



The Agenda for Shared Prosperity

Edited transcript for the "ALLEVIATING POVERTY" forum

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Economic Policy Institute, 1333 H St., NW,
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Speakers and Presenters:

Barbara Ehrenreich, Author of 18 books, including *Nickel and Dimed: On (Not) Getting By in America*, and the most recent, *Dancing in the Streets: A History of Collective Joy*

Nancy Cauthen, Deputy Director of Columbia University's National Center for Children and Poverty. Reports include *Improving Work Supports: Closing the financial gap for low-wage workers and their families*

Jared Bernstein, Director of the Living Standards program at the Economic Policy Institute. Reports include *Work, Work Supports, and Safety Nets: Reducing the Burden of Low-Incomes in America*

Lawrence Mishel, President of the Economic Policy Institute

LAWRENCE MISHEL: Welcome to EPI and to one of our Agenda for Shared Prosperity Policy forums. Let me first introduce the policy initiative and then we'll go to what's happening with the program today. I think we in this room and America know that the economy isn't working for working people. We know that the income growth is accruing only to those at the top; we know that poverty is higher than six years ago; we know that wages have not grown faster than inflation for the last five years whether you're a college or high school graduate; and we know that productivity—the growth of output of goods and services and the growth of the pie—has been rather decent, but hasn't been going to anybody getting a regular paycheck.

We also know that conservative policies have failed. It is not just that the administration is incompetent; it is that they have policies which are wrongly designed and have not delivered on the promise of delivering jobs and growth for all, which is what the tax cut package was named for. We know that this recovery is weaker in terms of GDP growth, investment, job growth, and broad-based wage growth. So their policies are a failure.

I think we also know that we can't just have a set of policies which rely on balanced budgets, a few middle-class tax cuts here and there, and accelerated globalization. That combination of policies will not deliver shared prosperity for everybody. We also know that YOYO economics is failing (YOYO—You're On Your Own economics, coined by Jared). You should have your own retirement account and health account and, according to some people, your own unemployment insurance account now.

People have rejected that as well. So the debate is wide open for other alternatives to some of the ineffective policies of the past, and we're looking for new ideas. And that is

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why we have launched this policy initiative, the Agenda for Shared Prosperity. We understand that it's not enough that people understand that there's a problem; they have to be persuaded that there are things that can be done to generate shared prosperity. And we believe that there really are solutions, and we are offering those solutions here at the Economic Policy Institute by working with dozens of scholars and advocates across the country.

The hallmark of our initiative is that solutions have to be at the scale of the problem. There's a really giant restructuring of income, and a disconnect between pay and productivity, and the solutions have to be at the scale of the problem. If the solutions you offer do not reconnect pay and productivity, then your solutions are not very meaningful. This is the yardstick by which we think all programs and candidates should be measured. And last, we think that the social insurance system that's been in the private sector—the private system of health and pension benefits—is unraveling in many ways.

We can no longer think about providing the basic benefits that people need by thinking about supplementing for low-income people what other people have from their employers, because what people have from their employers is eroding. So we need to do something that addresses having universal pensions, retirement income security, and health security for everybody, and we need to design our policies accordingly. Those are some of the hallmarks of our initiative.

Today we're addressing ameliorating poverty and assisting low-income families to share in the overall prosperity. We have three great speakers today. First we have Barbara Ehrenreich, who's one of the greatest social commentators of our era and author of

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Nickeled and Dimed and a recent book, *Dancing in the Streets*. Barbara will start off with some remarks followed by Jared Bernstein, our very own Director of Living Standards here and the author of *All Together Now: Common Sense for a New Economy*, and a new book called *Crunch: If the Economy is Doing So Well, Why Do I Feel So Squeezed*.

After Jared we have Nancy Cauthen, who is Deputy Director of Columbia University's National Center for Children and Poverty, a leading research organization focused on the economic security, health, and well-being of families and children. I should say that these speakers are all interlocked. Barbara is the grandmother of Anna, the friend of Kate, who is Jared's daughter. And when I hired Jared in 1992—one of my best decisions I might add—he was a researcher at the center Nancy works at. So first, Barbara Ehrenreich.

BARBARA EHRENREICH: I'm going to say just a few words now and afterwards. I just want to correct one thing that Larry said in his nice introduction, and that is Bush actually does have an anti-poverty policy. You probably don't even know about it. They have studied the causes of poverty and come up with a solution, at least for the women and children in poverty, and that is marriage.

This is what they've been doing, marriage promotion. It never worked for me but there is public knowledge that there is a concern about poverty. And then I wanted to comment about how the discussion has changed in 12 years. Jared and I have been seeing each other on panels for a long time. At that time, a lot of the debate was about welfare and how much we could in some way ameliorate welfare reform.

You know, that was the debate at the time. Then in 1996, welfare reform was passed. Incidentally, I can't resist mentioning that the original welfare reform bill reflected this constant preoccupation with the sexual habits and marital status of the poor in that it had more than a \$100 million for chastity training. And that is something to reflect on, the image of Bill Clinton signing into law this bill requiring chastity training. Anyway, that's what we still have with us.

But after welfare reform, it was obvious that the question was going to be, "What can you do about work in America?" Because the assumption of welfare reform had been people getting into jobs will be lifted out of poverty, and everything will be okay. That is obviously not the case. So the question began, "What could we do to make work pay?"

Overall in this country, the response to that has been a grassroots living wage movement, which has been remarkably successful in recent years despite the fact that a conservative economist told us again and again that it would ruin the economy and there would be widespread inflation and unemployment. Well, 29 states have raised their minimum wages above the federal minimum and so far as I know, many of them are still functioning—California, Washington, Oregon, Illinois, Massachusetts, and the rest of them.

So in addition to pushing for higher wages we need to talk about work supports, supplements, and other subsidized services that can also help make work pay. I just want to end by saying I think one impact of our low-wage economy could be seen in the recent credit crisis. When creditors have begun to turn increasingly to the poor as a source of

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profits through subprime mortgages (well, there are the old things like rent-to-buy furniture and payday loans), and big companies like Wells-Fargo begin to see a huge aggregate market among people who would not be interesting individually at all and sell dodgy mortgages to hundreds of thousands and millions of them, the picture changes.

