thing to me about these numbers is that we have lots of kids who live with single moms, who are extremely poor. Can you imagine the average of the bottom 20 percent is $4,900?

And then the other point we don't have the data for this year because the Census Bureau has not released it yet, but we'll have it later this year, and that is what the effect of our transfer programs is -- taxes and means-tested transfer programs -- on these families? And we do have it for previous years and that's what those dotted lines are. And you can see that for the middle -- and if we had the top it would be even more impressive -- their, in effect, net income after taxes and transfers actually falls because they're giving money to the government. But in the bottom two quintiles they are better off because of the transfer programs that the United States Government runs and that are focused, that, of course, many of them are means tested, although social insurance is an important part of this story. I hope we'll have an opportunity to talk about that.

So it continues that the average income at the bottom is low. It's declining slightly, but government programs are making up at least part of the slack.

Then we have data on health. The Census Bureau, I believe, started giving these data probably in ’88, and the first year they had data of this type was ’87. And I think this is bad news and it raises all kinds of fascinating issues -- maybe, again, we’ll have a chance to talk about this -- that, continuing a trend, the private sector seems to be less interested in providing health insurance for their employees than they have been in the past. And so as a result of that, we have falling coverage among Americans by private employment.

In the past, government support for insurance has been very high. Medicaid has expanded quite dramatically. I think it’s -- some people who like government, maybe there are one or two in this room, would have to say that Medicaid has responded appropriately during this recession, although this year, for the first time, the actual number of people covered by health insurance is actually less than it was in 2008. So this poses, I think, a very fascinating issue for our politicians, which is if the private sector is going to continue to move away from providing insurance for their employees and a lot of people are claiming that the recently passed health care legislation provides incentives for employers to move away at an even more rapid rate -- I’m not saying that’s true, but that certainly is a claim -- then that’s going to mean every year we’re going to have fewer and fewer and fewer people covered by the private sector. So unless we want more people to be without health insurance, government is going to have to provide even more health insurance, which, of course, is a big part of the debate we’re having in this election.

So there's -- I think there's grist for the mill on both sides in these numbers.

And then we have the employment-to-population ratio. It's just a very straightforward idea. It's all the people in a certain category. That's the denominator. And the enumerator is people who actually have a job. So this is, in some sense, the broadest measure of employment in a society. And here we have it for all people, for single mothers, and for never married mothers.

I like to add this because research shows that more than in the past the response to this recession for low-income families, there's been more of a response than in the past. And I think if you reflect on this for just a minute you'll be able to quickly see that the answer is that that's because a higher percentage of low-income mothers who are likely to be in poverty, even if they work they may not make enough money to get out of poverty, but they are more attuned and more affected by the economy. If they just live on welfare, then what happens in the economy, which was the case before 1996, much more so than it is today, they would be affected -- they would not be affected by the economy. But because more of them work, the economic trends really do have an impact. And as I say, research shows that that is a very important consideration.

I draw one other end -- of course, the numbers are not good here for any group, including never married mothers. I like to put never married mothers in here because it's kind of a -- it stands in for a measure of mothers who are likely to be on welfare. Many of these babies wind up on welfare right after they're born or later, and so this is a very important number. And as you can see, that number went up quite dramatically up in the welfare reform era and has really stayed quite high, and we're still well above for this very sensitive and difficult group that rears a significant number of American children. They -- through their own effort, they're still in -- even though unemployment is up, they still have much higher employment rates than they had in the past, so I think it's easy to conclude that our child poverty rates would be even higher if this group didn't work.

So that's a brief overview. And now I want to turn to Becky Blank, who used to be my colleague at Brookings. She's an amazing scholar, a labor economist, and is now a senior official at the Department of Commerce. And as given -- my understanding that Becky has really been one of the most important people behind the U.S. Census in 2010, so there's not very many more important jobs in America than that one.

So, Becky, thank you so much for coming. I look forward to hearing what you have to say.

MS. BLANK: Thank you, Ron. So it is an honor to be here. And everyone knows that this event that Brookings runs is always the place you have to be if you care about the poverty numbers on the afternoon after they're released. So I'm very pleased to be here and I appreciate being asked.

In my current role I oversee the Census Bureau, among other agencies and it is the Census Bureau that puts this out. And I just want to give a shout-out to the really great group of people headed by David Johnson that put these data together as carefully and as fully as they do. It's an excellent group that shows you what government does well if you want a good example.

I was told that I had to have a handout, so I have a handout and I'm hoping you all have a copy of it. It's labeled "Notes for a Brookings Institution Event." It has my title -- my name and title in the upper left, so you might pull that out because I'm going to use some of the charts and things that are in that handout. Had I known, I would have brought a PowerPoint, but only Ron is allowed PowerPoints at this event.

So it's no surprise to anyone that poverty rose and that median income fell, albeit just a little bit, in a year when unemployment rose 2.6 points, from 7.4 percent to 10 percent from December of 2008 to December of 2009.

Are there people who don't have a copy of the handout? Maybe I could ask one of my staff members, there's a whole stack of them downstairs when people came in, to run down and pass them down the rows if anyone wants them. Thank you.

So, you know, we knew the numbers were going to be bad and we knew they were going to indicate that in a bad economic year a lot more American families were hurting and, indeed, they do show that. But

I think the surprise is that these changes were actually below expectations. We expected it to be a lot worse that it actually was. And I've got two measures of this in the handout.

The first measure is on page 3. It's two graphs on poverty and unemployment rates. And the top graph shows you poverty graphs against the unemployment rate and the bottom graph shows you household income graphed against the unemployment rate. And over on the right-hand side there's a little cross and a little asterisk, and the asterisk shows you the expected number. Now, the expected number here, I don't want to claim this is a serious model, it's simply what you would expect if you correlate unemployment and poverty, and unemployment and median income, and forecast what the 2009 number should be based on the historical relationship with unemployment. Right? And we would have expected unemployment to be at 14.8 percent. It's actually at 14.3 percent. It didn't rise as much as we would have expected given what happened to unemployment.

Similarly, for household income it was actually just a little below 50,000. We would have expected it to be at 42,200 based just on its relationship to unemployment and what happened to the unemployment rate.

So, you know, I don't want to understate the pain that underlies these numbers, but they did come in better than expected. Indeed, those of you who have been reading the press know there's a whole series of news articles saying poverty's going to be over 15 percent in the new numbers. It wasn't quite clear to me how that got picked up the way it did. In fact, I saw some articles that said, "poverty is over 15 percent announces the Census Bureau," which was not true. And it hasn't turned out that badly.

Another way to look at this is the next table in page 4 where I show you the 8 years of largest increases in the data since 1960. Now, for the poverty rate we had an increase of 1.1 percentage points. That's as large as it's ever been. In 1975, it was 1.1 points. There are a number of years -- oh, actually in 1980, it was 1.3 points it went up. So it's up on the high side, but it's not a record.

The unemployment rate, on the other hand, is at one of its highest points at an increase of 2.6 percentage points over this past year. Median income doesn't even make the top eight. It's an insignificant change. The top eight are all in other years.

So, you know, all a way to say that the news could have been a lot worse than it actually was.

So why did this happen is the real question. Why didn't we see a bigger increase in poverty and a bigger decline in median income? And I think the answer to that, at least so far as you can tell by looking at these data and talking to the Census Bureau who've done quite a bit of analysis on this as they're putting the numbers together, is pretty clear: that the government has really moderated the effect of this recession, which is, I think, one of the things that one would hope the government would be able to do. There are three key ways in which this happened.

The first one is Social Security. And the people of the Census who put this data together tell me they've actually done these runs with and without the Social Security increase. It turns out that the Social Security price adjustment in 2009 was quite large. It was quite large because that price adjustment is based on a fiscal year change in the CPI. And the fiscal year, the last quarter, on which that price change is based was the quarter in which gas prices went through the roof. So there was a 5.8 percent increase in Social Security income based on, you know, the way they calculate prices.

Prices in 2009 by most of the 2009 price indexes did not rise 5.8 percent. It rose a lot less than that. And the result is that being on Social Security was actually a very good thing and you actually got an increase in real income. And I'm told by the Census people that that essentially explains the fact entirely that poverty among the elderly fell in this year when one expected poverty to rise for most folks.

