NATIONAL
ACADEMY
OF·SOCIAL
INSURANCE

For the Common Good: What Role for Social Insurance?
NASI's 19th Annual Conference

Session II: Easing Insecurity for Working Families

Thursday, February 1, 2007

This session convened at 1:45 PM in the Ballroom of the
National Press Club, 529 14th Street, NW, Washington, DC.

Introductions

Maya Rockeymoore, President and CEO, Global Policy Solutions, LLC

MAYA ROCKEYMOORE: Good afternoon. Good afternoon.

AUDIENCE: Good afternoon.

MS. ROCKEYMOORE: All right, all right. I'm trying to get some attention.

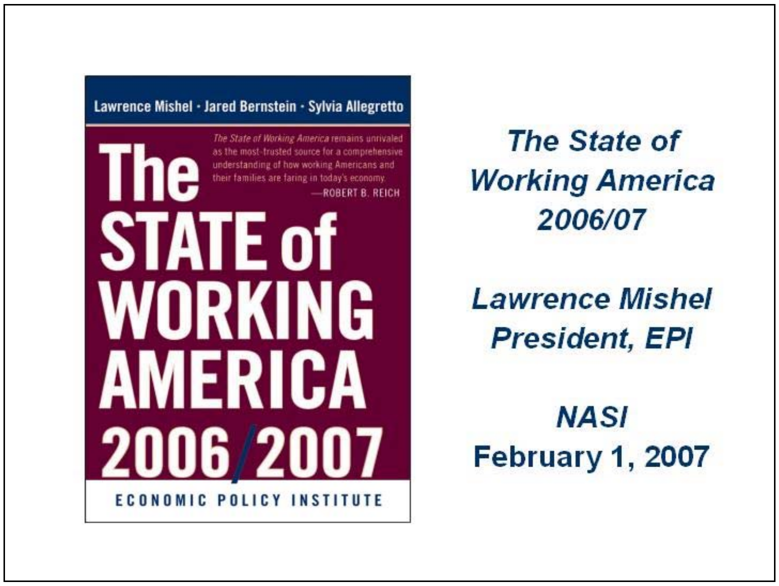
I hope you enjoyed the luncheon session. I absolutely love Paul Krugman. In fact, it was my mother that recruited me to be one of his fans. She's one of these voracious internet junkies, and before they actually started charging to read Paul Krugman and everybody else on the opinion pages, she used to send us their articles – all of her kids and her infinite listservs – their articles, and I say they because she likes Paul Krugman and she also likes the other one with the acerbic pen. So for Christmas last year, I got her a gift and that is the New York Times Select subscription.

So the market worked in that case. With that, I'd like to welcome you. My name is Maya Rockeymoore. I'm a co-chair of this conference and this is the second session of the conference entitled "Easing Insecurity for Working Families." This session will examine how working families are currently faring and what must be done to provide them with more economic security. It is my honor to briefly introduce our distinguished panel members who include: Larry Mishel, president of the Economic Policy Institute; Alan Weil, the executive director of the National Academy for State Health Policy; Vicky Lovell is the director of employment and work life programs at the Institute for Women's Policy Research; Jody Heymann is the founding director of the McGill Institute for Health and Social Policy; and Joan Kuriansky is the executive director of Wider Opportunities for Women.

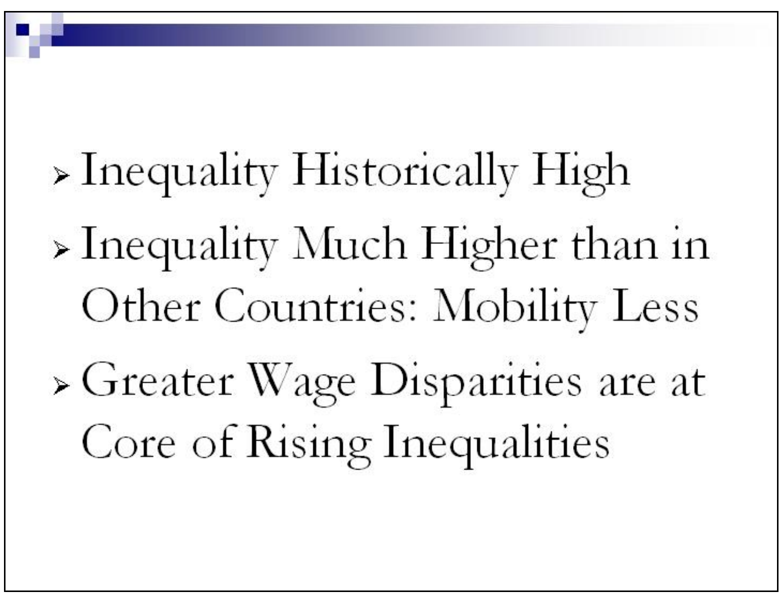
Now, there are two points of housekeeping that I need to point out to you before we begin. I'd like to remind you that you can read their full biographies in your conference folders. I'd also like to ask you to fill out your evaluation forms. Their bios are on the green part, but the evaluation forms are the aqua-colored form. Each of the panelists, for your information, will be allotted ten to 12 minutes, and following the presentations we will have about 30 minutes for you to ask questions of the panel.

With that, I will turn the panel over to Larry.

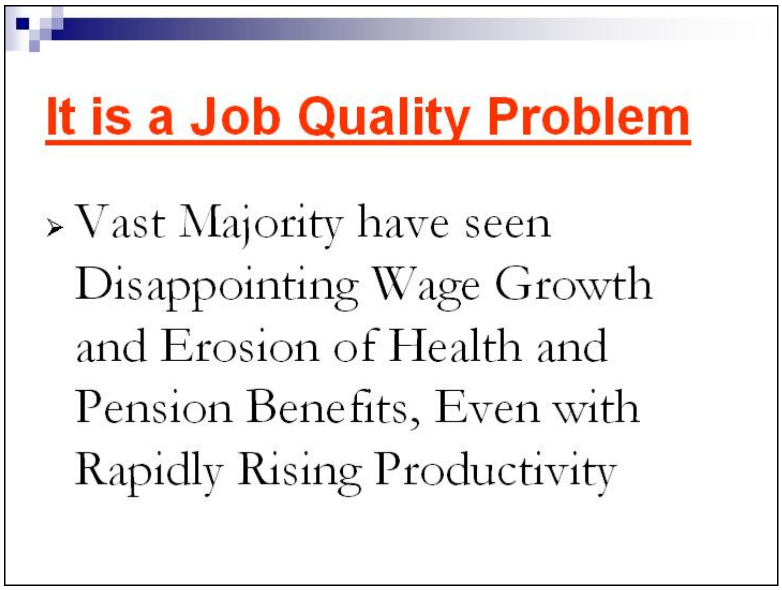
The State of Working America
Lawrence Mishel, President, Economic Policy Institute



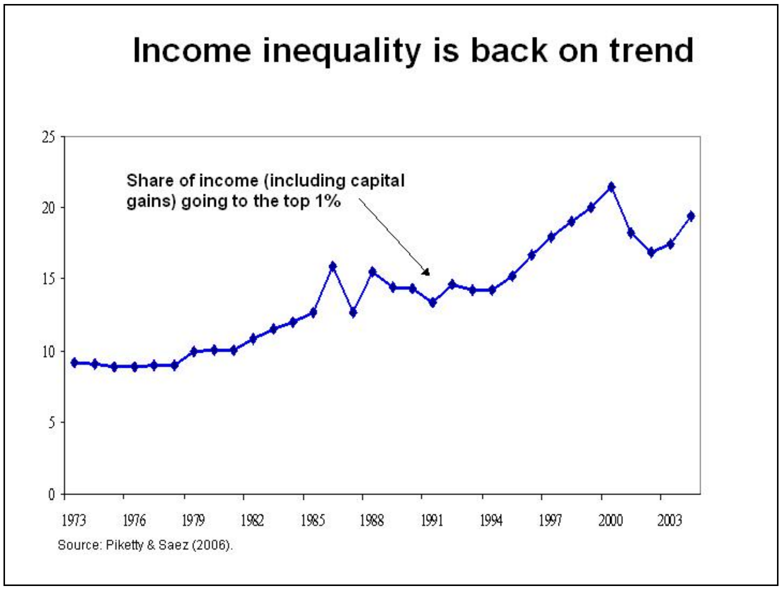
LAWRENCE MISHEL: My job is basically to set the table to provide the economic context within which we're talking about what's happening to various types of social insurance programs and the needs for such programs. Of course, I've got a few minutes and you could write a book on this topic. Oh, in fact I have written a book – (laughter) – "The State of Working America," which we do every other year, and feel free to check it out on the stateofworkingamerica.org. But I'm just going to go through some of my favorite slides and I'll tell you what's going on and boil it down to a simple story.



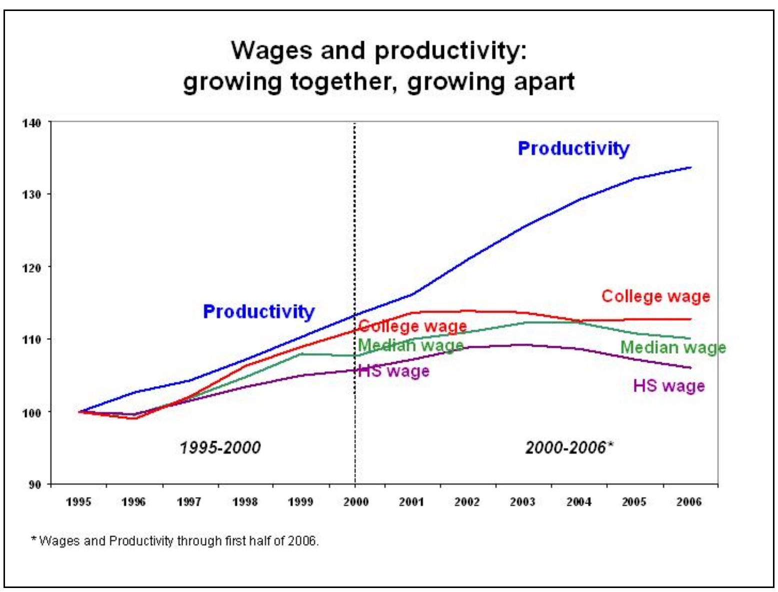
So the context for all these should be income inequality or inequality in almost any dimension of our economic and social life is far higher than it used to be. Our inequality in the United States is far higher than that of other advanced industrial countries and we have, if anything, worse mobility. In other words, we have the structure being more unequal, and it's not like your opportunity to move up over your lifetime or across generations is higher in this country than in others. The big issue in the growth of inequality is what's happened to wages. You know, obviously, earnings provide most of the income to most families, so it seems like a no-brainer, but we economists have to prove that now and then.



So what's really important is what's happened to people's jobs, what's happened to their hourly wages is at the core of what's driving inequality. And the big issue is job quality and what has gone on, and I'm just sort of summarizing what I'm going to then show you some charts about, is that the vast majority of workers have seen very disappointing wage growth. This is something that's happened over the last 25-30 years, but it's been quite amazing that it's been a big problem the last three or four years, which is during an economic recovery and a period of rapidly rising productivity. Productivity is the output of goods and services per hour of work. So that provides the basis upon which we generate incomes and could generate incomes for everybody. So in some ways, there's never been a bigger difference between the possibility of broadly shared prosperity and the actual results we've gotten, which has been far different than shared prosperity.

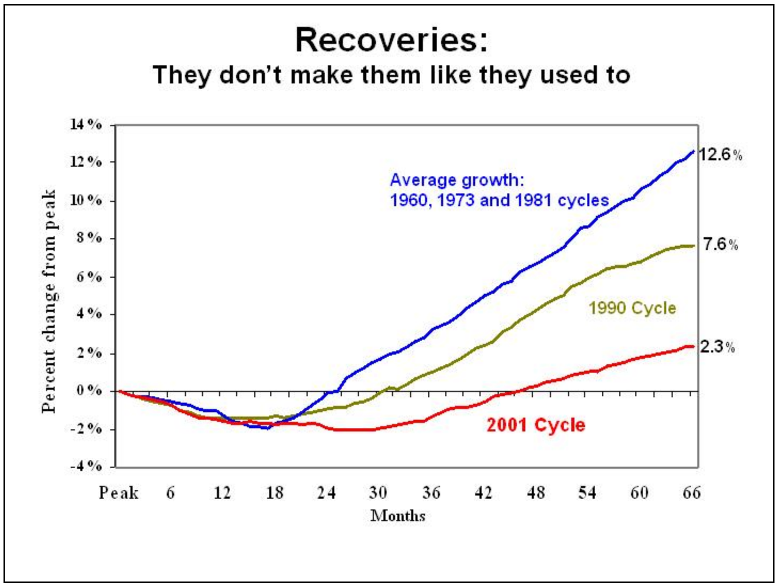


So just on the inequality, here's evidence from people who would look at market-based income. So transfers aren't in here, but this is all the income from tax returns and it shows the share of income going to the top 1 percent. You can see inequality generally rising over the 1973 to 2000 period when it peaked, in part largely because of the stock market gains. Inequality dropped a lot when the stock market dropped, but the last data point here is only 2004; it's gone up almost back to 2000. I guarantee you that when we know what happened in 2006, it will be at a historic peak. So despite the fall of the stock market in the early part of this decade, the very well off have managed to recover, not many other people have recovered.

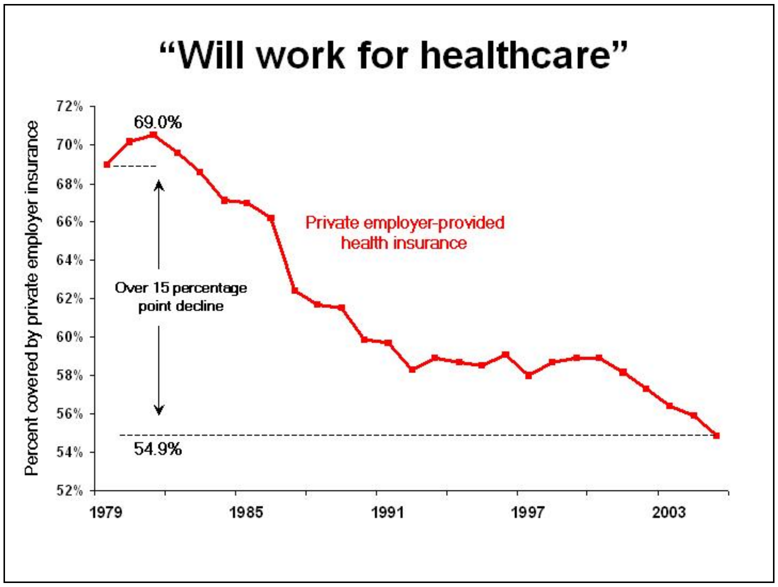


The heart of the matter, in my view, is what is the relationship between growth, productivity, and the kind of wages and benefits that people obtain? So we have a comparison here of basically the last ten, 11 years from 1995, which gives us the period of time since productivity started growing rapidly, which is basically in 1996, and in the first part of this period, the ’95 to 2000 period, you can see that productivity was rising and various wage measures, the wages for median worker, college-educated worker, high school educated worker, all were rising, maybe not in total lockstep, but as productivity went up the wages of various types of workers also rose.