And in recent years, easy credit became a substitute for decent wages in this country. At one point in American history you could expect to save to buy a house on your wages as a working-class person. In the 21st century, you could not really make money on that scale but you could buy money. That is, you could pay interest and have a little bit of money right now in your pocket.

And I think that's interesting because having this huge number of low-wage people, maybe about a quarter of our population, really does affect the entire economy for everyone. Let me stop there and let the experts talk, beginning with Jared.

JARED BERNSTEIN: That's a nice way of saying the fun is over, but it's not because Barbara will be back. And it was interesting listening to Larry's introduction that reminded me of my youth back there at the center where Nancy works now. And looking out at the audience, it's really quite inspirational to see so many old colleagues, friends, funders, advocates, and fellow researchers—folks who have been working on this issue for decades now. Like I said, that feels very comforting to me.

You could also argue that we haven't solved the problem, and that's true. But I, for one, am feeling more than a little hopeful about where these kinds of ideas that we're talking

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about in the frame of the Agenda for Shared Prosperity [ASP] are going. Forgive me if I'm feeling a touch optimistic, but it seems to me those ideas have a lot more traction now than they did a decade ago.

One challenge I have today is drawing a line around the topic of anti-poverty policies in a way that makes this discussion manageable without leaving out too much. As you'll see, our target with the agenda that we're discussing today is not simply the official poor; it's more broadly low-income and lower middle-income families who have difficulties making ends meet. But in terms of policy, there's actually little in the ASP agenda that doesn't speak to these families' economic needs.

Our health care plan is composed by Jacob Hacker. We have various papers on unions and rebuilding the union movement, work-family policy, and full employment, which is key to my presentation as you'll see in a minute. Economic security and the needs of the elderly, as Larry mentioned, are part of this agenda. I'm not going to talk about most of those today because they're part of the agenda and we just don't have time to talk about every single one of them. But they're all a piece of this puzzle.

We don't view low-income policy as some balkanized set of policies that are just targeted at the lowest-income people. Social insurance, as Larry said, is a key part of the solution. We get to present our education agenda as an essential pathway out of poverty, of course. And let me be very explicit that I leave it out of the work you're going to hear today not because it's unimportant, but because it's going to be a feature of later ASP sessions.

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In fact, in a separate paper I just wrote for an upcoming Voices for Children conference on child poverty, I stress the role of early intervention. And by that I don't just mean pre-K, though, as Robert Lynch has pointed out in work for EPI, that's a big winner from the perspective of cost benefit. But I'm really thinking of intervention from T-minus nine months until the child enters school. So, remember, I leave these ideas out now because we're going to give them the exclusive focus they deserve later. Instead, I'm going to lay out a framework within which we think about poverty reduction and within which Nancy's very important work takes place. So her work is nested in the agenda I'm going to present.

We start from the premise that in a rich, advanced economy like ours, poverty should be viewed as an aberration that's largely a failure of either the market or of social policy. The market may fail to produce enough jobs or income for those willing and able to work, and those who are fully able yet unwilling to work may, of course, self-select into poverty.

But they're a special case. And, particularly as Barbara was saying with the emphasis on "work," the agenda needs to focus very deeply on that issue of work and making work pay. Most families want to avail themselves of the best opportunities to raise their own living standards and their kids' life prospects. Our economy and system of social welfare needs to ensure they're able to do so. So in that regard we have a couple of simple goals.

First, the first goal is to ensure that work is a pathway out of poverty, and that calls for strong labor demand, work supports, and labor market institutions. That is, we need policies that lift the wages by mandate (as in the case of living wages), the bargaining

clout of lower-wage workers (in this case through unions), or working conditions through better labor standards. And skills development is also a part of getting the most out of work.

The second goal is to revitalize the nation's safety net in the social insurance system so that when the market fails to provide for those who have made good-faith efforts, people don't fall into privation. Now the point I'm going to make here is that it's important for our safety net to ensure counter-cyclical, and that's a point that I think has been lost in recent development.

You need a safety net to kick in when the private sector falters, when there aren't enough jobs or incomes available for low-income workers. That's when it's supposed to kick in. And we have some evidence that that's not occurring and that our safety net has become more pro-cyclical. That is, it's actually a lot more helpful than it used to be to poor people when the economy is very strong but a lot less helpful when the economy is weak.

Who's the target of this set of policies? In the interest of time, I won't take you through the fairly long, somewhat technical discussion in the paper. The official poverty measure is a wholly inadequate measure of who needs help or material deprivation. I've always noted it's interesting in the S-chip debate that even conservatives accept that the recipients of S-chip should be in families below 200% or 250% of poverty. It's very much an explicit acknowledgement that the 100% of poverty and the thresholds themselves are inadequate to measuring need.

And then we can argue about whether that threshold ought to be lifted to different levels. But we take in our work twice the poverty line as a measure of need for who we're targeting here, and this is not always a fine line. Some programs are going to phase out above that level. But the twice poverty line decision is not an arbitrary one.

As we show in our papers, it relates closely to family budget work that we've done here and at the Center for Child Poverty. And lots of other folks have worked on this. It creates a quasi-objective set of standards against which to benchmark economic well-being. And, interestingly, while there's a lot more geographical variation in family budgets (which is appropriate given the difference in prices across states and regions), those measures do roughly come in at twice the poverty line.

So we feel like that's a better measure than just the poverty threshold. We approach our policy work in the spirit of what's sometimes now called "progressive universalism." The fact that the agenda that I'm articulating—and Nancy will also speak to—targets those in the bottom third of the income scale (that's basically what you get if you go up to twice poverty, and about a third of persons are below that level), it shouldn't be taken to mean that it offers no support to higher income workers.

History is pretty clear on the point that means-tested programs tend to ensure a limited reach both in economic and political terms. Programs exclusively for the poor tend to be poor, unpopular, underfunded, and constantly under attack and playing defense. At the other end of the policy continuum is a universal approach in which the same benefits are available to everyone irrespective of their income. And this approach can have significant budgetary costs while yielding smaller benefits to the targeted group.

