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THE EMPLOYMENT SITUATION: FEBRUARY 1999

HEARING

before the

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

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THE EMPLOYMENT SITUATION: FEBRUARY 1999

Friday, March 5, 1999

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
WASHINGTON, D.C.

The Committee met, pursuant to notice, at 9:35 a.m., in Room 562, Dirksen Senate Office Building, the Honorable Connie Mack, Chairman of the Committee, presiding.

Present: Senator Mack and Representatives Saxton and Stark.

Staff Present: Shelley S. Hymes, Robert Stein, Colleen J. Healy, Christopher Frenze, Robert Keleher, Howard Rosen, Lori Hodo, Joseph Pasetti and Tamara Ohler.

OPENING STATEMENT OF SENATOR CONNIE MACK, CHAIRMAN

Senator Mack. Good morning, I call the hearing to order and welcome Commissioner Abraham and Congressman Saxton as well. I am pleased to welcome you this morning. It has been awhile since I have had the opportunity to chair these meetings, and so, again, it is good to be back at the helm and welcome you.

The employment data reported this morning show the U.S. economy remains strong. The unemployment rate is 4.4 percent. It has been at or below 4.5 percent since last April. This is the longest period it has achieved this low rate since 1969 and 1970. The economy added 275,000 jobs in February. This compares favorably to an average of about 235,000 new jobs each month in 1998, when the economy grew at 4.3 percent.

Remarkably, when this expansion started, economists thought having the unemployment rate down to 5.5 percent meant we would have full employment. But we hit this point back in July of 1996. Since then, the economy has created about eight million more jobs.

Meanwhile, prices remain remarkably stable — in defiance of the theory that low unemployment leads to higher inflation. As measured by

gross domestic purchases, inflation was only 0.4 percent last year. That is the lowest level since 1950, when we actually had deflation.

Having low inflation and low unemployment at the same time is not a coincidence, however. Lower inflation encourages economic growth. It does this by reducing the effective tax rate on capital gains and increasing the return to business investment. Lower inflation keeps interest rates down, making it easier for families to buy homes and for businesses to expand, hire more workers, and increase wages and salaries.

It has been 16 years since the Fed broke the back of double-digit inflation and President Reagan cut tax rates across- the- board. Since then, we have created almost 39 million jobs and have only suffered nine months of an official recession. That makes this the longest period with only nine months of recession since at least the 1850s.

In the months ahead, I hope to hear more good news, making this economic expansion not only the longest in peacetime history, but the longest expansion in history, period.

Thank you again, Commissioner, for coming and I look forward to your comments. And Congressman Stark, it is a pleasure to see you two days in a row. This is a unique experience.

[The prepared statement of Senator Mack appears in the Submissions for the Record.]

OPENING STATEMENT OF REPRESENTATIVE PETE STARK, RANKING MINORITY MEMBER

Representative Stark. Right on time. I would like to join you in welcoming Commissioner Abraham and her colleagues to the Committee this morning, particularly given the good news that she brings.

I glanced through your opening statement Mr. Chairman, and read about the 16 years since the Fed broke the back of double-digit inflation and President Reagan cut tax cuts. And then there is a blank. What happened in the last six years? There are a few people that weren't mentioned in there.

Senator Mack. I think I made reference to the eight million jobs that have been created.

Representative Stark. Yes. I was just looking for President Clinton's name in there.

Senator Mack. It must have been an oversight on my part.

Representative Stark. It must have been. It is in there somewhere, I know.

The unemployment rate for February remains low, basically unchanged, and employment continues to rise. The unemployment rate

has been 5 percent or below for the last 23 months, and there has been very little evidence of renewed inflation. In some sense we have proven that all of the economic models are obsolete. It's wonderful.

We had some debate here yesterday, Commissioner Abraham, and I am sure you are happy to have missed it. But we could have used you as kind of a fact checker. Regardless of how you would come out on that debate, the data show unemployment and inflation are at their lowest levels in almost 40 years and the economy appears to be continuing to grow. Despite differences in measurement, the official Japanese unemployment rate is currently higher than the official U.S. rate. Who would have thought we would ever see that?

Although the overall economy is doing well, there remain significant problems. In my own state of California, many counties have unemployment rates of more than twice the national average — some of them as high as 15 and 20 percent. This economic tide hasn't spread around to lift all the boats quite yet.

I look forward to your report and the ensuing discussion. Thank you, Mr. Chairman.

Senator Mack. Thank you. Congressman Saxton?

OPENING STATEMENT OF REPRESENTATIVE JIM SAXTON, VICE CHAIRMAN

Representative Saxton. Thank you, Mr. Chairman. It is a pleasure to be back on the Senate side with you as Chairman. It has been several years since we have been able to do this, and it is a pleasure. I also note that my friend, Pete Stark, hasn't changed.

Mr. Chairman, I would like to join with you and with Mr. Stark in welcoming Commissioner Abraham and her colleagues back before the Joint Economic Committee. As you pointed out, Mr. Chairman, the unemployment data reported today portray a strong labor market. The February increase in payroll expansion further adds to the significant increases of recent months. Other economic data show that the cyclical expansion which began in 1991 continues to generate employment and economic gains. And as I have pointed out, over the last two years the credit for this progress goes to the workers, investors, and entrepreneurs across the country who have expanded the economy year after year.

To the extent that policy is relevant, it is true that this upswing has been sustained by the Federal Reserve's policy of gently squeezing inflation out of the economic system. This Federal Reserve policy of disinflation has lowered interest rates and built a solid foundation for continued economic growth and lower unemployment. The old notion

of a trade-off between inflation and unemployment has been disproved as both have declined at the same time.

As Chairman Greenspan recently noted before this Committee last year, concurrent declines of inflation and unemployment were supposed to be impossible under the Phillips curve trade-off. Yet, this is exactly what the Federal Reserve has produced under Greenspan's chairmanship. This sustained expansion has also flooded the treasury with tax revenues, as this Committee's research has emphasized for many years. To date, the Congress has resisted the temptation to spend all of these revenues, and this restraint has resulted in budget surpluses much sooner than the official administration or the Congressional budget agencies had predicted.

In sum, both monetary policy and the fiscal outlook remain very positive. The most problematic economic trend in recent years is the decline of the personal savings rate. By one official measure the current personal savings rate is actually zero. Expanded deductions for IRA contributions and the lifting of the IRA income restrictions could be one way to address this problem. The recent legislation which I introduced with House Majority Leader Dick Army, and Democratic Caucus Chairman Martin Frost, would provide incentives to increase personal saving. Higher saving and investment in coming years would help to carry the economic and employment growth of this expansion into the future.

Thank you, Mr. Chairman. Commissioner, we look forward to hearing from you this morning.

[The prepared statement of Representative Saxton appears in the Submissions for the Record.]

Senator Mack. Commissioner.

STATEMENT OF THE HONORABLE KATHARINE G. ABRAHAM, COMMISSIONER, BUREAU OF LABOR STATISTICS

ACCOMPANIED BY KENNETH V. DALTON, ASSOCIATE COMMISSIONER, OFFICE OF PRICES AND LIVING CONDITIONS; AND PHILIP L. RONES, ASSISTANT COMMISSIONER FOR CURRENT EMPLOYMENT ANALYSIS

Commissioner Abraham. Mr. Chairman, Members of the Committee, it is a pleasure for me and my colleagues to be here to talk about the employment and unemployment data that we have released this morning. You have already touched on the highlights of these numbers. As you have noted, the unemployment rate in February was essentially unchanged at 4.4 percent. It has remained within a very narrow range, 4.3 to 4.5 percent, since last April. Nonfarm payroll employment, as

measured by our monthly establishment survey, rose by 275,000 in February. This increase is about in line with the average monthly gain that we have seen over the last three months but well above the average for the first 10 months of 1998. Substantial employment gains in construction and in retail trade contrasted with large job losses in manufacturing and mining during February. All of the other major industry groups experienced moderate employment increases.

I would like to say just a little bit about what happened in some of these industries that were big gainers and big losers. Construction employment rose by —

Senator Mack. Excuse me, just a minute. Can you pull the microphone a little bit closer to you?

Commissioner Abraham. Construction employment rose by 72,000 in February, the result of unusually mild weather during the survey reference week and the underlying strength of the industry. Since last September, construction has gained 258,000 jobs.

Employment in retail trade rose by 123,000 in February. Layoffs in general merchandise stores, apparel stores, and miscellaneous retail establishments were smaller than in a typical February, when employers are drawing down after the holiday build up. As a result, seasonally adjusted employment levels in these industries rose. Employment in eating and drinking places increased by 25,000 in February. Furniture stores and building material and garden supply stores continued to gain jobs in February, reflecting in part the strength that we are seeing in construction.

The services industry gained 87,000 jobs in February. That compares with an average monthly increase of 110,000 over the prior 12 months. So it is a bit below its recent pace. Business services added 40,000 jobs over the month. Within business services, employment in computer and data processing services rose by 13,000. We have been seeing consistent growth in that industry. Over the last year employment there has increased by more than 13 percent. Engineering and management services gained 3,000 jobs in February. That is below the average monthly increase of 19,000 that we had seen over the prior 12 months in that related industry. Health services employment was up by 16,000 in February, boosted by home health care agencies, which added jobs for the first time since mid-1997.

Turning to industries that did less well in February, manufacturing employment fell by 50,000 in February, following smaller employment declines in the prior two months.

Senator Mack. I am sorry?

Commissioner Abraham. Fifty thousand.

Senator Mack. Which group was that?

Commissioner Abraham. Manufacturing. Factories have lost 337,000 since last March, March of 1998. Within manufacturing, employment in apparel declined by 15,000 over the month in February, continuing a long trend of decline that has accelerated somewhat recently. Other large over-the-month job losses occurred in motor vehicles, aircraft, and fabricated metals. Employment in industrial machinery fell by 7,000, a substantial decline but still smaller than in recent months. Employment in electrical equipment declined for the 11th consecutive month in February, but the loss, which was 2,000 jobs, was the smallest since last June.

I might note why the focus on electrical equipment and industrial machinery. We have been looking at those for the reason that those are two industries that very clearly have been affected by what is going on in Asia. They historically have exported a lot to Asia and also are vulnerable to import competition. So that is one reason why we have been focusing on them.

The mining industry lost 10,000 jobs for the second straight month in February, with most of the decline occurring in oil and gas extraction. Over the past year, employment in oil and gas extraction has declined by 14 percent, reflecting low oil and gas prices.

Turning to average hourly earnings, average hourly earnings of production or nonsupervisory works in the private sector rose by one cent in February. Over the past year, average hourly earnings have increased by 3.6 percent. The average workweek rose to 0.2 of an hour in February to 34.7 hours. The manufacturing workweek was unchanged at 41.6 hours, and factory overtime fell by 0.1 of an hour to 4.5 hours, which is still quite high by historical standards.

Turning now to our survey of households, the unemployment rate was essentially unchanged, as I have already noted, at 4.4 percent. The rate for adult men rose from 3.4 to 3.7 percent. The rates for other major groups, adult women, teens, whites, blacks, Hispanics, were essentially unchanged, showed no significant change over the month. The civilian employment to population ratio, which is the proportion of the population that is employed, was 64.4 percent, which is just a tenth off of last month's all time high of 64.5 percent. So that remains at very high levels.

In sum, then, the main news, as you noted in your opening comments, nonfarm employment rose and the civilian unemployment rate was essentially unchanged last month. Of course, we will be happy to take questions.

[The prepared statement of Commissioner Abraham and accompanying Press Release appear in the Submissions for the Record.]

Senator Mack. Again, thank you for your report. Let me just pick up on the manufacturing sector. As you indicated, we had a loss of 50,000 jobs last month in the manufacturing sector and in the past year we have lost almost 350,000. You indicated that some of that obviously is tied to what has happened in Asia and other parts of the world.

Are there any signs that this trend is going to abate sometime soon? Is there a longer term trend as well?

Commissioner Abraham. If you go back over quite a long period of time, manufacturing employment in the United States generally has been declining, certainly as a proportion of employment overall. But even compared to where we were ten years ago, it is down a bit in absolute terms. I can not predict, of course, how all of the impact of what is going on in Asia and the rest of the world may play out in terms of manufacturing employment here.

There is in this month's data the one thing that I already highlighted, which is that although we — again, this month saw declines in industrial machinery and electrical equipment, which we know have been much impacted by the Asian situation, they were a bit smaller than we had seen in prior months. Whether that is the beginning of a turnaround or just something that happened this month, I don't know.

Senator Mack. So you really don't have anything — you can't make a judgment at this point as to whether this — maybe it is the wrong word to use, but in the last year the trend of what seems to me an accelerated pace of losing manufacturing jobs is going to continue?

Commissioner Abraham. No, I can't.

Senator Mack. Now the BLS also compiles data on consumer prices.

Commissioner Abraham. Correct.

Senator Mack. Is there any evidence that these prices have started to accelerate upward due to the low unemployment?

Commissioner Abraham. The most recent data that we have are for January, and what those numbers show for the All Items Index, which is the most comprehensive measure we have, is that prices were up by 1.7 percent compared to a year earlier. Partly that is as low as it is because of declines in energy prices. But if you look at the measure that excludes

volatile food and energy prices, the year-over-year change in January was 2.4 percent, which is very much in line, I would say, with the year-over-year changes we have seen in that measure for the last several years.

Would you want to add to that, Ken?

Mr. Dalton. No, I don't think so.

Senator Mack. So the answer to my question is basically —

Commissioner Abraham. The answer is no.

Senator Mack. You don't see any evidence of that?

Commissioner Abraham. There is no evidence in those data at this point of an acceleration having already started.

Senator Mack. Average hourly earnings have been rising faster than consumer prices since 1995. Meanwhile, unemployment has continued to fall. Could this be an indication that workers are becoming more productive? My own sense is that the answer to that is yes, otherwise businesses wouldn't be paying them more. If so, could we see a continuation of wages outpacing prices?

Commissioner Abraham. We also compile statistics on productivity and what the trend in that has been. One way to look at this is to say what is happening to productivity, what is happening to labor costs, and combining those two pieces of information, what is happening to unit labor costs. These measures aren't exactly comparable to the CPI [Consumer Price Index] measure or to the average hourly earnings measure that we were talking about a moment ago. But what those data show is productivity growth has picked up a bit in recent years and unit labor costs are rising in a range that is roughly comparable to what we are seeing with consumer price inflation. So you are right. There have been some productivity increases, and that if there are productivity increases we could see increases in compensation without that driving up prices.

Senator Mack. This is just a side thought. Where does analysis take place with respect to understanding why productivity is increasing? Is there more done than just some kind of a mathematical calculation? Is there an analysis of certain industries as to what is happening within that industry?

Commissioner Abraham. We do a little of that. We are not staffed to do a lot of that. This is a topic that has —

Senator Mack. Does anybody do that, that you are aware?

Commissioner Abraham. There has been a bit of a resurgence of interest among academic researchers in that subject. So we are starting to see studies of selected industries and so on. I am afraid I am not well equipped at this point to give you a precis of what people are finding. But it is not something that we do a lot of.

Senator Mack. At the end of the last economic expansion only 10 percent of the unemployed workers had been out of work for six months or more. Now even though we are at a 30-year low for the unemployment rate, 13 percent of the unemployed have been out of work for at least six months. Why do we see this increase in the share of long-term unemployment?

Commissioner Abraham. Phil is looking for tables that give some history on that. Phil, do you have any insights on what the historical pattern of that figure has been at different points in business cycles in the past?

Mr. Rones. Yes. I think one thing that is often missed — because the figures that you were giving were the share of the unemployed that is long-term unemployed. Of course, the base that we are talking about has been reduced so much when you have 4.4 percent unemployment. During the recessionary period we had —

Senator Mack. Let me just interrupt for a second. Why don't you go ahead. Maybe I will catch that.

Mr. Rones. Okay, we had during the most recent recessionary period and right after that long-term unemployment — and by that I mean people who had been unemployed for a half a year or longer —of well over two million. Right now we have between 700,000 and 800,000. So that number has declined tremendously.

Senator Mack. So in a sense we should be surprised that that number has only gone from 10 to 13 percent given the contraction in the total number of unemployed?

Mr. Rones. You know, whether I would be surprised, I don't know.

Senator Mack. Okay, I will pick it up from — I thought that the tone of your comment was that, in a sense, there was shock that we could go from two million hard core unemployed down to as little as 700,000.

Mr. Rones. I think the point is that in all the categories of unemployed, if you look at the duration of unemployment, they have all gone down. What this says is that there is still a fairly substantial group — again, approaching a million, 700,000 to 800,000 — who are long-term unemployed. It is a larger group than were long-term unemployed in the late '80s, when it was down closer to a half a million. But it still has gone down tremendously since the peaks earlier in the '90s.

Representative Stark. I would like to follow up with a question on a perhaps obscure area, about which I am not sure you keep statistics. I have been trying in over the last six months or so, to determine what has happened to the people who have accounted for our great success in reducing the welfare rolls. I don't seem to be able to find them. We have

an interesting phenomenon — we reward the various states for kicking people off the rolls, which seems to me to be a pretty simple task. But, then, they are lost. We don't know what happens to them after they are kicked off. In addition we have a bounty for removing people. Perhaps, Commissioner, you are familiar with it. I think there is a $3,000 tax credit for hiring a former welfare recipient for at least six months. And my suspicion is that labor contractors, particularly in the lower paying service areas, hire these people for six months and then boot them off, and get another crop in order to get another tax credit. The incentives seem pretty good to me.

Do you track or have any way of identifying the people — other than by aggregate changes — who leave the welfare rolls and what happens subsequent to their departure?

Commissioner Abraham. What is happening to these people is obviously a very important question. We have some limited capacity to look at what is happening to these people and we tried to take a look at what we do have. The information that we have comes from our household survey. Once a year we ask people about all of their sources of income. And one of the sources of income that someone might have is income from welfare.

Senator Mack. AFDC.

Commissioner Abraham. AFDC or its successors. So we are able to identify people who in a particular year receive that income. And then we are able to look at what their status was the following March, and then for half of them what their status was a year later. So we have looked at that information, and what it shows is that there have been over time, looking from the period beginning with those who received welfare in 1993 and then going up to those who received welfare as recently as 1997, we can look at the fraction of those people who are employed the following March and that has increased modestly.

Of those who received welfare in 1993, about 22 percent were employed in March of 1994, the corresponding figure for those who received welfare in 1997, about 32 percent. So 10 percentage points more were employed —

Senator Mack. Were working one year later?

Commissioner Abraham. Were working in March of the following year. So there have been some modest — there has been a modest increase in the share of those on welfare who were —

Senator Mack. That number went from what, 20-some percent to —

Representative Stark. Twenty-two to thirty-two.

Commissioner Abraham. Twenty-two to thirty-two.

Senator Mack. Which is almost a 50 percent increase?

Commissioner Abraham. Yes. It's a big proportional increase, absolutely. Part of that is, we would suspect, due to the fact that the economy has been much stronger recently. Our research analyst who was looking at these data made an effort to try to parse out how much of it was due to that versus other things. Her best estimate — this is rather rough — is that about half of it was due to the economy being better and about half of it was due to —

Representative Stark. Half of the growth?

Commissioner Abraham. Half of the growth was due to the economy being better and half was due to other things, presumably changes in the way the programs are designed and operated, though she couldn't pin down what exactly it was that was driving that. But that doesn't get directly to the question that you were asking, I am afraid.

Representative Stark. I had great reservations about the design of the President's welfare reform bill, as it were, in that it was particularly clear about kicking people off the rolls. It seemed somewhat harsh, particularly on children. Furthermore, I was concerned that the jobs being created might be so marginal that given any economic downturn we could suddenly have a group of former beneficiaries unemployed with children to support. Maybe we need to provide more training as an ongoing function to see that these people are established as hard-core efficient and productive workers. Then we will have won. If we are just taking them off temporarily, putting them in the lowest scale jobs, and not supporting them — particularly where there are children involved, where there are questions about day care — they could very well be the first ones to come off the rolls in a downturn. Then we are back in the soup again.