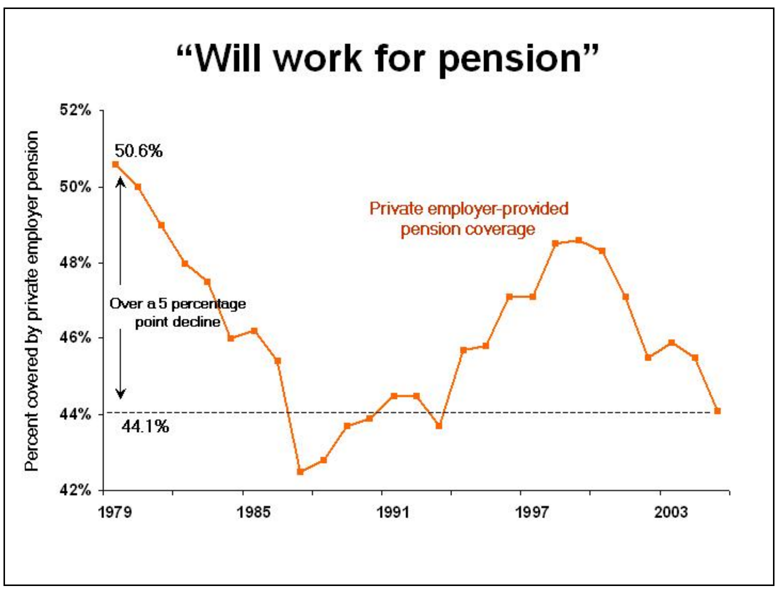
So here’s the last period. This is all indexed 100 equals 1995, right, so anything going up means it’s going up relative to where it was in 1995. Well, you can see productivity actually zoomed up even faster, the blue line, and you can see that all the wage numbers continued to go up in the early part of 2000, 2001, which is sort of the momentum from the late 1990s boom. You can see over the last four years or so the average hourly wage of a college graduate has gone nowhere, same for that median worker, same for the high school-educated worker. So this is not about some phenomenon that some group of unskilled people just can’t keep up. This is about a lot of people are not moving ahead even though the economy is moving ahead.



Now, part of this has to do with the sluggishness of the recovery in terms of job growth. This is a graph that measures other business cycles and how long it took them to recover the jobs. You can see that the beginning part of every line, you know, by 18 months into a business cycle into recession you have less jobs than you started with. Then it takes a period of time and you get back your jobs and right around now there were 13 percent more jobs, even in the bad old 1990s business cycle, which was called the jobless recovery. These numbers would only go up to comparing to, like, 1995, which was before the period of fast job growth, which occurred after that, even in that period there was a 7.6 percent growth in jobs. Here’s where we are now, 2.3 percent.

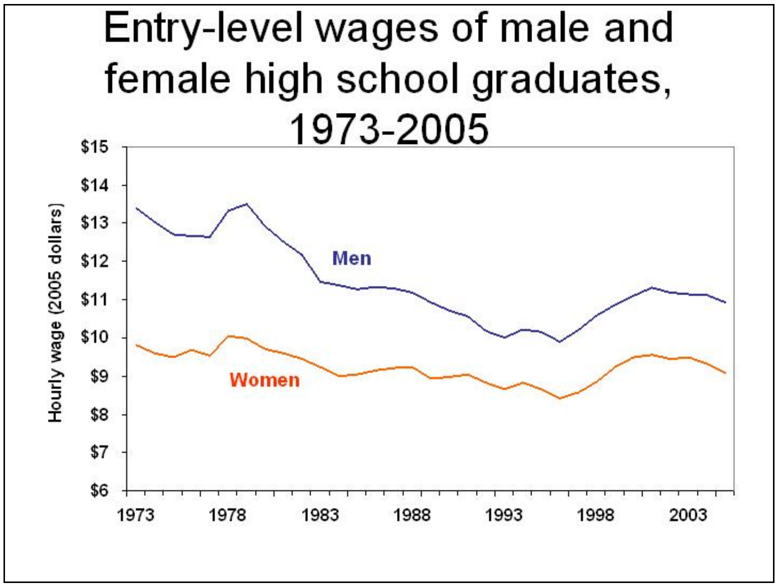


So healthcare, not good. (Laughter.)

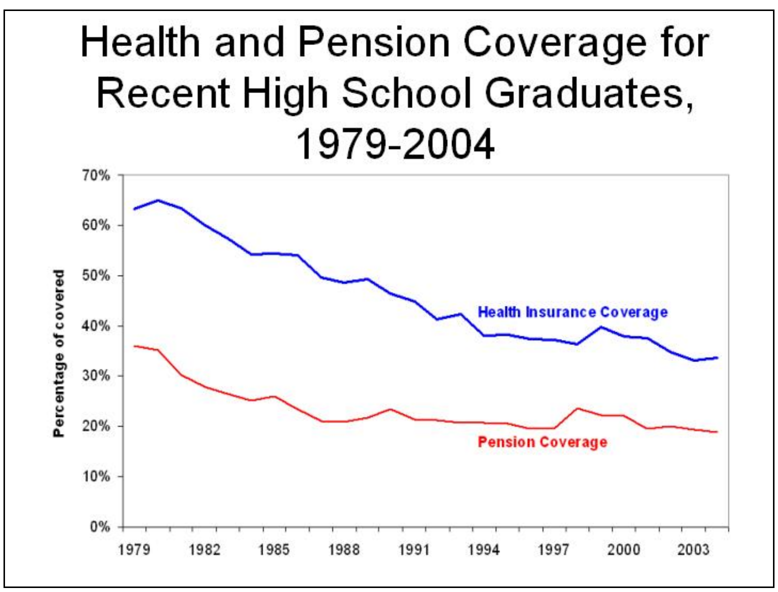


Pensions, hmm, not good. You see that there's a growth of pension coverage in a certain period. That's the growth of defined contribution plans. What I think is really important to note is that over the last few years there's just a decline in employer-provided pension coverage, period, so my conclusion is we have worse plans and fewer plans.

To really put a sharp point on it, I wanted to show you what's happened to the wages and benefits of entry-level workers, both high school graduates and college graduates.

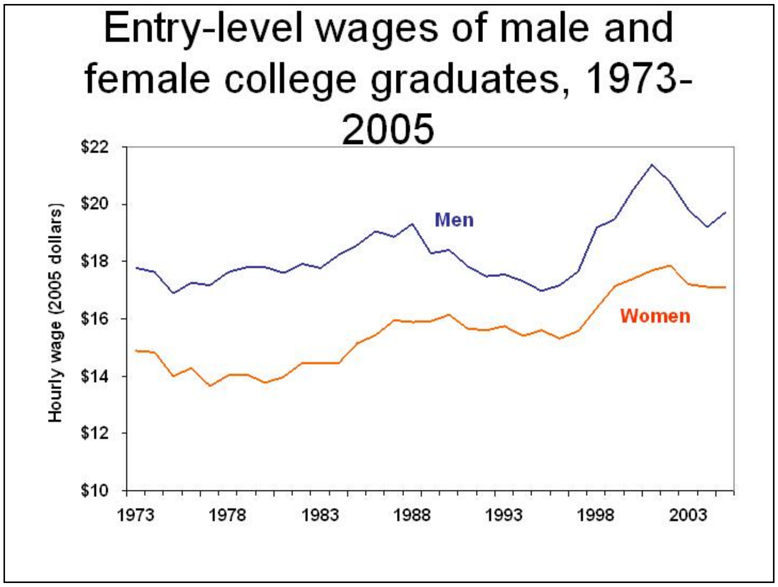


And these are the wages of entry-level workers with a high school degree, men and women, and you can see that compared to what a young man could earn with a high school degree in 1979, by now they're earning just far less, and comparable women earned less than men at every point. That's not ordained by any deity I'm familiar with or would even like, but it's true. (Laughter.) Even the young women who have far lower wages, have not seen much progress and especially towards the end, they're all going down.

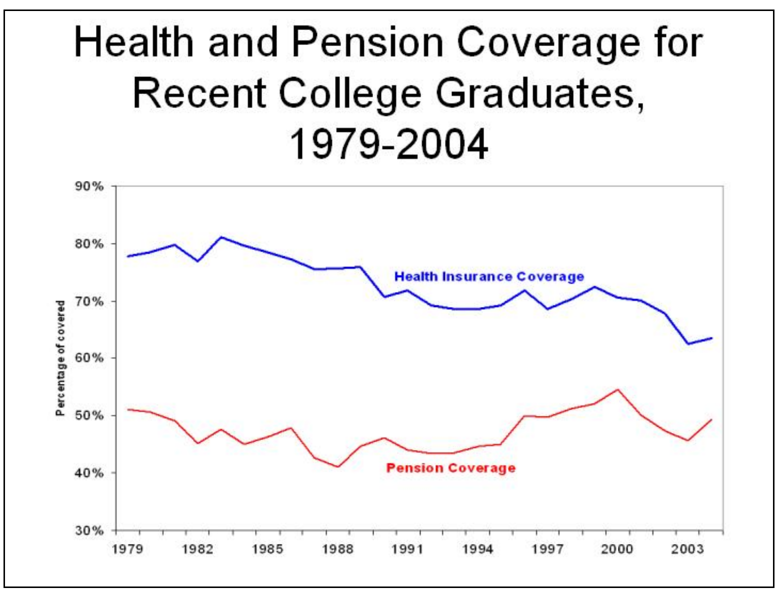


This is the benefits and this is, I think, the most important chart. It used to be in 1979, you were a high school grad, you've got a job – and I'm measuring what happened in the first five years of your first job – roughly two-thirds of young high school graduates would have employer-provided health insurance; now it's down to about 34 percent. So whereby it used to be almost expected behavior, now it's almost unlikely. And pension coverage has also declined.

Now, turning to the college graduates, who were supposed to be the big winners in our society.



Let me just point out that there was great wage growth in the late '90s for young college graduates. That was about the only time wages did well for young male college graduates. You will note at the end of each of these lines, which is a recent period, young college graduates are earning less than what someone who came out a few years before them were earning. So the opportunities are actually eroding and the kicker in all these is what has happened to benefits, and you'll see that health insurance coverage for young college graduates is much higher than what it is for young high school graduates.

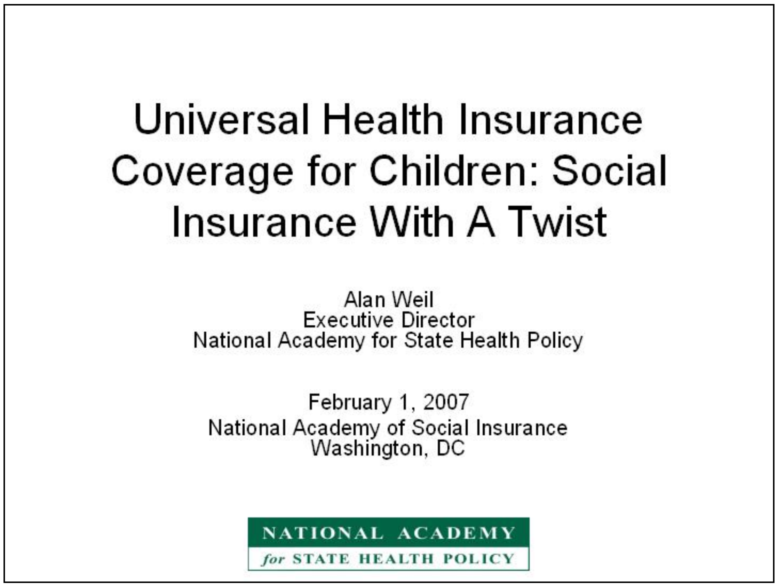


So every high school graduation class should hear a speech that you should go to college if you can. However, going to college doesn't mean you're going to get what you need. And I joke because my friend's stepchildren just graduated from college and it's our fondest hope that someone graduates from college, gets a job, and gets health insurance.

Thank you. (Applause.)

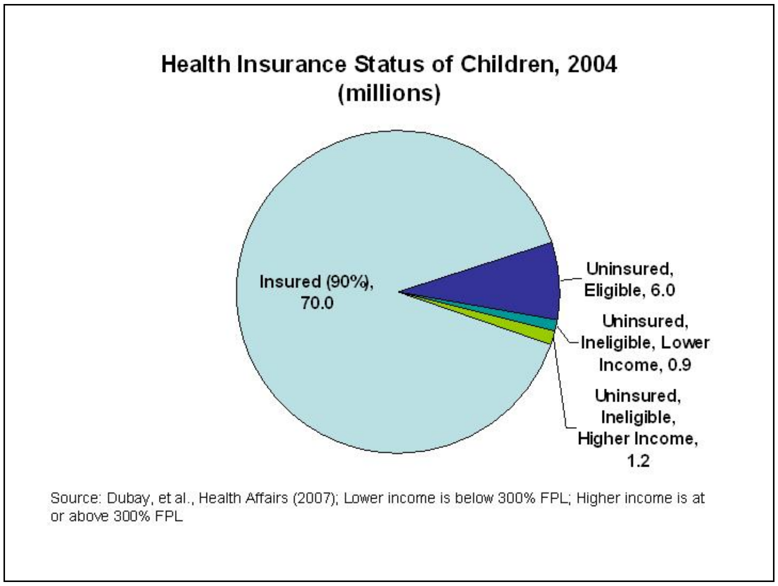
Universal Health Insurance Coverage for Children: Social Insurance With a Twist

Alan Weil, Executive Director, National Academy for State Health Policy

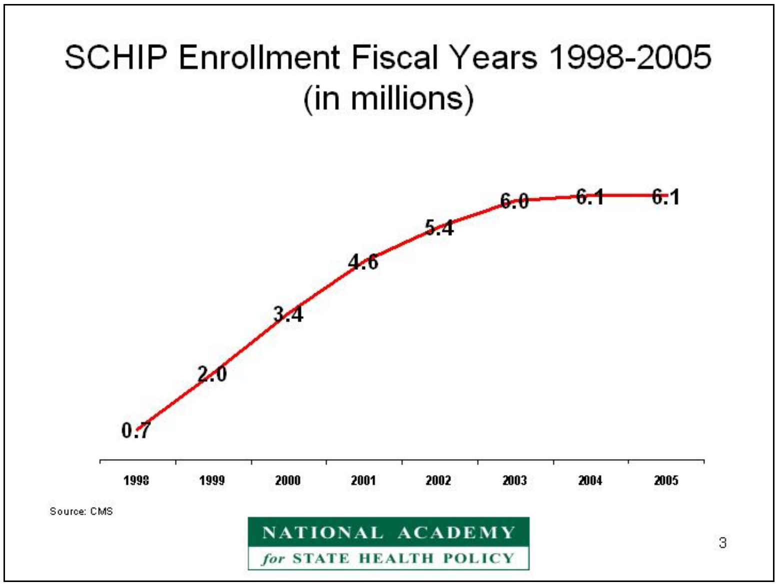


ALAN WEIL: So I'm the first in a series of speakers who were going to talk about specific aspects of economic security and I will focus on health insurance. There is a session tomorrow dedicated on health insurance and we've talked a lot about health insurance today. I'm only going to focus on children, which is not a statement, at least of my view, that economic insecurity for working families is only associated with uninsured children, but somehow that sort of how this panel has shaped up.

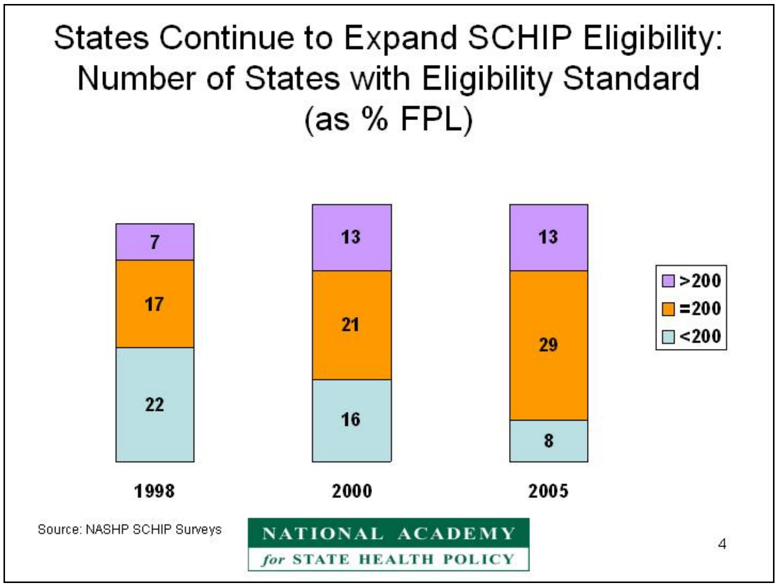
So just to give you a little bit of the background: 90 percent of children do have health insurance, but we do have eight million children without health insurance and of that eight million, six million are eligible for existing public programs. The other two million are not eligible. So we have a lot of covered kids, but we still have a lot of uninsured kids.