So in this regard there's a hybrid concept that's useful to us and we borrowed from the British anti-poverty agenda. It's called "progressive universalism." And under this approach to eligibility, everybody gets something but the neediest get the most. Some aspects like universal health care coverage will reach everyone, while others like the EITC [earned income tax credit] and food stamps will phase out at higher income levels. But the important point is that the plan as a whole stresses some extent of universality.

Now the program itself is a very straightforward, three-part agenda. You need tight low-wage labor markets, robust work supports, and revitalized labor market institutions. The first—tight job markets—prods the market towards squeezing the optimal returns out of the primary distribution of wages and incomes. The second idea—robust work supports—picks up the slack and fills out the gap between what families can earn even in a well-functioning labor market and what they need. And the third provides low-wage workers with the clout that they lack to ensure they receive fair returns for their labors.

Now you'll notice that I'm distinguishing between a primary and a secondary distribution of income. And I think this is an important framing for poverty in a work agenda. And the primary distribution of income is one that is essentially the market outcomes. It's what the market determines in terms of the distribution of income and what people end up with before taxes and transfers take place.

So you have the primary distribution or market outcomes, and secondary distribution market outcomes after taxes and transfers. And so this program that I'm suggesting applies to both of those distributions. It says, "Let's get the most out of the primary, and then let's fill in the holes in the second." So why do I think this is an important agenda?

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I have a couple of slides here that compare the 1980s and the 1990s that come right out of my paper, which I think you have with you.

And Table 2 compares two periods that are the same in terms of the business cycle. They're the last five years of the business cycle of the '80s compared to the last five years of the business cycle of the '90s. So we're controlling for the cycle which is important in this kind of work. You don't want to give an unfair advantage to one period over another by using different cyclical points. And what it shows is that in both periods productivity was positive. It grew 1.5% in the last five years of the '80s recovery, and a point faster in the last five years of the '90s recovery. But unemployment was more than a point higher in the final year.

The unemployment rate was a lot lower, over a point lower in 2000 than it was in '89, 5.3% vs. 4%. In some ways, this first bar you see is the most important bar. That tells you the annual growth rate of real wages for low wage workers. This happens to be the 20th percentile wage. That wage was flat in the heart of the 1990s boom when the economic cycle was in full swing, and from 1984 to 1989, it didn't grow at all. But it grew 2.3% per year, just about the rate of productivity as you see in the second set of bars, in the latter '90s recovery. This has nothing to do with any sort of secondary distribution stuff. This is pre-tax, before the EITC. This is a type of job market giving even low-wage workers the clout that they lack when the unemployment rate is too high, when we are not at full employment.

When the job market is truly tight, employers find themselves having to bid wages and fringes up to get and to keep the workers they need. Even low-wage workers end up with

more bargaining clout. And in the last set of bars you see the impact on poverty. Overall poverty fell 2.5 percentage points in the '90s recovery, and only 1.5 points in the '80s.

But if you look at minorities, that's where you'll really see the difference. This is the phenomenon where the economy snuffles and less-advantaged workers catch pneumonia. Well, this is the opposite of that. The economy heats up and they do disproportionately well.

If you look at this for kids, you really see it quite dramatically. For white, non-Hispanic children, the decline in child poverty was the same in the '80s and the '90s. No different. Of course, their poverty rates hover around 9%, 10%—much lower levels. But look at the disproportionate advantage to African-American and Hispanic kids in a period when we had truly tight job markets. That's a huge difference between their experience in the '80s and their experience in the '90s. So I stress the critical importance of full employment and am happy to talk later about levers that I think get us there.

I'm going to finish with this discussion of the safety net and my warning and belief that our safety net has become too pro-cyclical. That is, it's a helpful safety net when the strong wind of the economy is blowing in its sails, but when that wind dies down, the ship founders. This is from recent CBO data which looks at the income growth of single moms with kids. CBO put this out and there was a lot of flurry around the idea that welfare reform was great and everything worked out perfectly, because the income of single moms with kids has gone up a lot since the 1990s.

I think Ron Haskins, who is a very good poverty researcher but who I have some disagreements with, wrote an op-ed in *The Washington Post* on this point. He said, "Welfare reform has been a tremendous success. Look at the income of single moms." Well, he simply neglected to separate out two time periods – the time period when the economy was booming in the '90s and the time period where it hasn't, which is the 2000s.

And here you see the blue bars are the annualized growth of income and income components for low-income single moms. You see a fast income growth, 4% per year. You know, that's a lot better than these families did. It's faster than the growth rate of productivity in the 1990s. But you see that they actually lost ground in the 2000s. Why did they lose ground? One of the key factors there is the earned income tax credit, a policy beloved of everyone in here, I suspect. But the EITC—a very positive, important and substantive work support—provided 18% per year annual growth for these families. This went from being a fairly minor part of their income to adding thousands of dollars to the income of low-income families.

But it declined on an annual basis in the 2000s. That's a very interesting finding because, if you think about the EITC schedule, it's actually unknowable how the EITC will play out in a recession for any given group. Because if you lose hours of work, you could slip back onto the schedule or you could move down the down slope and end up with higher benefit levels. So, anyway, there are all kinds of ways this could play out.

The way it played out for single moms, as you see, is negative, and AFDC [Aid to Families with Dependent Children] and TANF [Temporary Assistance for Needy

Families] failed to kick in as well. So in my paper, I talk about a set of ideas that I think will help reinstitute a counter-cyclical safety net. Part of that has to do with restoring the responsiveness of welfare benefits to a period when work disappears. But unemployment insurance reform is a piece of this as well, and we articulate an agenda that's been laid out very nicely by the National Employment Law Project, including alternative base periods and recognized workers' recent history.

By the way, there's a very good new paper by the GAO [Government Accountability Office], which shows how poorly unemployment insurance is working from the perspective of low-wage workers. Women workers and women with families are not getting enough unemployment insurance. If you're going to have work be a part of an anti-poverty agenda, then an unemployment insurance system becomes a really key safety net and you better craft that safety net so that it actually reaches the folks that it needs to. And many of those are going to be part-time women workers and persons facing longer-term joblessness.