I would appreciate it if you had any suggestions of what data we might collect in this regard.

Commissioner Abraham. I think the information we have can give you some broad outlines. But I think to really address the questions that you are raising you need a considerably more in-depth study. In that connection, I might note that there is a national evaluation of the Welfare to Work Program being conducted by Mathematic Policy Research, Incorporated, and the Urban Institute, and a third organization, Support Services International, that I am not familiar with, under contract to the Department of Health and Human Services, that I think will — they will be going in and looking at programs operated in particular localities and trying to get in considerably more depth what has happened as a

consequence of these programs. And I think that that may be illuminating.

Representative Stark. Could I just follow this —

Commissioner Abraham. But you are clearly right that we do need to be looking at what happens, not just the current conditions but as we move forward.

Representative Stark. I would appreciate any suggestions you might offer, although I know you are noted for your wild and extreme radical measures in this regard. So I promise, Mr. Chairman, to temper down any radical ideas the Commissioner might offer us. But to the extent that there are some things —

Senator Mack. Those were words that I didn't associate with the Commissioner at all.

Representative Stark. — we could extrapolate from any of the databases you have available would be very helpful.

My second question concerns the number of new jobs created last year. We have a net figure of almost three million jobs. On the other hand, I realize that we lost a lot of jobs. It is apparent from your testimony this morning that a number of those were in manufacturing. But what do we know about the new jobs? I am particularly concerned about the benefits these net new jobs provide. I suspect the jobs we are losing are those jobs which traditionally have had health and retirement benefits associated with them. The new jobs may be in industries in which the work is with multiple employers or are not so apt to offer health benefits. We may be inheriting an unfunded federal liability here with increased pressure on Medicaid and other things.

What can you tell us about the new jobs versus the old jobs and what direction we are moving into as these jobs are created?

Commissioner Abraham. Well, there are different ways that you can cut this up. One way that we have found to be a useful way to cut the data up is to try to take a look at jobs in particular industries and particular broad occupational categories and to first break them up and to say which industry occupation groups are at the top of the earnings distribution, which in the middle, which in the bottom, so break them up into thirds. And then to look at the pattern of growth for these industry occupation groupings.

The data I have in front of me are data that run from 1989 through 1998. So this is the longer term trend rather than the very recent trend. What we have seen over that period is that the fastest growth has been in those industry occupation groups that are at the top of the earnings

distribution. Employment in those groups, those industries and occupations, has grown by something over 20 percent over that period.

We have also seen growth in the industries and occupations at the bottom of the distribution. Employment in those has grown by about 10 percent. And there was almost no growth over that period cumulatively in the industries and occupations in the middle of the distribution. So that is one way to take a cut at what has happened. Those numbers obviously don't translate directly into what is happening to people's earnings. It is just trying to get a fix on what sorts of industries and occupations have we been adding jobs in.

You asked specifically about benefits.

Representative Stark. Would it be fair to say that those hired in the upper income jobs would be those which require a higher level of education, skill and training and also would be more apt to come replete with health and retirement benefits than the lower income ones?

Commissioner Abraham. Most of the jobs at the top, in the highest earning group are executive, administrative, managerial jobs in different industries. That is the bulk of the category, and typically those people, professionals as well, in certain cases. Typically those people are going to tend to be more highly educated than people in production jobs, for example.

We do have a little bit of information directly on benefits. If you look at data from the Current Population Survey, it is probably best to focus on full-time wage and salary workers who have health benefits, who are participating in an employer sponsored health plan. That has dropped off a bit from 75 percent in 1979. It was still up at 74 percent in 1988. And it has dropped to 70 percent in 1997, the most recent data that we have. So that has dropped off a bit.

Pension coverage, retirement plan coverage, actually has remained really quite constant over time. The big change there has been, as you are probably aware, in the kind of plans that people have, away from the defined benefit plans towards the defined contribution, 401-K kind of plans. But the total coverage rate has remained relatively constant.

Representative Stark. Thank you.

Senator Mack. Thank you. Congressman Saxton.

Representative Saxton. Thank you, Mr. Chairman. Commissioner, the Chairman, I think, made an excellent point in his questioning relative to the long period of expansion that we have seen. During that period of time the unemployment rate has dropped to historic lows, at least modernly historic, and inflation has been kept in check very well.

I was troubled this morning. As I was preparing to come over here I was listening to a local news station, and the numbers had been announced that you brought to us today. The commentator on the news station said we better watch out because the economy is so good that the Fed is liable to take some kind of corrective action because they will be worried about inflation. We know that you compute both employment numbers and keep track of them for us. You have also done a great job with your measurement of inflation and computing the CPI. So this would be an excellent time, I think, to further explore the Chairman's question. So let me just ask a series of questions, Commissioner.

Unemployment is relatively low and below those levels that are thought to reignite inflation. I think we can see that clearly. Yet, most broad measures of inflation continue to indicate that inflation remains well contained. What do you think explains this phenomenon?

Commissioner Abraham. I don't have an explanation I would feel comfortable putting forward. It is certainly not what five years ago I would have expected and I don't think I have a good explanation.

Representative Saxton. Obviously there are still those of us who take part in this economic phenomenon that we have seen. There are obviously still those who believe that because the economy is so good inflation is sure to rear its ugly head again. I heard it on the radio this morning. I have a hard time understanding how folks can look at what has happened over the past seven years or so and still come to the same old incorrect conclusion. But I am sure that you have been able to observe these things along with us.

Let me ask another question. The core CPI and the unemployment rate have come down together since 1992. That is seven years. What does this say to you about the theories that these things should not happen together?

Commissioner Abraham. I have not delved into the analysis of that and really don't think I have got much to add.

Representative Saxton. Let me ask this. The BLS compiles a number of price indices and a great deal of price information. I want to ask you about some of these indices and what they are showing. Is there any indication from the CPI that inflation is moving upward in any meaningful way?

Commissioner Abraham. Taking the numbers through December, which we are not that far removed from, in 1995 the year over year change in the CPI was 2.6 percent. It was 3.2 percent year-over-year in December '96, 1.7 percent in December of '97, 1.6 percent in December of '98. I should probably note that as you are well aware we have made

some changes in the way that we calculate the CPI. Some of those changes —

Representative Saxton. I meant to compliment you on that in my opening question.

Commissioner Abraham. Thank you. I think it is relevant to the answer to this question.

Representative Saxton. Yes.

Commissioner Abraham. Some of those changes have been such as to like make the Index grow more rapidly. More of them in the recent past have been such as to make the Index grow less rapidly. The very recent performance of the Index probably would have gone up a little bit faster had we been calculating it the way that we used to, so that just marching those numbers out is potentially a bit misleading. But we are only talking about a few tenths of a percentage point.

Representative Saxton. Over-the-year?

Commissioner Abraham. Over-the-year, in terms of those comparisons. We are planning, I might note, to put out later this spring a research CPI that attempts as best we can — and it is going to be crude in some respects — to say what the change in the CPI would have been had we been using our current methods back to 1978. And looking at that may be helpful for assessing what the trend is in and for other analytic purposes.

Representative Saxton. Again, we very much appreciate the job that you did and we would like to thank you for that great job. Also, Mr. Chairman, we have an update from the Commissioner which we received late last year actually on the Consumer Price Index improvements. I might ask the this point if we might submit those to be included in the record.

Senator Mack. Without objection.

[Information provided to Representative Saxton from Commissioner Abraham, dated December 18, 1998.]

Representative Saxton. Commissioner, with regard to this subject, would it be fair for a reasonable person to conclude that in spite of the fact that there have been changes in the way that you have computed the CPI, there is nothing in the data that you have that suggests that we have seen evidence in the CPI of inflation?

Commissioner Abraham. We have seen, I think it is fair to say, in the CPI no signs to date of any significant acceleration in the rate of growth of the Index.

Representative Saxton. All right, thank you. Is there any indication from the PPI data that inflation is trending upward in any meaningful or sustained way?

Commissioner Abraham. As you know, the Producer Price Index measure that we publish and that is typically the focus of attention is one that covers goods production. The most recent information we have for that shows that over the year producer prices were up by under one percent.

Representative Saxton. You are looking at Mr. Dalton. Mr. Dalton, would you like to comment?

Commissioner Abraham. I am looking to make sure that I have pulled the right number out of this voluminous table.

Mr. Dalton. Right. January '99 versus January '98 is 0.9 percent, which is substantially higher than the over-the-year changes in the preceding dozen months. And that resulted from two changes, one in December and one in January. And they were associated with, in January, increases in food, sharp increases in food and sharp increases in energy. In December the increase was associated with a substantial increase in tobacco prices.

It seems to be the consensus that those sorts of increases are transient.

Representative Saxton. Transient, meaning temporary?

Mr. Dalton. Yes.

Representative Saxton. I am going a little off the track here, because I am trying to make a point. But I was surprised to hear you say that energy prices rose. They seem to be — at least fuel prices seem to be — relatively low.

Mr. Dalton. Well, it could well be a one-month phenomenon. But it was a sharp increase in energy prices in January that was pushed by an increase in gasoline prices. And there is some evidence to suggest that that was a temporary increase that resulted from shortages in some geographic areas.

Representative Saxton. Commissioner, is it fair to conclude that there are some temporary glitches in the PPI but no sustained trend in the PPI that would suggest renewed inflation?

Commissioner Abraham. Based on Ken's comments, it does not sound as though despite these recent increases there is any evidence of something sustained that at this point we see going on.

Representative Saxton. Thank you. What do the intermediate and crude components of the PPI tell us about inflation?

Commissioner Abraham. Their recent behavior year-over-year at both the intermediate and the crude level we have seen actual decreases in these prices.

Representative Saxton. Decreases?

Commissioner Abraham. I do want to emphasize that the scope of the PPI is relatively narrow.

Representative Saxton. I agree.

Commissioner Abraham. It is goods production. We are in the process of working to expand the coverage of the PPI so that it also covers services at that stage of production. As a generalization the rate of growth in services prices as measured in the PPI has been higher. We have seen positive growth in those prices as compared to the often negative changes in the goods prices. Unfortunately we don't at this point have a comprehensive measure that we are tracking that includes services.

Representative Saxton. I agree that the PPI provides a rather narrow look, but it is an indicator, of what we should be anticipating. Let me go to another indicator. Is there any indication from the GDP deflator that inflation is moving up in any meaningful way?

Commissioner Abraham. I don't have that here, and I can't recall on the spot what that has been doing recently. As you know, that is a measure that the Bureau of Economic Analysis produces. Phil, do you have information on that?

Mr. Rones. I don't think so, no.

Representative Saxton. Let me move, then, and ask you about import and export price indices. What do they show?

Commissioner Abraham. Ken, do you have those to hand?

Mr. Dalton. Yes, I do. January of '99 all import prices were down 4.7 percent.

Representative Saxton. Import prices were down 4.7 percent?

Mr. Dalton. Right. And that compares with a decline of 6.2 percent for the 12-month period ending in January of '98. And for exports, as of January of '99 they were down 2.8 percent from the year ago levels. And in January of '98 they were down 1.9 percent from the your ago levels.

Representative Saxton. Thank you. Commissioner, let me move to commodity prices. By some measures they are at their lowest levels in years. What does your crude component of the PPI show in this regard?

Commissioner Abraham. Year-over-year ending in January crude materials prices were down 10.6 percent. I don't have the year earlier figure. Do you have that, Ken?

Mr. Dalton. The year earlier it was down 11.3 percent, December '96 to December '97. And each of the components of the crude materials index has declined over that period.

Commissioner Abraham. There is one other indicator that we produce that is an inflation oriented indicator that one might also want to take a look at, and that is our Employment Cost Index. The most recent data that we have are for December. Looking at the year-over-year changes in the Employment Cost Index, there has been a bit of an upward turn in that measure in recent years, up from 2.7 percent year- over- year change in 1995 and a little bit higher in each year through this past year, to where it was growing 3.4 percent year- over- year as of December, 1998. You know, on the other hand, if you look at our measure of average hourly earnings, where I also had thought that we were beginning to see some signs of acceleration in the rate of wage growth, in recent months that has really turned around. So it is a somewhat mixed picture.

Representative Saxton. You actually anticipated my next question, and that would be exactly what you just alluded to. The hourly wage increase reported in this report was rather weak?

Commissioner Abraham. It was below the levels that we had seen as of a few months ago. I think if what you are trying to assess is potential wage cost pressure, the Employment Cost Index is really the better measurer. But the data that we have on that are not so current. They only come out quarterly.

Representative Saxton. Thank you. Commissioner, I think you have helped make the point that the Chairman alluded to. That there are folks who insist on waking me up in the morning on the day that the data are going to be released by trying to assert that somehow the economy has got to take a turn for the worse because it is so good and that inflation is bound to recur. I hope that they have an opportunity to look at some of the information that you just explained to us. As far as I can see there is very little, if anything, there in terms of inflationary pressures for us to be able to observe at this point. And I think that is a very good point that you made, Mr. Chairman, and I am very pleased to have been able to add to it.

Senator Mack. Very good. Unless there are other questions or more comments by the panel, this hearing is adjourned.

(Hearing adjourned at 10:23 a.m.)

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF SENATOR CONNIE MACK, CHAIRMAN

Good Morning. I am pleased to welcome Commissioner Abraham here today to give us the BLS employment report and answer some questions about the job market.

The employment data reported this morning show the U.S. economy remains strong. The unemployment rate is 4.4 percent. It has been at or below 4.5 percent since last April. This is the longest period it has achieved this low rate since 1969 and 1970. The economy added 275,000 jobs in February. This compares favorably to an average of about 235,000 new jobs each month in 1998, when the economy grew at a 4.3 percent rate.

Remarkably, when this expansion started, economists thought having the unemployment rate down to 5.5 percent meant we would have full employment. But we hit this point back in July 1996. Since then, the economy has created about eight million more jobs.

Meanwhile, prices remain remarkably stable-in defiance of the theory that low unemployment leads to higher inflation. As measured by gross domestic purchases, inflation was only 0.4 percent last year. That's the lowest level since 1950, when we actually had deflation.

Having low inflation and low unemployment at the same time is not a coincidence. Lower inflation encourages economic growth. It does this by reducing the effective tax rate on capital gains and increasing the return to business investment. Lower inflation keeps interest rates down, making it easier for families to buy homes and for businesses to expand, hire more workers and increase wages and salaries.

It has been 16 years since the Fed broke the back of double-digit inflation and President Reagan cut tax rates across-the-board. Since then, we've created almost 39 million jobs and have only suffered nine months of an official recession. That makes this the longest period with only nine months of recession since at least the 1850s.

In the months ahead I hope to hear more good news, making this economic expansion not only the longest in peacetime history, but the longest expansion in history, period.

Thank you, Commissioner, for coming here this morning with members of your staff. I look forward to hearing your testimony.

PREPARED STATEMENT OF REPRESENTATIVE JIM SAXTON, VICE CHAIRMAN

I am pleased to join in welcoming Commissioner Abraham and her colleagues before the Joint Economic Committee.

The employment data reported today portray a strong labor market. The February increase in payroll expansion further adds to the significant increases of recent months.

Other economic data show that the cyclical expansion that began in 1991 continues to generate employment and economic gains. As I have pointed out over the last two years, the credit for this progress goes to the workers, investors and entrepreneurs across this country who have expanded the economy year after year.

To the extent that policy is relevant, it is true that this upswing has been sustained by the Federal Reserve's policy of gently squeezing inflation out of the economic system. This Federal Reserve policy of disinflation has lowered interest rates and built a solid foundation for continued economic growth and lower unemployment.

The old notion of a tradeoff between inflation and unemployment has been disproved as both have declined at the same time. As Chairman Greenspan recently noted before this Committee last year, concurrent declines of inflation and unemployment were supposed to be impossible under the Phillips Curve tradeoff, yet this is exactly what the Federal Reserve has produced under Greenspan's Chairmanship.

This sustained expansion has also flooded the Treasury with tax revenues, as this Committee's research has emphasized for many years. To date, the Congress has resisted the temptation to spend all of these revenues, and this restraint has resulted in budget surpluses much sooner than the official Administration and Congressional Budget agencies had predicted. In sum, both monetary policy and the fiscal outlook remain very positive.

The most problematic economic trend in recent years is the decline of the personal savings rate. By one official measure, the current personal savings rate is virtually zero. Expanded deductions for IRA contributions and a lifting of the IRA income restrictions would be one way to address this problem. The recent legislation I introduced with House Majority Leader Dick Armey and Democratic Caucus Chairman Martin Frost would provide incentives to increase personal saving. Higher saving and investment in coming years would help carry the economic and employment growth of this expansion into the future.

Commissioner, we look forward to your statement.

PREPARED STATEMENT OF COMMISSIONER KATHARINE G. ABRAHAM

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to discuss the February employment and unemployment estimates that the Bureau of Labor Statistics released this morning.

The unemployment rate, as measured by our household survey, was essentially unchanged at 4.4 percent in February and has remained within the narrow range of 4.3 to 4.5 percent since last April. Nonfarm payroll employment, as measured by our establishment survey, rose by 275,000 in February. This increase was about in line with the average of the prior 3 months, but was well above the average for the first 10 months of 1998. Substantial employment gains in construction and retail trade contrasted with large job losses in manufacturing and mining during February. All other major industry groups experienced moderate employment increases.

Construction employment rose by 72,000 in February, the result of unusually mild weather during the survey reference week and the underlying strength of the industry. Since last September, construction has gained 258,000 jobs.

Employment in retail trade rose by 123,000 in February. Layoffs in general merchandise stores, apparel stores, and miscellaneous retail establishments were smaller than in a typical February. As a result, seasonally adjusted employment levels in those industries rose. Employment in eating and drinking places increased by 25,000 in February. Furniture stores and building materials and garden supply stores continued to gain jobs in February, reflecting in part the strength in construction and home sales.

The services industry gained 87,000 jobs in February, compared with an average monthly increase of 110,000 over the prior 12 months. Business services added 40,000 jobs over-the-month. Within business services, employment in computer and data processing services rose by 13,000; over the past year, employment in the industry has increased by more than 13 percent. Engineering and management services gained 3,000 jobs in February, compared with an average monthly increase of 19,000 over the prior 12 months. Health services employment rose by 16,000 in February, boosted by home health care agencies, which added jobs for the first time since mid-1997.

The transportation industry gained 14,000 jobs in February, as air transportation employment showed an unusually large increase of 11,000. Wholesale trade employment rose by 9,000 over-the-month, and

the finance industry gained 8,000 jobs. Real estate employment was unchanged, following gains totaling 28,000 in the prior 3 months.

Government employment rose by 22,000 in February, with most of the gain occurring at the local level. Federal employment declined by 5,000.

Manufacturing employment fell by 50,000 in February, following smaller employment declines in the prior 2 months. Factories have lost 337,000 jobs since March 1998. Within manufacturing, employment in the apparel industry declined by 15,000 in February, continuing a long trend that has accelerated recently. Other large over-the-month job losses occurred in motor vehicles (8,000), aircraft (6,000) and fabricated metals (6,000). Employment in industrial machinery fell by 7,000, a substantial decline but still smaller than in recent months. Employment in electrical equipment declined for the 11th consecutive month in February, but the loss of 2,000 jobs was the smallest since last June.

The mining industry lost 10,000 jobs for the second straight month in February, with most of the declines occurring in oil and gas extraction. Over the past year, employment in oil and gas extraction has declined by 14 percent, reflecting low oil and gas prices.

Average hourly earnings of production or nonsupervisory workers in the private sector rose by 1 cent in February to $13.04. Over the past year, average hourly earnings increase by 3.6 percent. The average workweek rose 0.2 hour in February to 34.7 hours. The manufacturing workweek was unchanged at 41.6 hours, and factory overtime fell 0.1 hour to 4.5 hours.

Turning now to our survey of households, the unemployment rate was essentially unchanged at 4.4 percent in February. The rate for adult men rose from 3.4 to 3.7 percent, while the rates for adult women, teenagers, whites, blacks and Hispanics showed no significant changes. The civilian employment-population ratio — the proportion of the population that is employed — was 64.4 percent in February, little different from January's record high of 64.5 percent.