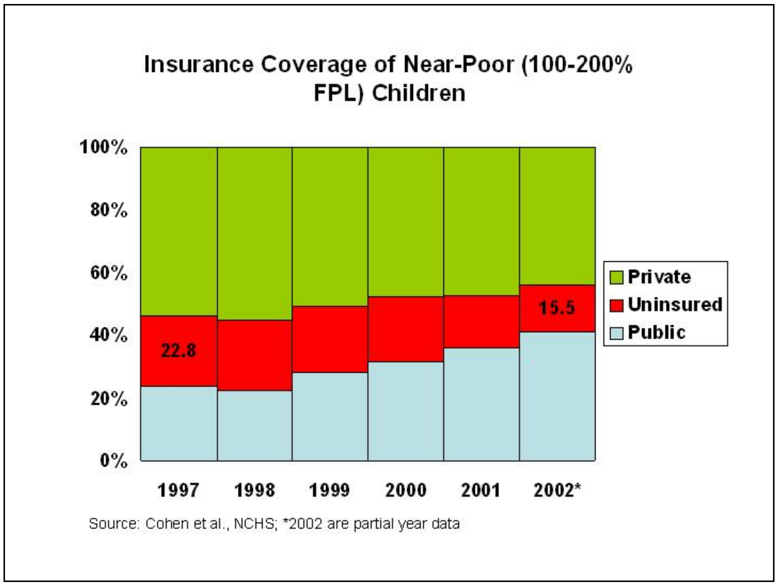
The federal government and states have made a major investment through the State Children's Health Insurance Program in the recent years. And in the last few years, about six million children a year have been reached over the course of the year by that program.



This is a major change in federal and state policy. States actually set the eligibility levels and this is just to show you that over the life of the CHIP program, states have actually been increasing eligibility for the program. Initially, about half the states were only making kids with family income under 200 percent of poverty eligible; now most states are at 200 percent or above.

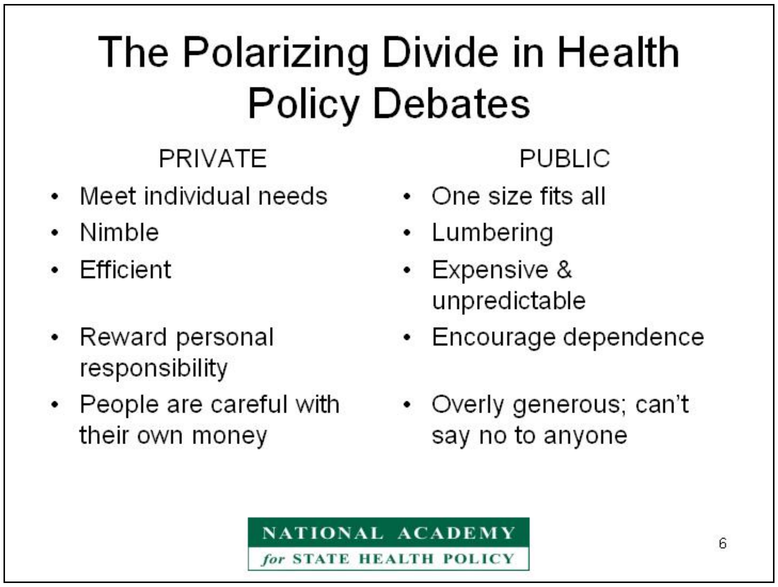


And the net result of all of this is if you go back to '97 and look at a five-year trend, the percentage of near-poor children, which is the target for the CHIP program, who are uninsured has been squeezed down from almost 23 percent to 15.5 percent.

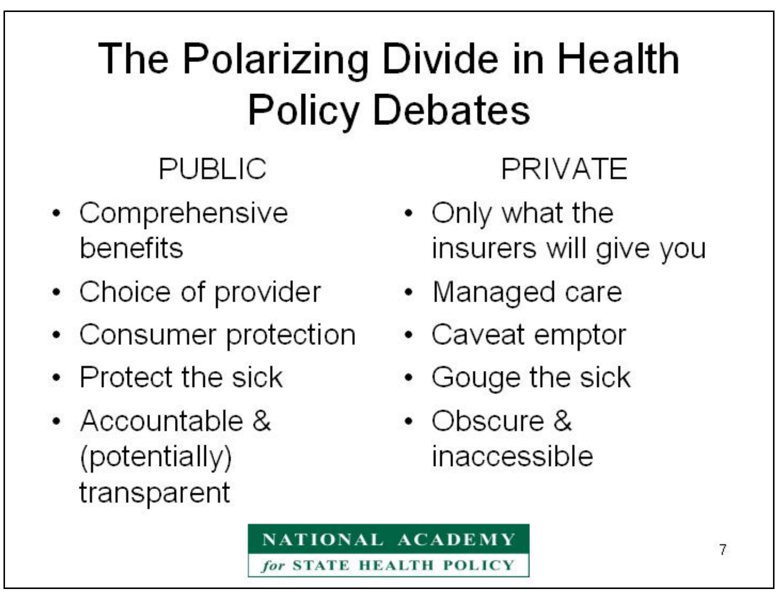


Private coverage in the top, in the green, has eroded and public coverage has more than filled the gap, and lest you are concerned that it's the growth in public coverage that's actually encouraging employers to drop the private coverage for their employees, I assure you that if you looked at a chart like this for adults, you would see the same erosion in private coverage, even though there's been absolutely no increase in public coverage. So that's sort of the data backdrop for the status of children.

Now, if we want to actually have a broader vision of eliminating the source of insecurity for families, the traditional breakdown in the political debate is between those who prefer private solutions for closing the gap and those who prefer public solutions.

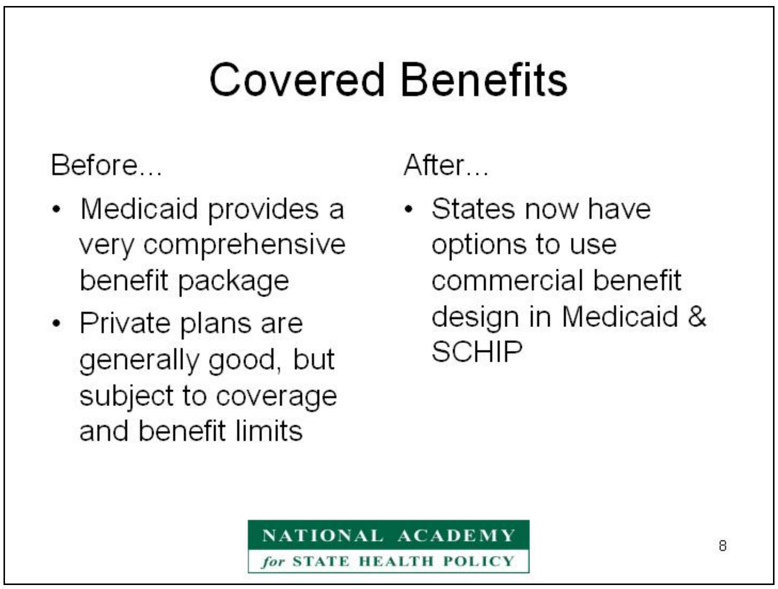


And just to go over the words that you've all heard so often, if you're an advocate of private solutions, you believe that private programs meet individual needs, they're nimble and efficient, they can reward personal responsibility, and they make people careful because it's their own money. And when you look over at those bad public programs, they are one-size-fits-all, they are lumbering, expensive, unpredictable, they encourage dependence, and they can't say no to anyone and therefore, obviously, we need a private solution.

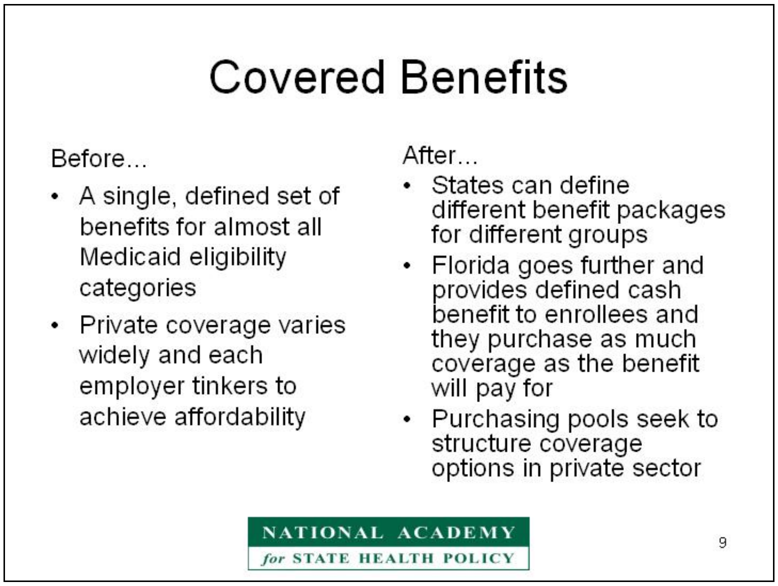


And if you prefer public solutions, you look at how public programs provide comprehensive benefits, give you a choice of provider, as in Medicare; they protect consumers, protect the sick, provide for accountability through public transparent political processes, and when you look over the private world, you see insurers imposing constraints, managed care and the managed care backlash, the role of caveat emptor – you better watch out – and the plans are out there to gouge the sick and, of course, try to find your way through an insurance policy and then make sense of it, and it is obscure and inaccessible to say the least.

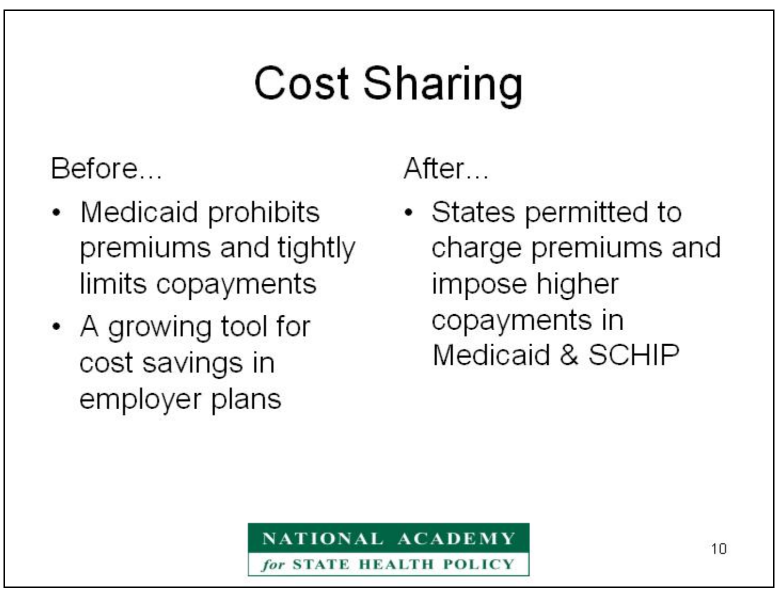
And it is, I think, because of this rhetorical divide, that we are unable to figure out how to close the gap and eliminate this problem of eight million out of the 78 million children having health insurance. But I'm going to make the case that while those are the political rhetorical devices, the actual substantive differences between the public and private approaches to addressing this problem have largely disappeared over the last decade or so.



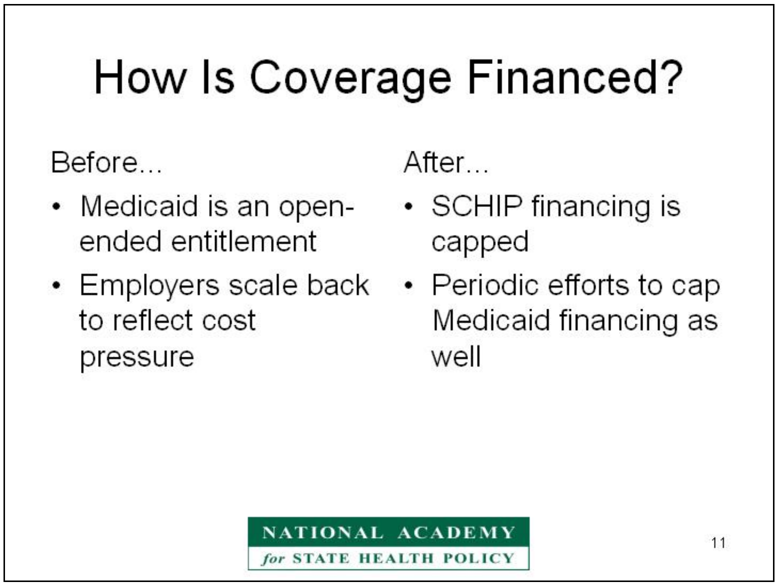
So, for example, when it comes to covered benefits, it used to be that Medicaid provided a very comprehensive benefit package and private plans, although they were usually pretty good, had coverage limits in them. But now, states actually have the option under federal law to use a commercial benefit design in their Medicaid and CHIP programs and the benefit designs in public and private programs, although not identical, have begun to converge.



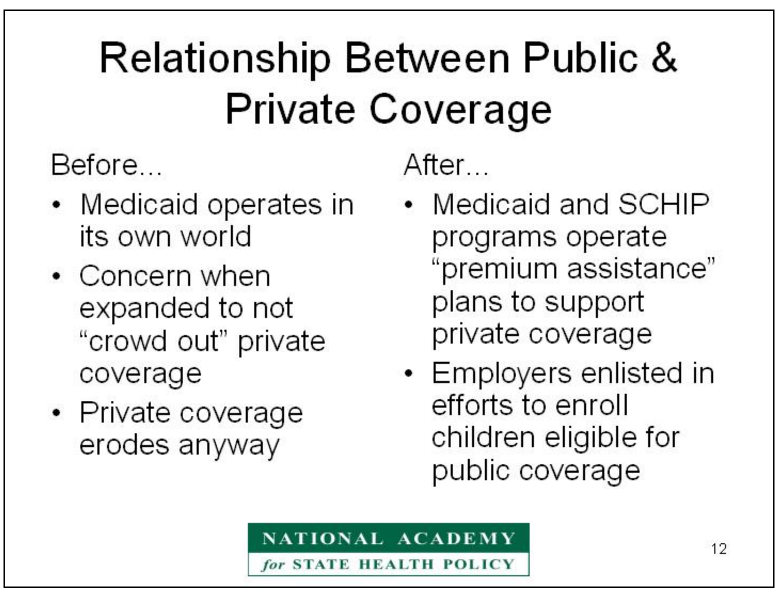
Similarly, it used to be that everyone in Medicaid got the same defined set of benefits regardless of why they were eligible for Medicaid, whereas your coverage as a private employee would vary depending on your place of employment. But today, states are allowed under federal law to define different benefits for different groups, and in Florida, they even give you a cash voucher so you can go get whatever you can get for that voucher. Meanwhile, on the private side where there used to be chaos, we see purchasing pools being created to try to design efficiency and part of that pooling is to structure coverage options in a more defined way and eliminate some of the chaos so people can make more informed choices.