And, finally, we think there's a role for public sector job creation, actually. They used to call this "PSEs." But it's important to create employment opportunities for the least advantaged in society. Even at full employment, some groups of potential workers are going to remain disconnected from the labor market. Young, African American men with less than a high school education are one example that we've seen stressed in some very nice work by Peter Ellerman and all.

So in conclusion, this anti-poverty framework is quite simple. There's a broad definition of poverty beyond the current official member. The program has to reach a broad

swath—about a third of families right now are unable to make ends meet—in a way commensurate with reasonable expectations in an advanced, wealthy economy like ours.

It ensures that those who seek gainful work have ample opportunities to find appropriately remunerative work. This leads to full-employment policy as I've told you before, a set of policies that get the most out of the primary distribution by ensuring full employment. It also leads to an emphasis on work supports. And for that, we have Nancy Cauthen.

NANCY CAUTHEN: I want to thank EPI for inviting me to be a part of this wonderful Agenda for Shared Prosperity because, as Larry and Jared laid out so nicely, it really does bring all of these different issues together that too often we treat one by one. And so it really is important to look at them all together. I know Barbara started out by saying how much she hates PowerPoint. Jared admitted that he's PowerPoint dependent. Well, I'm PowerPoint addicted. So I just wanted to give you fair warning about that. But some of my slides I can skip because we've already talked about some of the major elements here.

A quarter to a third of jobs in the U.S. pay low wages, just depending on how you define low wages. A full fifth of children in the U.S. are growing up in low-income families despite the fact that they have at least one parent, who is working full-time, year-round. We know that it's not only low wages that's the problem, but low-wage workers typically don't have a lot of the benefits that the rest of us take for granted.

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Jared made reference to all the family budget work that's been done. We know that we use 200% of poverty as a proxy for low-income, but it really depends on where you live across the country. This is a slide that shows how in New York City it takes about \$55,000 a year for a two-parent family of four to get by. In a lower-cost urban area like Houston, it's \$35,000. This is really just to show that variability, but we know we're talking about 200% of poverty.

I think it's really important to point out that these basic budgets that a lot of us have worked on are really bare-bones, focusing only on the expenses that families need to get by day-to-day. There's nothing in here for a cushion. There's nothing in here for holiday gifts or birthday parties or going to the museum, let alone anything for savings, or anything that would help a family get ahead.

This is a single-parent family of three in Chicago. That bottom line shows you the single parent's earnings going up from about \$7.50 an hour (which is Illinois' current minimum wage) and we bring the wages up to about \$20.00 an hour, showing that basically this parent needs to make about \$17.00 an hour to make ends meet. So that nice green is just to show you how big that gap really is.

We know that work supports can help close the gap between low wages and basic expenses. I'm talking about anything from earned income tax credits, child care assistance, health insurance, housing assistance, food stamps, and transportation assistance. I'm trying to show what a difference these work supports can make in helping a family meet their basic expenses.

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So this is that same single parent family of three in Chicago. Without work supports and working full-time, year round, at \$8.00 an hour, that family's basically \$17,000 in the hole because that's about a poverty-level wage. If we give that family the federal EITC (and in this case it includes state EITC, food stamps, and public health insurance), that family's still \$7,000 in the hole. If we add a child care subsidy to that, that's what it actually takes to help get that family over that break even point where their total resources can cover their expenses.

Child care, I will argue, is really the missing part of this discussion. It's not that it's missed but that it's underemphasized. Child care is one of the biggest expenses that low-income families have that can really keep them from moving ahead. So the first thing that we need to do is we need to expand access to work supports. Schulte and Zablosky at the Urban Institute did a nice study not that long ago showing something like 5% of low-income families receive four of the major work support benefits: health insurance, EITC, food stamps, and child care.

So it's a very, very low percentage of people. We know that of the people who get these benefits, typically they only get one and it's usually either the earned income tax credit or health insurance. Very, very few people get more than two. And the people who get child care subsidies actually tend to get the other things, but only 7% of eligible families are getting child care subsidies. Part of it is just funding. There's not enough money out there.

But part of the problem is fixed block grants and state matching requirements. And this gets at the issue that Jared was talking about. States do not have the same kind of

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capacity to increase spending during economic hard times that the feds do. So we set up a situation that when the economy's doing worse, the states are not in a great position to deal with that, especially with block grants where there's not any extra money there.

When families are in greatest need, the funding mechanisms we've set up have made it so that those needs can't be met. We all know there are other barriers to access—complex application processes, rules that are hard to understand, lack of coordination among programs, etc. The other thing that I think is going to be one of our biggest challenges politically moving forward is to make the case that these work support programs that were so closely tied to cash assistance in the past are not welfare programs.

These are programs that we need to support people who are working. Yes, people who are on cash assistance (are there any left?) still need these benefits of course. But we need to make the case that this is about building a work support system to support low-wage workers. And many benefits are still accessed primarily through a welfare office. That's going to keep a lot of families just from showing up because of the stigma or because they fear how they're going to be treated.

And it also means a lot of folks don't even know what they're eligible for because they assume, "Oh, well, I'm working. I'm not on welfare, so certainly anything that I can get by showing up at that office I'm probably not eligible for." The other issue is recipients. Most of our work support programs grew out of cash assistance to single-mother families. We need to start worrying about adults who don't have children and non-custodial parents, especially fathers.

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We're not doing what we could to support them in the labor market, nor are we giving them the kinds of benefits that could help them provide child support. A lot of these childless workers will have children at some point in time, so we need to not ignore them. And for two-parent families, benefits for them are not as widely available even though two-parent families are often in need. And when they are available, the benefits tend to be less generous. Families who are fortunate enough to receive multiple benefits actually face a paradox.

Most of these benefits are means tested, and most of them start to phase out by the time families hit the poverty line. Well, we've already said they hit the poverty line in earnings, and they're in no position to cover their basic expenses. They're still going to need help, yet we start to take their benefits away one by one. In the way we set up our food stamp program, for example, you can get to that gross income limit. And even if you've got high child care costs and high housing costs, you could still be eligible for \$2,000 worth of food stamp benefits. But if your income goes up by \$50 and you lose the whole thing.