Secondly, unemployment insurance clearly has made a difference to the working non-elderly adults, or those who were working at one point and became unemployed. In the 2008 CPS, 600,000 people report receiving unemployment insurance. In the 2009 CPS, 3.3 million people report receiving unemployment insurance. And this is not based on CPS data, but other data on UI, the average UI benefits among recipients are just over $300 a month. So you have a huge increase in the number of people who are collecting UI dollars and that's clearly cushioning the effect of this recession on income and on poverty over this time period.

Finally, thirdly, the fiscal stimulus. The ARRA made major transfers. The ARRA was signed in February of 2009, and the transfer dollars went out the door very quickly that spring and early summer. If you look at page 5, I've got a list of some of the ARRA spending programs that were likely to have affected low-income families. Now, the poverty rate, the poverty numbers, as we all know here, are based only on cash income. Therefore, there are only two cash benefit programs in the ARRA that are like to have immediately affected poor and middle-income families: one is the unemployment programs, which we had $175 billion spent in various extensions of unemployment insurance; and the second is the one-time $250 payment to the elderly that went out the door, I think in May, sometime there late spring, which paid out 53 billion. And that, of course, goes on top of the Social Security, so you get -- you know, it's also part of the explanation for what's happening to the elderly.

If you turn to page 6, I did a very, again, back-of-the-envelope calculation -- I don't want to make too much of this -- of what we think the effect of the ARRA might have been on poverty and on median incomes. At the top of that page I show you three different estimates of what the effect of the ARRA was on the unemployment rate in 2009, and they’re all quite close together. There’s the low and the high CBO estimate. There’s the recent estimate by Zandi and Blinder. They average -- and they’re all just right around -.4 percentage points. So if the unemployment rate would have been .4 percentage points higher in 2009 if it hadn’t been for the ARRA. If we take that as the estimate of the effect of the ARRA on unemployment and plug that into those simple models that correlate unemployment with median income, and unemployment with poverty, we find that the poverty rate is .2 percentage points lower: rather than 14.3, it would have been 14.5 in the absence of the ARRA.

Median income -- now, there’s a typo here on the handout. It’s actually +.05. The unemployment rate is less than it would have been, so median income is higher than it would have been by $256, which is one-half of a percentage point in median income.

So, you know, there are some real effects here coming through the ARRA on what you’re seeing in these numbers, and I think that helps explain some of the puzzles.

Finally, thirdly, let me talk about a couple of important subgroups. The -- is that actually my time off of 15 minutes? Okay, good. I thought I was about halfway through, so good. All right, thanks.

The -- page 7 gives the numbers on a couple of key subgroups, and I just want to say a little bit about this. If you look at age, poverty among children goes up. As many people have noted, we now have over 20 million children who are poor. It goes up by 1.7 percentage points -- I'm sorry, over 20 percent. Not 20 million, over 20 percent of the population of children are in families below the poverty line. Let's get my numbers right. Elderly populations went up -- or adult populations went up in poverty. Elderly populations actually went down.

And I just want to note that, of course, all of the benefits from the elderly that came through the government were in terms of cash: the $250 cash benefits out of the ARRA, the Social Security increases. Many of the dollars that presumably got to benefit child-oriented households came through in-kind benefits. And if you flip back to that page of ARRA spending on low-income programs, after I show you the cash programs, I show you all the other programs, none of which would show up in the poverty rate, but all of which we think would benefit low-income families: SNAP, otherwise known as food stamps, had an additional almost $29 billion in spending; Medicaid obviously got a lot of dollars out of this and much of that went to low-income families and kids; and then there's a whole list of other programs that, again, were aimed at programs that benefit low-income families. So some of this difference between children and elderly -- I certainly don't want to say all of it, but some of it -- is a story about what was the way in which the benefits arrived and which ones of them get embedded into the poverty rates and which ones of them don't. Okay?

If you look at education, not surprising to anyone, less educated people had larger increases in poverty than more educated people. And that correlates exactly with the unemployment rate changes, and this is not a surprise. Unemployment always falls more heavily on low-income families and on low-wage adults. If you ask who's laid off, who's cut down in terms of work hours, who becomes more discouraged and just stops looking for a job, that's disproportionately lower income and lower wage individuals. And you can see that coming out in the poverty numbers here. And, of course, a decline in wages is cash income. It's going to show up clearly in our poverty count.

And then if you look at it by family type, you, again, see a very nice correlation -- "nice" I guess I say in quotes -- between what happens to poverty and what happens to unemployment. Who is really being hurt in this recession? It is disproportionately men. I'm going to come back and talk about that a little more. You see their unemployment rate -- actually what I have here is the percent of families that are headed by a male household or not a married couple goes up 6.3 points, the percent of families with an unemployed member, whereas the percent of married couples with an unemployed member goes up by only 4 percent and female households go to 4.2. And, you know, which household types most are affected by unemployment is very highly correlated with which ones have cash income that fall the most and, therefore, poverty going up the most.

Let me say just something about men because I think the story on men here is very important. Men really have been badly hit in this recession, and this shows up. The very last page of the handout I've done -- I've basically ordered 10 industries by the percent of men working in that industry in 2007, and then in the next column I show you the percent change in employment in that industry. And it is not by chance that all of the high numbers are in the top half and all the low numbers in the bottom half.

Industries that are disproportionately female have been less impacted for a whole variety of reasons. And particularly construction and manufacturing, which are very heavily male industries, really got decimated in this recession as you can see with 24 percent and 16 percent declines in employment. So you have these big declines in employment, which then show up in all sorts of other ways.

Men have experienced a larger increase in unemployment than women. Men have lost more in terms of full-time, full-year work. There's a lovely table in the Census Bureau publication here looking at who's working full-time, full-year and who's not, and breaks it down by men and women. And men have taken a greater earnings hit as well. And so, you know, this -- where were men located in the economy and what happened to that part of the economy compared to the places in the economy women were disproportionately located is really showing up here in the numbers and, you know, should be a very worrisome trend to, you know, everyone who sort of cares about the well-being of this group of families.

Let me, fourth, just say -- I'm not going to say much about the health insurance numbers at all. There are other people who have much greater expertise on this than I do. My only note is that the increase in uninsurance, and particularly uninsurance through private coverage, really went up this year a lot. And if any of you want a reason for passing a coverage-oriented health insurance reform in early 2010, all you have to do is look at these numbers. I think they're very, very persuasive of the need to make that health insurance reform work effectively.

Let me end -- I'm not going to surprise many people who know me -- by saying a little bit about why we might want some multiple measures of poverty rather than focusing just on the official poverty rate. The official poverty rate is very useful. It has a long history. It tells us something about cash income, and cash income is very highly related to employment and jobs. And it tells us something about poverty relative to a particular point in the income distribution, which is -- you know, in terms of dollars, which is unchanged, the threshold changes only with the price level every year.

The administration is trying to expand our measures of poverty not because the official poverty measure is wrong on all dimensions or shouldn't be used, but because there is a value to really having multiple lenses for looking at economic need. And there is a proposal for the Census Bureau to produce a supplemental poverty measure to be released next year when this report is released. This proposal is sitting in front of Congress. It's part of the 2011 budget proposals of the administration. And the budget, as you all know, is not going to get dealt with, unfortunately, for many months yet, I suspect, before they get finalized.

This supplemental poverty measure is not going to replace the official measure. It's not going to change any of the ways in which the official measure is used. But it does provide another statistical measure. The proposal here is to use a much broader measure of resources and income, to take account of taxes, to take account of these sorts of in-kind benefits that our current measure doesn't take into account, take account of work expenses and out-of-pocket medical expenses, and to use a broader threshold. And I think this year, where there are some rather substantial changes in some of those other programs, non-cash programs, provides a really good example of one -- why one might want to look at other measures of economic need, in addition to the official poverty measure, to really understand how policy is affecting the well-being of low-income families.

So today's numbers provide sobering news. 2009 was a year of difficult economic news and it translated through to bad news in this particular report, particularly on income and health insurance coverage. But it could have been much worse. Government did step up to its responsibility to cushion American families' income, at least partially, from the recession. And you can see that in this report as well.