With respect to cost-sharing, under Medicaid you weren't allowed to charge premiums and you could have very limited co-payments, while employers were charging more and more with respect to cost-sharing. But now states can charge premiums in their programs and they can impose higher co-payments than they used to be able to within Medicaid and the CHIP program.

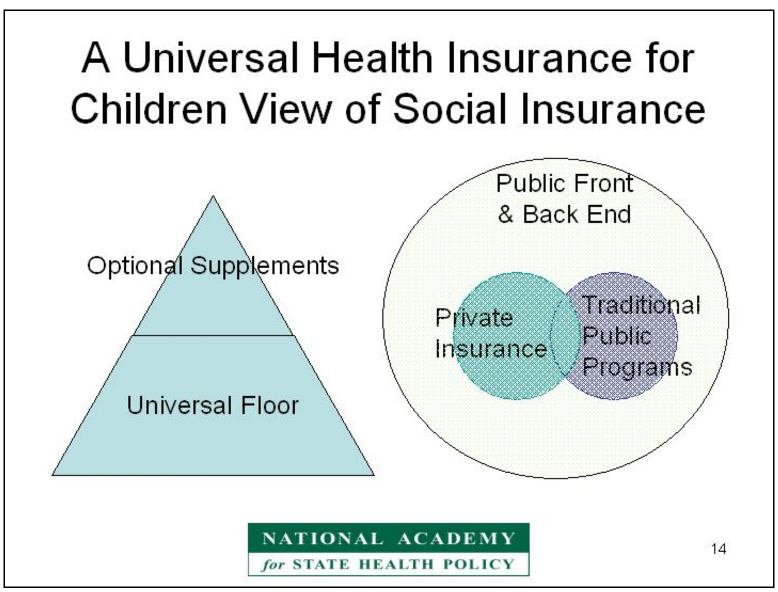


How is coverage financed? Medicaid is an open ended entitlement, while employers, they scale back their coverage when they run into affordability barriers. But the CHIP program that's touted as a great success, is capped – (audio break, tape change) – coverage and taking the free public benefit. Of course, private coverage eroded anyway, even though we worried about it.

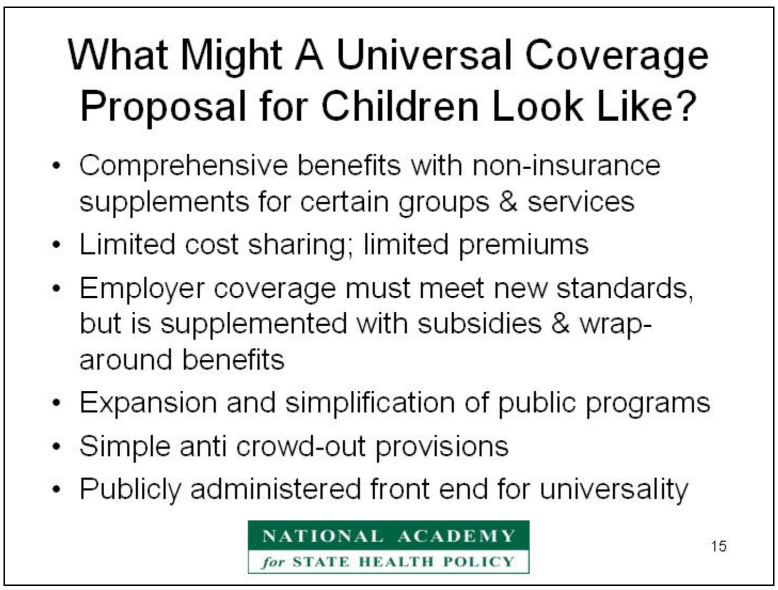


But now these worlds are very much intertwined. Many states have what are called Premium Assistance Programs where you use public dollars to support people's ability to afford private health insurance plans. And states are enlisting employers to help enroll their low-income kids of their employees into public programs, so this wall has been broken down.

And finally, when it comes to movement between these systems, the traditional view of public programs is if you need it, you'll come in the door, and if you don't come in the door, we don't care about you. Whereas employer enrollment in plans has been automatic: you sign up a month after you arrive or at the annual enrollment period, and you're on until something changes. But now we have states actively pursuing those who are enrolled, and coming up with renewal systems that are much more passive along the lines of how employers do it than how public programs have done. Now, I don't want to overstate the convergence. It is not that public and private are identical, but they have moved to look much more like each other in the last decade or so particularly with respect to the programs I'm discussing here and I think exist in many people's minds.



Now, I don't fancy myself an expert on social insurance, but it seems to me that the traditional view of social insurance has been, you have this universal floor, like Social Security, and then people can save in their private accounts, their private pension plans, or you have a universal floor of Medicare, and you can buy Medicare supplemental policies and the like. I don't think that model of social insurance is viable for the children's health insurance issue. I don't see a universal floor of coverage for children. But I do see a somewhat different possibility which is the pairing of private insurance and traditional public programs, as we have now, that is, some children are covered through Medicaid or CHIP and some children are covered through their parents' private health insurance. And wrapped around that is a public front and backend. That is a front-end that makes sure everyone gets in the door, as opposed to having eight million kids, six million of whom are eligible for these programs, but we simply don't know where they are, and a backend that wraps around these two traditional sources of coverage to make sure that there's a funding source for those kids who otherwise would not have anyone to pay for their health insurance.



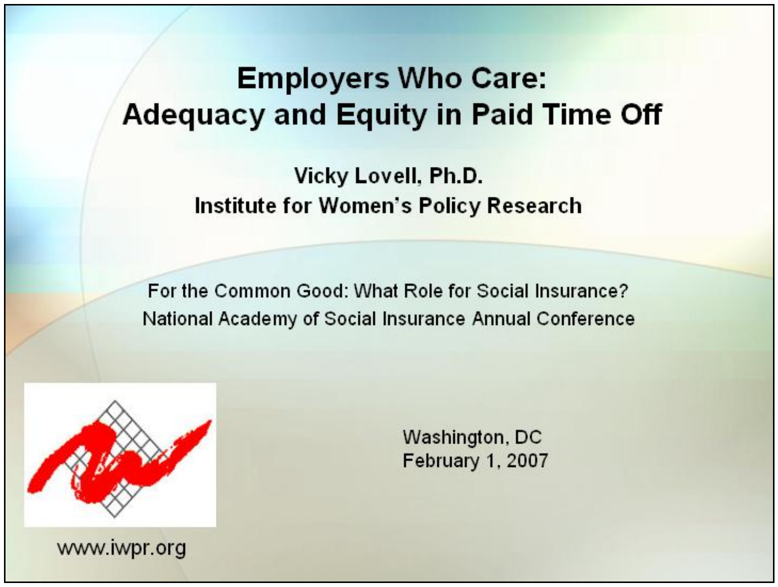
What might this look like? For example, we could have a comprehensive benefit package with non-insurance supplements for certain groups in services. What do I mean by that? The insurance model is not the only way to provide services to kids. For children with special healthcare needs, for immunizations, there are a lot of services that we take out of the insurance model so we don't burden the insurance system. We could have limited cost-sharing and limited premiums and basically employer coverage would have to meet these new standards in order for it, for example, to be tax deductible. The president's monkeying with the tax code with respect to health insurance, why shouldn't I? (Laughter.) And then we can subsidize and wrap around the limitations in the employer coverage for those who need that assistance. After all, when you take all the employees of a firm, some are very low-income, and their kids may need some wrap around services, others are higher income and the traditional employer plan may meet all of their needs.

We expand and simplify public programs so that we don't have so many of these children who are eligible, but unenrolled. We have some simple – what we call in the field "anti-crowd-out provisions," so that we resist some of the movement between public and private. And as I said a moment ago, you have a publicly administered front-end, that is, you make sure every child gets in the system without having to fill out a bunch of forms, without having to do a lot of income verification and other documentation. You figure out who's going to pay for it on the backend knowing that there are a variety of possible payment sources, some public, some private, but it should not really be the bother of the family to navigate it's way through the various options. It's the job of the government or some public system to point people in the right direction after they're inside.

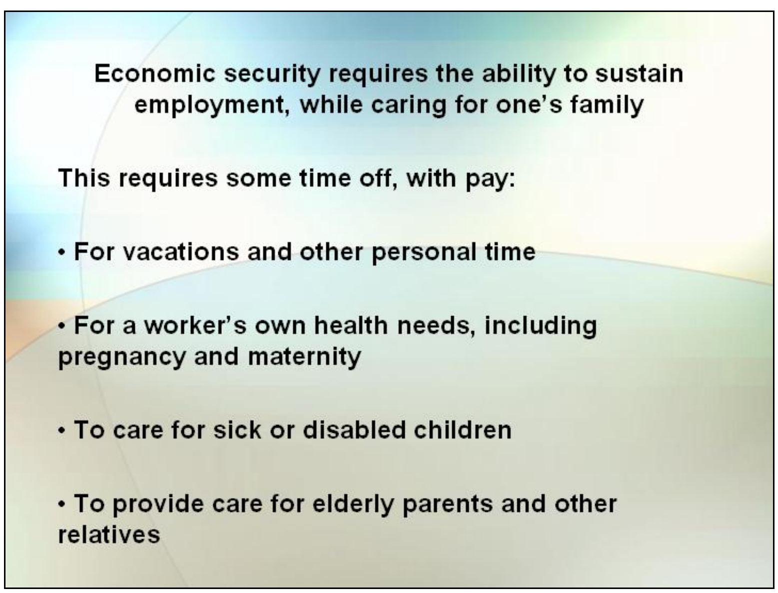
Now, we can have many debates about the politics of covering children or covering children without their parents, the relative merit of going to kids as opposed to families, and I think those are important discussions. But all I'm trying to pose with my remarks today is the possibility that we have a somewhat broader sense of what social insurance can mean, not just universal floor, but instead, a variety of types of coverage wrapped together into something that's very accessible to the families who need it. As long as we take that broader view, it seems to me that the social insurance model that includes universal coverage for children is completely viable. (Applause.)

Employers Who Care: Adequacy and Equity in Paid Leave

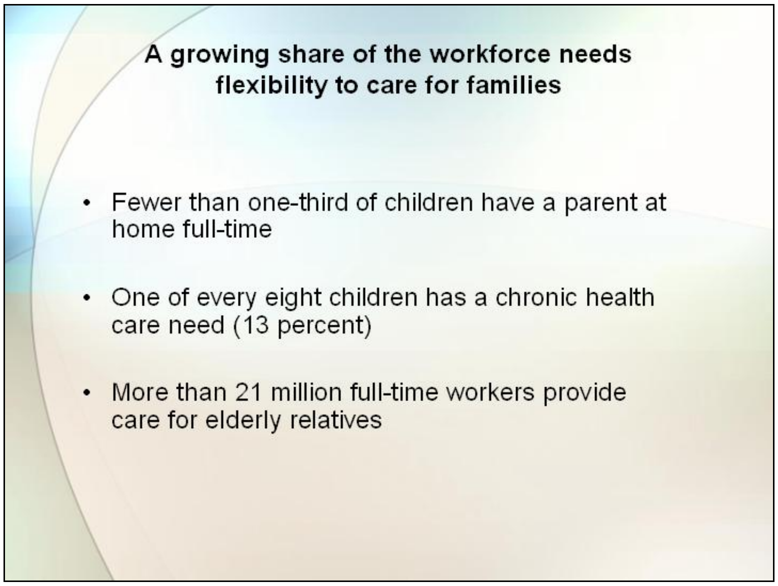
Vicky Lovell, Director of Employment and Work/Life Programs, Institute for Women's Policy Research



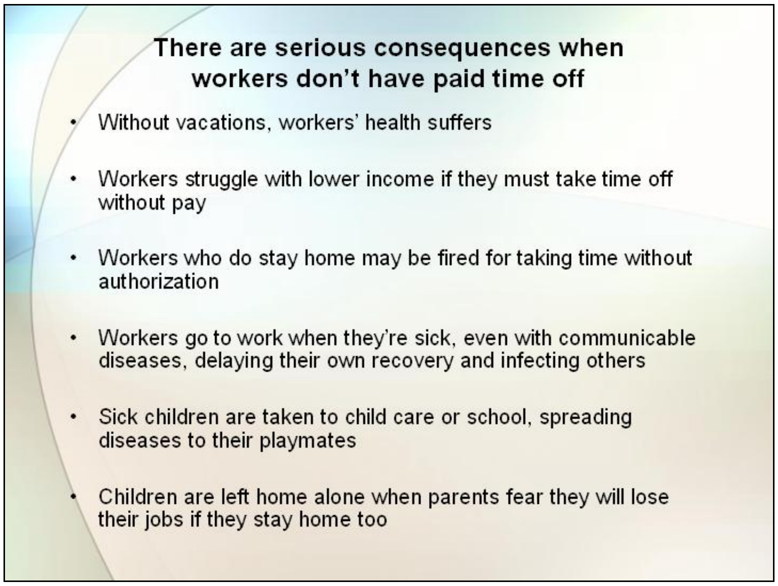
VICKY LOVELL: If we want to look at the whole package of elements that are important to allow families to establish and maintain economic security, we need to move beyond the traditional view of wages, health insurance and pension benefits as being key from an economic perspective, and look at other policies that are important for keeping employees on the job while they deal with things that are happening in their lives.



This requires that workers have some time off with pay for vacations and other personal time, for workers' own health needs when they get sick, whether they have a chronic problem or an acute medical emergency, and this includes time with pay for pregnancy and maternity, to care for sick or disabled children – and I'd like to acknowledge Jody's really important work in highlighting this issue for workers – and to provide care for elderly parents or other relatives.

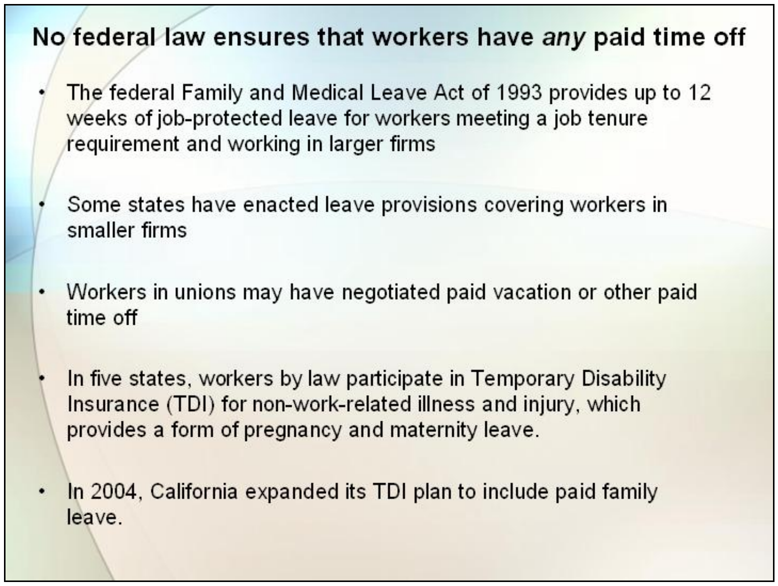


A growing share of the workforce needs these sorts of policies in particular. Although so many women are now working, women still do the majority of care-giving work. The impact of family care-giving as a possible disruption in employment is growing. Fewer than one-third of children now have a parent at home fulltime to care for them when they are sick, so our traditional or older patterns of dealing with children's healthcare needs are no longer congruent with the way our labor market works. One of every eight children has a chronic health condition, and many of these children will need someone to care for them on an emergency basis fairly regularly, or they require more constant care. In addition, more than 21 million fulltime workers provide care for elderly relatives. This is going to be a growing phenomenon – we've already heard about personal experiences with that this morning, of workers who have to take time off to provide care for their elderly relatives.