In summary, nonfarm employment rose and the civilian unemployment rate was essentially unchanged over the month.

My colleagues and I now would be glad to answer your questions.

News
United States Department of Labor
Bureau of Labor Statistics Washington, D.C. 20212

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Household data: (202) 606-6378
Establishment data: 606-6555
Media contact: 606-5902

Transmission of material in this release is embargoed until 8:30 A.M. (EST), Friday, March 5, 1999.

THE EMPLOYMENT SITUATION: FEBRUARY 1999

Payroll employment rose in February, and the unemployment rate was little changed at 4.4 percent, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Nonfarm payroll employment increased by 275,000; large gains occurred in construction and retail trade, while manufacturing had a substantial decline.

Chart 1. Unemployment rate, seasonally adjusted, March 1996 - February 1999

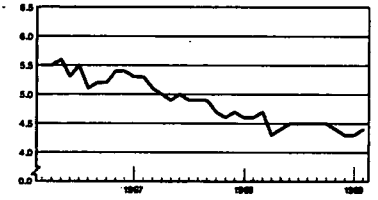
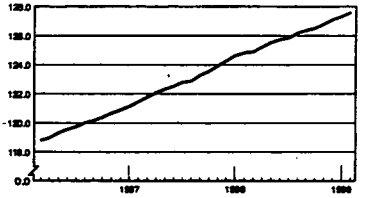


Chart 2. Nonfarm payroll employment, seasonally adjusted, March 1996 - February 1999



Unemployment (Household Survey Data)

Both the number of unemployed persons, 6.1 million, and the unemployment rate, 4.4 percent, were essentially unchanged in February, after seasonal adjustment. The jobless rate has remained within a narrow range of 4.3 to 4.5 percent since last April. The unemployment rate for adult men rose in February to 3.7 percent. Jobless rates for other major demographic groups—adult women (3.8 percent), teenagers (14.1 percent), whites (3.8 percent), blacks (8.3 percent), and Hispanics (6.7 percent)—showed little or no change over the month. (See tables A-1 and A-2.)

Total Employment and the Labor Force (Household Survey Data)

Total employment was little changed in February, at 133.1 million, after seasonal adjustment. The employment-population ratio—the proportion of the population age 16 and older with jobs—was 64.4 percent, essentially unchanged from the previous month. Both the civilian labor force, 139.3 million, and the labor force participation rate, 67.3 percent, also were essentially unchanged. (See table A-1.)

Table A. Major indicators of labor market activity, seasonally adjusted
(Numbers in thousands)

Category	Quarterly averages		Monthly data			Jan.-Feb. change
	1998		1998	1999[1]		
	III	IV	Dec.	Jan.	Feb.	
HOUSEHOLD DATA	Labor force status					
Civilian labor force	137,656	138,285	138,547	139,347	139,271	-76
Employment	131,419	132,166	132,526	133,396	133,144	-252
Unemployment	6,237	6,120	6,021	5,950	6,127	177
Not in labor force	67,827	67,813	67,723	67,372	67,602	230
	Unemployment rates					
All workers	4.5	4.4	4.3	4.3	4.4	0.1
Adult men	3.8	3.6	3.6	3.4	3.7	.3
Adult women	4.0	4.0	3.9	3.7	3.8	.1
Teenagers	14.7	14.9	14.0	15.5	14.1	-1.4
White	3.9	3.8	3.8	3.8	3.8	.0
Black	9.2	8.4	7.9	7.8	8.3	.5
Hispanic origin	7.3	7.4	7.6	6.6	6.7	.1
ESTABLISHMENT DATA	Employment					
Nonfarm employment	126,141	126,816	127,118	p127,335	p127,610	p275
Goods-producing[2]	25,210	25,221	25,269	p25,256	p25,268	p12
Construction	5,980	6,072	6,153	p6,167	p6,239	p72
Manufacturing	18,660	18,588	18,559	p18,542	p18,492	p-50
Service-producing[2]	100,931	101,596	101,849	p102,079	p102,342	p263
Retail trade	22,561	22,658	22,712	p22,748	p22,871	p123
Services	37,691	38,031	38,148	p38,249	p38,336	p87
Government	19,892	19,985	20,022	p20,061	p20,083	p22
	Hours of work[3]					
Total private	34.5	34.6	34.6	p34.5	p34.7	p0.2
Manufacturing	41.7	41.7	41.7	p41.6	p41.6	p.0
Overtime	4.6	4.5	4.5	p4.6	p4.5	p-.1
	Indexes of aggregate weekly hours (1982=100)[3]					
Total private	145.1	146.0	146.4	p146.4	p147.3	p0.9
	Earnings[3]					
Average hourly earnings, total private	$12.84	$12.94	$12.98	p$13.03	p$13.04	p$0.01
Average weekly earnings, total private	443.29	447.29	449.11	p449.54	p452.49	p2.95

[1] Beginning in January 1999, household data reflect revised population controls used in the Current Population Survey.
[2] Includes other industries, not shown separately.
[3] Data relate to private production or nonsupervisory workers.
p=preliminary.

About 8.0 million persons (not seasonally adjusted) held more than one job in February. These multiple jobholders made up 6.1 percent of the total employed, the same share as a year earlier. (See table A-10.)

Persons Not in the Labor Force (Household Survey Data)

About 1.3 million persons (not seasonally adjusted) were marginally attached to the labor force in February. These were people who wanted and were available for work and had looked for a job sometime in the prior 12 months but were not counted as unemployed because they had not searched for work in the 4 weeks preceding the survey.

The number of discouraged workers—a subset of the marginally attached who were not currently looking for work specifically because they believed no jobs were available for them—was 271,000 in February, down from 361,000 a year earlier. (See table A-10.)

Industry Payroll Employment (Establishment Data)

Nonfarm payroll employment rose by 275,000 in February to 127.6 million, seasonally adjusted. This increase was about in line with the average of the prior 3 months, but well above the average for the first 10 months of 1998. There was a large job gain in construction in February, partly reflecting the effects of mild weather across much of the nation. Retail employment also increased sharply. Manufacturing lost 50,000 jobs following 2 months of smaller declines. (See table B-1.)

Construction employment increased by 72,000 in February, following a month of much slower growth. February's above-average temperatures over much of the country contributed to the strong over-the-month gain. Special trades contracting increased by 59,000, half of which occurred in two outside activities, masonry and roofing. Since September 1998, construction employment has risen by 258,000.

The retail trade industry added 123,000 jobs in February, after seasonal adjustment. Employment in eating and drinking places increased by 25,000, following a decline in January. Large gains occurred, after seasonal adjustment, in apparel and accessory stores (12,000), miscellaneous retail establishments (24,000), and department stores (23,000), as seasonal layoffs in these industries were lighter than usual for February. Building materials (8,000) and furniture stores (10,000) continued to add jobs in February, partly aided by strong construction activity.

Employment in the services industry grew by 87,000 in February, compared to an average of 110,000 in the prior 12 months. Computer and data processing services continued its strong growth, with a gain of 13,000 jobs. Slow growth continued in help supply services employment, which increased by only 7,000. Job growth slowed in engineering and management services; employment was up only 3,000 in February after rising by 72,000 over the previous 3 months. Over the month, employment rose in education (20,000) and social services (16,000), and home health care services posted its first job increase (7,000) since July 1997.

Transportation and public utilities employment increased by 15,000 in February, about equal to the industry's average monthly growth over the prior 12 months. Most of the over-the-month gain was in air transportation (11,000). Wholesale trade employment rose by 9,000, with widespread increases in durable goods distribution.

Employment in finance rose by 8,000 in February as growth continued throughout most components of the industry. The exception was security brokerages, which have shown no net employment gains since October. Insurance and real estate employment levels were essentially unchanged in February.

Government employment was up by 22,000 over the month, led by gains in both the educational and noneducational components of local government.

Manufacturing employment dropped by 50,000 in February, the largest decline since last November. Since March 1998, factory employment has fallen by 337,000. In February, apparel employment fell by 15,000, more than twice the average loss for the previous 12 months. The apparel industry has lost 306,000 jobs since its last peak in November 1991, or nearly a third of its work force. Aircraft manufacturing employment decreased by 6,000 over the month, following several months of smaller declines. Reductions in industrial machinery (-7,000) and electrical equipment (-2,000) employment continued, but the declines in these industries were smaller than in recent months. Employment in stone, clay, and glass products rose by 3,000 in February.

Mining shed another 10,000 jobs in February, bringing employment losses to 57,000 since its most recent peak in September 1997. Job losses in oil and gas extraction have accounted for most of the contraction in mining over this period.

Weekly Hours (Establishment Survey Data)

The average workweek for production or nonsupervisory workers on private nonfarm payrolls increased by 0.2 hour in February to 34.7 hours, seasonally adjusted. The manufacturing workweek was unchanged at 41.6 hours. Factory overtime edged down 0.1 hour to 4.5 hours. (See table B-2.)

The index of aggregate weekly hours of production or nonsupervisory workers on private nonfarm payrolls rose by 0.6 percent to 147.3 (1982=100), seasonally adjusted. The manufacturing index was down 0.3 percent in February to 106.7. (See table B-5.)

Hourly and Weekly Earnings (Establishment Survey Data)

Average hourly earnings of production or nonsupervisory workers on private nonfarm payrolls rose by 1 cent in February to $13.04, seasonally adjusted. This followed a 5-cent gain in January. Average weekly earnings were $452.49 in February (seasonally adjusted), up 0.7 percent over the month. Over the year, average hourly and weekly earnings both rose by 3.6 percent. (See table B-3.)

The Employment Situation for March 1999 is scheduled to be released on Friday, April 2, at 8:30 A.M. (EST).

March 1998 National Benchmarks

In accordance with standard practice, BLS will release nonfarm payroll employment benchmark revisions with the May data on June 4, 1999. The March 1998 benchmark level has been finalized and will result in a small upward revision of 44,000 to total nonfarm employment for the March 1998 reference month, an adjustment of 0.04 percent. Further information is available by calling (202) 606-6555.

Explanatory Note

This news release presents statistics from two major surveys, the Current Population Survey (household survey) and the Current Employment Statistics survey (establishment survey). The household survey provides the information on the labor force, employment, and unemployment that appears in the A tables, marked HOUSEHOLD DATA. It is a sample survey of about 50,000 households conducted by the Bureau of the Census for the Bureau of Labor Statistics (BLS).

The establishment survey provides the information on the employment, hours, and earnings of workers on nonfarm payrolls that appears in the B tables, marked ESTABLISHMENT DATA. This information is collected from payroll records by BLS in cooperation with State agencies. In June 1998, the sample included about 390,000 establishments employing about 48 million people.

For both surveys, the data for a given month relate to a particular week or pay period. In the household survey, the reference week is generally the calendar week that contains the 12th day of the month. In the establishment survey, the reference period is the pay period including the 12th, which may or may not correspond directly to the calendar week.

Coverage, definitions, and differences between surveys

Household survey. The sample is selected to reflect the entire civilian noninstitutional population. Based on responses to a series of questions on work and job search activities, each person 16 years and over in a sample household is classified as employed, unemployed, or not in the labor force.

People are classified as *employed* if they did any work at all as paid employees during the reference week; worked in their own business, profession, or on their own farm; or worked without pay at least 15 hours in a family business or farm. People are also counted as employed if they were temporarily absent from their jobs because of illness, bad weather, vacation, labor-management disputes, or personal reasons.

People are classified as *unemployed* if they meet all of the following criteria: They had no employment during the reference week; they were available for work at that time; and they made specific efforts to find employment sometime during the 4-week period ending with the reference week. Persons laid off from a job and expecting recall need not be looking for work to be counted as unemployed. The unemployment data derived from the household survey in no way depend upon the eligibility for or receipt of unemployment insurance benefits.

The *civilian labor force* is the sum of employed and unemployed persons. Those not classified as employed or unemployed are *not in the labor force*. The *unemployment rate* is the number unemployed as a percent of the labor force. The *labor force participation rate* is the labor force as a percent of the population, and the *employment-population ratio* is the employed as a percent of the population.

Establishment survey. The sample establishments are drawn from private nonfarm businesses such as factories, offices, and stores, as well as Federal, State, and local government entities. *Employees on nonfarm payrolls* are those who received pay for any part of the reference pay period, including persons on paid leave. Persons are counted in each job they hold. *Hours and earnings* data are for private businesses and relate only to production workers in the goods-producing sector and nonsupervisory workers in the service-producing sector.

Differences in employment estimates. The numerous conceptual and methodological differences between the household and establishment surveys result in important distinctions in the employment estimates derived from the surveys. Among these are:

- The household survey includes agricultural workers, the self-employed, unpaid family workers, and private household workers among the employed. These groups are excluded from the establishment survey.
- The household survey includes people on unpaid leave among the employed. The establishment survey does not.
- The household survey is limited to workers 16 years of age and older. The establishment survey is not limited by age.
- The household survey has no duplication of individuals, because individuals are counted only once, even if they hold more than one job. In the establishment survey, employees working at more than one job and thus appearing on more than one payroll would be counted separately for each appearance.

Other differences between the two surveys are described in "Comparing Employment Estimates from Household and Payroll Surveys," which may be obtained from BLS upon request.

Seasonal adjustment

Over the course of a year, the size of the nation's labor force and the levels of employment and unemployment undergo sharp fluctuations due to such seasonal events as changes in weather, reduced or expanded production, harvests, major holidays, and the opening and closing of schools. The effect of such seasonal variation can be very large; seasonal fluctuations may account for as much as 95 percent of the month-to-month changes in unemployment.

Because these seasonal events follow a more or less regular pattern each year, their influence on statistical trends can be eliminated by adjusting the statistics from month to month. These adjustments make nonseasonal developments, such as declines in economic activity or increases in the participation of women in the labor force, easier to spot. For example, the large number of youth entering the labor force each June is likely to obscure any other changes that have taken place relative to May, making it difficult to determine if the level of economic activity has risen or declined. However, because the effect of students finishing school in previous years is known, the statistics for the current year can be adjusted to allow for a comparable change. Insofar as the seasonal adjustment is made correctly, the adjusted figure provides a more useful tool with which to analyze changes in economic activity.

In both the household and establishment surveys, most seasonally adjusted series are independently adjusted. However, the adjusted series for many major estimates, such as total payroll employment, employment in most major industry divisions, total employment, and unemployment are computed by aggregating independently adjusted component series. For example, total unemployment is derived by summing the adjusted series for four major age-sex components; this

differs from the unemployment estimate that would be obtained by directly adjusting the total or by combining the duration, reasons, or more detailed age categories.

The numerical factors used to make the seasonal adjustments are recalculated twice a year. For the household survey, the factors are calculated for the January-June period and again for the July-December period. For the establishment survey, updated factors for seasonal adjustment are calculated for the May-October period and introduced along with new benchmarks, and again for the November-April period. In both surveys, revisions to historical data are made once a year.

Reliability of the estimates

Statistics based on the household and establishment surveys are subject to both sampling and nonsampling error. When a sample rather than the entire population is surveyed, there is a chance that the sample estimates may differ from the "true" population values they represent. The exact difference, or *sampling error*, varies depending on the particular sample selected, and this variability is measured by the standard error of the estimate. There is about a 90-percent chance, or level of confidence, that an estimate based on a sample will differ by no more than 1.6 standard errors from the "true" population value because of sampling error. BLS analyses are generally conducted at the 90-percent level of confidence.

For example, the confidence interval for the monthly change in total employment from the household survey is on the order of plus or minus 376,000. Suppose the estimate of total employment increases by 100,000 from one month to the next. The 90-percent confidence interval on the monthly change would range from -276,000 to 476,000 (100,000 +/- 376,000). These figures do not mean that the sample results are off by these magnitudes, but rather that there is about a 90-percent chance that the "true" over-the-month change lies within this interval. Since this range includes values of less than zero, we could not say with confidence that employment had, in fact, increased. If, however, the reported employment rise was half a million, then all of the values within the 90-percent confidence interval would be greater than zero. In this case, it is likely (at least a 90-percent chance) that an employment rise had, in fact, occurred. The 90-percent confidence interval for the monthly change in unemployment is +/- 258,000, and for the monthly change in the unemployment rate it is +/- .21 percentage point.

In general, estimates involving many individuals or establishments have lower standard errors (relative to the size of the estimate) than estimates which are based on a small number of observations. The precision of estimates is also improved when the data are cumulated over time such as for quarterly and annual averages. The seasonal adjustment process can also improve the stability of the monthly estimates.

The household and establishment surveys are also affected by *nonsampling error*. Nonsampling errors can occur for many reasons, including the failure to sample a segment of the population, inability to obtain information for all respondents in the sample, inability or unwillingness of respondents to provide correct information on a timely basis, mistakes made by respondents, and errors made in the collection or processing of the data.

For example, in the establishment survey, estimates for the most recent 2 months are based on substantially incomplete returns; for this reason, these estimates are labeled preliminary in the tables. It is only after two successive revisions to a monthly estimate, when nearly all sample reports have been received, that the estimate is considered final.

Another major source of nonsampling error in the establishment survey is the inability to capture, on a timely basis, employment generated by new firms. To correct for this systematic underestimation of employment growth (and other sources of error), a process known as bias adjustment is included in the survey's estimating procedures, whereby a specified number of jobs is added to the monthly sample-based change. The size of the monthly bias adjustment is based largely on past relationships between the sample-based estimates of employment and the total counts of employment described below.

The sample-based estimates from the establishment survey are adjusted once a year (on a lagged basis) to universe counts of payroll employment obtained from administrative records of the unemployment insurance program. The difference between the March sample-based employment estimates and the March universe counts is known as a benchmark revision, and serves as a rough proxy for total survey error. The new benchmarks also incorporate changes in the classification of industries. Over the past decade, the benchmark revision for total nonfarm employment has averaged 0.2 percent, ranging from zero to 0.6 percent.

Additional statistics and other information

More comprehensive statistics are contained in *Employment and Earnings*, published each month by BLS. It is available for $17.00 per issue or $35.00 per year from the U.S. Government Printing Office, Washington, DC 20402. All orders must be prepaid by sending a check or money order payable to the Superintendent of Documents, or by charging to Mastercard or Visa.

Employment and Earnings also provides measures of sampling error for the household survey data published in this release. For unemployment and other labor force categories, these measures appear in tables 1-B through 1-H of its "Explanatory Notes." Measures of the reliability of the data drawn from the establishment survey and the actual amounts of revision due to benchmark adjustments are provided in tables 2-B through 2-G of that publication.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: 202-606-STAT; TDD phone: 202-606-5897; TDD message referral phone: 1-800-326-2577.