I have one last thing I have to say because I noticed in your packet you have a copy of the press release that was put out by my office at 11:00 this morning. An hour after the numbers come out, we can release press releases. And we put this press release up and almost momentarily pulled it down because there's an error in it. And, of course, these Brookings people, who are so on the ball, in that very short window clearly pulled this down and started copying it. (Laughter) And the error in here -- I should give a prize to everyone who -- you can see it when you compare it to the handout, is there's a statement here about what the effect of the ARRA is, and it's wrong. The effect is .2 percentage points. It goes from -- it would raise poverty -- in the absence of the ARRA, poverty would have been 14.5 versus its actual 14.3. This press release says it would have been 14.8. That is wrong. So I encourage you fold this in half, tear it up, throw it away, go to our website and pull down a different copy if you, for any reason, want to use this. There are new ones available downstairs when you leave.

Thank you, Joe. All right. I'll stop there.

MR. HASKINS: Can you answer any questions?

MS. BLANK: I could take a few questions, yes.

MR. HASKINS: Okay. I want to ask you a question first.

MS. BLANK: Okay. (Laughter)

MR. HASKINS: For all our benefit, I'm really serious, I'm a psychologist. I don't like models. They -- you know, as the current predictions for poverty rates and income show they're not always correct. So what if I had the impression that food stamps, Medicaid, and unemployment insurance were responding appropriately like a good safety net program should with or without the ARRA? Even without the ARRA unemployment insurance would certainly have been extended.

MS. BLANK: Yes.

MR. HASKINS: The Congress always does that. So I just want to be cautious here. I want people to be able to make a judgment from what you say about whether our fundamental programs that are responsive to high unemployment and rising unemployment worked as they should have and it wasn't just the ARRA that did it.

MS. BLANK: So that's an excellent question. And my reaction is that is a research question that one has to look at as soon as you can get your hands on the data. Because at this point, you can't separate out how much of the unemployment insurance came out of the base program, how much came out of unemployment extensions. And similarly, you'd want to do some calculation of how much would food stamps have been extended without the ARRA and how much more did you get out of the extensions.

MR. HASKINS: Right.

MS. BLANK: But, you know, the extensions were substantial. I think it's very difficult to say they didn't matter, but I can't on the basis of the numbers we have right now parse that out.

MR. HASKINS: Okay. Let's take two questions from the audience.

MS. BLANK: The audience has no questions. I can't believe that.

MR. HASKINS: Yes, in the back there.

MR. UNDERHILL: There's a new calculation --

SPEAKER: Sir.

MR. HASKINS: Use the microphone. Will you tell us your name and ask the question right there?

MR. UNDERHILL: Jack Underhill. Are the new calculations in 2011 likely to result in a higher or lower number? Because they're pushing in opposite directions. It's different calculations.

MS. BLANK: So these calculations have not been done. I mean, the Census Bureau is in the midst of actually adding some questions to the CPS that will give us information we need to make these calculations and finalizing exactly what it is they are going to do. And I should say those decisions are being made inside the Census Bureau by the technical experts. So I have been quite adamant all along in talking about this in saying I don't know what the numbers will look like. We don't have numbers. We're doing this because we want an alternative measure. This measure is quite close, in some ways, to the National Academy recommendations, though it varies in some other -- in some dimensions from that. And we will know when they come out next year.

MR. HASKINS: Yes, right here in -- wait till you get the mic.

SPEAKER: Thank you. My question is for Rebecca, but it's off Ron's question. He mentioned three programs: food stamps, unemployment insurance, and Medicaid. And my question is why hasn't the Housing Choice Voucher Program also worked as an effective social safety net? And why does it not have built-in countercyclical pressures within it?

MS. BLANK: I have difficulty answering that because I don't know the details of how that program works and how it expands and in what ways. I'm just not familiar with the program details.

MR. HASKINS: Let me guess at it. In order for a program to be responsive during a recession it basically has to be an open-ended entitlement or the Congress has to make at least some temporary change. And all these programs that I described are open-ended entitlement programs. And even beyond that, Congress enhanced them even further. So any program that's appropriated and has a cap is not going to help you during a recession. You're going to spend approximately the same amount during a recession or not.

Let's have one more question, right here.

SPEAKER: Hi. I'm from the Singapore *Straits Times* newspaper.

Countries in Asia are looking at the, you know, economic state of the U.S., and poverty figures and all that play a big part in what we’re looking at. I’d just like to ask would you say that -- you said the poverty rate was not as bad as expected. So would you say that government programs under the Obama Administration over the last two years have -- were right and they made this kind of impact?

MS. BLANK: So I was saying quite clearly that I think, in 2009, the fiscal stimulus dollars in particular as well as, you know, other programs that, as Ron said, would probably have been expanded anyway, did cushion the changes in poverty. And, you know, with regard to cushioning the effects of the recession on American families, they did their job. It’s another debate about the stimulus and its effects, but you can guess what my answer to that is as well. (Laughter)

Thank you very much. I’m sorry for having to leave.

MR. HASKINS: So join me in thanking Becky. (Applause)

And now, as Becky departs, we’ll being with our panel. Panel, you’re welcome to stay in your seats if it makes it easier because I’m going to ask you some astoundingly difficult questions in a few minutes and you’ll want to be in your seat for those. And then the audience will have even tougher questions. So we’ll go -- we have an agenda that we shared with the people on the panel, so let me just say one word about each of them. You have biographical information in your materials.

So we’re going to begin with Wade Horn from Deloitte. Wade was, of course, a one-time senior official at HHS. He used to call me up when I was in the White House and tell me what to do. Nick

Eberstadt from the American Enterprise Institute, Avid Jones-DeWeever from the National Council on Negro Women, and LaDonna Pavetti from the Center on Budget and Policy Priorities.

Now, let me clarify one thing. I shouldn't do this publicly, but I told you we're -- I think you're -- the order on your list may be different. Is that right? No, this is the order? Okay, good. I just didn't want to break a promise.

So have it, eight minutes apiece.

MR. HORN: Thank you, Ron. Well, we did see a 1.1 increase in poverty. That's one of the largest increases -- one-year increases in poverty since the poverty series began in 1959. Yet I agree with Becky that it's not as large as I would have expected given the depth of this recession. So the question is why not? She offered one view and it's -- I don't necessarily think that that is an incorrect view, but I would offer a couple of other thoughts as well.

First of all, according to Professor Larry Mead at Columbia, who conducted some field interviews in early 2009, at least at that time low-wage jobs were still widely available. Moreover, if you read the newspaper accounts of this recession, what you heard were a lot of stories of middle class hardship, stories about not being able to make mortgage payments, and so forth, and very few stories about the poor or near poor unable to find work. In fact, if you look at the beginning of this recession in December of 2007, to the end of 2009, a total of 8 million jobs were lost during that time period. And yet there was only -- and I use that advisedly -- 6 million additional people put into poverty. What that suggests is that either there were a lot of single adults who were losing their jobs and, hence, only one person was going into poverty for every job lost or there were a lot of households where one working member lost their job, but the other was still working and, hence, keeping them out of poverty, which would help explain why this recession seems to be more of a middle class recession, at least by some lights, than a low -- a poverty recession.

A question that I think is also important, and we touched on this a bit, if you look at this handout that has -- and I just want to look at the first page of it and the rest of it is simply the numbers that go behind it. It looks at three safety net programs: Medicaid, SNAP, and TANF. And the question is, do these safety net programs -- are they responding to economic distress? And when you look at both Medicaid and SNAP it clearly seems to be responded. That is, you see clear upticks in the rates at which people are enrolled in those programs. But what’s interesting to me is that TANF doesn’t show any uptick. And the question is why not? Is it because TANF has failed as a safety net program or is something else going on?

And any trend line is multiply determined, but it seems to me that one way you could look at that is to suggest that TANF actually has been pretty successful. If, in fact, people are largely leaving TANF for employment, and they are sustaining that employment and then they lose their job, that the safety net of choice for -- or the first safety net that they experience is not going back on the TANF, but rather going on to the unemployment insurance rolls. And, in fact, we have seen a very dramatic increase in UI rolls. And with the extensions people are not, in fact, then having to then fall back on the TANF afterwards.

There may also be a second reason and that second reason is that in contrast to Medicaid and food stamps or SNAP there is a work requirement or participation requirement when it comes to TANF. So in contrast to both Medicaid and SNAP, there is a requirement that individuals on TANF have to do something on the order of 20 to 30 hours a week. And it may be that some people are making the choice to rely on other resources of support or these other social safety net programs rather than enrolling in TANF, at least for the short term.