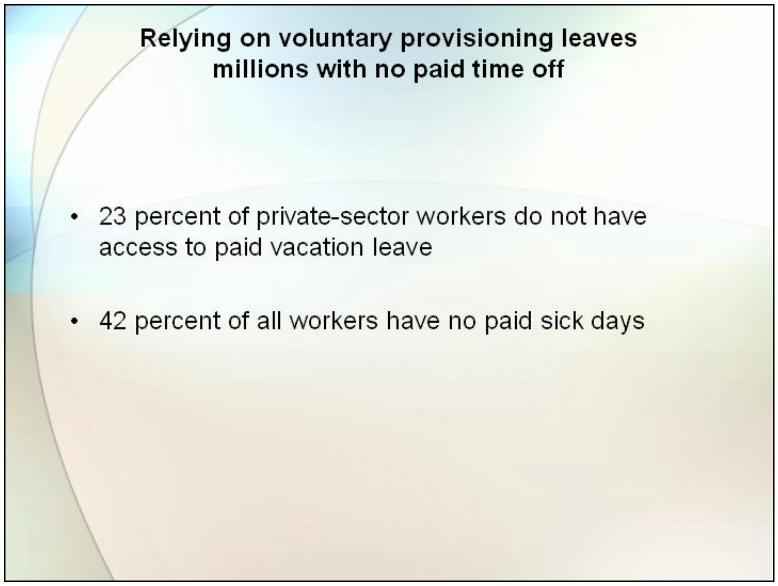
It's not just a matter of thinking about what would be nice for workers to have or what we might think is fair or just, but there are important economic consequences when workers don't have paid time off. There is some interesting research showing that workers who don't have vacation time have worse health outcomes than workers who do take vacations. In addition, if workers have to take time off, and don't have a plan providing pay for that, then they will struggle with loss of income during the time that they are off without being paid. Often workers, who have to stay home when they have a health problem of their own or to care for a sick child or a chronically ill parent, will be fired for taking time without authorization, which obviously disrupts their economic security even more seriously.

Workers who go to work when they're sick because they don't have paid time off, or don't even have unpaid time off, create public health concerns. They spread communicable diseases among the workforce, thereby increasing the level of absenteeism that their employers are dealing with, and also taking longer themselves to recover from their health needs. When parents don't have adequate paid sick time to stay home with their children when their kids are sick, they may resort to taking their kids to childcare or to school even when those institutions have policies saying that only healthy children can attend. This again contributes to public health concerns because kids are so efficient at spreading diseases when they play together; then other kids bring home more sickness to their parents and spread the disease effectively throughout the community. Sometimes children who are too young to be left home safely when they're sick are in fact home alone, because parents are afraid that if they stay home with their kids they will lose their job. Some parents are faced with an impossible choice between staying home with a sick child and caring for them or going to work, not losing their job, and leaving that child unsupervised in an unsafe situation.



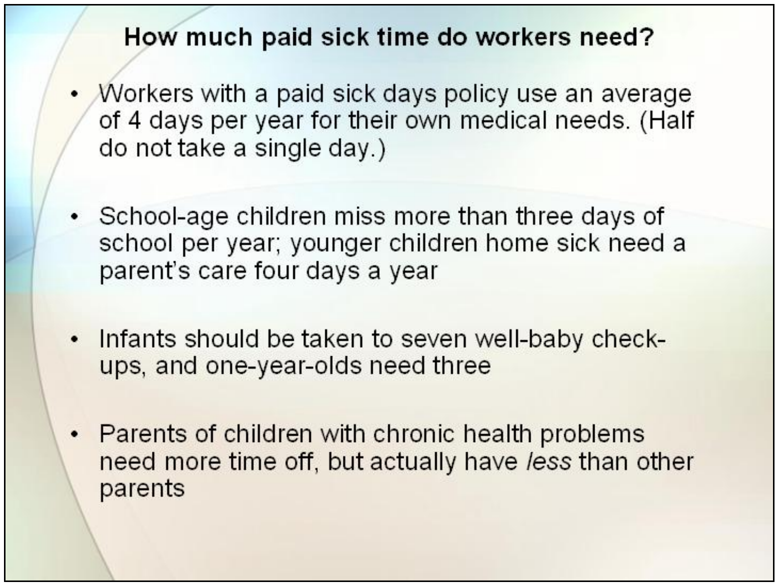
A lot of people assume that we have some kind of federal law requiring that workers have some time off for sickness for themselves and for their families, but there is none. The federal Family and Medical Leave Act of 1993 provides up to 12 weeks of unpaid job-protected leave for workers who have health concerns of their own, or if they need to take care of a seriously ill family member, with a fairly narrow definition of what constitutes a family. But employers are not required to pay for this time off. Some workers can patch together some paid vacation or paid sick time during this kind of leave, but there's no requirement that that be done and for most workers, at least some of the leave will be unpaid.

Some states have expanded the scope of the FMLA by including smaller employers that are not covered by the federal mandate. And workers in some unions have negotiated paid vacation for their paid time off. Of course, a lot of other workers have gotten paid vacation or paid sick leave just as part of their compensation package. The union situation is a bit more like a kind of right to paid leave as opposed to just a voluntary provisioning by an employer unilaterally. In addition, in five states, including some of our largest states, laws ensure that workers are covered by temporary disability insurance programs. These cover paid time off when they have a non-work related illness or injury of their own, including pregnancy and maternity leave, which is covered as any other medical disability. And in 2004, California expanded its temporary disability insurance to provide six weeks of paid family leave for workers. So that's a state that now has a more comprehensive approach to providing time off with pay for workers' own health illnesses, and also to provide a period of time when workers can care for family members.



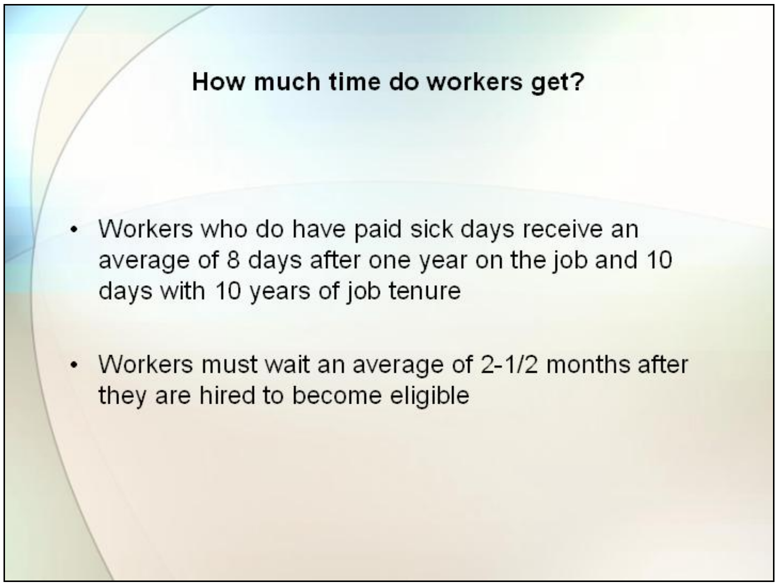
But relying on this voluntary provisioning, in the lack of any federal policy, or even a very good state level set of policies, leaves millions of workers with no paid time off. About a quarter of private sector workers do not have access to paid vacation leave, and 42 percent of all workers have no paid sick days. So when we leave it up to the market or to private employers to make decisions about whether to offer time off, we don't have adequate policy coverage.

I'm going to focus most of my remarks on paid sick days because that's an issue that has a very strong political campaign right now, working at all levels of government. It has a lot of salience with the public – there's very strong feeling that all workers should have some paid sick time. It's a matter of fairness and equity that workers have that kind of time. We have some good data about which workers do and don't have paid sick days, so we can look at the adequacy and the equity of our current provisioning. And there are a lot of strong rationales for providing paid sick days.

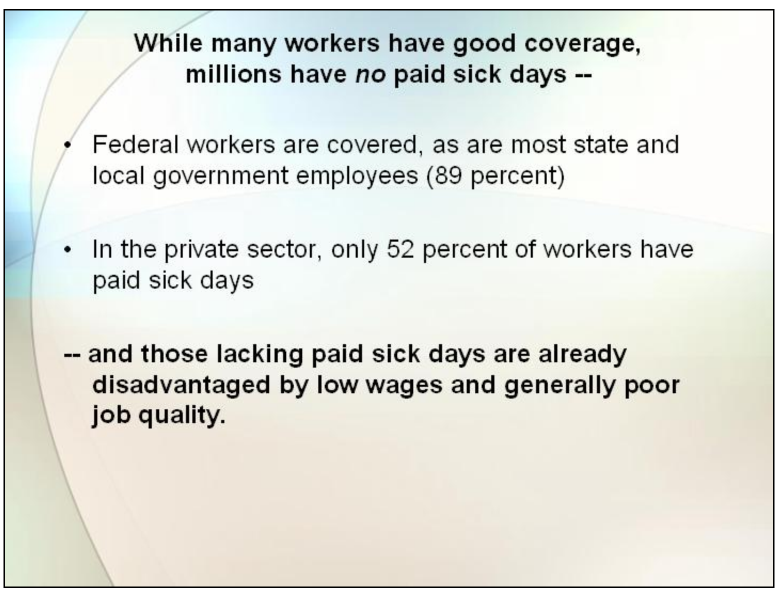


To evaluate the adequacy of current policy, we might try to figure out how much time people really need for sickness. The National Health Interview Survey shows that when workers do have paid sick days, on average, they take about four days off work in a year for sickness and illness of their own. (Half of workers who have paid sick days don't take any time off.) School-age children miss more than three days, on average, of school due to sickness. With a school year lasting about three-fourths of the year, parents who have kids who are too young to be left home alone might expect to need to miss four days of work every year for every such child.

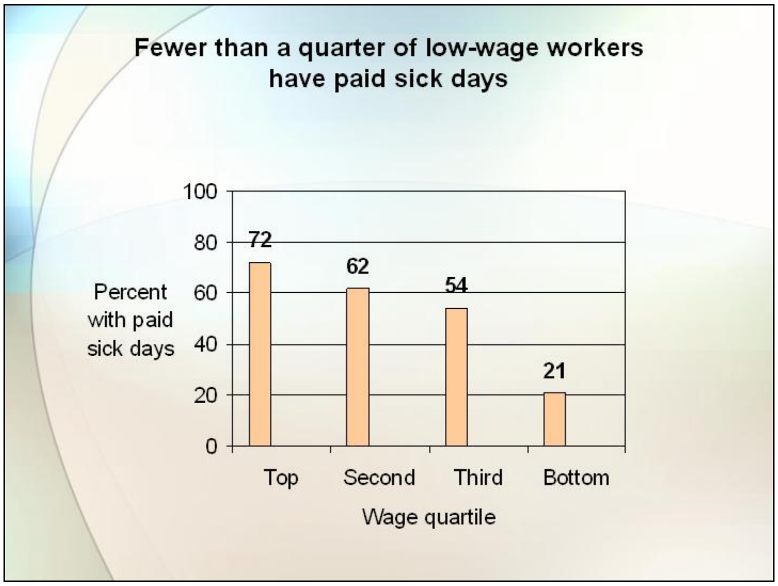
In addition, infants need to see a doctor about seven times for well-baby checkups, and in their second year of life, children are recommended to go in three times. That's an additional burden on parents who have very young children and time they need to be able to take off, typically during a work day, in order to be sure that their kids are healthy and receive their immunizations and other care. And of course, parents who have children with chronic health conditions will need more time off than this. If we add this together, it seems that on average a parent might need eight days of paid sick days a year; a worker who doesn't have other family care responsibilities might need roughly a week of paid sick days.



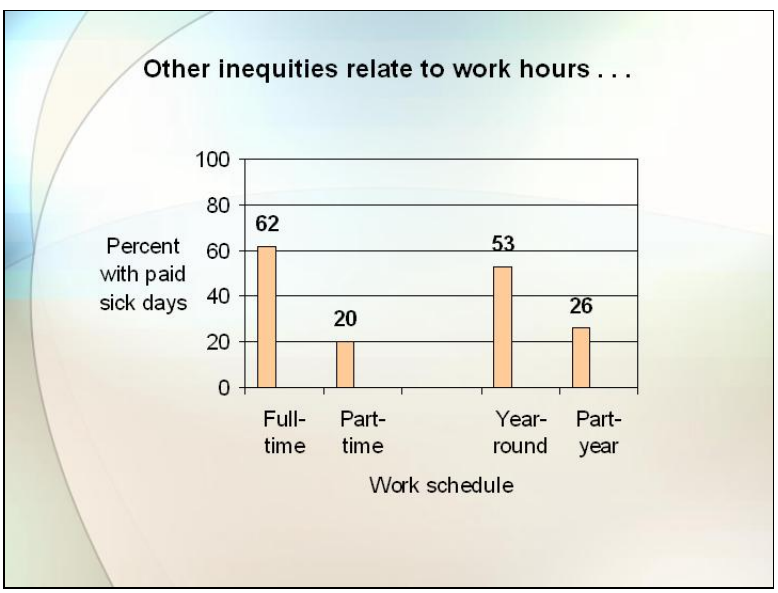
According to IWPR analysis of the March 2006 National Compensation Survey, workers who do have paid sick days average about eight paid days off per year after the first year of employment. When they've been on the job longer, with 10 years, the average is 10 days. If you're a worker with an average level of need for time off for sickness and you do have such a policy, then you're probably in pretty good shape. On average, workers have to wait two and a half months before they're eligible to take time off under paid sick days policies. I have heard of companies who are so aware of that eligibility threshold that workers are dismissed just before they qualify for paid sick days. The same employee may have a job the next day, but they're starting over with no eligibility.



Despite the fact that some workers have what seems to be pretty adequate paid sick days coverage, a lot of workers don't have any. Federal workers are covered, and most state and local government workers have paid sick days, but in the private sector, only about half do. Low-wage workers – no surprise – have the worst access to paid sick days, but the extent to which they're shut out is amazing: fewer than a quarter of workers in the bottom wage quartile having any paid sick days at all.

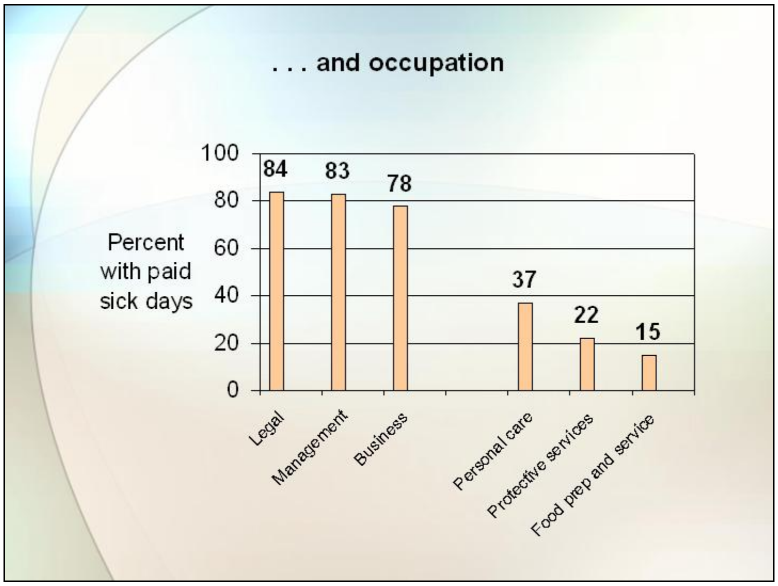


Other inequities in the distribution of paid sick days relate to work hours, with full-time workers having much better coverage than part-time workers.