HOUSEHOLD DATA

Table A-1. Employment status of the civilian population by sex and age

(Numbers in thousands)

Employment status, sex, and age	Not seasonally adjusted			Seasonally adjusted[1]					
	Feb. 1998	Jan. 1999	Feb. 1999	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999
TOTAL									
Civilian noninstitutional population	204,400	206,719	206,873	204,400	205,919	206,104	206,270	206,719	206,873
Civilian labor force	136,286	137,943	138,202	137,384	138,116	138,193	138,547	139,347	139,271
Participation rate	66.7	66.7	66.8	67.2	67.1	67.1	67.2	67.4	67.3
Employed	129,482	131,339	131,539	131,021	131,858	132,113	132,526	133,396	133,144
Employment-population ratio	63.3	63.5	63.6	64.1	64.0	64.1	64.2	64.5	64.4
Agriculture	2,922	2,911	2,894	3,345	3,558	3,348	3,222	3,269	3,328
Nonagricultural industries	126,560	128,428	128,744	127,676	128,300	128,765	129,304	130,087	129,817
Unemployed	6,804	6,604	6,563	6,363	6,258	6,080	6,021	5,950	6,127
Unemployment rate	5.0	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.4
Not in labor force	68,115	68,776	68,671	67,016	67,803	67,911	67,723	67,372	67,602
Men, 16 years and over									
Civilian noninstitutional population	98,331	99,198	99,279	98,331	99,121	99,217	99,309	99,198	99,279
Civilian labor force	72,930	73,636	73,718	73,735	74,189	74,345	74,437	74,589	74,504
Participation rate	74.2	74.2	74.3	75.0	74.8	74.9	75.0	75.2	75.0
Employed	69,197	69,892	70,094	70,411	70,825	71,182	71,204	71,459	71,278
Employment-population ratio	70.4	70.5	70.6	71.6	71.6	71.7	71.7	72.0	71.8
Unemployed	3,733	3,744	3,624	3,324	3,264	3,163	3,233	3,140	3,226
Unemployment rate	5.1	4.9	4.9	4.5	4.4	4.3	4.3	4.2	4.3
Men, 20 years and over									
Civilian noninstitutional population	90,476	91,124	91,189	90,476	91,101	91,192	91,220	91,124	91,189
Civilian labor force	69,104	69,687	69,746	69,559	69,913	70,023	70,089	70,295	70,174
Participation rate	76.4	76.5	76.5	76.9	76.7	76.8	76.8	77.1	77.0
Employed	66,049	66,780	66,730	66,927	67,362	67,573	67,553	67,884	67,577
Employment-population ratio	73.0	73.3	73.2	74.0	73.9	74.1	74.1	74.5	74.1
Agriculture	2,035	2,060	1,953	2,297	2,449	2,374	2,237	2,312	2,312
Nonagricultural industries	64,014	64,720	64,777	64,630	64,913	65,199	65,316	65,572	65,265
Unemployed	3,055	2,908	3,016	2,632	2,551	2,450	2,516	2,411	2,598
Unemployment rate	4.4	4.2	4.3	3.8	3.6	3.5	3.6	3.4	3.7
Women, 16 years and over									
Civilian noninstitutional population	106,070	107,521	107,593	106,070	106,798	106,887	106,960	107,521	107,593
Civilian labor force	63,355	64,307	64,484	63,649	63,927	63,848	64,110	64,749	64,767
Participation rate	59.7	59.8	59.9	60.0	59.9	59.7	59.9	60.2	60.2
Employed	60,285	61,347	61,555	60,610	60,833	60,931	61,322	61,937	61,866
Employment-population ratio	56.8	57.1	57.2	57.1	57.1	57.0	57.3	57.6	57.5
Unemployed	3,070	2,960	2,929	3,039	2,994	2,917	2,788	2,810	2,899
Unemployment rate	4.8	4.6	4.5	4.8	4.7	4.6	4.3	4.3	4.5
Women, 20 years and over									
Civilian noninstitutional population	98,471	99,886	99,748	98,471	99,037	99,135	99,181	99,886	99,748
Civilian labor force	59,606	60,547	60,606	59,525	59,826	59,696	60,078	60,718	60,622
Participation rate	60.5	60.7	60.8	60.5	60.4	60.4	60.6	60.9	60.8
Employed	57,011	58,100	58,210	57,067	57,437	57,603	57,745	58,486	58,291
Employment-population ratio	57.9	58.3	58.4	58.0	58.0	58.0	58.2	58.7	58.4
Agriculture	722	729	757	799	771	734	753	808	839
Nonagricultural industries	56,289	57,370	57,452	56,268	56,666	56,769	56,992	57,678	57,452
Unemployed	2,595	2,447	2,396	2,529	2,389	2,393	2,333	2,251	2,330
Unemployment rate	4.4	4.0	4.0	4.2	4.0	4.0	3.9	3.7	3.8
Both sexes, 16 to 19 years									
Civilian noninstitutional population	15,453	15,909	15,939	15,453	15,781	15,777	15,868	15,909	15,939
Civilian labor force	7,575	7,709	7,849	8,200	8,377	8,274	8,400	8,534	8,475
Participation rate	49.0	48.5	49.2	53.1	53.1	52.4	52.9	53.4	53.2
Employed	6,422	6,460	6,699	6,997	7,059	7,037	7,229	7,046	7,276
Employment-population ratio	41.6	40.6	42.0	45.3	44.7	44.6	45.5	44.3	45.7
Agriculture	184	122	184	249	338	240	232	178	277
Nonagricultural industries	6,238	6,338	6,515	6,748	6,721	6,797	6,996	6,867	6,999
Unemployed	1,153	1,249	1,150	1,203	1,318	1,237	1,172	1,288	1,199
Unemployment rate	15.2	16.2	14.6	14.7	15.7	15.0	14.0	15.1	14.1

[1] The population figures are not adjusted for seasonal variation; therefore, identical numbers appear in the unadjusted and seasonally adjusted columns.

NOTE: Beginning in January 1999, data reflect revised population controls used in the household survey.

HOUSEHOLD DATA

Table A-2. Employment status of the civilian population by race, sex, age, and Hispanic origin

(Numbers in thousands)

Employment status, race, sex, age, and Hispanic origin	Not seasonally adjusted			Seasonally adjusted[1]					
	Feb. 1998	Jan. 1999	Feb. 1999	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999
WHITE									
Civilian noninstitutional population	170,917	172,394	172,491	170,917	171,956	172,084	172,197	172,394	172,491
Civilian labor force	114,489	115,425	115,821	115,271	115,714	115,697	115,986	116,529	116,610
Participation rate	67.0	67.0	67.1	67.4	67.3	67.2	67.4	67.6	67.6
Employed	109,504	110,414	110,949	110,731	111,162	111,304	111,560	112,135	112,189
Employment-population ratio	64.1	64.0	64.3	64.8	64.6	64.7	64.8	65.0	65.0
Unemployed	4,985	5,011	4,873	4,540	4,552	4,393	4,426	4,394	4,420
Unemployment rate	4.4	4.3	4.2	3.9	3.9	3.8	3.8	3.8	3.8
Men, 20 years and over									
Civilian labor force	58,974	59,308	59,443	59,314	59,579	59,634	59,712	59,751	59,799
Participation rate	76.9	76.9	77.0	77.3	77.2	77.2	77.2	77.5	77.5
Employed	56,651	57,051	57,078	57,378	57,646	57,806	57,813	57,920	57,830
Employment-population ratio	73.8	74.0	74.0	74.8	74.7	74.8	74.8	75.1	75.0
Unemployed	2,322	2,254	2,365	1,936	1,933	1,828	1,899	1,831	1,969
Unemployment rate	3.9	3.8	4.0	3.3	3.2	3.1	3.2	3.1	3.3
Women, 20 years and over									
Civilian labor force	49,029	49,594	49,721	49,031	49,062	49,065	49,230	49,758	49,721
Participation rate	59.9	60.0	60.1	59.9	59.7	59.6	59.8	60.2	60.1
Employed	47,232	47,773	48,061	47,283	47,401	47,415	47,585	48,110	48,109
Employment-population ratio	57.7	57.8	58.1	57.7	57.6	57.6	57.8	58.2	58.2
Unemployed	1,797	1,821	1,660	1,748	1,661	1,650	1,645	1,650	1,612
Unemployment rate	3.7	3.7	3.3	3.6	3.4	3.4	3.3	3.3	3.2
Both sexes, 16 to 19 years									
Civilian labor force	6,486	6,523	6,657	6,926	7,073	6,988	7,054	7,019	7,090
Participation rate	52.7	51.7	52.7	56.3	56.4	55.7	56.1	55.6	56.1
Employed	5,521	5,380	5,809	6,070	6,115	6,083	6,182	6,105	6,250
Employment-population ratio	45.7	44.3	46.0	49.3	48.8	48.5	49.0	48.4	49.5
Unemployed	966	935	848	856	958	905	892	913	840
Unemployment rate	13.3	14.3	12.7	12.4	13.5	13.0	12.6	13.0	11.8
Men	10.0	10.2	13.6	14.4	14.1	14.1	14.5	14.1	12.2
Women	10.5	12.4	11.8	10.1	13.0	11.6	10.6	11.9	11.4
BLACK									
Civilian noninstitutional population	24,229	24,665	24,697	24,229	24,496	24,529	24,561	24,665	24,697
Civilian labor force	15,618	16,101	16,004	15,834	16,163	16,201	16,157	16,356	16,242
Participation rate	64.5	65.3	64.8	65.4	66.0	66.0	65.8	66.3	65.8
Employed	14,080	14,835	14,622	14,340	14,776	14,804	14,884	15,085	14,900
Employment-population ratio	58.1	60.1	59.2	59.2	60.3	60.4	60.6	61.2	60.3
Unemployed	1,538	1,267	1,381	1,494	1,387	1,397	1,273	1,271	1,342
Unemployment rate	9.9	7.9	8.6	9.4	8.6	8.6	7.9	7.8	8.3
Men, 20 years and over									
Civilian labor force	6,900	7,099	7,050	6,993	7,144	7,086	7,083	7,210	7,160
Participation rate	71.4	72.1	71.5	72.3	73.1	72.4	72.0	73.3	72.7
Employed	6,306	6,619	6,529	6,448	6,653	6,590	6,588	6,782	6,682
Employment-population ratio	65.2	67.3	66.3	66.7	68.0	67.3	67.2	68.9	67.8
Unemployed	594	479	521	545	491	496	475	428	477
Unemployment rate	8.6	6.8	7.4	7.8	6.9	7.0	6.7	5.9	6.7
Women, 20 years and over									
Civilian labor force	7,876	8,087	8,057	7,895	7,992	8,051	8,035	8,114	8,082
Participation rate	64.9	65.4	65.1	65.0	65.2	65.6	65.4	65.7	65.3
Employed	7,192	7,556	7,457	7,238	7,391	7,443	7,474	7,579	7,509
Employment-population ratio	59.2	61.2	60.3	59.6	60.3	60.6	60.8	61.3	60.7
Unemployed	684	530	600	657	601	608	561	535	573
Unemployment rate	8.7	6.6	7.4	8.3	7.5	7.6	7.0	6.6	7.1
Both sexes, 16 to 19 years									
Civilian labor force	842	917	897	946	1,027	1,064	1,059	1,032	1,000
Participation rate	34.8	37.1	36.3	39.1	41.8	43.3	43.0	41.8	40.5
Employed	581	680	637	654	732	771	822	725	708
Employment-population ratio	24.0	26.7	25.8	27.0	29.8	31.4	33.4	29.3	28.6
Unemployed	260	257	261	292	295	293	237	307	293
Unemployment rate	30.9	28.1	29.0	30.8	28.7	27.5	22.4	29.8	29.2
Men	34.9	35.8	31.8	34.0	34.7	33.0	27.3	34.2	31.6
Women	27.4	20.6	26.5	28.0	23.5	22.1	17.6	25.0	27.0

See footnotes at end of table.

Table A-2. Employment status of the civilian population by race, sex, age, and Hispanic origin — Continued

(Numbers in thousands)

Employment status, race, sex, age, and Hispanic origin	Not seasonally adjusted			Seasonally adjusted[1]					
	Feb. 1998	Jan. 1999	Feb. 1999	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999
HISPANIC ORIGIN									
Civilian noninstitutional population	20,798	21,296	21,355	20,798	21,286	21,349	21,405	21,296	21,355
Civilian labor force	14,030	14,358	14,486	14,145	14,437	14,389	14,488	14,511	14,591
Participation rate	67.5	67.4	67.7	68.0	67.8	67.4	67.7	68.1	68.3
Employed	12,983	13,293	13,420	13,165	13,382	13,345	13,383	13,550	13,610
Employment-population ratio	62.4	62.4	62.8	63.3	62.9	62.5	62.5	63.6	63.7
Unemployed	1,047	1,065	1,046	980	1,055	1,044	1,105	960	980
Unemployment rate	7.5	7.4	7.2	6.9	7.3	7.3	7.6	6.6	6.7

[1] The population figures are not adjusted for seasonal variation; therefore, identical numbers appear in the unadjusted and seasonally adjusted columns.

NOTE: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Beginning in January 1999, data reflect revised population controls used in the household survey.

Table A-3. Employment status of the civilian population 25 years and over by educational attainment, seasonally adjusted

(Numbers in thousands)

Educational attainment	Not seasonally adjusted			Seasonally adjusted[1]					
	Feb. 1998	Jan. 1999	Feb. 1999	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999
Less than a high school diploma									
Civilian noninstitutional population	29,228	28,901	28,112	29,228	28,713	29,084	29,094	28,901	28,112
Civilian labor force	12,303	12,463	11,917	12,561	12,408	12,463	12,500	12,379	12,184
Percent of population	42.1	43.1	42.4	43.0	43.2	42.9	43.0	42.8	43.3
Employed	11,303	11,391	10,897	11,670	11,556	11,374	11,628	11,459	11,257
Employment-population ratio	38.7	39.4	38.8	39.9	40.2	39.8	40.0	39.7	40.0
Unemployed	1,000	1,073	1,020	891	852	889	874	920	907
Unemployment rate	8.1	8.6	8.6	7.1	6.9	7.1	7.0	7.4	7.5
High school graduates, no college[2]									
Civilian noninstitutional population	57,418	57,477	57,082	57,418	57,886	57,273	57,115	57,477	57,082
Civilian labor force	37,527	37,472	37,083	37,730	37,540	37,409	37,296	37,580	37,261
Percent of population	65.4	65.2	65.0	65.7	65.1	65.3	65.3	65.4	65.3
Employed	35,794	35,828	35,583	36,225	36,056	35,947	35,873	36,291	35,979
Employment-population ratio	62.3	62.5	62.4	63.1	62.5	62.8	62.8	63.1	63.1
Unemployed	1,734	1,645	1,479	1,505	1,484	1,461	1,423	1,289	1,282
Unemployment rate	4.6	4.1	4.0	4.0	4.0	3.9	3.8	3.5	3.4
Less than a bachelor's degree[3]									
Civilian noninstitutional population	42,527	43,154	43,911	42,527	42,573	42,863	43,022	43,154	43,911
Civilian labor force	31,580	31,980	32,601	31,418	31,349	31,727	31,800	32,398	32,465
Percent of population	74.3	74.1	74.2	73.9	73.6	74.0	73.9	75.1	73.9
Employed	30,536	30,988	31,525	30,448	30,423	30,825	30,911	31,470	31,482
Employment-population ratio	71.8	71.8	71.8	71.6	71.5	71.9	71.8	72.9	71.6
Unemployed	1,042	1,023	1,077	970	926	902	889	929	1,003
Unemployment rate	3.3	3.2	3.3	3.1	3.0	2.8	2.8	2.9	3.1
College graduates									
Civilian noninstitutional population	42,238	43,516	43,949	42,238	43,520	43,408	43,484	43,516	43,949
Civilian labor force	33,859	34,814	35,149	33,742	34,779	34,554	34,639	34,850	35,040
Percent of population	80.2	80.2	80.0	79.9	79.9	79.6	80.1	80.3	79.7
Employed	33,227	34,257	34,471	33,114	34,108	33,922	34,205	34,325	34,368
Employment-population ratio	78.7	78.7	78.4	78.4	78.4	78.1	78.7	78.9	78.2
Unemployed	632	557	678	628	671	632	633	524	673
Unemployment rate	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.5	1.9

[1] The population figures are not adjusted for seasonal variation; therefore, identical numbers appear in the unadjusted and seasonally adjusted columns.

[2] Includes high school diploma or equivalent.

[3] Includes the categories, some college, no degree; and associate degree.

NOTE: Beginning in January 1998, data reflect revised population controls used in the household survey.

HOUSEHOLD DATA

Table A-4. Selected employment indicators

(In thousands)

Category	Not seasonally adjusted			Seasonally adjusted					
	Feb. 1998	Jan. 1999	Feb. 1999	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999
CHARACTERISTIC									
Total employed, 16 years and over	129,482	131,339	131,639	131,021	131,858	132,113	132,526	133,396	133,144
Married men, spouse present	42,615	43,107	42,757	42,869	43,090	43,209	43,227	43,542	43,018
Married women, spouse present	32,821	33,416	33,092	32,829	33,037	32,953	33,093	33,652	33,092
Women who maintain families	7,860	7,947	8,105	7,872	7,940	7,969	8,087	8,078	8,113
OCCUPATION									
Managerial and professional specialty	38,297	39,754	39,607	38,210	39,679	39,459	39,729	39,836	39,531
Technical, sales, and administrative support	39,280	39,419	39,979	38,519	38,431	38,430	38,307	38,846	39,254
Service occupations	17,752	17,690	18,000	17,899	17,882	18,024	17,976	18,070	18,163
Precision production, craft, and repair	14,084	14,471	14,477	14,368	14,182	14,552	14,685	14,751	14,742
Operators, fabricators, and laborers	18,151	18,109	17,848	18,526	18,168	18,087	18,480	18,478	18,021
Farming, forestry, and fishing	2,927	2,895	2,928	3,477	3,604	3,539	3,386	3,422	3,490
CLASS OF WORKER									
Agriculture:									
Wage and salary workers	1,685	1,703	1,648	1,938	2,247	2,005	1,912	1,987	1,895
Self-employed workers	1,210	1,181	1,220	1,362	1,282	1,304	1,304	1,296	1,381
Unpaid family workers	27	27	29	42	33	40	34	30	44
Nonagricultural industries:									
Wage and salary workers	117,785	119,627	120,119	118,704	119,275	119,718	120,380	121,115	121,068
Government	18,525	19,121	19,027	18,302	18,547	18,607	18,686	18,913	18,782
Private industries	99,240	100,505	101,093	100,402	100,728	101,111	101,694	102,202	102,283
Private households	995	850	832	1,017	946	969	843	881	849
Other industries	98,245	99,655	100,261	99,385	99,782	100,142	100,751	101,321	101,434
Self-employed workers	8,682	8,680	8,511	8,828	9,030	8,929	8,814	8,830	8,658
Unpaid family workers	113	121	114	113	95	112	122	121	114
PERSONS AT WORK PART TIME									
All industries:									
Part time for economic reasons	4,042	3,815	3,594	3,884	3,404	3,340	3,417	3,562	3,426
Slack work or business conditions	2,350	2,428	2,174	2,145	2,031	1,910	1,927	2,093	1,984
Could only find part-time work	1,387	1,056	1,132	1,415	1,138	1,157	1,148	1,115	1,141
Part time for noneconomic reasons	19,236	18,836	19,481	18,407	18,867	18,634	18,674	18,485	18,642
Nonagricultural industries:									
Part time for economic reasons	3,867	3,648	3,443	3,714	3,253	3,191	3,257	3,413	3,298
Slack work or business conditions	2,235	2,305	2,085	2,044	1,927	1,824	1,841	1,989	1,906
Could only find part-time work	1,384	1,040	1,109	1,380	1,110	1,130	1,116	1,094	1,106
Part time for noneconomic reasons	18,693	18,352	18,984	17,781	18,107	18,110	18,155	17,921	18,081

NOTE: Persons at work excludes employed persons who were absent from their jobs during the entire reference week for reasons such as vacation, illness, or industrial dispute. Part time for noneconomic reasons excludes persons who usually work full time but worked only 1 to 34 hours during the reference week for reasons such as holidays, illness, and bad weather. Beginning in January 1999, data reflect revised population controls used in the household survey.