So the -- and then the final thought I wanted to sort of leave you with is I think there's going to be a lot of calls given that now we have the largest number of people in poverty since -- you know, in 30 or 40 years, there's going to be a renewed call for a renewed war on poverty. And I totally agree that we should do that. And I think that the question is what do people mean by that? What will people mean by a renewed war on poverty? And for some it will mean spending more on safety net programs and particularly increasing benefit levels. And surely, there's a legitimate argument to be made that at least some benefit levels should be increased, although, at the same time, I'm not sure that we are in a political context at the moment in which it is an easy sell to dramatically increase government spending. In fact, given the focus on debt and the deficit, I think we may be at the beginning of a retrenchment in government spending, not an expansion in government spending.

But for me, the more important question is not whether we can afford to spend more on safety net programs for the poor, but rather what's the best way to combat poverty? And in my view, it shouldn't just be about making life in poverty "more comfortable" -- and I use that in quotes because I don't believe people in poverty are living comfortable lives -- but rather that what we ought to do is focus on efforts that, in fact, move people out of poverty altogether.

So how are we going to do that? Well, we actually have fairly good information about the one thing that works when it comes to moving people out of poverty and that's work. And while it's not reasonable to expect every poor person to work. For example, there are severely disabled poor and the elderly poor. The reason why many individuals in households are poor is either, one -- is either because no one is in the paid labor force in the household or they're working too few hours to lift themselves out of poverty.

So one of the things we have to do if we're going to get people out of poverty altogether is to increase their participation in the paid labor force. We have pretty good evidence on how to do that through

TANF and through welfare reform. But it seems to me that we need to do more than just use TANF as a program to move people out of poverty. And instead what we need is a more coordinated approach that goes across benefit programs for the poor that helps all of them sort of move in the same direction, which is moving poor people towards self-sufficiency.

So think about, sort of metaphorically, if you were to have Medicaid, SNAP, and TANF in a room, and if you were to ask as a core responsibility of your program -- by which we mean we'll hold you accountable for achieving it -- is one of your core or your core responsibility moving people out of poverty and into jobs? And if so, raise your hand. I would submit only the TANF person would raise their hand and neither SNAP nor Medicaid would raise their hand. Because the Medicaid person would say, no, my job is to help them get medical services. The SNAP person would say, no, my job is to help them get food on the table. And they'd be right.

But if you ask the question differently and you said instead what if I had a magic wand and I could wave it and this family that all three of you are serving -- because they're poor, they're on Medicaid; they get SNAP benefits; and they're also on TANF -- suddenly this household has at least one full-time employed member who is making a decent wage and is getting employer-sponsored health insurance, would that be a good outcome or not? Now, I would say that all three people would raise their hand. Yet only one of the three programs is actually working towards that goal.

So it seems to me that one of the things that we have to do better at if we're really going to lift people long term out of poverty is to get the benefit programs to stop acting in their silos and instead develop a coordinated approach for helping low-income households escape poverty and move towards self-sufficiency.

MR. HASKINS: Thank you, Wade.

Nick Eberstadt. Thank you for coming, Nick.

MR. EBERSTADT: Thank you for inviting me, Ron. Does everybody have this little handout that I asked to have included in here? I'll be referring to it at different points during my presentation.

To paraphrase that great economist and statistician Bob Dylan -- (Laughter) -- sometimes you don't need a weatherman to know which way the wind blows. Now, 2009 was an awful year for the U.S. economy and for a whole lot of American families, and no one needs a statistical indicator to realize this. But the purpose of our officially calculated poverty rates is to move beyond sheer intuition to provide a reliable, accurate, quantitative representation of the trends and contours of material deprivation so that we can better understand and address the problem of want in our nation.

Unfortunately, official U.S. poverty statistics do not satisfy this assigned function. Our official approach to poverty measurement and the poverty rate figures that it generates are seriously flawed and misleading.

I think in this audience you all know how the poverty measure works, but at the risk of obvious repetition, as devised the U.S. poverty rate estimates the percentage of the population whose income falls below a fixed and unchanging poverty line, stringent household budgets for families according to their size and composition set back in the 1960s. Since the annual poverty line is only adjusted for changes in inflation, the poverty rate is supposed to be a measure of absolute poverty. In other words, it's supposed to track the fraction of our country still stuck at a level of deprivation that qualified as poverty in America close to half a century ago. This year our official poverty numbers at least managed to get the direction of change right, but that has not -- but it has not always been able to do that on a regular basis.

Just consider this single fact: By official numbers America's lowest-ever poverty rate was in 1973 at 11.1 percent for the population as a whole. According to official data, in other words, the prevalence of absolute poverty in America has been consistently worse in the country than it was back in 1973 for the past 37 straight years. Yet the notion that the year '73 was America's golden age for progress against poverty is patently absurd, especially to anybody who's old enough to remember those recession-wracked Watergate days.

And I have a little table here where I try to make the point, Table 1. Compare the year 1973 and the year 2001. Unemployment was lower in 2001. Per capita income was way higher in 2001. The proportion of adults with some higher -- with a high school education was way higher in ’71. Means-tested, non-medical, anti-poverty spending was way higher in ’71. And yet the poverty rate was also higher in 2001 than it was in ’73. Something’s wrong there.

A closer examination of the poverty rate demonstrates that this measure is increasingly at odds with other arguably more commonsensical indicators of want and well-being for modern America. Indeed, statistical analysis can demonstrate that the poverty rate has been strangely out of sync with such fundamental determinants of absolute deprivation as per capita income, unemployment, educational attainment, and anti-poverty spending since at least the early ’70s. If you take a look at Figure 1 here, it shows the correspondence between the non-elderly poverty rate and median household income from the early ’70s through the middle part of the last decade. There’s none. Median household income gives you no information on which you can predict changes in the measured poverty rate.

So what’s wrong with the official poverty rate? A host of well-founded technical criticisms have been leveled at it over the years, most focusing on its definition and measurement of family income. The real problem, I’d say, however, is much simpler and also more profound: Our official poverty measure is measuring the wrong thing. At the end of the day, poverty is about living standards and living standards reflect consumption levels. If we really want to know about plenty and poverty in America, we should be monitoring consumption, spending patterns, and the like. Our official poverty rate, by contrast, implicitly assumes that income and consumption levels will be identical for less well-off Americans. Yet in reality, income does not predict consumption for poorer Americans with any accuracy these days.

Take a look at Table 2 here to see what I mean. The Bureau of Labor Statistics 2008 Consumer Expenditure Survey reported that expenditures for the lowest quintile of American households were over twice as high as reported pre-tax income. In any given year, Americans can spend more than they earn, and a great many do as you'll see if you turn this over on Table 3: about 40 percent of American households in the Consumer Expenditure Survey report spending more than they earned in 2008.

An important new study soon to be released by AEI Press -- let me flag my institution -- methodically demonstrates just how different income- and expenditure-based estimates of living standards for modern Americans turn out to be. You can see some of that in Table 4 here. The complex and often critical interplay between income and consumption, however, is completely missed by our official poverty measure. In fact, the measure ignores it by its very design.

The Obama Administration is planning for a second supplementary poverty measure -- SPM -- next year, not to replace the official rate, but to augment it. Any official effort to improve on the current indicator is to be commended. There were a number of promised innovations in this SPM which could provide more comprehensive pictures of family income than is offered at present. To the extent that these innovations will result in an income estimate that provides a closer approximation of family consumption patterns, that's all for the good. But the proposed SPM has built-in problems of its own, I think, although that's very different. That's another story. Most importantly, though, the SPM will be another income-based predictor of poverty when what we really need are better data on living standards themselves, which is to say consumption.

The poor quality of our official poverty statistics should be a matter of pressing national concern. America deserves better and I think in this time of economic crisis urgently needs better.

Thank you very much.

MR. HASKINS: Thank you, Nick. And next, Donna Pavetti.

Oh, I'm sorry, I'm sorry, I'm sorry. Avis. You think I could read names off a list, wouldn't you? (Laughter)

MS. JONES-DeWEEVER: That's quite all right.

MS. PAVETTI: (inaudible) you threw me off.

MR. HASKINS: Avis, thank you so much for coming.

MS. JONES-DeWEEVER: Thank you for having me. Good afternoon.

MR. HASKINS: You get an extra minute because I did the introduction.

MS. JONES-DeWEEVER: Okay, thank you. I'll use it.