So you end up with a situation potentially that looks like this. This is Chicago again. I sometimes hesitate to use Illinois as an example because their programs are relatively generous in terms of the local cost of living. So what this is showing you, again, is a family at \$8.00 an hour who receives all the benefits for which they are financially eligible, except for housing assistance. No one in Chicago's getting any new housing vouchers these days. They've closed the waiting list, in fact. That family can actually make ends meet. But then they get up to about \$10.00 an hour and they lose their food

stamps. So they actually go backwards even though they're doing what we've asked them to do. They're working harder, they're earning more, and they find that blip.

But where you really see it is when they lose that child care subsidy and that's when they go below that break even line. So the bottom line here is this family, as they go from \$8.00 an hour to up to about \$17, \$18 an hour, is not making any headway. So they're doubling their earnings and they're not getting ahead. So it's something we need to be concerned about.

So before giving some specific policy solutions, I want to set out a set of goals for what we think a modern work support system should look like. First, full-time work combined with public benefits should be sufficient to cover basic family expenses. Second, earning more should always improve a family's bottom line. We shouldn't have families in that situation where they're earning more and because they lose a benefit they're worse off than they were before.

Third, funding for work supports needs to expand during economic downturns and be adequate to serve all eligible applicants. So, again, this is getting at Jared's point about the counter-cyclical issue. Fourth, work support should be efficiently administered and easily accessible. There are all kinds of things we can do about implementation, like not making applications so long and onerous, not making people verify their income every three or six months, etc.

And, finally, work support should provide a bridge to the middle class. I think politically we need to start talking about a system. And, again, this gets at what Jared was talking

about in terms of progressive universalism. We're talking about a continuum of benefits so that we're not separating poor families and low-income families from everybody else.

Quickly, I just want to go over a few specific policy recommendations. A lot of folks in D.C., I've been very happy to hear, are talking about increasing maximum benefits for non-custodial parents childless workers, and larger families, and extending benefits to younger workers unless they're full-time students—acknowledgment that some folks are going to be out there working at the age of 18. And if they're working and doing what we've asked them to do, they shouldn't be excluded from the EITC. We've done a little bit to reduce marriage penalties in the EITC but there's more that we could do.

We can make the child tax credit fully refundable. There are some folks out there who are arguing this is the single most important thing we could do to reduce child poverty: guarantee child care assistance not only to low- but also moderate-income families using the existing subsidy system. There are a lot of proposals out there for child care. This is probably one of the more controversial ones. In the paper that I've written I actually lay out a couple of different examples and some proposals that are on the table.

This is my favorite. I think we need to require the feds to assume a larger share of costs. Since 2000, we've watched this sort of perverse situation where states have been increasing their eligibility for public health insurance for children at the same time they've been cutting back on eligibility for child care subsidy. So since 2000, eligibility for child care has gotten worse, not better.

Also, I really think we should eliminate the child care tax credit, not the dependent care part of that tax credit because that meets a different kind of need. But get rid of the child care tax credit. We've got too many different tax credits all serving the same families. This is one that does not serve low-income families well because it's not refundable. I would argue you could use that money both to put extra money into the subsidy system, but also to expand the child tax credit. So that way, we can say the child tax credit is a mechanism for subsidizing the costs of raising children. So whether you're staying home taking care of your child or whether you're going out working and you need someone to take care of your child, we're going to recognize that there's a cost to raising children.

Again, we know one of the biggest problems is there are just not enough housing vouchers out there. Only a quarter to a third of eligible individual families receive assistance. I think we need to start by doubling or even tripling the number of vouchers that are out there. We also need to look at this bifurcation that we have with how we assist middle-income families with housing by giving them a tax break on their mortgage, and with low-income families, all we do is we subsidize rentals.

So there is an option in the Section 8 voucher program, in which public housing authorities can use that to promote home ownership for families. So there are several things that we can do there, including eliminating the gross income tax. That would do a lot to reduce that cliff that you saw and it would make food stamps phase out much more gradually and look a lot more like the EITC. And, also, food stamps still have asset tests—very, very low asset limits—so that a very small amount of savings can make a family not eligible.

And there is transportation, which is the big, big void in this whole conversation about work supports. We really need to pay attention to transportation. This one is a little difficult because most people rely on cars to get to work. A lot of us aren't so crazy about subsidizing more cars being on the road, but we need a short-term solution that subsidizes use of cars for people who have to have them. But we also have to have a longer-term vision that includes expanding mass transit.

The last thing I want to say is just the political case that we need to make is that millions of Americans are working hard and are not able to make ends meet. And I want to make sure we don't set up a conversation about work supports as if it's a separate conversation about working for better jobs. The first thing we need is jobs that pay higher wages, family leave, paid sick leave, and better retirement benefits through employers.

The building on our work support system should be seen as something that complements that effort, and these are not two separate things. So let's focus on making the American dream live again by making bad jobs good jobs and by supplementing those jobs with a better set of work supports. Thank you.

EHRENREICH: Thank you. That was truly fascinating. I'm glad I came and I've learned a lot from both of you. I just have a couple of comments. Has anybody seen the documentary *Waging a Living* on POV? It's very good and it's about people struggling to get by in the kind of situations we're talking about. Nancy, when you were talking about getting those cliffs, there's a very vivid example in that of a person who just thinks she's going backwards because when she gets to a certain level, she loses benefits and starts again. So I want to recommend that.

Then I just have a couple of sort of sweeping comments about how do we make these changes. Now possibly you people have an in with one of the Democratic candidates and all this will just be enacted in 2009. Right? Yeah?

First, insofar as we're talking about problems that affect one out of three Americans—people who are performing their part of the social contract as we all understood it by working hard—there is a moral crusade to make here. That's how the living wage movement has been effective in America. They took it as a moral crusade.

They didn't get too bogged down in the argument about how much unemployment would rise if wages went up. It didn't rise anyway. They said if you can't make a living by working, something is wrong here. So framing it as a moral issue also countered the political right's insistence that the moral issues are gay marriage, stem cell research, and abortion. So I think that will continue to be the strength of the grassroots movement for rising wages. And the other thing is that it is very important to make the link between these issues that we're talking about here today and things that come under the Lou Dobb's rubric of the assault on the middle class.