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Table A-5. Selected unemployment indicators, seasonally adjusted

Category	Number of unemployed persons (in thousands)			Unemployment rates[1]					
	Feb. 1998	Jan. 1999	Feb. 1999	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999
CHARACTERISTIC									
Total, 16 years and over	6,363	5,950	6,127	4.6	4.5	4.4	4.3	4.3	4.4
Men, 20 years and over	2,632	2,411	2,598	3.8	3.6	3.5	3.6	3.4	3.7
Women, 20 years and over	2,529	2,251	2,330	4.2	4.0	4.0	3.9	3.7	3.8
Both sexes, 16 to 19 years	1,203	1,288	1,199	14.7	15.7	15.0	14.0	15.5	14.1
Married men, spouse present	1,088	1,011	1,059	2.5	2.3	2.2	2.3	2.3	2.4
Married women, spouse present	1,014	987	987	3.0	2.8	2.9	2.8	2.8	2.8
Women who maintain families	641	527	561	7.5	6.9	6.9	6.3	6.1	6.5
Full-time workers	5,093	4,708	4,929	4.5	4.3	4.2	4.2	4.1	4.3
Part-time workers	1,277	1,272	1,196	5.2	5.5	5.4	5.2	5.2	4.9
OCCUPATION[2]									
Managerial and professional specialty	766	750	765	2.0	1.9	1.8	1.8	1.8	1.9
Technical, sales, and administrative support	1,612	1,520	1,611	4.0	3.9	3.7	3.7	3.8	3.9
Precision production, craft, and repair	644	537	672	4.3	4.0	3.8	3.2	3.5	4.4
Operators, fabricators, and laborers	1,305	1,149	1,147	6.8	6.8	6.7	6.7	5.9	6.0
Farming, forestry, and fishing	238	284	297	6.4	5.4	6.3	7.5	7.7	7.8
INDUSTRY									
Nonagricultural private wage and salary workers	4,947	4,586	4,826	4.7	4.6	4.5	4.4	4.3	4.3
Goods-producing industries	1,388	1,318	1,348	4.8	4.6	4.6	4.6	4.6	4.7
Mining	17	44	43	2.7	2.4	2.2	4.3	7.4	7.7
Construction	570	540	545	8.0	6.7	7.0	6.4	7.3	7.5
Manufacturing	799	734	758	3.8	3.9	3.8	4.0	3.5	3.7
Durable goods	380	429	415	3.0	3.2	3.2	3.4	3.4	3.3
Nondurable goods	419	305	343	4.9	5.1	4.8	4.9	3.8	4.3
Service-producing industries	3,561	3,268	3,280	4.7	4.7	4.5	4.4	4.2	4.2
Transportation and public utilities	249	183	243	3.3	3.5	3.2	3.2	2.5	3.2
Wholesale and retail trade	1,534	1,445	1,448	5.7	5.6	5.2	5.5	5.2	5.2
Finance, insurance, and real estate	202	196	192	2.5	2.5	2.8	2.8	2.4	2.4
Services	1,576	1,434	1,397	4.6	4.7	4.6	4.1	4.1	4.0
Government workers	429	425	436	2.3	2.2	2.1	2.0	2.2	2.3
Agricultural wage and salary workers	179	210	241	8.5	6.7	7.6	8.3	9.6	11.3

[1] Unemployment as a percent of the civilian labor force.

[2] Seasonally adjusted unemployment data for service occupations are not available because the seasonal component, which is small relative to the trend-cycle and irregular components, cannot be separated with sufficient precision.

NOTE: Beginning in January 1999, data reflect revised population controls used in the household survey.

Table A-6. Duration of unemployment

(Numbers in thousands)

Duration	Not seasonally adjusted			Seasonally adjusted					
	Feb. 1998	Jan. 1999	Feb. 1999	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999
NUMBER OF UNEMPLOYED									
Less than 5 weeks	2,488	2,930	2,497	2,598	2,754	2,546	2,614	2,353	2,601
5 to 14 weeks	2,365	2,133	2,336	1,931	1,896	1,983	1,839	2,071	1,944
15 weeks and over	1,950	1,541	1,681	1,804	1,586	1,611	1,578	1,469	1,550
15 to 26 weeks	957	775	864	849	732	752	754	753	765
27 weeks and over	994	766	816	955	853	858	824	716	784
Average (mean) duration, in weeks	15.3	12.9	13.8	15.4	14.1	14.4	14.1	13.4	13.8
Median duration, in weeks	7.5	6.5	7.4	7.1	5.9	6.7	6.7	6.9	7.0
PERCENT DISTRIBUTION									
Total unemployed	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than 5 weeks	39.6	44.4	38.0	41.0	44.1	41.5	43.3	39.9	42.7
5 to 14 weeks	34.8	32.3	36.3	30.5	30.3	32.3	30.5	35.1	31.9
15 weeks and over	25.7	23.3	25.6	28.5	25.6	26.2	26.2	24.9	25.4
15 to 26 weeks	14.1	11.7	13.2	13.4	11.7	12.2	12.5	12.8	12.6
27 weeks and over	14.6	11.6	12.4	15.1	13.9	14.0	13.7	12.1	12.9

NOTE: Beginning in January 1999, data reflect revised population controls use- in the household survey.

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Table A-7. Reason for unemployment

(Numbers in thousands)

Reason	Not seasonally adjusted			Seasonally adjusted					
	Feb. 1998	Jan. 1999	Feb. 1999	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999
NUMBER OF UNEMPLOYED									
Job losers and persons who completed temporary jobs	3,254	3,394	3,151	2,827	2,813	2,758	2,754	2,696	2,738
On temporary layoff	1,145	1,364	1,159	836	857	850	841	884	849
Not on temporary layoff	2,109	2,030	1,993	1,991	1,956	1,908	1,913	1,832	1,889
Permanent job losers	1,503	1,378	1,308	(1)	(1)	(1)	(1)	(1)	(1)
Persons who completed temporary jobs	605	655	685	(1)	(1)	(1)	(1)	(1)	(1)
Job leavers	789	721	765	773	730	677	709	699	751
Reentrants	2,270	2,027	2,182	2,206	2,142	2,130	2,031	1,993	2,110
New entrants	491	462	466	538	577	534	504	537	509
PERCENT DISTRIBUTION									
Total unemployed	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Job losers and persons who completed temporary jobs	47.8	51.4	48.0	44.6	44.9	45.2	45.9	45.5	44.8
On temporary layoff	16.8	20.7	17.7	13.2	13.7	13.9	14.0	14.6	13.9
Not on temporary layoff	31.0	30.7	30.4	31.4	31.2	31.3	31.9	30.9	30.9
Job leavers	11.6	10.9	11.6	12.2	11.7	11.1	11.8	11.8	12.3
Reentrants	33.4	30.7	33.2	34.8	34.2	34.9	33.9	33.6	34.5
New entrants	7.2	7.0	7.1	8.5	9.2	8.8	8.4	9.1	8.3
UNEMPLOYED AS A PERCENT OF THE CIVILIAN LABOR FORCE									
Job losers and persons who completed temporary jobs	2.4	2.5	2.3	2.1	2.0	2.0	2.0	1.9	2.0
Job leavers	.6	.5	.6	.6	.5	.5	.5	.5	.5
Reentrants	1.7	1.5	1.6	1.6	1.6	1.5	1.5	1.4	1.5
New entrants	.4	.3	.3	.4	.4	.4	.4	.4	.4

[1] Not available.

NOTE: Beginning in January 1999, data reflect revised population controls used in the household survey.

Table A-8. Range of alternative measures of labor underutilization

(Percent)

Measure	Not seasonally adjusted			Seasonally adjusted					
	Feb. 1998	Jan. 1999	Feb. 1999	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	1.4	1.1	1.2	1.3	1.2	1.2	1.1	1.1	1.1
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	2.4	2.5	2.3	2.1	2.0	2.0	2.0	1.9	2.0
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	5.0	4.8	4.7	4.8	4.5	4.4	4.3	4.3	4.4
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	5.2	5.0	4.9	(1)	(1)	(1)	(1)	(1)	(1)
U-5 Total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers	6.0	5.7	5.6	(1)	(1)	(1)	(1)	(1)	(1)
U-6 Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers	8.9	8.5	8.2	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.

NOTE: This range of alternative measures of labor underutilization replaces the U1-U7 range published in table A-7 of this release prior to 1994. Marginally attached workers are persons who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the recent past. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for a job. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. For further information, see "BLS introduces new range of alternative unemployment measures," in the October 1995 issue of the *Monthly Labor Review*. Beginning in January 1999, data reflect revised population controls used in the household survey.

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Table A-9. Unemployed persons by sex and age, seasonally adjusted

Age and sex	Number of unemployed persons (in thousands)			Unemployment rates[1]					
	Feb. 1998	Jan. 1999	Feb. 1999	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999
Total, 16 years and over	6,363	5,950	6,127	4.6	4.5	4.4	4.3	4.3	4.4
16 to 24 years	2,350	2,240	2,274	10.7	10.5	9.9	9.8	10.1	10.2
16 to 19 years	1,203	1,088	1,189	14.7	15.7	15.0	14.0	15.5	14.1
16 to 17 years	622	619	620	18.3	18.2	18.0	16.9	18.4	15.5
18 to 19 years	567	653	668	11.8	14.0	13.0	12.1	13.1	13.1
20 to 24 years	1,147	952	1,075	8.4	7.3	6.9	7.2	6.9	7.7
25 years and over	3,999	3,743	3,835	3.5	3.4	3.3	3.3	3.2	3.3
25 to 54 years	3,561	3,257	3,359	3.6	3.5	3.4	3.4	3.3	3.4
55 years and over	450	509	501	2.7	2.7	3.0	3.0	2.9	2.9
Men, 16 years and over	3,324	3,140	3,228	4.5	4.4	4.3	4.3	4.2	4.3
16 to 24 years	1,317	1,241	1,179	11.5	10.9	10.3	10.8	10.7	10.1
16 to 19 years	682	729	630	16.6	16.7	16.5	16.4	16.9	14.6
16 to 17 years	350	349	282	20.4	20.9	20.0	19.9	19.7	15.3
18 to 19 years	327	375	368	13.5	13.7	14.4	14.0	14.7	14.1
20 to 24 years	625	512	548	8.8	7.5	6.6	7.3	7.1	7.5
25 years and over	1,987	1,900	2,036	3.2	3.2	3.1	3.2	3.0	3.2
25 to 54 years	1,734	1,646	1,730	3.3	3.3	3.1	3.2	3.1	3.3
55 years and over	258	273	295	2.9	2.9	3.1	3.1	2.8	3.0
Women, 16 years and over	3,039	2,810	2,899	4.8	4.7	4.6	4.3	4.3	4.5
16 to 24 years	1,033	999	1,095	9.9	10.1	9.5	8.7	9.5	10.2
16 to 19 years	511	359	569	12.7	14.8	13.3	11.3	13.9	13.7
16 to 17 years	262	270	259	16.0	15.4	15.9	13.6	16.9	15.7
18 to 19 years	240	278	299	10.2	14.3	11.4	10.2	11.5	12.1
20 to 24 years	522	440	527	8.1	7.1	7.1	7.1	6.7	8.0
25 years and over	2,002	1,842	1,799	3.8	3.6	3.6	3.5	3.4	3.3
25 to 54 years	1,827	1,611	1,609	4.0	3.8	3.8	3.8	3.5	3.5
55 years and over	182	236	206	2.4	2.5	2.9	2.8	3.1	2.7

[1] Unemployment as a percent of the civilian labor force.
NOTE: Beginning in January 1999, data reflect revised population controls used in the household survey.

Table A-10. Persons not in the labor force and multiple jobholders by sex, not seasonally adjusted

(Numbers in thousands)

Category	Total		Men		Women	
	Feb. 1998	Feb. 1999	Feb. 1998	Feb. 1999	Feb. 1998	Feb. 1999
NOT IN THE LABOR FORCE						
Total not in the labor force	68,115	68,671	25,400	25,562	42,714	43,109
Persons who currently want a job	4,912	4,703	2,165	1,878	2,747	2,825
Searched for work and available to work now[1]	1,478	1,279	773	582	705	696
Reason not currently looking:						
Discouragement over job prospects[2]	361	271	237	170	124	100
Reasons other than discouragement[3]	1,117	1,008	537	422	581	586
MULTIPLE JOBHOLDERS						
Total multiple jobholders[4]	7,877	8,044	4,142	4,264	3,734	3,780
Percent of total employed	6.1	6.1	6.0	6.1	6.2	6.1
Primary job full time, secondary job part time	4,391	4,386	2,580	2,551	1,811	1,845
Primary and secondary jobs both part time	1,671	1,763	542	575	1,129	1,187
Primary and secondary jobs both full time	227	278	154	174	73	102
Hours vary on primary or secondary job	1,588	1,563	847	932	719	631

[1] Data refer to persons who have searched for work during the prior 12 months and were available to take a job during the reference week.
[2] Includes thinks no work available, could not find work, lacks schooling or training, employer thinks too young or old, and other types of discrimination.
[3] Includes those who did not actively look for work in the prior 4 weeks for such reasons as child-care and transportation problems, as well as a small number for which reason for nonparticipation was not determined.
[4] Includes persons who work part time on their primary job and full time on their secondary job(s), not shown separately.
NOTE: Beginning in January 1998, data reflect revised population controls used in the household survey.

Table B-1. Employees on nonfarm payrolls by industry

(In thousands)

Industry	Not seasonally adjusted				Seasonally adjusted					
	Feb. 1998	Dec. 1998	Jan. 1999p	Feb. 1999p	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999p	Feb. 1999p
Total	123,346	127,936	125,176	126,028	124,832	126,527	126,804	127,118	127,335	127,610
Total private	103,333	107,547	105,202	105,851	105,112	106,579	106,818	107,098	107,274	107,527
Goods-producing	24,706	25,181	24,635	24,837	25,314	25,209	25,184	25,269	25,256	25,268
Mining	578	556	535	526	590	564	560	557	547	537
Metal mining	50.6	49.9	49.6	49.4	52	50	50	50	51	50
Coal mining	92.8	89.8	89.5	88.5	93	89	90	90	90	89
Oil and gas extraction	334.7	309.4	297.3	288.4	338	317	312	308	296	291
Nonmetallic minerals, except fuels	99.4	106.5	98.5	99.5	107	108	108	109	107	107
Construction	5,403	6,043	5,673	5,716	5,902	6,012	6,051	6,153	6,167	6,239
General building contractors	1,292.8	1,424.2	1,374.5	1,376.8	1,371	1,419	1,414	1,433	1,447	1,460
Heavy construction, except building	684.2	810.7	714.6	724.0	813	825	834	861	861	861
Special trade contractors	3,425.9	3,807.9	3,583.7	3,615.0	3,718	3,768	3,803	3,859	3,859	3,918
Manufacturing	18,725	18,582	18,427	18,395	18,822	18,633	18,573	18,559	18,542	18,492
Production workers	12,944	12,784	12,684	12,647	13,024	12,821	12,765	12,763	12,759	12,716
Durable goods	11,122	11,021	10,936	10,924	11,159	11,059	11,011	10,996	10,986	10,982
Production workers	7,645	7,542	7,474	7,474	7,676	7,566	7,522	7,519	7,511	7,494
Lumber and wood products	784.5	812.2	805.8	805.5	800	808	809	813	821	821
Furniture and fixtures	519.8	529.4	527.0	528.1	519	524	524	527	527	528
Stone, clay, and glass products	542.1	565.3	547.0	551.3	561	564	566	571	568	571
Primary metal industries	718.8	701.0	695.3	694.7	718	706	699	698	694	695
Blast furnaces and basic steel products	235.3	227.6	224.7	224.1	(1)	(1)	(1)	(1)	(1)	(1)
Fabricated metal products	1,494.8	1,485.4	1,480.6	1,474.8	1,497	1,486	1,481	1,480	1,483	1,477
Industrial machinery and equipment	2,206.5	2,153.7	2,137.2	2,133.8	2,202	2,175	2,162	2,152	2,137	2,130
Computer and office equipment	379.2	366.8	361.9	358.9	381	371	370	367	363	360
Electronic and other electrical equipment	1,719.0	1,670.3	1,660.1	1,656.7	1,720	1,660	1,668	1,664	1,660	1,658
Electronic components and accessories	679.7	646.9	645.4	645.9	680	654	649	646	645	646
Transportation equipment	1,885.2	1,883.5	1,889.6	1,864.9	1,886	1,887	1,877	1,871	1,876	1,864
Motor vehicles and equipment	1,002.2	1,000.9	992.0	990.3	1,004	1,000	998	990	998	990
Aircraft and parts	523.5	519.8	516.1	510.4	523	523	519	518	516	510
Instruments and related products	865.2	842.0	840.9	839.7	866	850	845	842	842	841
Miscellaneous manufacturing	386.0	377.8	372.5	374.5	390	381	378	378	378	377
Nondurable goods	7,603	7,561	7,491	7,471	7,663	7,574	7,562	7,563	7,556	7,530
Production workers	5,299	5,242	5,190	5,173	5,348	5,255	5,243	5,244	5,248	5,222
Food and kindred products	1,664.7	1,705.2	1,686.1	1,681.0	1,703	1,702	1,710	1,718	1,723	1,719
Tobacco products	41.9	42.1	42.1	40.8	41	40	40	39	40	40
Textile mill products	603.7	581.6	573.6	570.1	606	589	584	581	576	572
Apparel and other textile products	791.7	732.5	719.4	709.4	795	746	736	734	726	713
Paper and allied products	684.9	674.2	669.7	668.4	688	677	674	673	671	671
Printing and publishing	1,561.8	1,570.8	1,559.6	1,558.2	1,564	1,569	1,566	1,561	1,563	1,562
Chemicals and allied products	1,032.1	1,033.6	1,027.3	1,029.4	1,036	1,034	1,035	1,035	1,032	1,033
Petroleum and coal products	131.8	133.2	128.9	129.5	136	134	134	136	133	134
Rubber and misc. plastics products	1,004.8	1,009.7	1,008.0	1,009.2	1,007	1,004	1,005	1,008	1,013	1,010
Leather and leather products	85.7	77.8	76.3	75.1	86	79	78	78	77	76
Service-producing	98,640	102,755	100,541	101,391	99,518	101,318	101,620	101,849	102,079	102,342
Transportation and public utilities	6,433	6,578	6,578	6,593	6,494	6,595	6,604	6,627	6,641	6,656
Transportation	4,117	4,319	4,217	4,232	4,184	4,247	4,249	4,262	4,268	4,282
Railroad transportation	227.3	232.1	231.5	230.9	231	234	231	233	235	234
Local and interurban passenger transit	468.8	484.1	476.8	482.3	459	467	468	468	467	471
Trucking and warehousing	1,652.6	1,731.6	1,697.5	1,702.3	1,688	1,721	1,721	1,730	1,739	1,741
Water transportation	173.8	185.6	180.4	180.1	181	191	193	191	189	188
Transportation by air	1,136.2	1,215.7	1,163.5	1,168.1	1,145	1,167	1,167	1,169	1,167	1,178
Pipelines, except natural gas	14.1	14.1	13.9	14.1	14	14	14	14	14	14
Transportation services	443.9	455.8	452.9	454.3	446	453	455	457	457	456
Communications and public utilities	2,316	2,259	2,361	2,361	2,330	2,348	2,355	2,365	2,373	2,374
Communications	1,461.8	1,508.8	1,514.7	1,516.7	1,471	1,498	1,502	1,512	1,523	1,525
Electric, gas, and sanitary services	854.8	850.2	845.8	844.5	859	850	853	853	850	849
Wholesale trade	6,714	6,882	6,842	6,853	6,769	6,864	6,877	6,882	6,899	6,908
Durable goods	4,009	4,102	4,089	4,102	4,030	4,096	4,102	4,104	4,112	4,123
Nondurable goods	2,705	2,780	2,753	2,751	2,739	2,768	2,775	2,778	2,787	2,785

See footnotes at end of table.