I want to begin, once again, by thanking my dear friend Ron for inviting me to this esteemed panel. Ron and I have a running joke. I always tell him that he's my favorite Republican and never to be outdone he retorts often that he's probably the only Republican that I like. (Laughter) But I want to let him that's not true. You're one of two. (Laughter)

MR. HASKINS: That's not bad.

MS. JONES-DeWEEVER: Yeah, it's half, you know. But that's not true, too.

I really am very happy to be here today, even under these less than pleasant circumstances. And I think that on days like today it's very important to know that despite the wranglings that, frankly, have become so pervasive on Capitol Hill and beyond, I think it's the grim statistics that we've heard about today and will hear more about that, frankly, should remind us all that given the gravity of the challenges that we face as a nation it's time for us to realize that, frankly, we're all in the same boat now. Right? When we hear statistics like those released today, which show that as of 2009 this nation experienced the highest number of people living in poverty than we have ever seen since we've been collecting this data -- that's about a half a century now -- I think we need no more stark reminder that if ever there were a time for us to come together as a nation to do what's right for those fellow Americans that today are facing the brutal challenge of living impoverished -- living a life that's impoverished, that time is now.

You've now heard the grim news: one in seven Americans living in poverty. For Latinos and African Americans that number is more than one in four. And for this nation's children it's one in five. For our statistically invisible Native population we, frankly, don't know since today's report, as it typically does, fails to include those estimates because of sampling issues. But we do know from the 2000 Census which contained an oversampling of that population that Native American families typically experience poverty at roughly four times the rate of the nation as a whole. And so with that logic we could assume here that as of today that would make up easily half of America's Native American population.

Frankly, these statistics need to serve as a wake-up call for America. The time is now to once again mount -- as you predicted -- a serious attack on poverty. In fact, this imperative might be more critical now than ever given what I would characterize as the tattered state of our safety net.

Many of you in this room might recall the discussions we had as a nation around the time in which we were considering the implementation of welfare reform. You might remember that in those days that fueled the run-up to that legislation a variety of words were hurled, what I would describe like weapons, in the direction of the nation's poor. Words like "self-sufficiency," "dependency," and even to me the most offensive, "welfare queen."

At that time, in the mid-1990s, we were experiencing a time of plenty as a nation with regards to our overall economic state. In that context arguments were made that many of those individuals receiving welfare just needed a little push. They were, in fact, too complacent, had become in essence too comfortable with their state, and, therefore, needed to be encouraged to move up and out of welfare and into the real world. It was that reasoning that led to the implementation of two of the key components of this new version of welfare, no longer referred to -- and the terminology here, in my mind, is very important -- no longer referred to "Aid to Families with Dependent Children," but now referred to as "Temporary Assistance to Needy Families."

The two kickers with the new legislation were that of work requirements and a five-year lifetime limit on cash assistance. At the time that these ideas were debated there was concern that limiting needy families to only five years of cash assistance in an entire lifetime might, in fact, be too risky. What if something catastrophic happened to our economy? What if families that needed help could no longer get it because they had maxed out their eligibility? What if there were few jobs to be found? Would this law under these circumstances make tough times even tougher for Americans already struggling to get by?

In the mid-1990s, those concerns seemed a world away. We were in the midst of a dot-com economy and jobs by today's standards were, frankly, a dime a dozen. The logic was people could work in good times and in bad times they'd jump back on assistance and help would be there. And, in fact, it would be there when they needed it the most.

While in theory this argument seemed compelling, it garnered much support, enough to, in fact, make sure the passage of TANF. Today that theory seems worlds away from practical reality. We know now that during the height of the Great Recession, a time that roughly coincides with the poverty statistics released today, that instead of broad scale TANF expansion through this nation -- which, of course, would have been logical during a time of massive job losses -- we, in fact, saw no significant expansions at all. In fact, counterintuitively, in many instances in the states all across this nation we saw welfare rolls continuing to decline.

And beyond all-out cuts we also saw the rampant sanctioning of families. According to a new report released by Legal Momentum, some 85,000 families per month received reduced benefits in 2008 due to partial sanctions with an average monthly reduction of $146 taken out of their meager average monthly TANF stipend of only $383 per month. We also know that as of 2005, the most recent year that data on this issue was collected, only 40 percent of families eligible to receive cash assistance actually did receive it. That's down from 84 percent of such families receiving assistance just prior to the implementation of welfare reform.

Clearly, in my mind clearly, families are being left behind. They are hurting. They have fallen upon desperate times. And the time is now to do something massive to relieve their pain.

I had a conversation the other day with a young woman who called me after seeing me on C-SPAN. And she explained to me that she was out of work and she needed help. We had a conversation about how she might be able to start the long process of getting back on her feet again. Soon after that, she followed up our conversation with her resume and a letter. She said in part, and I quote, "It took me two days to get through this." This was a letter that was only less than one page in length. She said, "I just cried. I am still trying to hold on. My main phone is off and I have only four minutes left on my cell phone. I have no access to an online computer." In essence she was saying to me, quite simply, I need help.

Today's poverty numbers suggest that there are over 46 million other men and women across this nation just as hardworking as she is, just as committed to improving their life as she is. But like her, they need help. They need a lifeline. It's time for Washington to get beyond all the partisan bickering that grinds progress to a halt and instead act like grownups, frankly, who are committed to something more than just their own personal political gain. The time is now to address the needs of those tens of millions of Americans that are barely surviving here in this land of plenty.

Perhaps the most basic of those needs can be fulfilled in some level by shoring up our well-worn safety net. We need to end the five-year lifelong limit on cash assistance or at least suspend it until the day in which this economy is healthy again. We need to stop incentivizing states for sanctioning welfare participants or pushing them off the rolls altogether. We know that our long-term needs points to the absolute necessity for significant job growth, and we have begun along that path. But until the day in which this nation is economically healthy again, it is literally inhumane to continue a policy that necessitates the material deprivation of families across this nation precisely at a time in which they need help the most. Stop the madness. It's time now to help America's most vulnerable families.

Thank you.

MR. HASKINS: Thank you. And now Donna Pavetti.

MS. PAVETTI: Thank you. What I would like to do is I think the one thing we need to think about is that many people agree that the numbers aren't as bad as we expected they might be, but they are still bad numbers. And we are also in extraordinary times and I think that requires extraordinary measures. And Ron started out by saying is it ARRA or would the safety net have responded anyway? And I would like to respond to that. And I would also like to comment on some of the things that Wade showed because I think they sort of pull together some of the story for me.

First of all, you have a handout that looks like this, which has to do with the piece of the story on the numbers, the poverty numbers today. And it's about what -- about unemployment insurance. And the table that is there shows you the number of people that were kept out of poverty by unemployment insurance, and basically there's 3.3 million people. Those numbers are slightly different from the Census because we include all people in those families, not just the adults.

But if you look at that, what you see is there are ups and downs, and the unemployment insurance system is an important part during the recessions. But the spike this time is so much greater and so the unemployment insurance system has been a critical piece of helping people. But if you look behind those numbers, the numbers are very different than what we've seen in the past. And what we see behind those numbers is a much greater number of people who have been on unemployment for a long period of time. And that really is different than in the past and it is what ARRA did and it is what we will be facing ahead.

So I think one thing that's important to think of is that we're not done writing this story. We know that poverty will be with us and could be increasing over the long term, but unemployment -- the extension on unemployment insurance ends in November, and so what happens ahead is a story yet to be written. And I think that looking at this and seeing what impact this has on poverty should say something to us about what we need to be thinking about.

Turning a little bit to what Wade sort of -- Wade's chart and looking at the TANF, and I think that this is another example of needing to look behind the numbers to get at what the story is. What Wade sort of showed is a number that shows what happens nationally. But as we know, when TANF and when welfare reform was enacted we really have 50 state programs that are very, very different and we really have 50 different stories. And what happens in the national numbers here is it masks what's going on in the states. And what you have is you have increases in TANF that are as high as 50 percent and you have declines. And we're actually trying to sort of see if there's something that explains that, and it really doesn't.

So unemployment numbers don't explain it. It really is a difference in the response of the safety net. So in some places the safety net really has responded and has provided more assistance and in others it has not. And so I think that, again, it isn't that it is a different TANF program and that TANF has work requirements. It is that TANF operates very differently in different places. And I think we need to do more to understand why it responds in some and why it doesn't in others, and whether or not it really does have to do with people getting jobs because they're there or whether it has to do with people not getting assistance when they need it. I think those are two very different stories.