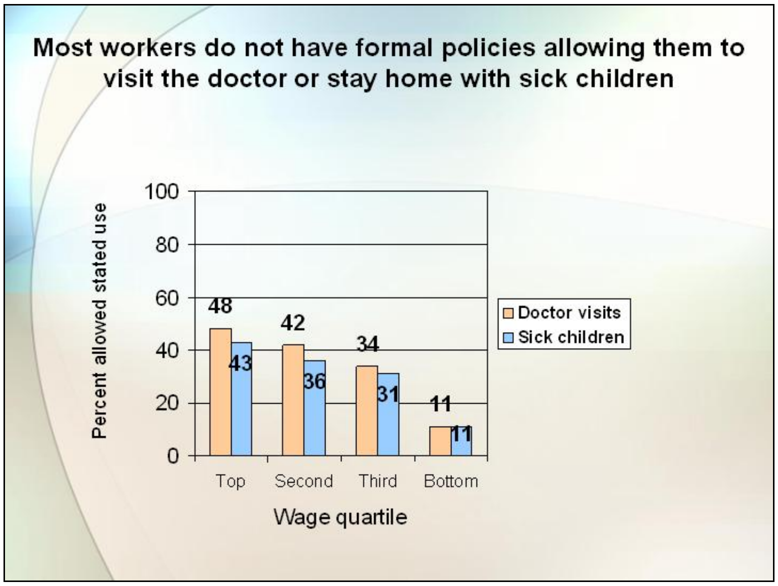
Again, less than a quarter of part-time workers have paid sick days coverage; about a quarter of workers who work less than a full year have paid sick days.

Regarding occupational differences, professional workers, as expected, have much higher levels of paid sick days coverage.



A lot of low-paid service work, particularly in food preparation and service, has very low coverage by paid sick days. (Try not to think about that the next time you're ordering food in a restaurant.)

Another important aspect of paid sick days policies, which we think of primarily as being for workers' own health needs, is whether workers are allowed to use their paid sick days to care for family members or to visit the doctor. The incidence of these two uses of paid sick days shows the same disparities, with workers in the bottom wage quartile almost never having a formal policy allowing them to either go to the doctor or stay home with sick children

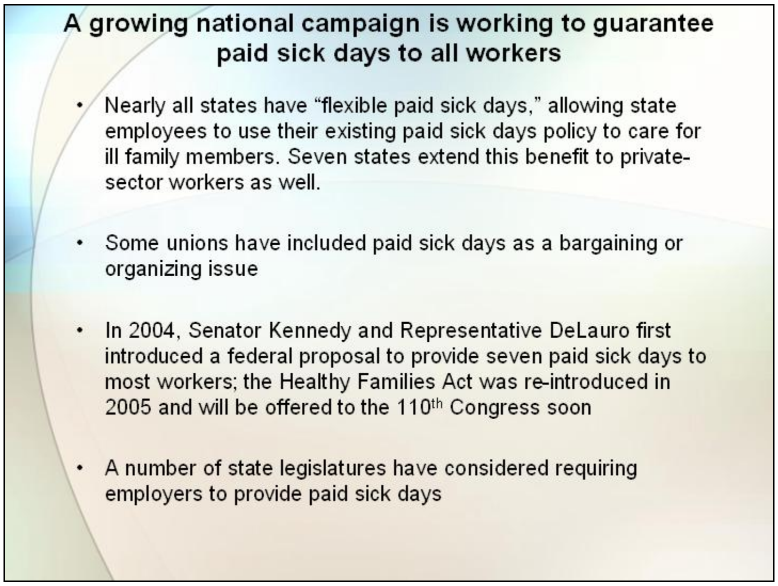


In terms of equity within firms, we are able to look at whether an employer who says, "Yes, I have paid sick days," allows all workers to be part of that policy. About 80 percent of employers do, but about a fifth provide paid sick days to just part of their workforce, distributing it according to what we've seen before – professional workers more likely to have paid sick days and lower-paid workers not having any.

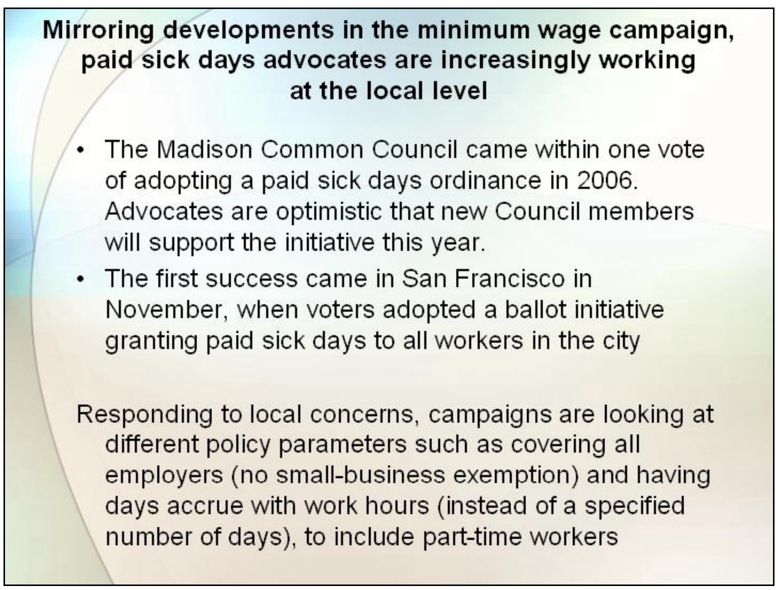
Most employers with paid sick days cover all their workers, but some are selective

- Of employers providing paid sick days, 79 percent have universal coverage
- Management, educational services, and arts/entertainment/recreation employers are the most likely to selectively provide paid sick days to only part of their workforce

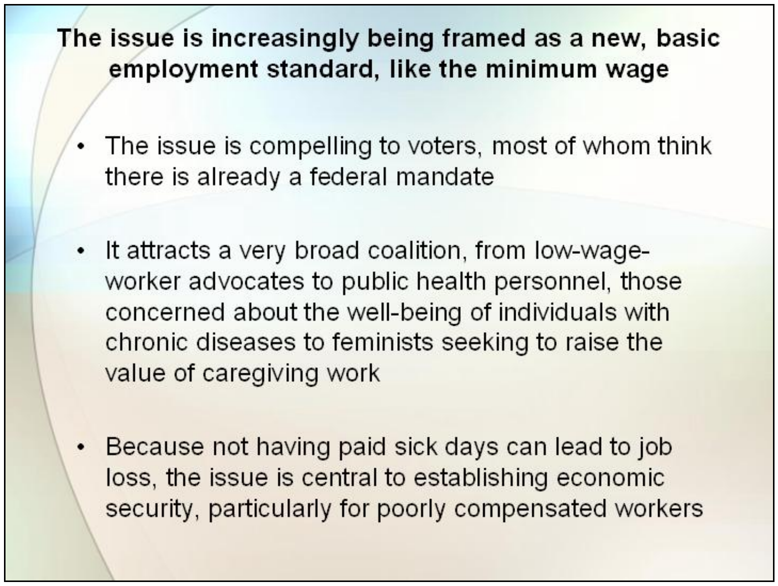
There is a very extensive campaign working at the local level, the state level and the federal level to enact paid sick days policies.



The campaign saw its first big victory in November when voters in San Francisco adopted an initiative requiring that all workers in that city have paid sick days.



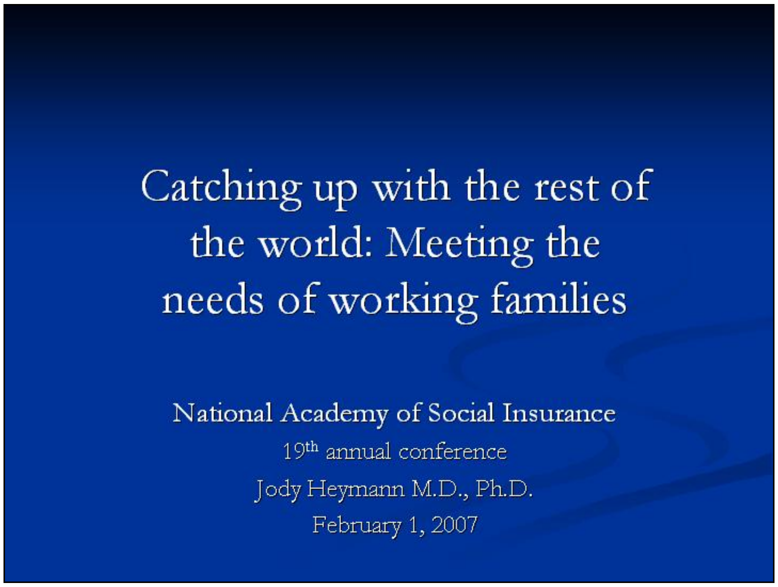
And there's a lot of hope and optimism that we will see more successes in the coming year.



Thank you. (Applause.)

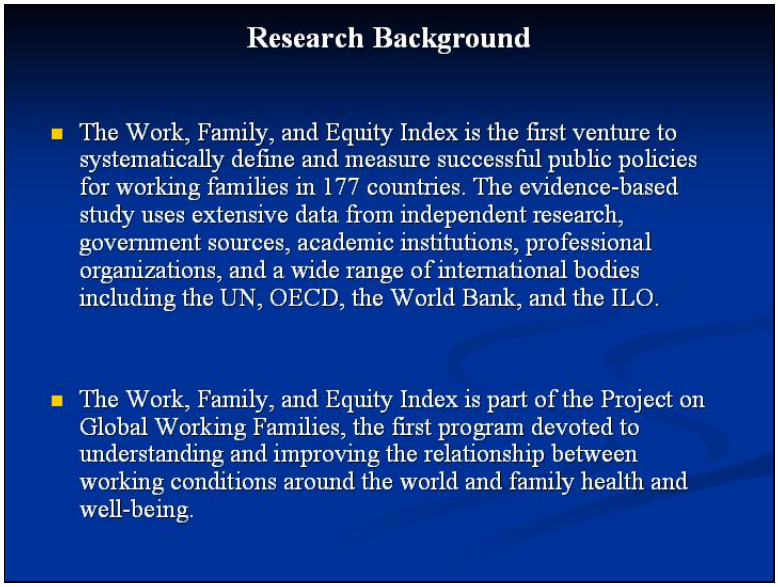
Catching Up With the Rest of the World: Meeting the Needs of Working Families

Jody Heymann, Director of the Institute for Health and Social Policy, McGill University

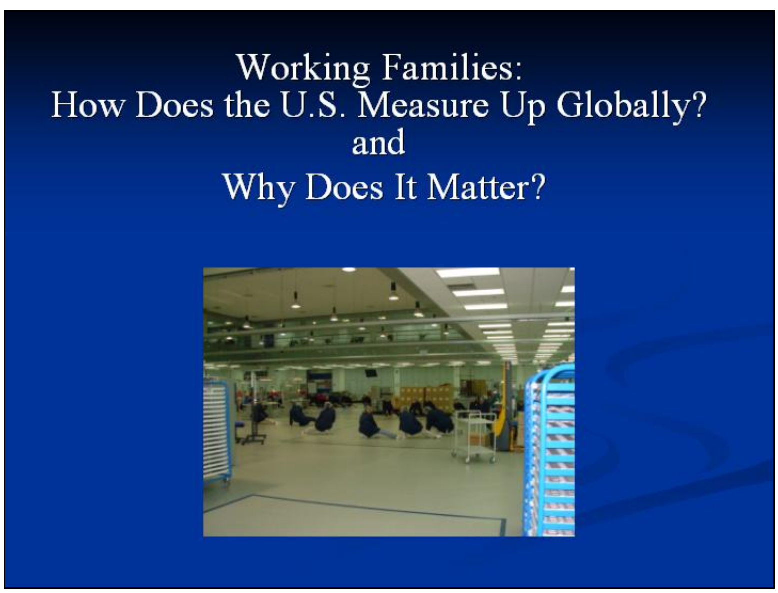


JODY HEYMANN: We just released today a new study called, "Work, Family, and Equity Index: How Does the U.S. Measure Up?" In this process we looked across 177 countries and at our own labor policies and said: "How's everybody else doing, and how are we doing?" And we did it for a particular reason. Having spent a decade-and-a-half looking at how American families were left behind, we kept being asked can we afford to economically compete in an era of globalization, and put these policies in place? And I hope at the end of my few minutes here I'll put that question to rest.

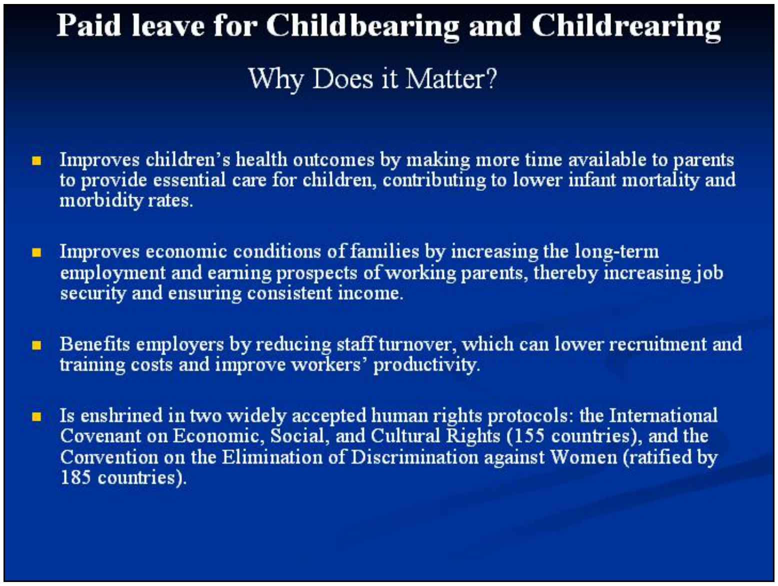
First, just a moment of background on a project I lead at McGill and at Harvard. It's called the Project on Global Working Families.



For those who are interested in these issues on a global scale, I'm happy to talk more later, but we do have the largest set of data around the world on conditions in Latin America, Africa, Asia, Eastern Europe, and North America, on what's going on for working families.



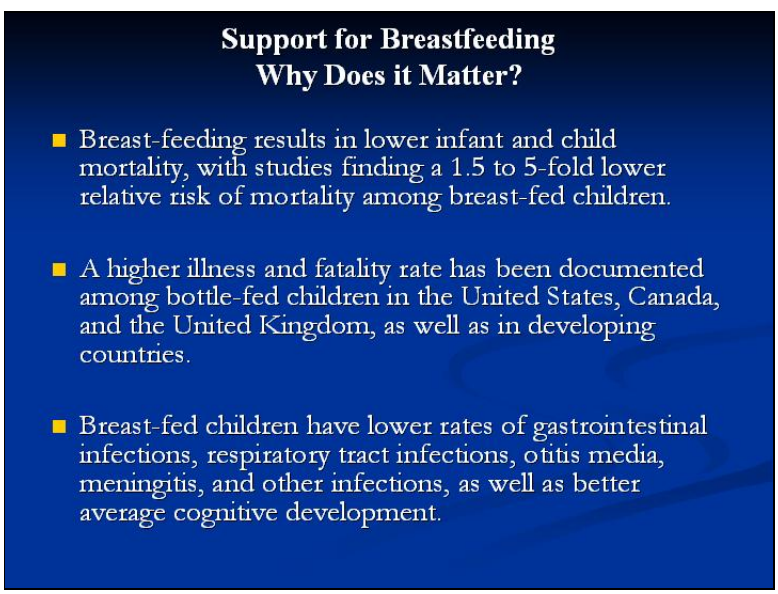
So how does the U.S. measure up globally and why does it matter? We've already heard an introduction into why it matters, but I'm going to go through a few examples of where we stand. I'll start with paid leave for child-bearing and child-rearing and just highlight a couple of notes. There is probably nothing that makes a bigger difference to how infants get launched other than prenatal care and whether or not we provide paid leave. And we know, by the way, that the U.S. is failing at this; we rank very low on OECD scales for how our infants do.