Table B-1. Employees on nonfarm payrolls by industry -- Continued

(In thousands)

Industry	Not seasonally adjusted				Seasonally adjusted					
	Feb. 1998	Dec. 1998	Jan. 1999[p]	Feb. 1999[p]	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999[p]	Feb. 1999[p]
Retail trade	21,758	23,385	22,345	22,315	22,263	22,589	22,672	22,712	22,748	22,871
Building materials and garden supplies	902.4	981.4	948.6	952.9	959	987	991	997	1,005	1,013
General merchandise stores	2,663.1	3,133.3	2,832.9	2,751.5	2,756	2,812	2,842	2,823	2,834	2,856
Department stores	2,346.2	2,758.9	2,498.5	2,431.5	2,427	2,481	2,504	2,490	2,501	2,524
Food stores	3,496.8	3,624.9	3,532.5	3,521.9	3,533	3,554	3,558	3,561	3,546	3,556
Automotive dealers and service stations	2,300.1	2,368.1	2,352.7	2,363.8	2,331	2,367	2,370	2,377	2,383	2,395
New and used car dealers	1,052.3	1,069.5	1,057.4	1,072.9	1,056	1,067	1,069	1,073	1,074	1,078
Apparel and accessory stores	1,067.1	1,204.0	1,114.8	1,085.1	1,100	1,101	1,105	1,101	1,109	1,121
Furniture and home furnishings stores	1,038.3	1,134.6	1,101.7	1,098.7	1,043	1,076	1,082	1,084	1,093	1,103
Eating and drinking places	7,444.8	7,809.7	7,511.9	7,507.4	7,694	7,778	7,807	7,854	7,843	7,868
Miscellaneous retail establishments	2,845.2	3,131.3	2,949.9	2,933.5	2,867	2,914	2,917	2,915	2,935	2,959
Finance, insurance, and real estate	7,172	7,437	7,420	7,423	7,232	7,417	7,441	7,458	7,481	7,488
Finance	3,486	3,615	3,616	3,620	3,496	3,598	3,605	3,615	3,624	3,632
Depository institutions	2,031.1	2,048.8	2,046.1	2,043.9	2,039	2,043	2,043	2,046	2,049	2,052
Commercial banks	1,457.8	1,458.9	1,457.3	1,455.4	1,464	1,456	1,455	1,457	1,459	1,461
Savings institutions	261.1	264.0	264.6	263.5	262	265	265	264	265	265
Nondepository institutions	593.3	652.4	656.0	660.0	593	640	649	652	658	661
Mortgage bankers and brokers	268.4	311.9	311.3	314.0	270	305	310	313	313	316
Security and commodity brokers	626.8	664.6	663.9	662.9	629	666	663	666	666	665
Holding and other investment offices	234.9	250.9	249.7	253.5	235	249	250	251	251	254
Insurance	2,290	2,359	2,353	2,351	2,297	2,350	2,357	2,360	2,360	2,359
Insurance carriers	1,554.2	1,608.4	1,606.1	1,604.6	1,560	1,601	1,606	1,610	1,613	1,611
Insurance agents, brokers, and service	735.4	750.2	745.1	746.7	737	749	751	750	747	748
Real estate	1,396	1,463	1,451	1,452	1,439	1,469	1,479	1,483	1,497	1,497
Services[2]	36,550	37,984	37,382	37,830	37,020	37,905	38,040	38,148	38,249	38,336
Agricultural services	583.4	688.9	635.7	635.6	696	722	737	751	757	757
Hotels and other lodging places	1,671.8	1,699.3	1,670.7	1,683.7	1,756	1,783	1,777	1,776	1,777	1,772
Personal services	1,246.1	1,166.1	1,226.1	1,237.4	1,177	1,178	1,180	1,186	1,187	1,171
Business services	8,198.9	8,820.3	8,564.3	8,634.8	8,384	8,677	8,715	8,756	8,792	8,832
Services to buildings	948.5	985.3	981.5	982.4	961	987	989	991	999	996
Personnel supply services	2,989.4	3,255.5	3,026.8	3,057.6	3,152	3,161	3,177	3,202	3,217	3,224
Help supply services	2,661.6	2,904.6	2,688.8	2,714.7	2,820	2,829	2,840	2,857	2,864	2,871
Computer and data processing services	1,524.9	1,693.1	1,710.7	1,724.1	1,522	1,661	1,680	1,691	1,711	1,724
Auto repair, services, and parking	1,137.6	1,171.7	1,167.8	1,181.3	1,144	1,169	1,175	1,177	1,182	1,189
Miscellaneous repair services	376.9	392.1	389.2	389.5	382	389	391	393	395	396
Motion pictures	568.6	568.7	561.3	570.6	569	567	563	564	563	569
Amusement and recreation services	1,442.2	1,562.6	1,496.3	1,530.6	1,641	1,718	1,744	1,742	1,750	1,742
Health services	9,824.4	9,974.7	9,933.6	9,947.5	9,852	9,947	9,955	9,955	9,957	9,973
Offices and clinics of medical doctors	1,783.1	1,852.4	1,850.3	1,853.1	1,788	1,843	1,849	1,845	1,854	1,859
Nursing and personal care facilities	1,754.5	1,754.7	1,746.2	1,745.3	1,761	1,755	1,753	1,751	1,752	1,752
Hospitals	3,916.2	3,982.2	3,971.8	3,974.9	3,920	3,977	3,978	3,980	3,977	3,980
Home health care services	697.3	663.3	649.3	655.3	702	662	661	661	653	660
Legal services	961.8	996.7	992.3	994.7	967	995	994	997	997	1,000
Educational services	2,305.4	2,370.0	2,200.8	2,403.5	2,179	2,238	2,245	2,252	2,249	2,269
Social services	2,572.5	2,690.8	2,677.0	2,706.1	2,577	2,659	2,672	2,686	2,697	2,713
Child day care services	583.8	600.4	597.8	606.4	574	583	586	589	591	597
Residential care	735.9	764.7	765.3	771.4	741	762	764	766	770	776
Museums and botanical and zoological gardens	83.5	91.1	85.5	85.1	92	92	94	94	94	93
Membership organizations	2,239.2	2,270.5	2,250.8	2,270.7	2,261	2,281	2,279	2,283	2,289	2,293
Engineering and management services	3,143.6	3,322.4	3,332.9	3,361.2	3,148	3,293	3,321	3,338	3,365	3,368
Engineering and architectural services	887.7	930.8	927.5	926.7	899	927	932	934	938	940
Management and public relations	1,000.8	1,096.7	1,095.9	1,108.3	1,007	1,075	1,092	1,098	1,112	1,116
Services, nec	50.8	54.5	53.8	54.3	(1)	(1)	(1)	(1)	(1)	(1)
Government	20,013	20,389	19,974	20,377	19,720	19,948	19,986	20,022	20,061	20,083
Federal	2,681	2,739	2,680	2,684	2,676	2,713	2,725	2,706	2,704	2,699
Federal, except Postal Service	1,808.0	1,801.5	1,804.2	1,811.6	1,819	1,834	1,845	1,818	1,827	1,824
State	4,705	4,773	4,624	4,790	4,813	4,671	4,674	4,690	4,692	4,698
Education	2,035.9	2,067.2	1,909.4	2,070.8	1,924	1,949	1,945	1,957	1,953	1,958
Other State government	2,669.1	2,705.4	2,714.8	2,719.5	2,889	2,722	2,729	2,733	2,739	2,740
Local	12,647	12,877	12,670	12,903	12,431	12,564	12,587	12,626	12,665	12,686
Education	7,338.3	7,476.5	7,303 6	7,514.3	6,999	7,083	7,114	7,133	7,162	7,171
Other local government	5,308.8	5,400.0	5,366.7	5,388.3	5,432	5,481	5,473	5,493	5,503	5,515

[1] These series are not published seasonally adjusted because the seasonal component, which is small relative to the trend-cycle and irregular components, cannot be separated with sufficient precision.

[2] Includes other industries, not shown separately.

[p] = preliminary.

Table B-2. Average weekly hours of production or nonsupervisory workers[1] on private nonfarm payrolls by industry

Industry	Not seasonally adjusted				Seasonally adjusted					
	Feb. 1998	Dec. 1998	Jan. 1999[p]	Feb. 1999[p]	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999[p]	Feb. 1999[p]
Total private	34.6	34.7	34.0	34.3	34.7	34.6	34.5	34.6	34.5	34.7
Goods-producing	40.9	41.7	40.5	40.5	41.4	41.1	41.0	41.2	41.1	41.0
Mining	44.0	43.7	42.2	42.8	44.4	43.8	43.5	43.4	42.5	43.1
Construction	37.9	39.0	37.8	37.9	39.2	39.1	38.8	39.5	39.7	39.3
Manufacturing	41.7	42.6	41.3	41.3	42.0	41.7	41.7	41.7	41.6	41.6
Overtime hours	4.5	4.9	4.4	4.2	4.8	4.5	4.5	4.5	4.6	4.5
Durable goods	42.5	43.2	41.9	41.9	42.8	42.3	42.3	42.3	42.1	42.2
Overtime hours	4.9	5.2	4.5	4.4	5.1	4.6	4.6	4.6	4.7	4.6
Lumber and wood products	40.5	41.7	40.6	40.2	41.1	41.1	41.2	41.6	41.7	40.9
Furniture and fixtures	40.5	41.5	40.2	39.9	41.0	40.4	40.1	40.2	40.6	40.4
Stone, clay, and glass products	42.6	43.7	42.4	42.2	43.6	43.4	43.5	43.8	44.0	43.4
Primary metal industries	44.7	44.6	43.8	43.6	44.8	43.7	43.9	43.7	43.7	43.6
Blast furnaces and basic steel products	45.2	43.7	44.0	43.6	45.4	43.9	43.7	43.2	43.9	43.7
Fabricated metal products	42.3	43.4	41.8	41.8	42.7	42.3	42.1	42.2	41.9	42.1
Industrial machinery and equipment	43.5	43.2	42.2	42.0	43.4	42.7	42.4	42.1	42.1	42.0
Electronic and other electrical equipment	41.6	42.3	41.1	41.2	41.9	41.5	41.4	41.1	41.2	41.4
Transportation equipment	43.5	45.7	43.2	43.8	43.8	43.7	44.1	44.6	43.2	44.0
Motor vehicles and equipment	43.4	46.8	43.8	44.8	43.8	43.8	44.7	45.2	43.9	45.1
Instruments and related products	42.1	42.0	41.1	41.5	42.0	41.1	41.0	41.0	41.1	41.4
Miscellaneous manufacturing	40.2	40.2	39.0	39.5	40.4	39.7	39.3	39.4	39.5	39.7
Nondurable goods	40.6	41.6	40.6	40.5	40.9	40.9	40.8	40.9	40.8	40.9
Overtime hours	4.0	4.6	4.2	4.0	4.4	4.3	4.4	4.3	4.4	4.4
Food and kindred products	40.9	42.8	41.6	41.2	41.5	41.5	41.7	42.0	42.0	41.8
Tobacco products	37.4	37.4	37.4	37.0	38.5	38.5	38.3	38.3	38.1	38.1
Textile mill products	41.1	41.4	40.8	40.4	41.5	41.1	40.7	40.9	41.0	40.8
Apparel and other textile products	37.1	37.9	36.7	37.3	37.4	37.3	37.3	37.3	36.9	37.6
Paper and allied products	43.0	44.3	43.6	43.1	43.4	43.5	43.5	43.4	43.5	43.6
Printing and publishing	38.2	38.7	37.7	37.6	38.5	38.2	38.2	38.1	38.3	37.9
Chemicals and allied products	43.3	43.5	42.9	42.7	43.4	43.3	43.0	42.6	42.9	42.6
Petroleum and coal products	42.2	44.8	43.9	43.9	(2)	(2)	(2)	(2)	(2)	(2)
Rubber and misc. plastics products	41.6	42.7	41.3	41.4	41.8	41.8	41.6	41.7	41.3	41.6
Leather and leather products	38.0	38.1	38.8	37.5	38.8	37.4	37.6	37.5	37.2	38.2
Service-producing	33.0	32.9	32.4	32.7	33.0	32.9	32.9	32.9	32.9	33.0
Transportation and public utilities	39.9	39.1	38.7	39.0	39.9	39.3	39.3	39.1	39.4	39.2
Wholesale trade	38.5	38.4	38.0	38.3	38.5	38.3	38.5	38.4	38.4	38.5
Retail trade	28.7	29.3	28.1	28.7	29.0	29.1	29.0	29.0	29.0	29.3
Finance, insurance, and real estate	37.1	36.2	36.0	36.4	(2)	(2)	(2)	(2)	(2)	(2)
Services	32.8	32.6	32.3	32.6	32.7	32.7	32.6	32.7	32.6	32.8

[1] Data relate to production workers in mining and manufacturing; construction workers in construction; and nonsupervisory workers in transportation and public utilities; wholesale and retail trade; finance, insurance, and real estate; and services. These groups account for approximately four-fifths of the total employees on private nonfarm payrolls.

[2] These series are not published seasonally adjusted because the seasonal component, which is small relative to the trend-cycle and irregular components, cannot be separated with sufficient precision.

[p] = preliminary.

Table B-3. Average hourly and weekly earnings of production or nonsupervisory workers[1] on private nonfarm payrolls by industry

Industry	Average hourly earnings				Average weekly earnings			
	Feb. 1998	Dec. 1998	Jan. 1999p	Feb. 1999p	Feb. 1998	Dec. 1998	Jan. 1999p	Feb. 1999p
Total private	$12.65	$12.99	$13.09	$13.08	$437.69	$450.75	$445.06	$448.64
Seasonally adjusted	12.59	12.98	13.03	13.04	436.87	449.11	449.54	452.49
Goods-producing	14.11	14.55	14.46	14.44	577.10	606.74	585.63	584.82
Mining	16.89	17.35	17.35	17.41	743.16	758.20	732.17	745.15
Construction	16.21	16.84	16.71	16.65	614.36	656.76	631.64	631.04
Manufacturing	13.41	13.69	13.67	13.66	559.20	583.19	564.57	564.16
Durable goods	13.96	14.17	14.12	14.10	593.30	612.14	591.63	590.79
Lumber and wood products	10.91	11.34	11.30	11.29	441.86	472.88	458.78	453.86
Furniture and fixtures	10.77	11.10	11.10	11.06	436.19	460.65	446.22	441.29
Stone, clay, and glass products	13.45	13.71	13.67	13.72	572.97	599.13	579.61	578.98
Primary metal industries	15.46	15.35	15.38	15.36	691.06	684.61	673.64	669.70
Blast furnaces and basic steel products	18.34	18.17	18.38	18.47	828.97	794.03	808.72	805.29
Fabricated metal products	12.98	13.36	13.32	13.30	549.05	579.82	556.78	555.94
Industrial machinery and equipment	14.36	14.71	14.66	14.63	624.66	635.47	618.65	614.46
Electronic and other electrical equipment	12.97	13.28	13.28	13.25	539.55	561.74	545.81	545.90
Transportation equipment	17.77	17.60	17.49	17.41	773.00	804.32	755.57	762.56
Motor vehicles and equipment	18.31	17.81	17.69	17.57	794.65	833.51	774.82	787.14
Instruments and related products	13.67	13.96	13.95	14.00	575.51	586.32	573.35	581.00
Miscellaneous manufacturing	10.79	11.10	11.13	11.12	433.76	448.22	434.07	439.24
Nondurable goods	12.57	12.97	12.99	12.98	510.34	539.55	527.39	525.69
Food and kindred products	11.64	12.02	11.95	11.94	476.08	514.46	497.12	491.93
Tobacco products	18.24	17.19	17.29	17.79	682.18	642.91	646.65	658.23
Textile mill products	10.26	10.56	10.63	10.61	421.69	437.18	433.70	428.64
Apparel and other textile products	8.38	8.70	8.70	8.70	310.90	329.73	319.29	324.51
Paper and allied products	15.20	15.77	15.69	15.69	653.60	698.61	684.08	676.24
Printing and publishing	13.32	13.67	13.65	13.64	508.82	529.03	514.61	512.86
Chemicals and allied products	16.94	17.31	17.31	17.26	733.50	752.99	742.60	737.00
Petroleum and coal products	20.91	21.21	21.25	21.64	882.40	950.21	932.88	950.00
Rubber and misc. plastics products	11.77	12.08	12.19	12.16	489.63	515.82	503.45	503.42
Leather and leather products	9.29	9.44	9.66	9.54	353.02	359.66	355.49	357.75
Service-producing	12.17	12.49	12.65	12.65	401.61	410.92	409.88	413.66
Transportation and public utilities	15.29	15.54	15.57	15.57	610.07	607.61	602.56	607.23
Wholesale trade	13.85	14.27	14.35	14.33	533.23	547.97	545.30	548.84
Retail trade	8.62	8.90	9.02	8.99	247.39	260.77	253.46	258.01
Finance, insurance, and real estate	13.95	14.40	14.45	14.52	517.55	521.28	520.20	526.53
Services	12.75	13.18	13.30	13.32	418.20	429.67	429.59	434.23

[1] See footnote 1, table B-2.

p = preliminary.

Table B-4. Average hourly earnings of production or nonsupervisory workers[1] on private nonfarm payrolls by industry, seasonally adjusted

Industry	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999[p]	Feb. 1999[p]	Percent change from: Jan. 1999-Feb. 1999
Total private:							
Current dollars	$12.59	$12.90	$12.94	$12.98	$13.03	$13.04	0.1
Constant (1982) dollars[2]	7.69	7.79	7.80	7.81	7.83	N.A.	(3)
Goods-producing	14.21	14.43	14.46	14.50	14.52	14.55	.2
Mining	16.76	17.20	17.37	17.26	17.16	17.26	.6
Construction	16.34	16.69	16.75	16.82	16.73	16.78	.3
Manufacturing	13.42	13.57	13.58	13.58	13.64	13.66	.1
Excluding overtime[4]	12.89	12.88	12.89	12.89	12.93	12.96	.2
Service-producing	12.06	12.41	12.45	12.49	12.55	12.56	.1
Transportation and public utilities	15.25	15.42	15.45	15.53	15.51	15.53	.1
Wholesale trade	13.81	14.19	14.23	14.26	14.34	14.30	-.3
Retail trade	8.59	8.85	8.85	8.91	8.96	8.96	.0
Finance, insurance, and real estate	13.83	14.24	14.35	14.43	14.47	14.47	.0
Services	12.60	13.03	13.06	13.09	13.18	13.22	.3

[1] See footnote 1, table B-2.
[2] The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) is used to deflate this series.
[3] Change was .3 percent from December 1998 to January 1999, the latest month available.
[4] Derived by assuming that overtime hours are paid at the rate of time and one-half.
N.A. = not available.
[p] = preliminary.

ESTABLISHMENT DATA

Table B-5. Indexes of aggregate weekly hours of production or nonsupervisory workers[1] on private nonfarm payrolls by industry

(1982=100)

Industry	Not seasonally adjusted				Seasonally adjusted					
	Feb. 1998	Dec. 1998	Jan. 1999P	Feb. 1999P	Feb. 1998	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999P	Feb. 1999P
Total private	141.2	147.5	141.0	142.8	144.4	145.8	145.7	146.4	146.4	147.3
Goods-producing	111.5	116.2	109.6	109.7	116.4	114.6	114.1	115.3	114.9	115.2
Mining	54.7	52.5	48.5	47.9	57.0	53.5	52.6	52.4	50.1	49.5
Construction	141.4	165.3	147.4	149.1	162.4	164.8	164.4	171.1	171.2	173.9
Manufacturing	108.8	109.8	105.6	105.4	110.3	107.8	107.3	107.4	107.0	106.7
Durable goods	113.3	113.8	109.1	109.2	114.5	111.6	110.9	111.0	110.3	110.2
Lumber and wood products	138.2	147.2	141.7	140.5	143.4	143.9	144.6	146.9	148.6	146.0
Furniture and fixtures	131.7	137.8	132.8	132.3	133.1	132.4	131.4	133.0	134.0	133.7
Stone, clay, and glass products	108.7	117.0	109.1	109.5	116.2	115.7	116.8	118.4	118.1	117.0
Primary metal industries	95.7	92.7	90.3	89.7	95.8	91.6	90.9	90.4	89.8	89.6
Blast furnaces and basic steel products	73.9	69.1	68.4	67.8	74.6	70.1	68.6	68.2	68.6	68.3
Fabricated metal products	118.8	120.7	115.8	115.1	120.1	117.5	116.6	116.8	116.2	116.1
Industrial machinery and equipment	112.0	108.6	105.0	104.5	111.3	108.4	106.9	105.7	104.7	103.9
Electronic and other electrical equipment	112.2	109.2	105.6	105.7	112.8	108.0	106.6	105.5	105.4	106.0
Transportation equipment	128.8	132.2	124.0	125.7	130.1	127.1	126.9	128.0	124.6	126.1
Motor vehicles and equipment	164.9	172.5	160.1	163.7	166.6	161.1	162.2	164.1	161.2	164.6
Instruments and related products	77.7	76.0	74.9	75.7	77.6	75.0	74.5	74.2	74.9	75.4
Miscellaneous manufacturing	102.3	99.3	94.0	96.1	103.8	98.6	96.9	97.5	97.0	97.5
Nondurable goods	102.7	104.3	100.7	100.1	104.6	102.6	102.3	102.4	102.4	102.0
Food and kindred products	113.6	122.2	117.3	115.8	118.5	118.2	119.5	121.0	121.5	120.7
Tobacco products	61.0	61.1	60.9	57.1	61.0	59.1	58.8	53.9	58.5	56.6
Textile mill products	87.5	84.5	82.1	80.9	86.6	85.2	83.4	83.4	83.0	81.9
Apparel and other textile products	69.8	65.1	61.9	61.9	70.8	65.2	64.3	64.2	63.0	62.8
Paper and allied products	109.6	110.5	108.2	106.7	111.1	109.2	108.6	108.1	108.4	108.4
Printing and publishing	124.7	126.3	121.4	120.9	126.0	124.5	123.9	123.0	124.0	122.3
Chemicals and allied products	102.7	103.4	101.6	101.6	103.2	102.8	102.1	101.3	102.2	102.1
Petroleum and coal products	68.4	74.7	70.8	71.1	71.9	73.6	74.1	77.5	72.4	75.3
Rubber and misc. plastics products	147.1	151.3	146.3	146.9	147.9	147.1	146.8	147.5	146.8	147.9
Leather and leather products	37.7	33.9	31.6	31.7	38.7	33.9	34.1	33.4	32.6	32.3
Service-producing	154.6	161.5	155.1	157.7	157.0	159.7	159.9	160.3	160.5	161.8
Transportation and public utilities	129.7	132.8	129.6	130.5	131.1	131.6	131.8	131.6	133.2	132.6
Wholesale trade	126.9	129.8	127.5	128.4	128.2	129.1	130.0	129.9	130.2	130.5
Retail trade	135.0	148.2	135.3	138.1	139.9	142.0	141.9	142.1	142.4	144.7
Finance, insurance, and real estate	134.5	136.3	135.2	136.4	133.4	136.6	137.4	137.3	137.4	138.0
Services	189.9	196.0	190.6	194.5	192.0	196.4	196.3	197.4	197.0	198.6

[1] See footnote 1, table B-2.