And what I would like to do is to use part of my time to tell you what I think is a story that tells a lot about what's going on with poor people and their needs and the tie to employment. One of the things that I have written a lot about and focused on this last year is a small piece of the Recovery Act, which is called the TANF Emergency Fund. And the TANF Emergency Fund was a $5 billion fund that was really created to allow states to do a better job of responding to increased need during the recession, and states were allowed to use that fund for three different purposes:

They could use it for increased cash assistance, recognizing that there was going to be more need and more people -- not everybody was going to -- even if they had been working, would qualify for unemployment insurance, and to be able to do that, to be able to cover those.

The second was to provide emergency assistance -- one-time, non-recurring benefits -- to really help people who were in crisis to avert those crises so that they didn't sink further and further into destitution or not have that help.

And the third was that states could use it to do subsidized jobs. One of the things we've seen very little of is subsidized jobs in states over the time, and it was not one of the strategies that was used.

But states have used this provision and 37 states have actually used it to create subsidized employment programs for low-income families with children. The response to those programs has been incredible.

And I think that, you know, when you think about low-wage jobs and what that means -- Illinois is an example I like to use. Illinois started a program in March. Illinois was basically offering jobs that paid $10 an hour to people for 30 to 40 hours of work a week, so not high-paying jobs, but jobs that paid 4 times as much as what their TANF benefits were. They had 60,000 people apply for those jobs. They were able to place 30,000 people in jobs using that fund. That means there are 30,000 people who were looking for those jobs, who couldn't get them. So I think it is not a situation that we're in now of people not wanting to work. It is a situation of not having sufficient jobs for them to be able to actually find the jobs when they need them.

I think the other side of that story, though, is that it has not only worked in places like Illinois that are large -- have large urban areas. It's also worked in states with very large rural areas, like Alabama and Mississippi, that have said when they have people come apply for TANF, they have nothing to offer them. They have nothing in their rural areas. They don't have job search programs. They don't have places. And what this has allowed them to do is to offer them a job, which people have gladly taken. So people have used that to help their TANF rolls come down.

But the other side of the story is that we are two weeks away from that program expiring. So a program that has created about -- created opportunities for jobs for 250,000 people over a 2-year period in this economy has not been able to be extended because of concerns of -- that we don't want to add any new spending and sort of the politics around it. But, again, going back to where I started of saying it's -- these are extraordinary times and we need extraordinary measures, in Illinois, the 30,000 people who have gotten jobs through that program will lose those jobs on September 30th if it's not extended. Almost all of the jobs have been in the private sector. They are not government make-work jobs. And the employers that can are keeping people on, but there are many who cannot do that.

So, again, I think looking forward we need to think of a balance of what's the right mix of providing a safety net for people who cannot find work, who lose their jobs, and being able to create jobs when the economy is not creating enough jobs. I think there's another piece to that of how do we get the economy creating more jobs, but one of the things we know is that part of why we don't have jobs right now is we don't have the demand for services that businesses create. So we have to figure out ways to create that demand. And one of the things we've learned from the analyses that have been done is one of the ways to do that is to provide more income, and make sure that people who don't have income get that income so that they -- because they will spend it. It will go back in the economy, so it really generates more jobs and keeps the economy moving.

So I think we know some things that we can do that are very focused on work, much as Wade sort of said we needed to do. We really, I think, have shifted our focus from must providing the safety net to providing work. But we don't have the will right now to be able to do that, and that's what we need to do to be able to move forward and to be able to write history in a way that is different from what we see coming.

MR. HASKINS: Great. Thank you very much. That's interesting. I want to come back to it.

But first, I want to try to see if there's going to be any agreement on the panel about the importance of work even during a recession. So in 1995, we had -- I'm going to talk about never married mothers because that's the group we have the best data for that is really a group that is expected to be on welfare and they are on welfare in overwhelming numbers at some point after the baby is born, and we've known that for many years. So in 1995, the employment rate was 45 percent among this group. They actually had jobs. In 2009, in the midst of the worst recession ever, it's 61 percent. That's a 35 percent increase.

So I want you to respond to what would happen if the employment rate among that group was still 45 percent. What impact would that -- what would our poverty numbers look like today and our family income numbers look like today if their work rate were 45 percent?

And I'm asking that because this is going to be your view of the importance of work even in the midst of a recession for fighting poverty.

Wade Horn, I want to start out with a totally unbiased observer. (Laughter)

MR. HORN: Well, obviously poverty would be worse if we went back to the 1995 labor force participation rates. Obviously I think that work is important, whether we're in a recession or not, for combating poverty.

I'm actually in great agreement with LaDonna about the importance of subsidized employment. I do a lot of work with state government and have helped a number of states actually implement subsidized employment programs. I'm a little bit more optimistic about employers keeping on those who are receiving a subsidized wage. In previous times, before the recession, large, large percentages of those who actually participated in subsidized employment were retained by the employer. It does remain to be seen whether that same pattern holds during a period of recession. But, you know, I think that there needs to continue to be a work focus whether we're in a recession or not.

MS. PAVETTI: I completely agree with a work focus, but what I always come to is can we afford it? If you think about what Illinois has done, it costs them four times as much to provide a job as it costs to provide a cash payment. And I think they would be more than happy, to be honest, to --

MR. HASKINS: I'm going to get to that. I want to hear everything you have to say about that. But right now I want you -- do you agree that poverty would be much higher if we didn't have the higher rates of work among people that normally would have been on welfare?

MS. PAVETTI: Welfare benefits are so low that they don't even raise people above 50 percent of the poverty line. So if we had more people not working and just receiving TANF benefits, yes, we would have more people in poverty.

MR. HASKINS: Okay. Nick, do you want to -- or Avis?

MR. EBERSTADT: Yeah. I'm sorry, go ahead.

MS. JONES-DeWEEVER: I'm getting a complex here, Ron. You want to skip me.

MR. HASKINS: No. I was trying to give you a chance not to answer this because --

MS. JONES-DeWEEVER: No, I don't mind answering.

MR. HASKINS: -- based on what you said in your eight minutes.

MS. JONES-DeWEEVER: No, no. Yeah, I don't mind answering it. I think that it probably would mean that poverty would go up because of such a low level of assistance that people get with poverty. But I do have a question for you about this employment figure. What percentage of those women are working poor? I would wonder what their wages are. Being employed does not necessarily mean that you are escaping poverty. My assumption here would be that a very large proportion of those women are working poor women and are, in fact, materially deprived.

MR. HASKINS: Right.

MS. JONES-DeWEEVER: So I think "jobs and." They need jobs, but they also need other supplements to make sure that their income is above poverty level and, in fact, well over the poverty level.

MR. HASKINS: Okay. Well, let me answer your question. The poverty rate among children in that year was 24 percent. It's now 20.9 percent, unemployment is much higher, and so forth. So I think, you know, that answers part of the question. But nonetheless, I agree with you, they do need a lot more. And that's why the Congress and a series of presidents enacted, you know, tons of legislation, probably 40 different bills that increase Medicaid, increase the ITC, increase food stamps. And these families do get a lot of government support, which, as Nick points out, is not reflected in the poverty measure. And Becky even addressed that when she spoke and she said we'll have good measures of that later that will develop what the Census Bureau's always called experimental measures of poverty so we can take into account the impact of those benefits.

But it's -- I mean, they have to reduce poverty even more. So let's see if Nick has anything.

MR. EBERSTADT: I mean, Ron, I think really to ask the question is practically to answer it. Yes, clearly it would be higher.

One of the things that concerns me is that I fear that the long-term outlook for unemployment and for job creation may be more fragile than CBO and other projections suggest. If you look at the wonderful book that Carmen Reinhart and Ken Rogoff have done about bubbles and financial banking, *This Time It's Different*, they show that the average banking crisis, major banking crisis in a major Western economy -- like what we're in now -- takes about five years to resolve. Maybe we're different, but maybe we're not.

MR. HASKINS: So you and I did not plan this, but that leads exactly to my next question which brings up your testimony. Let's talk in a little more detail about whether the states can actually create jobs and do it efficiently and people stay in them. I think we could all agree -- I'm going to assume we all agree; if you want to interrupt me and say you don't agree -- but we couldn't have 100 percent of the money in those jobs paid by government. That would be very inefficient. But if we could somehow split the difference with the private sector and get the kind of jobs that you're talking about -- and did you say there were 250,000 of those now?