I don't know if you watch Lou Dobbs but that's one of his themes. Well, that and blaming it all, of course, on Mexicans. But the part about the assault on the middle class he certainly got right, and that's something I've begun to pay more attention to as I hear from formerly middle-class people writing to me in poverty because of that layoff, or that downsizing, or that outsourcing, or that reorganization that pitched them out of their white-collar jobs and into low-wage jobs.

And I think this is very important to be emphasizing from the outset and that we are not, as Jared said, balkanizing the subject at all. These situations have potentially faced just about any one of us with very few exceptions. Policy wonks, you are not immune from downsizing. I don't know if you've ever noticed that, but it's a possibility. Similarly, journalists are. And unemployment insurance is something that's got to be faced there.

Otherwise, we can talk about work supports all we want. But if there's a recession, then people will lose everything because that's what we lost with the principle of welfare—that principle embedded in all the AFDC that the government would somehow pitch in for the poorest of the poor. We don't have that anymore. We know that only one out of three people who gets laid off from a job in America even qualifies for unemployment insurance as it's defined in different states.

And then obviously there is health insurance, which is an immediate problem for the middle class whether they're employed or unemployed all the time. Remember, this is a moral crusade. And, two, always look for the links to what is now the fragile middle class and make class an issue as universally as we can from the very beginning. So that's all I wanted to say, and I hope you could follow it without a PowerPoint. And now this, I guess, gets turned over to discussion from all of you.

QUESTION AND ANSWER

Q: Because I'm from the Senate Budget Committee, that means I'm one of those guys who's always the stick in the mud who's slowing down great policy proposals. I've liked

almost all of these policy proposals. But if these national policies are going to become a reality, they're going to have to go through the national political system. And you can't do that winking at the budgetary implications.

And I would urge you to put cost numbers on these things and then tell us exactly how those costs are going to be borne, whether by higher taxes today or putting it on the debt and spreading the burden out in terms of future taxes. Do you have any comments on the budgetary implications and how you're going to do this politically?

CAUTHEN: In my paper I did attach cost estimates to all of these things. It gets a little difficult, and I'm going to turn what I did over to you economists because you can figure out this is how much this proposal is going to cost. I mean, if you get more people working, you increase the tax base. But, yes, we've all been very mindful of those cost estimates. I have to say in my own paper I provide a few suggestions where you could shift here to there, but there's certainly a lot more work to be done to figure out where the dollars would come from.

BERNSTEIN: This man wants some numbers. I understand. Well, it's beyond our scope here to cost everything out. But thankfully, the Center for American Progress has a really wonderful task force report wherein they take many of these recommendations and do cost them out. Their total cost for their program, which goes somewhat beyond what we've articulated today, is \$90 billion a year. I don't believe they talked about precisely where that's going to come from.

And I take your point, and we can have that discussion. Let me say, though, if you get into the guts of the technical appendix of their paper, the tax credits related to child care that Nancy talked about, along with an expanded earned income credit very much of the type she talked about, nets to \$37 billion. The reason is there's some other stuff in that \$90 billion estimate, but also the higher minimum wage gets you some revenues on the payroll tax side.

So that brings you down to \$37.2 billion by their estimate for those work supports, net of a minimum wage. How do you pay for this? Let me see, \$37 billion: how many months in Iraq is that? Maybe two. Okay? So, you know, a lot of this is prioritizing.

You don't just wave a wand. We absolutely support a more progressive tax structure. Certainly, we were able to implement significant expansions of work supports in the 1990s, a period when we raised income taxes particularly on those at the high income levels. Now there has been a massive transfer in the primary distribution of wealth to the top 1%, and within the top 1% to the top tenth of the top 1%. And so a return to progressive income taxation is, I think, absolutely legitimate in the spirit of what we're talking about.

Q: The common law principle of employment-at-will pervades the American labor market. To what extent do you see our continued reliance on that employment institution principle contributing to the persistence of poverty to cause risk of economic change being shifted to the workers and to society in general? And does your agenda envision any change in that fundamental institution?

EHRENREICH: Well, I just speak from anecdotal sources and some little bits of direct experience, but it means there's constant insecurity within all levels of the workforce. But in a low-wage workforce it really inhibits people from challenging anything about the circumstances under which they work because you could be fired for just about anything, like having a bad attitude or a funny expression on your face. It contributes to an atmosphere of fear and intimidation, which, obviously, does a lot to control the expression of aspirations of people at that level.

BERNSTEIN: I would argue also the fact that you have an at-will system is yet another rationale for a safety net, and we've always had a safety net. You know, conservative economists have always looked at the occurrence of market failures in an economy like ours as a great rationale for a safety net. That safety net has big holes in it now. We don't have reversing employment at will as part of our agenda. Ergo, we have the kinds of safety net ideas that we think are critical as long as that's in play.

Q: This question is about alleviating welfare or an alternative approach. In one of the other think tanks, there's someone that rolled out the military model. And the military model is a government job with government training, an assessment of the worker for the job that he is to take, work supports, and a wage that can meet expenses. What is the validity of that model to alleviating poverty and how would it compare with what you're proposing?

BERNSTEIN: I don't know enough about the model to give you a great answer. I do know that there are two aspects of that model that I have been very impressed by—child care and health care. Within the military model there is accommodation— at least my understanding and again my knowledge is limited—for quality child care and quality

health care. You know the VA [Veterans Affairs] system is really a model for health care reform. It's a government-run system that's highly efficient and effective. So on those two aspects, I think your question is worth learning more about for folks like us.

Q: I was at the Joint Economic Committee before my own downsizing event, which is otherwise known as the election of 1994. On Nancy's discussion and the general agreement, I think that a lot of our support system has a certain "snakes and ladders" character to it. With respect to the recommendation that the earned income tax credit be extended to young adults except for those who are full-time students, I'd be worried that you might be creating another snake. Because a lot of young adults would feel perhaps if they were to try to better themselves by going to a community college and, depending on what the definition of full-time student is, they could lose some income support while they were going through a particular program.