P = preliminary.

Table B-6. Diffusion indexes of employment change, seasonally adjusted

(Percent)

Time span	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Private nonfarm payrolls, 356 industries[1]											
Over 1-month span:												
1995	62.5	60.0	54.9	55.6	47.8	55.6	54.8	59.0	58.0	55.8	54.5	58.8
1996	50.8	64.6	59.6	56.6	62.8	61.0	57.3	61.5	56.0	62.5	62.2	60.7
1997	58.0	61.4	59.8	63.6	60.1	54.6	61.1	59.1	60.0	64.3	62.4	64.9
1998	63.8	58.7	59.6	56.9	56.6	59.0	55.1	53.9	53.5	52.4	54.8	56.6
1999	P53.1	P53.4										
Over 3-month span:												
1995	63.6	61.4	59.4	53.1	55.2	53.2	59.7	60.1	59.1	58.0	56.6	54.6
1996	61.9	62.8	64.0	63.8	63.5	64.9	64.2	61.5	63.9	64.2	67.0	66.6
1997	64.9	63.3	65.6	66.2	63.9	61.2	60.1	65.9	67.4	68.1	70.8	71.9
1998	68.4	67.3	64.2	61.7	60.4	58.4	57.2	56.7	56.0	53.7	57.6	P57.9
1999	P58.1											
Over 6-month span:												
1995	66.4	60.1	59.1	57.3	59.0	60.1	57.6	60.4	59.7	59.3	61.1	63.2
1996	62.8	65.4	64.7	65.7	66.2	65.0	66.4	66.0	66.2	67.6	66.9	66.3
1997	67.6	67.0	65.3	64.9	65.6	67.3	68.0	67.3	70.6	72.3	73.3	72.6
1998	72.1	70.9	69.4	63.5	64.5	61.8	59.0	58.1	58.1	P59.7	P56.3	
1999												
Over 12-month span:												
1995	63.6	62.4	62.6	63.3	61.7	61.9	58.7	62.2	62.2	61.5	63.5	65.4
1996	64.5	66.7	64.5	65.6	68.5	67.3	67.7	66.4	68.0	69.9	69.1	68.3
1997	69.8	67.6	69.2	70.1	69.8	69.8	71.2	71.2	71.1	73.0	72.9	72.3
1998	71.2	69.5	69.5	66.6	65.2	64.0	P62.8	P62.9				
1999												
	Manufacturing payrolls, 139 industries[1]											
Over 1-month span:												
1995	54.7	54.3	46.4	53.2	42.4	44.2	46.4	49.6	48.6	52.2	45.3	48.2
1996	42.8	54.7	48.2	42.1	55.4	50.7	47.1	55.4	47.8	52.9	54.3	55.4
1997	49.3	54.3	50.0	56.8	51.4	52.2	50.4	48.9	56.5	57.2	56.1	60.8
1998	55.8	51.8	52.5	48.6	45.0	47.8	39.6	47.5	43.2	38.8	37.1	45.7
1999	P43.5	P41.4										
Over 3-month span:												
1995	56.8	50.0	47.8	42.1	43.2	38.8	40.6	43.5	48.2	47.1	45.3	39.9
1996	43.9	46.8	46.0	47.5	48.4	49.3	51.4	50.0	53.6	51.1	57.6	54.7
1997	54.3	49.3	54.3	54.0	55.4	50.4	47.5	52.2	57.9	62.6	64.7	65.5
1998	60.1	59.0	50.7	46.4	43.2	38.8	36.7	34.2	41.4	30.9	35.6	P37.1
1999	P39.8											
Over 6-month span:												
1995	55.4	46.4	42.8	40.3	41.4	42.4	41.0	41.0	43.9	43.2	43.2	45.3
1996	42.1	45.3	46.4	47.1	48.2	48.6	51.1	50.4	52.9	52.9	53.2	52.2
1997	54.3	54.3	51.4	52.9	51.4	55.0	56.8	57.6	60.4	64.4	67.5	65.8
1998	61.5	56.8	52.2	39.2	40.6	34.5	30.9	28.1	31.7	P37.4	P30.6	
1999												
Over 12-month span:												
1995	46.0	44.2	46.0	47.8	41.0	41.7	38.5	38.8	36.3	38.5	39.9	44.6
1996	43.5	47.5	45.3	45.3	50.4	49.8	50.4	48.6	51.1	55.0	54.0	51.8
1997	57.2	52.5	54.7	56.5	57.9	57.6	58.6	58.6	60.4	60.4	59.4	58.3
1998	50.7	51.1	50.4	41.7	38.5	36.7	P32.7	P31.7				
1999												

1. Based on seasonally adjusted data for 1-, 3-, and 6-month spans and unadjusted data for the 12-month span. Data are centered within the span.

P = preliminary.

NOTE: Figures are the percent of industries with employment increasing plus one-half of the industries with unchanged employment, where 50 percent indicates an equal balance between industries with increasing and decreasing employment.

U. S. Department of Labor

Commissioner for
Bureau of Labor Statistics
Washington, D.C. 20212

DEC 18 1998

MEMORANDUM FOR: Honorable James Saxton
Chairman
Joint Economic Committee

FROM : KATHARINE G. ABRAHAM
Commissioner

SUBJECT : Consumer Price Index Improvements

I am writing in response to your request of October 2 for further information on our activities to improve the accuracy of the Consumer Price Index (CPI).

As we noted in our previous memorandum on this topic (copy enclosed), criticism of the CPI has centered on three perceived weaknesses: (1) lack of currency of the spending pattern that underlies the index; (2) failure of the index to reflect the effects of consumer substitution in response to relative price change; and (3) inadequate treatment of improvements in the quality of existing consumer goods and services, and of new product introductions. This memorandum discusses further actions, announced subsequent to our earlier memorandum of February 24, that we plan to take in each of these areas to improve the CPI.

Currency of Expenditure Patterns

In our June 1997 paper, entitled "Measurement Issues in the Consumer Price Index," we noted that we were in the process of considering a more frequent schedule of market basket updates than the roughly ten-year cycle followed in the past. Subsequently, in our memorandum of February 24, we stated our intention to adopt a more frequent updating of the weighting patterns used to calculate the CPI. This morning we announced that, in the future, the consumption expenditure weights in the Consumer Price Index will be updated at two-year intervals, beginning with the introduction of expenditure weights for the 1999-2000 period effective with the release of data for January 2002.

The 1999-2000 expenditure weights will replace the weights for the 1993-95 period that were introduced in January 1998. I have attached a copy of our public announcement of this decision, which provides more details on why we are changing the frequency of expenditure weight updating and our thinking about how this might affect the rate of growth of the CPI.

I also would direct your attention to the fact that future updates of the CPI market basket will be accomplished more promptly than in the past. Beginning in 2002, the new expenditure weights will be just two years old when they are first used in the CPI. In contrast, the current, 1993-95 expenditure weights were 3½ years old when first used in the index. This improvement results from a FY 1998 budget initiative to expand the size of the Consumer Expenditure Survey and enhance the computer systems used to calculate and introduce new expenditure weights.

Finally, I should add that, beginning in 1999, we will implement our previously announced plans to ensure that the specific items whose prices are used to calculate the CPI more closely reflect consumers' current purchasing patterns. Changes to the survey used to select the sample of products and services for the index will enable us to focus on those product and service areas in which new or substantially modified items are appearing in the market place. Item samples in these areas will be updated more frequently than in the past.

Consumer Substitution

In our February 24 memorandum, we informed you that we were nearing completion of our research on a new index formula for use in the CPI that we believed might better account for changes in consumers' spending patterns in response to changes in relative prices. On April 16, we announced our decision to use the new formula for calculating most of the basic components of the Consumer Price Index for all Urban Consumers (CPI-U) and the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). This change will become effective with data for January 1999.

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The new formula, the geometric mean estimator, will be used in index categories that comprise approximately 61 percent of total consumer spending represented by the CPI-U. The remaining index categories will continue to be calculated as they are currently. Based upon Bureau of Labor Statistics (BLS) research, it is expected that planned use of the new formula will reduce the annual rate of increase in the CPI by approximately 0.2 percentage point per year.

Quality Changes and New Goods

As you are aware, the BLS long has had an active program to address the complex issues stemming from changes that occur in the quality of the goods and services consumers buy. Subsequent to our February 24 memorandum, and effective with release of the CPI for January 1999, we have announced methodological changes that will alter the treatment of mandated pollution control measures in the CPI and introduce a hedonic model to adjust for changes in television quality.

The new treatment of pollution control measures reverses a policy established in 1970 under which modifications to goods and services for the purpose of meeting air quality standards were treated as improvements in the quality of those goods and services. Effective in 1999, price increases associated with implementation of mandated pollution control measures will be reflected as price increases in the CPI. The new practice is in keeping with the stated objective of the CPI to approximate changes in the cost of living of U.S. consumers. The change in policy will have its most significant effect on the motor fuel and new and used motor vehicle components of the index.

The second methodological enhancement noted above will change the way in which we calculate the price index for the television stratum of the CPI. BLS researchers have developed a regression procedure, called a hedonic model, that decomposes the price of television sets into implicit prices for each important feature and component. This yields a mechanism for capturing the price change that may

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occur as new models replace old ones in the market place without counting the value of quality improvements as price increases. The CPI has used similar hedonic methods to adjust apparel prices for many years. In January 1998, the CPI began using a similar approach for personal computers. In the coming years, BLS plans to extend the method to additional CPI items.

Finally, I might note that, in addition to the improved item resampling procedures mentioned above, we have begun a previously announced effort that is explicitly targeted at including new goods in the index in a systematic and timely way. This effort is an important improvement in our index methods. I should emphasize, however, that it is not, by itself, a complete solution to the problem of the treatment of new goods in the CPI.

Conclusion

As I have noted before, I believe it is clear that the BLS has made, and will continue to make, real progress in improving the accuracy of the CPI. At the same time, however, it is also clear that we do not have solutions for all of the vexing measurement issues we face in producing this important index. We will continue to address those issues we are able to address, and to take seriously our responsibility to educate data users about those we cannot.

Attachments

Future Schedule for Expenditure Weight Updates in the Consumer Price Index

The Bureau of Labor Statistics (BLS) announced today that it will be updating the consumption expenditure weights in the Consumer Price Index for all Urban Consumers (CPI-U) and the CPI for Urban Wage Earners and Clerical Workers (CPI-W) to the 1999-2000 period, effective with release of data for January 2002. The newer weights will replace the 1993-95 weights, which were first used in the index effective with January 1998 data. Additionally, CPI expenditure weights will be updated at two-year intervals subsequent to the 2002 updating. Thus, for example, CPI expenditure weights will be updated to the 2001-02 period effective with release of CPI data for January 2004. As a result of this change, expenditure weight data will be, on average, "two years old" when introduced into the CPI, and four years old when replaced. By contrast, the 1993-95 weights were, on average, 3½ years old in January 1998, and they replaced weights that were about 15 years old.

Historically, the introduction of a comprehensive new set of expenditure weights attached to the categories of goods and services in the CPI "market basket" has taken place in the context of the periodic major revisions of the index. Such major revisions have taken place approximately once each decade—in 1940, 1953, 1964, 1978, 1987 and, most recently, in 1998. The CPI-U and CPI-W expenditure weights are constructed using household spending patterns during specified base periods, as reported in the Consumer Expenditure Survey (CEX). Effective with data for January 1998, the CPI's expenditure base period was updated from 1982-84 to 1993-95.

In June 1997, in a paper prepared for the Chairman of the Joint Economic Committee, the BLS said that it was considering a more frequent schedule of updates to follow the planned January 1998 update. In an August 1997 response to a General Accounting Office report, the BLS indicated that more frequent updates would be preferable, that the future schedule was under review, and that the decision would be based on a consideration of what frequency would yield the most accurate CPI and best support the many uses of the index. The review is now complete and is the basis for the policy announced above.

As the BLS has stated previously, the cost-of-living-index (COLI) provides the measurement objective for the CPI. The theory of the COLI, however, does not specify any particular expenditure base period as the appropriate one, nor does it specify the proper interval between updates of the base period expenditure patterns. Furthermore, the BLS does not view the choice of update frequency as a means of addressing the problem sometimes referred to as "upper-level substitution bias" in the CPI. Although it has sometimes been argued that using more current, and more frequently updated, expenditure weights would lower the index's rate of growth by reflecting consumer response to changes in the relative prices of CPI item categories, there is little evidence of any historical link between the CPI's growth rate and the age of its underlying expenditure weights. The BLS believes that consumer substitution in response to relative price change is better dealt with through the use of a "superlative" cost-of-living index formula. As previously announced, a superlative CPI index will be published in 2002 as a complement to the CPI-U and CPI-W.

In the BLS view, the goal in employing more current expenditure weights is to make the CPI reflect, as much as possible, the inflation currently experienced by consumers. More specifically, the use of current weights will help to ensure that the relative importance of CPI item categories, such as food away from home, college tuition, or medical care services more accurately reflects how consumers are allocating their spending. The CPI's current item sample rotation procedures are similarly aimed at ensuring that the individual items priced in the CPI are representative of current purchases within the CPI item categories. The BLS also has initiatives underway that will expand the sample size of the CEX beginning in 1999, and that will enhance the computer systems used to introduce new expenditure weights into the CPI. Both initiatives have the purpose of reducing the average age of those weights.

Based on this overall objective of making the CPI representative of consumer experience, the BLS has decided to update the index's expenditure weights every two years, beginning with the release of data for January 2002. This schedule will allow for the use of the expanded CEX sample mentioned above, and the consequent implementation of a two-year expenditure base period (1999-2000) rather than the three-year base period used in the 1987 and 1998 revisions. In the planned updating schedule, the 2001-02 expenditure weights will replace the 1999-2000 expenditure weights effective with the CPI for January 2004. As noted above, under the new updating schedule, CPI expenditure weights will be substantially more current, both at the time of their introduction and at the time they are replaced, than under the schedule previously followed.

As noted above, this decision is not intended or expected to have a large, systematic effect on the CPI's rate of change. Nevertheless, to examine the quantitative impact of moving to a two-year update policy, the BLS has analyzed historical CPI-U data to estimate what the growth in the index would have been, had the new policy taken effect subsequent to the 1987 major revision. Specifically, the simulated policy included the introduction of 1986-87 expenditure patterns in January 1989, of 1988-89 patterns in January 1991, and similarly thereafter through the introduction of 1994-95 expenditure patterns in January 1997. The simulated increase from December 1988 through December 1997 under this policy was 31.9 percent, compared to 33.9 percent for the published CPI-U. On an average annual basis, the policy would have lowered the measured rate of CPI-U growth by 0.17 percentage point. It is very important to recognize, however, that this estimated historical effect may not be indicative of the future effect of the policy. The lower growth associated with the simulated policy is explained entirely by the replacement of 1982-84 weights by 1986-87 weights in 1989. The subsequent biennial updates had virtually no net effect; a simulated policy of maintaining 1986-87 weights from 1989 forward yielded a total increase in the CPI-U between December 1988 and December 1997 of 31.8 percent, 0.1 percentage point less than under the two-year updating policy. It is likely that incorporating new weights more frequently in the future will have a small upward effect on the index in some years, and a small downward effect in other years.

It should also be emphasized that the policy announced today does not mean that the full range of activities involved in a major CPI revision henceforth will occur every two years. In addition to updating expenditure weights; major revisions of the CPI have

comprised updating the geographic (area) sample and sample of housing units, revising the item classification and publication structure, and introducing technological and methodological enhancements. (A description of the 1998 and previous revisions can be found in the December 1996 issue of the *Monthly Labor Review*.) Not all of these activities are feasible or advisable on a biennial basis. For example, fundamental reworkings of the index's item classification and publication structures are both costly and potentially disruptive for users. Also, so long as the BLS continues to rely on decennial census data for selecting new CPI area and housing samples, it will be possible to update those samples only about once every ten years.

Bureau of Labor Statistics
December 18, 1998

Simulated Impact of Biennial Update Policy
First Update: 1986-87 base in January 1989

Year	Annual Index Change (December to December) CPI-U[1]	Biennial Update[2]	Fixed Base 1986-87
1989	4.6%	4.3%	4.3%
1990	6.1%	6.0%	6.0%
1991	3.1%	2.8%	2.7%
1992	2.9%	2.8%	2.8%
1993	2.7%	2.6%	2.6%
1994	2.7%	2.6%	2.7%
1995	2.5%	2.5%	2.4%
1996	3.3%	3.1%	3.2%
1997	1.7%	1.5%	1.5%
Total Increase	33.9%	31.9%	31.8%
Annual Average	3.29%	3.12%	3.11%

[1] Over these years, the expenditure base period for the CPI-U was 1982-84.

[2] The simulated biennial updates occur in January of 1989, 1991, 1993, 1995, and 1997, using expenditure base periods of 1986-87, 1988-89, 1990-91, 1992-93, and 1994-95, respectively.

Bureau of Labor Statistics
December 18, 1998

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S. HRG. 108–319

RESHAPING THE FUTURE OF AMERICA'S HEALTH

ROUNDTABLE DISCUSSION

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

OCTOBER 1, 2003

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JOINT ECONOMIC COMMITTEE

[Created pursuant to Sec. 5(a) of Public Law 304, 79th Congress]

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RESHAPING THE FUTURE OF AMERICA'S HEALTH

WEDNESDAY, OCTOBER 1, 2003

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC

The Committee met at 10:45 a.m., in room 216, Hart Senate Office Building, the Honorable Robert F. Bennett, Chairman of the Joint Economic Committee, presiding.

Members Present: Senators Bennett, Sessions; Representatives Maloney, Ryan.

Staff Present: Donald Marron, Leah Uhlmann, Colleen J. Healy, Melissa Barnson, Lucia Olivera, Rebecca Wilder, Wendell Primus, John McInerney, Diane Rogers, Rachel Klastorin, Nan Gibson.