MS. PAVETTI: There have been 250 -- 150,000 jobs -- placements that were made over the 2 years in which the fund was available. Now, not all that is --

MR. HASKINS: Okay. So not at one time, but --

MS. PAVETTI: Not at one time. Over the --

MR. HASKINS: Yeah, over a period.

MS. PAVETTI: Over the time period.

MR. HASKINS: But then, you know, the question is could there be more and so forth? So, Nick, don't you agree that this is a fruitful -- Wade said he agreed, this is a fruitful possibility that we could allow the states to use this money to create jobs and it's better for people to be working and getting experience and doing something for the money rather than have welfare?

MR. EBERSTADT: (inaudible) for every basis because these wouldn't be sustainable over the long term without federal assistance.

MR. HASKINS: Okay. Now, that's the next question. Could it lead to -- I know, for example, in Florida, I talked to Don Winstead about this, and there was a call center that was opening. And the state wanted to urge them to especially focus on low-income unemployed people -- the kind of people that, you know, they're usually on welfare -- and try to hire them and give some training and so forth, and for doing that they would subsidize the jobs. And then, hopefully, in the long run, Nick's question would be answered. They would get skills -- not everyone, of course, but maybe a surprising percentage of them -- and then this could be a long-term strategy.

What is the evidence that that could happen and can we count on that building in the future?

MS. PAVETTI: Well, I can tell you sort of what we know from the programs that have been created. First of all, I think you have to understand that there -- these programs are of all different size and they had different purposes. So in Illinois that created 30,000 jobs. Illinois did not create 30,000 jobs with the expectation that they're all going to turn into permanent jobs, but they do give people work experience so they -- that sort of is there. But they were -- it was designed as a countercyclical program. It was designed to provide jobs in sort of -- while the economy wasn't.

That said, what we have seen with these programs is that they have been a huge benefit, particularly to small businesses. And what has happened in those small businesses is that it has allowed them to be able to keep their businesses moving during times of low demand. And it has allowed some businesses to expand, so they're actually creating new jobs by that. So I have just a whole collection of stories from businesses that really demonstrate ways in which you can do this.

So I think that what has been really nice about this program is it is not a one size fits all. It really is a program that has drawn on the private sector. It has given private sector a cushion that allows them to hire people that they wouldn't have taken the risk on before.

In Florida, you know, they expected about half of their jobs will turn into permanent jobs. Oklahoma has a program where they do a step-down subsidy, so they start out with 100 percent and then they go down sort of monthly till they get to down to 25 percent. They have said that it is the best retention they've seen in any employment program they have done. And so they have seen employers -- and they've created an incentive for employers to actually keep people on.

So I think there is sort of that kind of evidence that these programs are doing what they were intended to do. But I think that what we need to think of is what is the scale at which we need programs? And, you know, you're not always going to need a job program of 30,000 people in Chicago -- I mean, in Illinois. But right now, we do.

MR. HASKINS: Okay, I can't resist one more question along these lines because I had a lot of personal experience here. Probably the people in this audience haven't recognized this, but Democrats and Republicans in Washington don't get along very well. (Laughter) And when this was provision was passed, the $5 billion part of ARRA to expand TANF and Emergency Fund, the Republicans were very, very upset with Democrats and Rush Limbaugh said this marks the end of welfare reform. Heritage put out a publication very much along those lines. Many Republicans said this is the end of welfare reform.

So now LaDonna tells us that the states are hard at work trying to create jobs. That provision was part of the original emergency legislation that gave the states the option of creating jobs. Do you think that the history that you've just told, that if everybody in Congress knew this on both sides of the aisle, that it might make people think, gosh, there is some commonality here that both Republicans and Democrats are committed to getting people work, that that should be the first line of defense and not just giving people money?

MS. PAVETTI: But, first of all, I would like to say not just giving people money. I, again, go back to my point that I made: I don't think we can get enough money to meet all the need that is out there. So I think that the way the fund was created to do a balance of being able to provide some additional assistance as well as allowing states to create jobs is a way that is responsible and affordable given the economy and sort of where we are with budgets.

I think, though, what you've described is -- unfortunately, I think there are a lot of other things that get in the way. I think the fact that it was part of the Recovery Act is a problem. Nobody wants to sort of extend things. It's like that was done. So I think that's part of it. I think spending anything is a problem. So all of those things I think end up countering the fact that there is broad agreement that it has been wildly successful. It has really engaged the private sector. It has engaged agencies that weren't engaged before. But that has not been enough for it to get through. It has passed the House twice. It has not been able to get through the Senate. And in 14 days there are tens of thousands of people who are now employed, who will not be employed, and there are no private sector jobs that they will be able to get.

MR. HASKINS: Wade Horn.

MR. HORN: I'm not sure that it was the subsidized employment provision that upset Republicans on the Hill. I think that there were other aspects that went along with that, with the $5 billion, that essentially removed a lot of incentive for states to maintain high work participation rates. I think it was simply a matter of providing subsidized employment programs during a time of recession. I mean, my goodness, you know, people going to work, they're getting work skills. This is not -- I mean, this would seem to me to be a conservative idea or maybe just a good idea. But so I think there are other --

MR. HASKINS: There's a difference between those two things? (Laughter)

MR. HORN: So I think there are other things. I mean, if you look at, for example, the most recent data published by ACF on work participation rates, we have nationally there's a 29 percent work participation rate to all families rate, which means that only 29 percent are fulfilling the obligation under the TANF program. And surprisingly, it's still the case that 60 percent of the caseload in any typical month did not, according to ACF numbers, participate even an hour in any activity, whether that be education, training, job search, or work. So I think that if we could come together and say, look, let's get -- let's figure out how to get more people in the workforce, if that means subsidized employment for a period of time when jobs are scarce, I think you'd get bipartisan support for that.

MS. PAVETTI: Can I -- I have to respond, Ron.

MR. HASKINS: Yeah, go ahead.

MS. PAVETTI: I was --

MR. HASKINS: Just remember, Wade's sitting right next to you. (Laughter)

MS. PAVETTI: I know he is, but I was in San Francisco. Now, San Francisco started out planning to do a jobs program, 1,000 people. They placed 4,000 people in subsidized jobs. They have placed almost all of them in private sector jobs. They have used training. They have gone -- you know, people with very difficult problems in their caseload. I asked the question to them. They also had -- their number of people who left for employment I think tripled from previous years. So by all measures, I think that is a success.

I asked them the question did this help your TANF for participation rate? And they said, no, not at all. If we happened to hit it right at the right time in the month when somebody gets a job, it might help us. But for the most part, people have left TANF. They're not on our TANF rolls. It does not help us with our work rate.

So I think that we may be in agreement that people need to go to work, but the work rate is a flawed measure of whether or not we're actually achieving that outcome. And as long as we keep using that flawed measure to say are we doing what we want to do, we're not going to make progress.

MR. HASKINS: Okay. We promised to get everybody out of here by 7:00, so we need to give the audience a chance. (Laughter) But I can't -- I have to take advantage of you being here, Nick, because you've done really, really solid work on the welfare measure and all its flaws. I think we're all aware of the flaws.

But this new measure -- unfortunately, and let me just say something personal here, Nick is not necessarily in the group of people that started with the National Academy of Sciences in 1995 and has worked together. A lot of those people have stuck together. They're extremely smart people. They work with the Census Bureau to try to develop this measure. And it's a very sophisticated measure. It takes advantage of all kinds of new numbers and so forth. And you have criticized it here today because it's not based on consumption.

So if you had a chance to speak with the Census Bureau -- and you might have that chance because there he is right there --

MR. EBERSTADT: I might even walk over there.

MR. HASKINS: -- what would you say to them?

MR. EBERSTADT: Well, actually (inaudible), you know. I mean, David Johnson's a past master of this and he's been on both sides of the fence because he's done the CEX and he's done the CPS side, so he knows all of the weeds in the grass.

MR. HASKINS: All the better then.

MR. EBERSTADT: Yeah. I think it would be absolutely -- I think that we should let a thousand flowers bloom. The more measures, the better. And even better if we had a measure that followed both income and consumption longitudinally. It's expensive, but it's not as expensive as the welfare state and it's not as expensive as not targeting our resources effectively towards need.