I don't know what the budgetary cost of that is but I would suspect it's relatively minor. You get out of a certain amount of messy determinations if you just extended it to young adults without making a full-time student distinction.

CAUTHEN: I think that's a very legitimate point and I'm glad you mentioned The Center for American Progress' report. Rather than trying to just come up with a whole new set of proposals, I simply discussed their proposals. I think there are a lot of different ways to deal with that. I think you said part of it is how you define full-time work.

I think the other issue is at some point, and this would just make the program messier. Someone who is just working not making much because they're working for high wages

but not very many hours is in a very different position than someone who is in a low-wage job. I think the main point there is there's lots of wiggle room around the edges in how you work with that policy. But to those who are in vocational training, community colleges, and not going through a four-year college degree program, younger people need assistance as well.

Q: I was glad to see some mention of housing because I don't think we pay nearly enough attention to housing. It is the largest budget expense to most families. There are millions and millions paying more than half their income for housing, which has health and instability effects, which produces educational instability and homelessness.

I'm disturbed, though, to see that the only approach that I see from progressive groups is more Section 8 housing vouchers, because that implies that there is a supply out there to use those vouchers and that is not true. That supply is getting less and less. And with no rent controls it means that the cost of it keeps going up. So I'm wondering to what extent we ought instead to be talking about increasing the supply of rental housing particularly non-market housing by co-ops, land trusts, public housing authorities, and non-profits of all sorts. Unless we do that, I think we're missing a huge piece of the picture.

CAUTHEN: I am certainly not a housing expert by any means, and I would like to see more about that. There seems to be some arguments out there that putting some of the money that goes into developing affordable, low-income housing is less efficient than working with the subsidies. It seems like part of the problem is this geographic imbalance. So you've got cities where you do have available rentals and you don't have enough vouchers.

And then you've got all of these areas that can't use their vouchers because there are not enough landlords to take them. That's where I think that home ownership option can come in because in some places in the country there is, relatively speaking, affordable housing that folks could buy if they could use their voucher to do that. But it's a very legitimate concern.

Q: To what extent if at all did you consider the issue of racism as a cause of perpetuating poverty?

BERNSTEIN: It's explicit in some of the work that I reported. I noted the advantages to minorities in particular of the full-employment economy. Basically, racism is a horrible and ugly luxury that racist employers can employ when they can afford to do so, that is when there's an excess supply of workers.

One of the things I noticed most recently in the latter 1990s was the economy got so tight that employers actually needed to put those issues aside and bring workers on who they otherwise would have looked at askew. We saw this in welfare reform. There were these great studies and surveys in which employers were basically saying—and I hope I'm not offending anyone—"Boy, you know, I was pretty prejudiced against hiring this type of person. Now that I've done so, I find out that they've worked out really well." Whether that lesson remains in place when the unemployment rate starts going up is another question.

I also talked about the importance of PSE, Public Service Employment, which is an old idea but is being kind of revived in a new spirit but more localized. I did very explicitly talk about that as a way of reaching the most disconnected people from the labor market, which tend to be really young, minority men—African American men in particular—who often times are a high school drop out. The rate of folks who are out of the job market hovers around 70% in good times. I mean, that's obviously a national emergency.

Q: How do we get all this stuff through what will be a very bulky at best political system, even if there's a Democratic president and even if there's a more Democratic congress? A moral crusade might not be enough.

EHRENREICH: I want you to fix that. It might not be enough. Well, I think you might have said that five years ago about the campaign to raise wages at the state and local levels. You might have been doubtful. But that's how it emerged. I'm just saying empirically that's how it worked out. We have had a grassroots movement with local coalitions, unions, a heavy role of clergy, students, and low-wage workers themselves.

There's nobody in American who will say, "Oh, I think it's fine that somebody does an exhausting job for eight to 10 hours a day and cannot feed their children." You will not find anybody saying that at Heritage, for example. No, they'll say, "Well, there's something wrong. Maybe they're spending money on something bad."

There's a deeply held belief that there should be some parity in that exchange of labor for the means to live. So I can't say that it will work. I'm just saying this is what we have been doing and it has been pretty successful.

CAUTHEN: I think Barbara's right that that's got to be the starting point because I think too often we all sit around and we make up these great lists of policy recommendations, but we don't give enough attention to costs or building the political will, which is why I ended where I did. You've got the state of Connecticut that's got legislation on the books to try to reduce child poverty by 50% over 10 years. And they have this long list of 65 policy recommendations and towards the very end, probably 63rd, is trying to build public support for this agenda. Until that becomes the number one thing on that list, they're not going to get anywhere.

BERNSTEIN: In the interest of time I'll just say a couple of words. And one point that's really important here is that this is an agenda that's tied to work. It would be a different argument if we were going forth and saying that we want to expand welfare benefits or benefits for people who want to stay at home or something like that. Now, granted, our safety net does have those components within it because when work's not there, you absolutely need a safety net for reasons I have stressed. But once you tie this to work, the policy opens up a lot, and that's been a really important insight for those of us arguing for these issues.

Q: I'm a writer on children's issues among other things. I really agree particularly with what Barbara has said about the moral point, and everything else I might add. We don't do enough analysis. You mentioned the very great success of the pre-K movement and that's totally related to the fact that they didn't just talk about cost, they talk about benefits. They have a fabulous cost benefit.

And I don't think there's enough benefit analysis going on here. I don't think you should do cost analysis without doing benefit analysis on some of these policies. For instance, what psychological, not just financial, stress do people go through for the lack of these supports? Four hundred billion dollars a year is one estimate I've seen on medical costs of stress.

What are the costs of women not working? Low-income women and high-income women don't work at all for money because of the lack of support. So you're losing tax dollars, you're losing family income. What are the costs to kids' development? This is an underexplored area.

BERNSTEIN: Here at EPI, we feel we've done a great job on telling the world what's going on with wages, incomes, and some of the variables that come right out of the current population surveys and the other data sets we crunch. Now we're going deeper into living standards and looking at precisely the way these issues play out in people's everyday lives...

Q: Crime costs. The police chiefs are for these programs.

BERNSTEIN: Yeah, good point.