When families have paid leave, the parents are there for care and the children are much more likely to be breastfed. That, in itself, we'll see in a minute, lowers morbidity and mortality, illness and death, three to five-fold in the U.S. as well as lowering it in poor countries. It increases cognitive development and it has important economic outcomes for the families. So what's the global scoop? We have data on 173 countries for maternity leave, 168 of these have paid leave for women with children. Who doesn't? Lesotho, Liberia, Papua New Guinea, Swaziland, and the United States of America. Now, by the way, don't leave this room thinking that all four are as bad as the United States, because they're not.

So in Papua New Guinea, for example, you are guaranteed some paid sick leave and you can use that for maternity leave, so they do have a few more days of paid leave in Papua New Guinea than we do here. But the 168 swamp us, that is most of the countries. I could pick any country, but for people who have been watching movies lately, Kazakhstan does have paid maternity leave. (Laughter.)

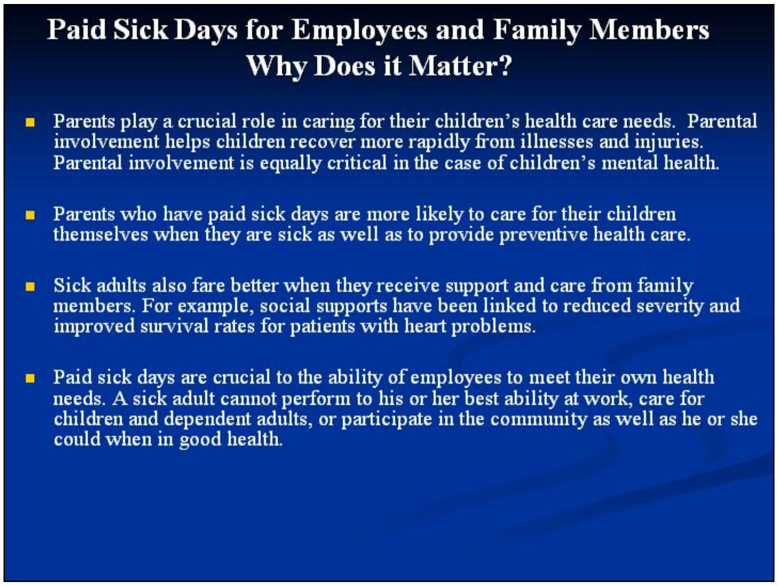
Now, it’s not just about moms; it’s dads too. Sixty-six countries now have paid leave for dads; most of Europe has some kind of paid leave for dads, the United States doesn’t. I want to spend a minute on breastfeeding because you’re going to see a link to competitiveness as well. Gold standard, randomized trials have shown that when families are encouraged to breastfeed, kids end up with higher IQ scores by a measurable amount.



Now, what's that have to do with working conditions? It has to do with working conditions because among the biggest determinants of whether you're breastfed right now include length of maternity leave and whether your mother gets breastfeeding breaks at work.

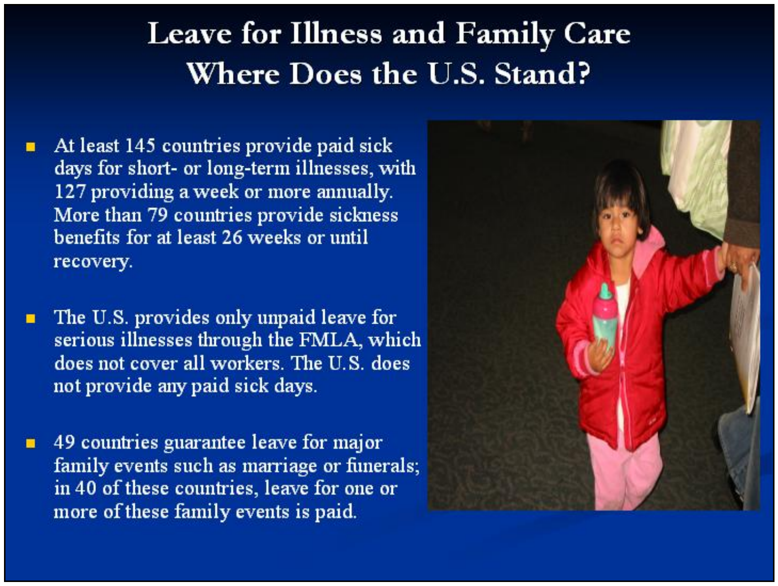
Well, we don't even think about that in the United Sates. I spent a moment on it because it's not even on our agenda and it would be so simple to put it there and to get it done. A hundred and seven countries protect the right of working women to breastfeed; 100 of these guarantee at least an hour, something small businesses can do, big businesses can do. It's straightforward.

Sick days. We started to hear: "This is not only on the state agendas, it's on the city agendas." San Francisco has passed it; it's on the federal agenda. This is something that is within our reach. Why does it matter?



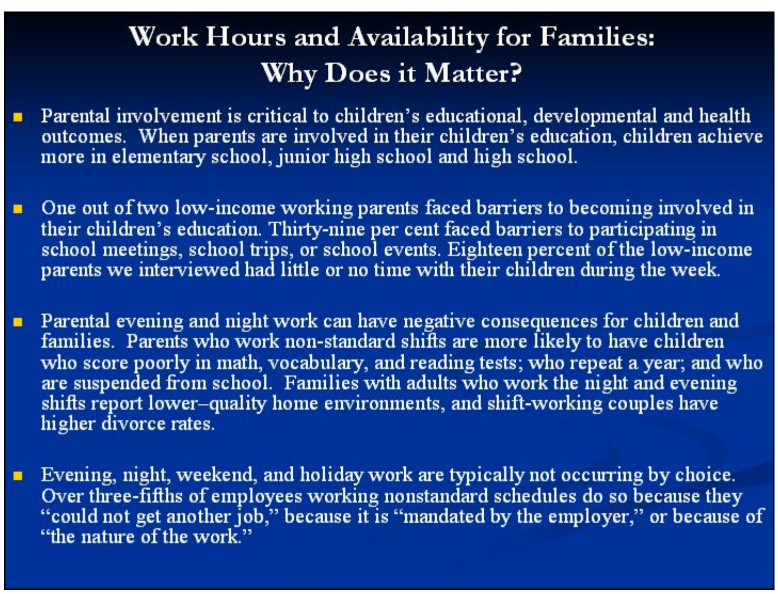
We did studies in the United States that interviewed families who left their children home alone, or sent them to school sick, and those who took care of their kids when they were sick. And by the way, many, many people send their kids to school sick. So I won't embarrass people here by asking everybody to raise their hand, who has sent a child to school sick. But when I do, what usually happens is nobody raises their hand; they're very silent. And then one person raises a hand and admits to having done it. And then all the hands start to go up across the audience – (laughter) – and childcare providers know this, by the way. They talk about Tylenol signs with the little pink on the lapel when the parents have doped the kids with Tylenol so that the fever will go down long enough to leave them in childcare.

But, what's the data show? The data shows if you get paid sick leave, you're five times as likely to care for your child yourself when they get sick. Those kids also get out of the hospital 31 per cent faster. If they have routine illness or a chronic disease such as asthma or diabetes, they do better. This matters a great deal in caring for kids, and it matters a lot in caring for the elderly. You do better if you have a stroke; you do better if you have a heart attack, if you have family there to care for you, and it matters in caring for your own health. We know that.

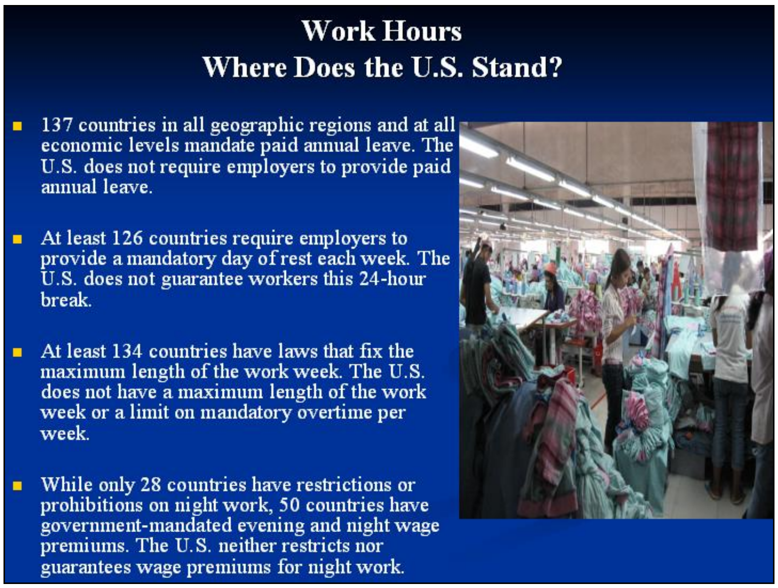


Is this unsolvable? No. One-hundred-and-forty-five countries around the world have solved this. Throughout Europe, you won't be surprised, everybody has paid sick leave. It's also the case that Paraguay has it, Pakistan has it, Gabon has it. I won't spend my whole minutes listing all 145 countries, but I do want to note that while we are fighting to have a small number of days here in the United States – seven days – 79 countries have paid leave for six months or more between the sick leave that employers provide and the social insurance system. So when we get the seven days, which I hope we do soon, we will still be far, far behind most of the world.

Work hours obviously matter a lot. Whether parents are able to care for their kids, whether those who don't have children are able to care for spouses, partners who are sick, for elderly family members, whether they have a reasonable work week matters to all of us.

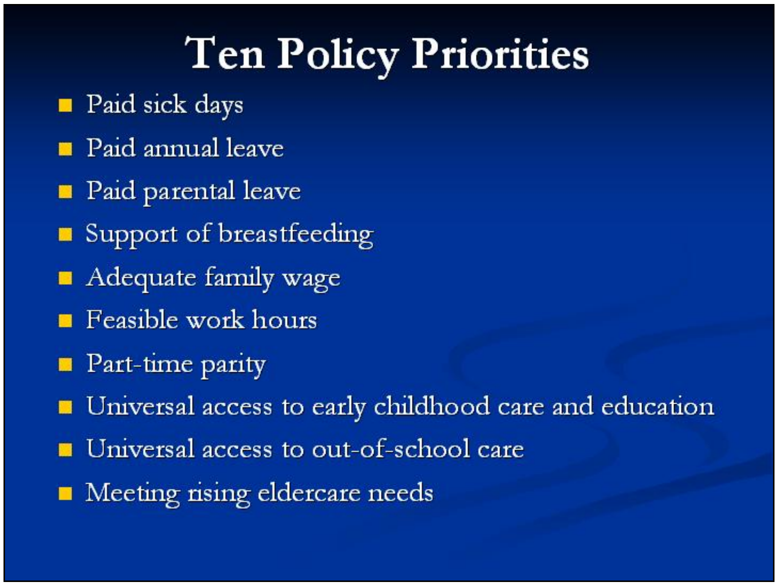


I'm just going to highlight one example, though, here why it matters. That's about evening and night work. Most evening and night work in the United States is involuntary, and it's mostly not what people in the room here probably do, which is an occasional staying late at work when they want to. It tends to be evening shifts; it's disproportionately those who are low-income or low-skilled. We know from our earlier national studies that if you work in the evening your child is 80 percent more likely to score in the bottom quartile on a math test. If you work night shifts, you're nearly three times as likely to have a child suspended from school. Having parents around matters, it shouldn't surprise us.



Other countries are doing something about this: they do something about maximum hours, they have paid annual leave, and they require extra amounts for wages for evening and night work to discourage that as a mandatory approach.

On the slides I've listed these ten policy priorities, which come out of our understanding of both the evidence of what would make the biggest difference to families and to workers regardless of their family status, but also priorities clearly achievable on the global scale.

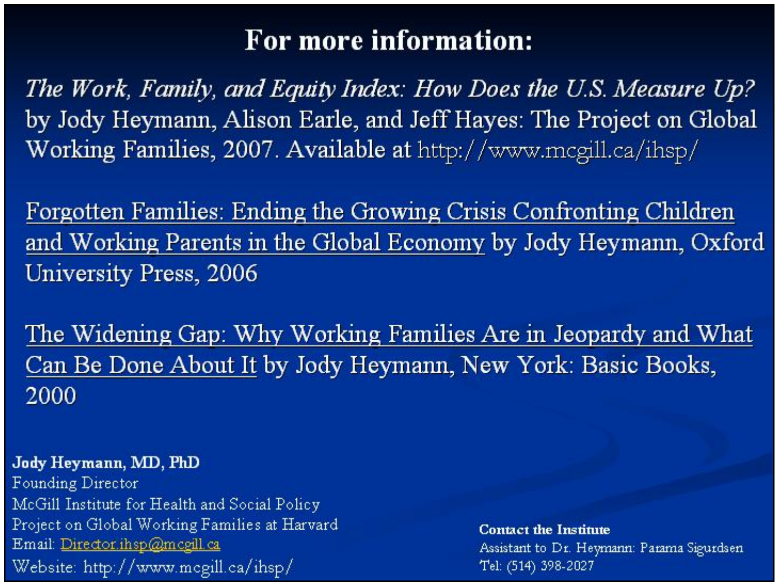


I just want to note two things. There are a number of things on this list that are easy. Really, it should not be hard for us to pass paid sick days. It shouldn't be hard for us to pass paid annual leave and it shouldn't be hard for us to get something like an hour of breastfeeding break. These are things that any company, any size can do in a straightforward way; it's happening around the world. Some of these are going to be more challenging. They're up here too, because they're just as important, but I recognize that what it's going to take will be a different level of commitment before we have such things as universal access to early childhood care.

But lest we leave that list saying, "Okay, everybody's doing it, but we can't do it in the United States," and lest we leave with some of the myths, I do want to briefly debunk the myths: "We don't know what works;" I think you've already heard that we do. "Can't reach the informal sector;" we have a pretty small informal sector by global standards and many of these policies can get to the informal sector. "It's not affordable" is the one that I'm going to come back to, but I want to, for time's sake, just say something about "parents can solve the problems alone." If they could, we wouldn't have interviewed the number of parents in the United States we have where a child has ended up in the hospital because the parent went to work when the child was already very sick with an asthma attack, but the parent was worried about losing the job; we wouldn't have interviewed the number of parents we have where the parent stayed with their child and ended up losing their job. They're trying to solve it alone, but it's really not solvable that way.

So I want to conclude with a note about national competitiveness. We have the data on 177 countries, so we did match it up against what are the most competitive economies as ranked by businesses, as ranked by the World Economic Forum. And here's what you need to know: the most competitive countries actually provide, on average, longer parental leave. They provide more leave to care for children. And out of the top 10 ranked most competitive countries, the only one that doesn't provide this basic set of packages I've described is the United States. And the United States rank is falling. It was first, it's now sixth in competitiveness. On math scores, because remember we talked about the relationship math tests to working conditions, we're actually 24th out of 29 countries measured in the OECD.

"We can't do this while remaining competitive," it's clear we aren't remaining competitive if we don't do it. So I hope we'll take it seriously. For folks who want more information, the full report is at www.mcgill.ca/ihsp, that's for the Institute for Health and Social Policy, and I'm happy to talk to you afterwards.



Thanks very much. (Applause.)

Establishing a True Measure of Economic Security Across Generations: The Self-Sufficiency Standard

Joan Kuriansky, Executive Director, Wider Opportunities for Women

JOAN KURIANSKY: Good afternoon. I'm very happy to be here and actually to follow all of these speakers who I think have been able to frame the discussion that I would like to have with you now about income adequacy as a part of a social contract with Americans. It's been very moving, really, to hear the morning discussion that goes both to a moral imperative and a sound realistic economically appropriate imperative of what we need to do, not only to support working families, but to support Americans at every age independent of race, gender, or marital status.