But if we were to have ideally a longitudinal measure that dealt in some detail with both household income and household expenditures, you'd be able to get a much more nuanced and precise view of living standards in America, of how need is changing in America over time. And it's not like other countries don't do some of this. I mean, some other countries do it.

MR. HASKINS: So if there's anybody here from the *Washington Post*, we really don't want to have a headline that Eberstadt says: End of welfare state, collect more data with the money. (Laughter)

All right. So now, at last, the audience. I've cleverly left 30 seconds for audience questions, so you better be efficient in asking questions. (Laughter) Here's one right down here in the front. Please give us your name and we don't necessarily want a statement. We want a question.

MS. KIEFER: Francine Kiefer, the *Christian Science Monitor*.

You have talked about how the poverty level includes working Americans. Is there any way to tell whether it includes Americans in job training, people trying to gain new skills?

MR. HASKINS: So the panel can be stumped. (Laughter)

MS. PAVETTI: No. I mean, they definitely would be included if -- I mean, it depends on sort of what their total income is. So if they have no income and they are going to school, then they would be in there, in that group. But there are lots of people who are in community colleges or other programs and are -- they could be on TANF, they could be on unemployment insurance. And to the extent that their incomes are low, then they would fall into that poverty category. But there isn't anything in the poverty data that can identify who's or what percentage are actually in training programs.

MR. HASKINS: Next question. In the back there.

SPEAKER: Well, Rebecca Blank's not here to defend herself, but I'll ask you the question. There's a lot of emphasis on the recession impacting men in the middle class, but a lot of the figures today, one that I recall is that the poverty rate of single mothers is something like -- all kinds of single mothers -- is about 38.5 percent and has gone up pretty dramatically in recent years and particularly this past year. So that the people that seem to be most affected by the Great Recession are really the people on the bottom, and particularly single mothers, particularly single mothers of color. And I wondered if you could respond to that and what some of the programs' effect might have had or what we should be doing to address the poverty that's really endemic, almost two out of five in that group.

MR. HASKINS: Is the panel stumped again?

MS. JONES-DeWEEVER: I'll start that and other people might want to chime in. Yeah, there definitely has been a lot of emphasis on what people have called "the man session," because as one of the charts -- and I was looking through and I couldn't find it -- one of the charts that we looked at earlier has, in fact, shown that a lot of those industries that have -- are particularly usually male-dominated have been those industries that have been most disproportionately impacted with regards to job losses. But the fact that you just mentioned there is, in fact, true and it's a longstanding reality, frankly, in this country that the poverty level among single moms has been disproportionately high.

And so I do think it's important that people look at how well women do in relation to this recession for a couple of different reasons. Because for many two-parent families they're now the only one working, right? And so it's that much more important that women receive pay equity and get fair pay because it's not only -- it not only benefits them, it benefits their entire family. And it's especially important for those women who have the responsibility of raising children on their own.

MS. PAVETTI: I do think, though, that because -- again, because of the industries that have been most affected and we see sort of an increase for men that we may not have seen before, I think it is possible that we could end up overlooking the impact on women. And I think the importance for -- I mean, the important thing with women is many of them are in poverty for very long periods of time, and that's not going to go away at the end of the recession. So as I said, it's part of, you know, we have the ability at this point to really determine what the outcome and what the story is ahead, and I think that's part of it.

And I think, again, just, you know, TANF is what I know best. But we make artificial barriers by our TANF policies of keeping people out of education and training programs that would allow them to go into better jobs. I have no idea why anybody thinks that's a good idea because what it does is it keeps people in low-paying jobs where we're subsidizing them in other ways rather than helping them to move up the ladder. So I think those are the kinds of things we need to be thinking about of ways in which we can remove those barriers so women aren't stuck in poverty and can move up.

MR. HASKINS: Next question in the back.

MR. VAUGHN: LaDonna, I thought your --

MR. HASKINS: Tell us your name.

MR. VAUGHN: Denny Vaughn, I -- sometimes Census and Social Security for a long time.

I was very encouraged by your discussion of subsidized jobs. And, you know, one of the problems of low-wage work among TANF women is all of their pushing and pulling, their job requirements are very inflexible with low-wage jobs. They have child care needs. They have people in their family that require attention because of health problems. Did you find that the subsidized employment was able to help with the job instability that comes so often with low-wage employment?

MS. PAVETTI: Well, the way these jobs are created, they are stable jobs, so that if you have a job in Illinois through their program, you have it until September 30th and you've had it from the time that you started it. So there's no threat that you're going to lose that job because of, you know, the employer laying you off or whatever, so there is stability in that way.

The one thing, though, I will say is that I don't think that for the most part the jobs that have been created have really been targeted to or addressed the needs of people who have multiple barriers to employment. They really have been targeted to people who need a job and haven't been able to find one. So there are only a few states that have implemented programs where they really try and provide opportunities for people who need more assistance than just a job. So San Francisco has done that, Illinois has a small program, and there are a few other states that have programs in place that really have a -- try to address a broader set of needs. But that hasn't been true for most of the programs.

MR. HASKINS: Another question?

So let's close out with this: We gave the states a block grant in 1996, $16.5 billion. The caseload declined by -- in an average state now it's around 60 percent. So the states have -- I mean, inflation's eaten away at some of that, but the states have quite a bit of money. And we all know there was -- in the past there have been several GAO studies; I don't think there's been one recently. But the states are spending that money on child protection and on a whole host of other things.

So now we're in a recession and LaDonna just told us that all these jobs are going to disappear because the states aren't going to get additional money above the $16.5 billion. So tell us -- now I have two questions.

Number one, why don't the states bring all that money back to monies intended to promote work among a specific group of people who are at risk of falling into welfare or are already on the welfare rolls? And shouldn't the states bring that money?

And secondly, they're not going to do it. We know that because we gave them a block grant. Should we repeal the block grant and make this much more a directive and minimize the states' flexibility so they have to spend it on this caseload?

LaDonna and then I want to hear what Wade has to say about that.

MS. PAVETTI: I guess, Ron, I would respond to that with a question. And if you are a program administrator and you had to make choice between taking care of very vulnerable families whose children may be endangered and you're trying to help a family move to work, what choice would you make? That's the choice I think states are facing. I think that they use the block grant to fill holes in programs for very vulnerable families because they didn't have funding for those. And so now that those choices have been made, I think making the choices to bring that back is just not going to happen.

MR. HORN: I actually agree. I think that, you know, to say to a state, you know, take the money out of Child Protective Services, you know, protecting vulnerable, abused, and neglected kids, there may be lots of reasons why states put the money there with the flexibility that they had, but I think that's really a difficult choice they're asking states to make.

I think there is some flexibility still within the block grant to redirect some funds that would then go towards subsidized employment, and states should take advantage of that flexibility. Whether we need to continue to appropriate additional dollars on top of that to sustain subsidized employment programs, I don't know what the exact number is, what the right number is, but it may be something. I mean, we're clearly still in a difficult economic circumstance. Job creation is not what it should be.

But at the end of the day, it seems to me that the only way really to combat poverty is to combine effective anti-poverty strategies with effective economic policy that generates the kind of job growth in the private sector that's not dependent upon government subsidies to continue. And that -- we haven't talked almost at all about that. And yet that, I think, is the most important economic policy choices that we have facing us today.

MR. HASKINS: We're not going to discuss it now. Just relax, audience.

Do we have another -- yeah, go ahead, Nick.

MR. EBERSTADT: (inaudible) thing. Just to throw in 2 cents on this. As I indicated, I think that the idea of subsidized employment or temporary subsidized employment is very attractive. I think there are a lot of attractions to that idea. But I think we also have to be cautious about this, especially as we try to define "temporary."

Just take a look at the experience that so many countries in Western Europe have had with subsidized employment and the inadvertent consequences, the inadvertent adverse consequences, that subsidized employment has made for demand for jobs over the longer term there. Inadvertently and unexpectedly, in many of the Western European countries that have pursued some of these programs, over time you see labor force rigidities and barriers to entry actually developing there. So I think we have to be very cautious about this as one looks forward.

MR. HASKINS: All right. So thank you very much, audience. Please join me in thanking the panel. (Applause)

And hopefully, we'll have a better report next year and prove the economists wrong again.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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