Q: One last plug. There's a conference on Friday called "Take Back Your Time" at the National Convention Center and the guy who runs this has got a big paper called "What's the Economy For Anyway?" And he's making a moral statement that the economy's for people, not the other way around.

BERNSTEIN: Yes. I'm speaking Saturday night at that same group. Zero degrees of separation in case you haven't noticed in this society.

Q: One of the traditional measures to improve job stability has been union organization of workforces. One of the criticisms of unionization has been featherbedding. In your job stability programs is there a tradeoff between stability and lower worker productivity?

BERNSTEIN: We did a session on rebuilding the union movement and the set of papers is on our Web site. I came away from those papers feeling like this is a really important thing we have to do in order to reconnect the living standards of working families to the growth in our economy.

And I am worried almost zero about any notion of featherbedding. I'm worried a great deal about the diminished bargaining power of workers and the horribly tilted playing field against those who want to form unions. So I think a critical policy intervention we haven't talked about is looking very carefully at the Employee Free Choice Act, which creates a more level playing field for folks to joint unions. And according to a paper by Richard Freeman in that set, over half of the non-unionized workforce wants to be represented by collective bargaining. So that seems to be a huge, untapped demand.

EHRENREICH: Well, I would just add a much bigger problem, I think, is wage theft by employers. And that's when you're told to come in 20 or 30 minutes earlier than the clock is going to start running. Wal-Mart is being sued for telling workers to punch out and then come back to work because there's a lot to do. I think that is the overwhelming problem. People are seeing their time being cut off at the corners all the time.

Q: I'm one of those evil business owner people that came here to kind of learn a little more about what you guys are thinking and maybe how we can be a little more responsible. But one of the things I want to focus on, Jared, is that, if I understood what you said correctly, the real wage increase in the minority area occurred when there was a substantial economic growth. There was a reduction in the labor pool itself and all wages effectively went up. So why haven't we focused more on building up businesses such that they're hiring more people and thereby increasing across the board the income of everybody because it's a tight labor market?

BERNSTEIN: It's a great question and I'm very glad you're here because there's not nearly enough cross-fertilization. I'm beloved of all my friends in the room that I've been working with for decades, but I don't speak enough to people in the business community. I admit that and that's a shortcoming on my part.

EHRENREICH: No, they don't invite you, Jared.

BERNSTEIN: Touché. But if they did, I'd go. First of all, you hit on a critical component of what went on in the 1990s and what's not going on now, which is what I think you called a decline in the labor pool or something. And basically the way I think of it is that the queue outside the factory door of people who want jobs shrunk to zero. And so the employer's demand actually outpaced worker supply, which is far too rare in the low-wage sector.

And this was happening during a period where welfare reform and lots of immigration was going on. So we had large growth and labor supply, but labor demand outpaced that.

The question is: what can we do to help businesses contribute to that environment? I don't think I've thought enough about that. One idea that people talk about is providing employer tax credits. That is basically making it cheaper for an employer to hire a disadvantaged worker. There's an economic thing to where a worker's productivity is too low for their reservation wage and the employer won't hire them unless they get a subsidy. And, by the way, the job opportunity tax credit is a good example of that. But what that research has found—and correct me if people disagree—is that it really doesn't work. I'm glad you're shaking your head. It doesn't work that way at all.

It's basically a test of which employers are willing to fill out the forms to get a subsidiary for hiring people they would have hired anyway. So I'm not very bullish on employer tax credits. I, somewhat ashamedly, need to think a lot more about the question you've posed. I've often viewed the role of business as when the macro economy tightens, they're going to hire more folks and when it doesn't, they don't. And I would say on the issue of worker training and on work family balance there's good stuff businesses can do.

Q: Let me add one more thing to make this possibly a valuable consideration for you because I own this business and I'm very arrogant, which we all are—just kidding. And that would be that we got money. See, the problem that you're facing here and brought up in the very beginning is that inevitably what happens is when we talk about saving the whales, you have to go back to somebody is going to pay for it.

Who's going to pay for that worker that's not doing the full rate—let's say for sake of argument—that somebody else is over here? We have to transfer that wealth over. It has to equalize out. Somebody's gotta pay. And there's not a lot in the public sector,

perhaps, to support that, but there's a lot of money in the private sector. So the question then becomes how does one partner with the business side of the house so as to engage them in voluntarily doing this in a tighter labor market?

BERNSTEIN: I think there's some foundation interest in this and there's been some interesting work around businesses helping to connect workers to available—for example, available work supports. That seems to be another solution.

Q: Thank you to each of the speakers for the great work you're doing, which gives us the background to say this is why we need these programs. I want to raise one policy issue and that's child support. I think it's important that non-custodial parents have the EITC, and that they're able to access food stamps. For example, they can only access them a couple months out of a, maybe, 24-month period.

But I want to talk about child support because for a lot of single parent families, child support is the greatest source of income they have of any of these programs. And the Deficit Reduction Act a couple years ago—and I hope our guests from the Senate Budget Committee hears this—significantly cut the federal portion of child support collection. And this is a program where the amount of money spent federally is very, very small in relationship to what that means for child support collections for families.

So we're working hard to try to get that federal child support money reinstated. And, again, it's not a huge cost, but the benefit is tremendous. And I just wondered if any of the speakers wanted to comment about your experience or research about child support.

CAUTHEN: I think one of the biggest problems with child support is we've spent too much time on enforcing child support collections from people who don't have the money to pay in the first place. And that's why we have to have an agenda that pays attention to employment for low-wage men and that gives them health insurance and all these other benefits. So it's kind of hard to get child support from a non-custodial parent who's unemployed or under-employed.

MISHEL: Well, join me in thanking the speakers today. I want to close with one comment. There have been comments about the political viability and the costs. This is a moment in time when we have to start thinking bigger. Our nation is not the nation that we wanted to be. We have to start thinking about how to make it that way. We need to start talking to the American people and engaging them in how to make it a better place. And I think this is not the moment we need to shut down ideas like how the politics has been over the last 10 years, because politics is rapidly shifting. The economy is rapidly shifting and there may be great opportunities ahead for new kinds of policies. And that's what the *Agenda for Shared Prosperity* is about. Thank you very much for coming.

END OF TRANSCRIPT