And what I would like to talk with you today about is a vehicle called the self-sufficiency standard that helps to give us as a country some parameters of what it really costs to live in the United States, and how that can be used as a tool to measure both policy initiatives, to help the debate on public policy in this country, to help improve programs of all kinds, whether it relates to work supports like we've just heard now or education and training initiatives. And this what I would call a budget tool – the self-sufficiency standard was developed about 10 years ago, in conjunction with Wider Opportunities for Women: the Family Economic Self-Sufficiency Project.

And the project itself was an effort to look at how to develop tools to help low-income working families make ends meet, particularly in light of the fact of the increasing devolution of power from the federal level to the state level and the impending changes in our welfare system.

We worked with a researcher, Dr. Diana Pearce, who many of you may be familiar with as the woman who coined the concept "the feminization of poverty" and is now located at the University of Washington. But basically what the self-sufficiency standard does is define the income that working families need to meet their basic costs of living without any kind of public or private subsidies.

Earlier, we were talking about language, and I do want to say that our term "self-sufficiency" has been questioned, and I understand that. But I would argue that it's not the word as much as the context in which it has been used. And what we try to do within our analysis is create a definition that really speaks to what it takes for families to make ends meet. Not like the current welfare laws, which uses the term self-sufficiency with no definition, but in fact, the inference is as long as you're not on welfare you're self-sufficient. In some ways, it's a lot like the federal poverty level, which has inadvertently been, I think, confused with the concept of income adequacy. And what we are trying to do is create a different way of thinking about income adequacy apart from the federal poverty level, but in a way that helps as a society, we develop a framework of moving towards something greater. Something really simple: being able to meet your basic costs.

One of the reasons that we have chosen not to look at the federal poverty level as a resource for any kind of analysis, despite the fact that it is the primary tool that is used by federal and state policy makers to set eligibility thresholds and for other parts of programs, is that it is both out of date in terms of its assumptions about family and work, and also about assumptions of costs. For those of you who are not familiar with the federal poverty level, just a few things: It was developed in the 1960s. The primary assumption on allocating cost was looking at a food budget for family and the assumption was that one-third of your expenses were being covered for food, and so all you needed to do to figure out your whole budget was to multiply the cost of food by three. It assumes that when there are two adults in the household, one of them works, the other doesn't. When there is a single parent in the household, there is no working adult. It assumes that when you are living in Manhattan, Kansas your costs are the same as if you were living in Manhattan, New York. We don't think that really reflects the America that we live in today.

And so what our tool tries to do is look at several different kinds of standards and assumptions. One, we do assume that when there are adults in the household they are working fulltime and have the same kinds of costs that any worker would do, whether they're a man or a woman, and that includes childcare, taxes, and transportation. We assume where you live makes a difference, and for our standards, which are now developed in 35 states and the District of Colombia, we analyzed the costs of living by county, or whatever the appropriate regional distribution would be. We look at family size and family type, so that ultimately we have 70 different kinds of households that we calculate costs for. And the reason there are so many, is that we look at the cost related to childcare in a very refined way. There are considerably differences in costs between a child who is an infant, a child who is preschool, a school-age child and then a teenager. And so within our context, we look at households that include a range of children, numbers of children and whether or not there are one or two adults in the family.

We also assume, in what we would like to be the real world, is that the employer will provide certain kinds of employee health insurance, and what we calculate would be premiums and out-of-pocket expenses. But it is a no frills budget. It does not have any kind of cost relating to savings. We've heard already about our three-legged stool for retirement income – it doesn't assume there are three legs at all, certainly not more than one – and there is no special money for deposit or a car. It's very basic day to day. And yet, we have found that the standards can be as high as $50,000 in a particular community, for instance, the outlying jurisdictions here in the D.C. area, and can be as low in some states as $30,000. In no way is it anything comparable to what a minimum wage job would pay, or what would be considered the federal poverty threshold.

We use seven different categories of expenses, all of which are based on standardized and credible public data. And what we have learned is food does not cost 33 percent of the budget. In fact, if we look at the budget as a whole, in general the highest cost are around childcare, which can be anywhere from 27 to 33 percent, housing is the next highest cost, 21 to 28 percent, and food gets in there as nine to 13 percent of one's budget.

In a study that we did, “Coming Up Short,” which is outside on the tables, we did a snapshot of 10 different communities across the country looking at what it costs for single parents with two children to make ends meet. We found that on average, a minimum wage job paying $5.15 an hour would only cover 34 percent of your costs. So that means that a single mom would have to be working three fulltime jobs – in one day of course, super woman that she is – to be able to make ends meet.

And we looked at different wage levels. Even with an hourly wage of $17 an hour, on average, we found that only 72 percent of the costs of this very basic daily living were covered. We also look at the impact of work supports. That was very interesting, because in some instances, particularly childcare, work supports could make a difference of as much as 88 percent. On the other hand, in many instances, it was so dependent on what state that you lived in, because how states package work supports make a significant difference.

And so we’ve learned that it is not just bad budgeting why people can’t make it. We’ve learned that it’s a simple add and subtract: what do you have to live on, and what you have to spend on. We have been able to use the standard and the organizing project around it to affect a range of policy issues from tax reform to benefits, to economic development proposals, and now we are looking at what it costs for those who are over 65 to age in place.

We have a new initiative called the Elder Economic Security Initiative. As for the federal poverty level, it is actually less for seniors than for other adults because the assumption is they didn’t need as much, so their level is closer to $9,800 a year. In Massachusetts, the first state that we released the study, we found that for older adults living alone need between $14,700 and $28,000 a year to cover basic costs. In comparison to Social Security, we found that on average, Social Security payments for a retired elder is about half of what many of the elders of Massachusetts need to make ends meet.

And so in closing, I want to urge you to not fear, as so many people do, the idea of moving towards self-sufficiency. We think it can offer a benchmark, we’re not going to get to self-sufficiency right away, but it helps us understand the various programs and policies and choices that we can make either as individuals or as communities.

Thank you. (Applause.)

Discussion

MS. ROCKEYMOORE: Thank you. The floor is now open for questions. Two microphones in the front, and as a point of moderator's privilege while the people are lining up, I will ask a few questions of the panel. Larry, as a non-economist, I have a quick question about that productivity line. Why is it that productivity has continued to go up at such steep slope, and wages are stagnating? Is it all technology?

MR. MISHEL: Well, I think it's basically a resolve of three decades of policies which have shifted the borrowing power of individual workers down, and empowered employers. That's happened through a wide variety of factors including globalization, lowering minimum wage, weaker unions, weaker social safety net, et cetera. And I think it has almost nothing to do with technological change, because we've had lots of technological change, but the education of the workforce has been rapidly upgraded year by year, and I don't see any evidence that the demands of technology outpaced the supply of the education the labor force has achieved.

MS. ROCKEYMOORE: I'd actually like to challenge you on that and engage the panel in this because I thought that the missing elephant in the living room on this discussion was education. So to the extent that we're saying that the education of the workforce has increased, yet we know we have a huge pipeline issues with a lot of leakage in terms of individual being educated. What exactly does that mean, and what do the rest of the panelists actually think about education as a way to ease family insecurity?

MR. MISHEL: Well, can I just – you didn't ask me that question. (Laughter.)

MS. ROCKEYMOORE: You can have that question, too.

MR. MISHEL: Well, I believe that there are tremendous equity issues in education. The fact that a poor testing child in a high-income family is more likely to be able to complete college than a high testing child in a low-income family is offensive to our basic fundamental values. I think we have every reason to close the achievement gaps that exist by race and by income, and I think that we need to improve human capital overall, but I think it is not a cure-all for our economy.

MS. HEYMANN: I just want to take this chance to follow-up on two items that you saw listed on my policy priorities which really come straight out of education and mention briefly a third. The one I'll mention briefly is behind much of what I was saying regarding the importance of parents being able to have time with their kids. If you look at education literature it says over and over again: when parents are involved, kids do better in primary school, they do better in secondary school, they do better in college. Right now, if you have a job that does not allow you to go see the teacher at school, you don't get to. If you're in a low income, low wage job you have less flexibility, less chance often to be involved. If you're working evenings and nights, and it's disproportionate who has to work evenings and nights, you're not there when your kids get home from school.

What are the two other priorities? The two other priorities are early education. Why? Because a huge percentage of the gap, some people say up half of the gap in high school outcomes, is determined by what state kids are at when they reach school at the age of five. We can change that; that's what early education allows us to do. The second priority is out of school care, which matters for working parents. It allows them to keep their jobs, to be focused on the job and to know their kids are well cared for. It also matters, though, tremendously for these educational gaps.

Right now in the summertime, middle income kids have enrichment activities. If it's summertime and you don't have much money, then you're not paying for enrichment activities, as with many of the families we've spoken to. Those kids are often home alone, they're often in dangerous settings, they are certainly not studying or learning over the summer. And what teachers will tell you is that the education gap widens in the summer. So kids catch up during the year, and then the gap widens each summer. So those are two places we really could make a big difference.

MS. ROCKEYMOORE: Thank you. Sir, if you'd identify yourself, as well.

Q: David Helms, AcademyHealth. A question for Alan Weil. Alan, you had a brief opportunity in your prepared remarks to comment on the effect of universal coverage on our employer-based system. Some have argued that it would just further erode an employer based coverage system, and some might find that to be a beneficial outcome of this policy, but unless there's some transitional system, and you alluded to a few things – you might do it to try to hold employers in. I just wondered if you'd elaborate on that, and also on the observation that we had under SCHIP thus far, that we do better covering children when we cover the parents as well.

MR. WEIL: On your second point I would just say, yes, we know we do better covering kids if we also cover their parents. I compressed in the last 30 seconds of my remarks that there are a lot of questions from a substantive as well as a political perspective whether or not she should start with kids, or do universal coverage for kids distinct from universal coverage for everyone. But I think from visualizing a new system, it's s lot easier to do that for kids. They're already overwhelmingly insured, although there are too many uninsured. The ones that are uninsured are overwhelmingly already eligible for existing programs, which is not what you can say for adults. They're less expensive, so I was focusing sort of on that side of the story.

I'm not sure I can give a quick answer to your first question, partly because I need to think about it more time than I should sitting up here in front. The marriage between public programs or any kind of universal program and this voluntary employer-based system the most of us rely upon is problematic at best. And efforts to shore up or create bright lines or anything are difficult, which is why people move to mandates, not necessarily because they love mandates, but because if the employer saw it as voluntary, you're trying to partner with something that you don't know what it's going to look like in five years, and everything you do to change one side can change the other side in unpredictable ways.

So I think there – it is, I think, the most under-examined topic of thinking about where to go forward in health insurance. We can do all we want on public programs, but as long as the employer side is voluntary and eroding, it almost doesn't matter. SCHIP in children is one of the rare instances where you see growing public coverage yielding declines in the uninsured because we're growing the public faster than the erosion in private. But that's a hard thing to sustain.

Q: Debbie Chalfie. I was hoping that Jody could elaborate a little bit, and any of the other panelists as well, on the notion that having greater access and wider access to various kinds of family leave would not damage competitiveness of U.S. industries, and the link of that to the affordability myth that you identified. If you could just talk a little bit more why our country can afford decent family leave policies and why it wouldn't make us less competitive, would be helpful.

MS. HEYMANN: Sure, happy to. Let me start by separating the two kinds of leave that matter. One, are the short-term leaves: paid annual leave, paid sick leave. The other is the longer term: family medical leave, whether that's parental leave or whether that's a longer term medical leave. What we know about the short-term leaves are that all companies can afford this, whether we're talking seven days of sick leave, whether we're talking two weeks of sick leave, or whether we're talking two weeks of annual leave. In fact, if you look at the numbers, there are companies in every size category, across every economic sector: small companies, medium companies, large companies that already provide it now.

They're demonstrating that they can compete in the U.S. environment and provide it. As you can see from the global figures, it's much more broadly used globally. The problem is that while companies and countries have shown they can do it, not everybody in the United States is doing it. That leads to Vicky's important numbers of half of Americans in the private sector not being covered for example by sick leave. So can companies afford to while competing? Yes. Is the need demonstrated? Yes. Passing legislation in the U.S. will level that playing field.

Now, there's a second question on the affordability of the longer term leaves and making those paid, like paid parental leave or paid family medical leave. And I think the important thing to know about that is that most countries that do this, and do so as social insurance. So it's an appropriate thing for us to be discussing here in this forum. It is too much to ask a company to pay for three months of paid parental leave and not expect that some will become hesitant about hiring people who they anticipate will need the leave. If there is no social insurance, we will be inviting discrimination. However, if we develop a national insurance program, which is what countries around the world do, it's clearly affordable. It's affordable, plus it has savings. The companies will have better retention rates, lower recruitment costs, lower retraining costs, and we'll have better health outcomes for the kids. So we'll know we'll get national return, we know we'll get company return. We can look across the world and countries are not having troubles affording that as a social insurance system.

MR. WEIL: Just jump in quickly. One very snarky remark. If we can afford wars of choice, we can afford to do this for families. I mean, I say that seriously because when the war started lots of reporters called and said, “can we afford the war?” And my answer was, “yes, and we can afford to insure every child as well. It’s just a matter of priorities.” And that’s true.

But there is a bigger question, which is the productivity wage gap. I think it’s a problem. How do we make sure that the benefits of the growing output of goods in services gets to the people? One way of doing that is through our richer deeper social insurance system of both health and pension and family type leave.

MS. HEYMANN: Maybe I can just say one last word on that. Our biggest challenge to being competitive in the long run - we all know this - is the quality of our workforce; it’s the education and ability of this next generation. These policies all feed into that. I mentioned on the math scores, we’re failing, we’re failing on science scores, we’re failing by many measures of skilled workers. If we don’t solve that we will have long term enormous economic problems that we will see in our life time, and improving working conditions and conditions for families is part of that solution.

MS. LOVELL: In addition to that, there are other inefficiencies and measurable costs of not having this sort of paid time off program. Jody referred to the issue of turnover, which is very costly for employers. If a worker is fired because they stayed home with a sick child or when they themselves were sick, even if it’s a low-wage worker, there are significant costs for the employer in finding someone new to fill that position, train them, and then wait out a certain period of time, when they’re not as productive as the worker who left.

There are also costs related to public health concerns when workers take a flu to the workplace and infect other people on the job. Then those people may stay home from work, also they may have to go to the doctor, they may have to pay for prescriptions. So there are a number of costs associated with not providing adequate leave that affect employers. On balance, our research shows that the costs of not having paid sick days are greater than the cost of supplying that kind of program.

Q: Yes, Tom Rankin, California Labor Federation. I can’t help but comment on Jody’s remarks. Having worked a lot on some of those issues, we do have a federal system, and in California, we do have paid parental leave and paid family leave and provisions for breastfeeding at work, and we’re working on paid sick leave to try to expend on what they did in San Francisco.

MS. HEYMANN: I’m delighted you raised that, and I’m aware of what’s going on in California. The tight time limit of our talks prevented raising it. I think many of the very exciting developments are the state and local initiatives, both what’s passed already in California and San Francisco, and the fact that about half the states across the country do right now have very active initiatives in this area. I think that's really a testimony to how deep the desire is for change among Americans, how important everybody knows improving working conditions is.

MS. ROCKEYMOORE: With that, can you give a big hand for our panelists? (Applause.) Obviously, we have run over our time and we're going to segue right into the next panel. We'd like to ask you to fill out your evaluation form. It's the aqua page, so you can take this short amount of time to do that as we ask the next panel to come forward.

(END)