OPENING STATEMENT OF SENATOR ROBERT F. BENNETT, CHAIRMAN

Senator Bennett. I want to welcome our panelists. I'll have a little more to say about that in a moment and thank them for their willingness to come back because this roundtable was scheduled from a previous time. The Senate is very inconsiderate of our schedules. They require us to vote at very odd times, and we had a number of votes that morning that required the cancellation, rather postponement to this hour of the roundtable. So I'm grateful to the panelists for rearranging their schedules and apologize to them for any inconvenience that we may have caused.

We are going to try something different this morning. Rather than using the traditional Congressional hearing format, we are going to be in a roundtable approach. I want to try this approach because too often the traditional adversarial atmosphere of a hearing limits the discussion between Members and panelists.

The current debate on health care is dominated by the discussion of benefits, deductibles, insurance coverage, payment levels, and the like. The attention of policymakers has been drawn away from the most important health care issue—the actual health of the American people. In the time I've been in the Senate, we've spent little or no time discussing health. We've spent all our time discussing these other aspects of the health care system.

America has the pre-eminent health care system in the world. It is also the most expensive health care system in the world. But despite our pre-eminence and our spending, there are some disturbing trends emerging with serious implications for the health of the American people in the future.

The numbers are overwhelming. Obesity is epidemic in the United States. In recent years, diabetes rates among people ages 30 to 39 rose by 70 percent. We know that this year, more than 300,000 Americans will die from illnesses related to overweight and obesity.

We also know that about 46.5 million adults in the United States smoke cigarettes, even though this single behavior will result in disability and premature death for half of them.

Compounding the problem, more than 60 percent of American adults do not get enough physical activity, and more than 25 percent are not active at all.

Some groups of Americans are particularly hard hit by these disturbing trends, especially the epidemic growth in diabetes. Native Americans are two to three times more likely to have diabetes than whites. And NIH reports the diabetes among African Americans has doubled in just 12 years.

Many of the problems I just mentioned are completely preventable. Having the pre-eminent health care system is not a replacement for a healthy lifestyle. Americans need to be responsible for their own health and prudent consumers of their own health care.

Much of current medicine is reactive and not proactive. The more proactive approach that emphasizes targeted screenings, patient education, and proper follow-up by medical providers can go a long way to help improve the health and productivity of the American people, and incidentally, reduce the cost of providing traditional health care.

However, poor preventive screening, redundant or inappropriate treatment, simple medical mistakes, and lack of oversight, do little for the health and do increase the cost of care.

So this morning, our goal is to focus on health, and not just health insurance. As we examine the challenges that face Americans over the next five to ten years, there are at least two questions that must be asked. First, what are the major health challenges that face Americans over the next five to ten years? Second, what are the most innovative tools available to meet these challenges?

Our roundtable discussion this morning will include the unique insight of the Surgeon General, Richard Carmona, who is spearheading President Bush's *HealthierUS* initiative. The *HealthierUS* initiative helps Americans to take action to become physically active, eat a nutritious diet, get preventive screenings, and make healthy choices. We are very happy that the Surgeon General was able to find time to join this morning's discussion, and we look forward to hearing his thoughts on these vital issues.

We're also pleased to have Mr. Joe Oatman, who is currently Senior Vice President of Fortis Health. He is here to elaborate on the initiatives the insurance industry is taking to promote healthy lifestyles and keep down costs. Many insurance plans and employers, including Fortis Health, have taken a "carrot and stick" approach to encouraging beneficiaries to exercise, quit smoking, or follow doctor's orders while monitoring chronic illness. Some companies reduce premiums and increase interest rates on health care saving accounts, or give away gym equipment as rewards for healthier lifestyles. Health and Human Services Secretary Tommy

Thompson met with Fortis Health and other insurers in July to persuade them to find ways to reduce the public cost of treating America's obesity epidemic.

Finally, we are pleased to have Dr. Diane Rowland of the Kaiser Family Foundation. Dr. Rowland is a nationally recognized expert on Medicaid and the uninsured. Like physical inactivity or cigarette smoking, the lack of health care coverage is a risk factor for long-term health problems. We look forward to Dr. Rowland's insights on the particular problems facing lower income Americans and those without access to health insurance.

The ground rules are that we will hear briefly from each of our panelists, but we do not want the traditional opening statement and presentation of policy, we want a statement that will trigger interaction and conversation, and I will recognize Members of the Committee for the same kind of statement. Congressman Stark, who is the Ranking Member, is maybe coincidentally ill today and therefore not able to be with us. We will put his statement in the record, and we regret he will not be here for his traditional brand of questioning and prodding, which always keeps the Committee on its toes.

Mrs. Maloney, you have the obligation to pick up that particular lance and carry it forward. So, with that statement on my part and Congressman Stark's statement as the official opening statement of the Minority, we will go immediately in the roundtable kind of conversation and General Carmona, we will start with you.

[The prepared statement of Senator Robert Bennett appears in the Submissions for the Record on page 27.]

Representative Maloney. Mr. Chairman, on behalf of Mr. Stark, I would like to put a statement in the record. He sends his regrets, he is very ill today. It's good that you're having this health care hearing today.

Senator Bennett. Yes. His statement is included in the record.

[The prepared statement of Representative Pete Stark appears in the Submissions for the Record on page 28.]

Representative Maloney. He wanted very much to have this report from FamiliesUSA on the census numbers of the uninsured numbers is the largest increase in the past decade. The total number of uninsured now exceeds the cumulative population of 24 states and the District of Columbia. I'd like permission to place this in the record with the accompanying map that shows the uninsured. Likewise, a report from the Center on Budget and Policy Priorities, "Number of Americans Without Health Insurance Rose in 2002," and a report that shows that the increase would have been much larger if Medicaid and the SCHIP enrollment gains had not offset the loss of private health insurance. So I request permission to place both reports, along with his statement in the record. Thank you.

[Families USA report entitled, "Census Bureau's Uninsured Number is Largest Increase in Past Decade," submitted by Representative Stark appears in the Submissions for the Record on page 51.]

Senator Bennett. Without objection it will appear with his statement.

General Carmona, let's kick this conversation off and be prepared to be interrupted and questioned as we go along, in ways that are probably not traditional in a congressional hearing, but that I hope will be productive in giving us a record and understanding of where we are.

Surgeon General Carmona. Thank you Mr. Chairman.

Senator Bennett. Don't worry Members. If you have a question just ask for recognition and we will do our best to accommodate you regardless of when you come or whose turn it is. We want it to be a true roundtable.

Surgeon General Carmona. Thank you, Mr. Chairman. It's a pleasure to be with you here today and thank you and your colleagues for your leadership in calling this discussion.

Nearly two out of three of all Americans are overweight or obese. That's a 50 percent increase from just a decade ago.

More than 300,000 Americans will die this year alone from heart disease, diabetes, and other illnesses related to overweight and obesity.

Obesity-related illness is the fastest growing killer of Americans. The good news is that it's *completely preventable* through healthy eating—nutritious foods and appropriate amounts and physical activity. The bad news is, Americans are not taking steps to prevent obesity and its co-morbidities.

The same is true for other diseases related to poor lifestyle choices such as smoking and substance abuse.

Put simply, we need a paradigm shift in American health care.

There is no greater imperative in American health care than switching from a treatment-oriented society to a prevention-oriented society. As American waistlines have expanded, so has the economic cost of obesity, now totaling about $93 billion in extra medical expenses a year.

Overweight and obese Americans spend $700 more a year on medical bills than those who are not overweight. We simply must invest more in prevention, and the time to start is during childhood, in fact, even before birth.

Fifteen percent of our children and teenagers are already overweight. Unless we do something now, they will grow up to be overweight adults. None of us wants this to happen.

We can't allow our kids to be condemned to a lifetime of serious, costly, and potentially fatal medical complications associated with excess weight. The science is clear.

The fundamental reason that our children are overweight is this: *Too many children are eating too much and moving too little.*

The average American child spends more than four hours every day watching television, playing video games or surfing the web.

Instead of playing games on their computers, I want kids to play games on the playground. As adults, we must lead by example, by adopting healthy behaviors in our own lives. We've got to show kids it doesn't matter whether you're picked first or last, but that they're in the game. Not all kids are going to be athletes, but they can be physically active.

We've got to *show* them how to reach for the veggies or healthy snacks rather than fatty sugary snacks that they've become accustomed to.

Our commitment to disease prevention through healthy eating, physical activity and avoiding risk is one that our entire society must be prepared to make in order for this to be effective.

As you mentioned, President Bush is leading the way through the *HealthierUS* prevention initiative.

HealthierUS simply says, "Let's teach Americans the fundamentals of good health; physical activity, healthy eating, getting checkups and avoiding risky behavior."

Secretary Thompson is leading the Department of Health and Human Service's efforts to advance the President's prevention agenda through *Steps to a HealthierUS*, which emphasizes health promotion programs, community initiatives and cooperation among policymakers, local health agencies, and the public to invest in disease prevention.

As important as these efforts are, we cannot switch America's health care paradigm from treatment to prevention through government action alone. The fight has to be fought one person at a time, one day at a time. All of us must work together, in partnership, to make this happen.

Secretary Thompson has asked employers to make health promotion part of their business strategy. In September, he released a report, *Prevention Makes Common Sense*, highlighting the significant, economic toll of preventable diseases on business workers and the nation. The key finding of the report, obesity-related health problems cost U.S. businesses billions of dollars each year in health insurance, sick leave, and disability insurance.

The report highlights the need for and cost effectiveness of employment-based prevention strategies. Recently, I joined my colleague and former Surgeon General David Satcher and the National Football League in kicking off their partnership to promote school-based solutions to the obesity epidemic. I also joined basketball star, LeBron James in launching Nike's PE2GO program, which provides equipment and expertise to schools so they can offer fun physical activity, school-based programs.

As Members of Congress, you can influence the behavior of your constituents in many ways, obviously first by leading by example. Secretary Thompson put himself on a diet and challenged all HHS employees to get in shape by being physically active for at least 30 minutes a day. You could issue the same challenge to your staff members and your constituents. Secretary Thompson has lost 15 pounds and continues to work out every day and as you know, follow the example of our President, who has a pretty ambitious routine on a daily basis of working out and setting that example.

You can also help educate your constituents about the importance of prevention, through town hall meetings and by establishing partnerships in your own communities. The total direct and indirect cost attributed to obesity is about $117 billion per year or $400 for every man, woman, and child in the country.

I'm a doctor, not an economist, so I've seen the cost in more than just dollars and cents. It's about a mother who can no longer provide for her children. It's about a child who can no longer ask a father for advise. It's about real human cost, 300,000 American lives lost each year. Just a 10 percent weight loss through healthier eating and moderate physical activity can reduce an over-

weight person's lifetime medical cost by up to $5,000, maybe even save that person's life, not to mention what it will do for their self esteem and self sense of well-being and for the well-being of their loved ones. Where else can you get that type of return on an investment?

Thank you and I look forward to our discussion.

[The prepared statement of Surgeon General Carmona appears in the Submissions for the Record on page 29.]

Senator Bennett. Thank you very much.

We might as well start the discussion off right at the beginning. The one thing you can do to absolutely guarantee your financial future is to write a book about diet.

[Laughter.]

That is the absolute home run, everybody has a diet book. Dr. Atkins was very famous, Mr. Pritikin became famous, and so on. And like every household, we have on our shelves a whole bunch of diet books.

There is a growing theme among these diet books, which I have raised in my other assignment as Chairman of the Agriculture Appropriation Subcommittee, that one of the reasons for obesity is that Americans are eating too many carbohydrates and that carbohydrates, according to some of these medical sources, actually produce more fat than fat does. And that by starving themselves from eating fat and pigging out if you will on carbohydrates, Americans are getting fatter even while they are on diets. And according to some of these folks, the villain is the USDA food pyramid, which is very heavy on carbohydrates.

We have colleagues here in the Senate, Senator Sessions and I, who have lost 50 pounds and done it entirely by cutting out the carbohydrates. Not cutting them out, but cutting them down and saying, we will not eat anything but leafy vegetables as carbohydrates, but we will cut out the heavy emphasis on grains that the USDA pyramid calls for. We increased our intake of protein, and yes, sometimes the fat. And they are walking examples that they've been able to lose very substantial poundage.

I've never had a weight problem, I guess because of my genes, but joining my wife as she struggles with hers, I've lost 8 to 10 pounds by cutting down on the amount of carbohydrates that I have consumed and they are supposedly healthy carbohydrates. Fruit juice, for example. By switching from fruit juice to water, that alone—well I won't go on and on about this. Let's not——

[Laughter.]

But the reason I raise it is because you emphasize the school activity. You emphasized the importance of dealing with our children. The USDA pyramid is scripture in schools, and our kids are being told over and over again to eat more carbohydrates and there is a whole industry that has grown up: walk down the aisle of the supermarket and it says "fat free" and you read the label and they're filled with carbohydrates. Now there is no fat, and I love them, and I ate them and I thought "Boy, I'm doing great, look, I've cut down on all my fat." But, I didn't seem to be able to do anything about my weight. It seems to me it is the responsibility of the Federal Government, if they are leading this charge, to do more than just urge us to eat less and exercise more. If indeed there is some sci-

entific basis for this, and I recognize this is a major debate within the scientific community, but if, in fact, there is some scientific basis for the idea that Americans are not eating enough protein and eating too much carbohydrate, then it ought to be the government that does the science and the government that comes out with the study instead of all of these independent gurus who keep getting rich selling books. Now, do you have a reaction to that? Or perhaps Mr. Oatman, you have experience with that? Let's start the roundtable with a very simple one, which is, is the USDA food pyramid good or bad?

Mr. Oatman. I can respond to that. This is not a corporate position or a company position, but a personal comment. I have worked with the low carbohydrate diet since April of this year and lost 40 pounds. My wife has worked with it and lost 50 pounds and——

Senator Bennett. Exhibit B.

Mr. Oatman. I would have to echo your comments considerably Mr. Chairman that I think we need lots of good scientific research on this very topic and that by working on helping people understand the education component, what is the appropriate diet and having strong scientific evidence behind that is very critical to making the changes that are needed to improve this area of obesity, which is an epidemic.

[The prepared statement of James Oatman appears in the Submissions for the Record on page 31.]

Senator Bennett. Any other comments?

Surgeon General Carmona. Yes, I think you've covered very broadly the whole issue that's so complex before us. An issue that often is not discussed as it relates to this is the issue of health literacy. Because you know, overall we are largely a health illiterate society. You pointed to that in many of your statements. People are confused, they read different books, they watch infomercials in the middle of the night, they don't know what is science and what is hype. And so, there is a considerable body of information out there, good scientific information about physical activity, about the value of a balanced diet. Clearly, carbohydrates are part of that, as are proteins, as are fat. Fats are essential in our diet. But it's the balance, that's what we're talking about, creating energy balance which really is how much you take in, what your needs are, which we find are very individualized, depending on how old your are, how active you are and so on, and how much you put out every day. Marathon runner versus a sedentary officer worker.

So there is no simple answer for each person, but one of the things that we feel is important is that we must build the health literacy into society so that society has the capacity to understand these messages and be able to ask the right questions of their health care providers and purchase the right foods so that that will constitute a healthy diet.

Dr. Rowland. Mr. Chairman, I also think one has to take into account affordability. For many of the lowest income families, the food that's most available at the cheapest price is often the food that's the worst for them. We need to really think about ways to make carrots more available than some of the other kinds of Big Macs that people can get so quickly. When people are waiting in line at a hospital for their child to be seen, the place you go is

Burger King or McDonald's for the 99 cent meal. I think that is another part of what we have to deal with.

[The prepared statement of Diane Rowland appears in the Submissions for the Record on page 32.]

Senator Bennett. Senator Craig has a diet that forbids him carrots.

[Laughter.]

Representative Maloney. Mr. Chairman I would like to follow up on the Chairman's comment on the food pyramid and the Surgeon General mentioned that the public should be more informed and better educated, but if the education coming from the federal FDA or the Surgeon General or the federal government is faulty, we should be told that. When we go to the store, they have all these advertisements that say "fat free." Well, maybe we should require them to say that "fat free" means you may be gaining more weight if you eat it. It's the exact opposite of what it is and with all of the diets that are out there, and we have two examples here where they lost 50 pounds—I'm going to go on your diet, I'd like to lose some weight.

Senator Bennett. I lost five.

Representative Maloney. You lost five. Okay. But in any event, there are many, many diets out there that say that the Federal Government's food pyramid is faulty, that it is incorrect, that it is unhealthy actually. And my question really follows up on the Chairman's, what are we doing to review the health pyramid? Is this something we have to pass legislation on or is this something that is under review right now? The public should know. You said they should be more informed, but the government needs to tell them what's healthy for them and I was taught the food pyramid in school and it's still being taught. Should that be changed? Is it under review? The scientific evidence seems to indicate, if these books are correct, it's a faulty pyramid for health.

Surgeon General Carmona. I'd be happy to comment. It is under review. Heath and Human Services and the Department of Agriculture have a group that has been convened for some time now, reviewing the elements of the food pyramid, the constituents that make that up. But I'd like to, maybe, just make a comment about the issue. Is it bad information? You know, science evolves very, very quickly and at the time when the food pyramid evolved, and the best science was allied to it at that time, this was the best that was to offer. But science evolves so rapidly now—almost on a daily basis—that it's hard to have something fixed for years and say this is the best way to do something. Look at the genomic project, for example, and how quickly that's come before us.

So I think what we have is an evolution. We're learning much more about the value of different constituents of diet, how they should be appropriated across the board and I think what we're seeing is really the new science that's come before us. And we have to figure out a way that we can keep this as a dynamic process. It will never be static, in our lifetime or our children's lifetime, because the science is going to move too quickly. We always have to be prepared to incorporate that. Those meetings are taking place now and there is a recognition within the federal government that that needs to occur because of the reasons I've mentioned.

Representative Maloney. When will the report be available? And you mentioned, science changes swiftly, yet the food chart hasn't changed in my lifetime.

Surgeon General Carmona. You're absolutely right. Representative Maloney. So if it changing swiftly, it's not being reflected

Senator Bennett. It has changed, it has changed, but it's gotten heavier on the carbohydrates.

Representative Maloney. Really? Wow.

Surgeon General Carmona. This is not a trivial issue.

Representative Maloney. When will the report be due? When was the report due in HHS?

Surgeon General Carmona. I don't have a date for you. I can get that for you. I'm not personally involved in that, but there is a group of both USDA and HHS folks that are working on this now and have been for some time.

Senator Bennett. I raised this issue during the appropriations hearings with the USDA and put the cat among the pigeons, as they say. Rather significantly, there was a lot of reaction among the witnesses. Not to beat this, but Dr. Rowland, if General Carmona's comment is correct and obesity is costing us $117 billion a year, half of that would go a long way towards solving some of the problems you are concerned about, wouldn't it?

Dr. Rowland. It certainly would.

Senator Bennett. Okay.

Representative Ryan. Do you mind if I go in another tangent?

Senator Bennett. Absolutely.

Representative Ryan. Mr. Oatman, in your testimony, you highlight three elements of lower cost via lifestyle changes and the third one you talk about is incentives and I want to ask the three of you, to kind of throw it out there.

Senator Bennett. We haven't asked you for your testimony yet, so I'm glad you read it, go ahead.

Representative Ryan. They are a constituent.

Senator Bennett. Okay.

Representative Ryan. But a good one. Incentive structures. How do you assemble a good incentive structure to encourage people to engage in healthy lifestyles? I'm thinking of an employer in Wisconsin who is really cutting edge on this who has a program for his employees, has a couple hundred employees, who gives them a better deal on their health insurance, on their out-of-pocket costs on co-pays and their deductibles, if they agree to sign up to this healthier lifestyle program in the company. Go to the gym, get a free membership, have a better diet, and if they engage in this, then they get lower cost out-of-pocket. If they don't, and all screening and assessment is a part of that, if they chose not to do that, they're going to have to pay for it. And that is a real clear incentive structure and the take-up rate for this program in this company I think is about 92 percent and their health care cost, where you see most employers are talking about double digit health care increases in their premiums, they have been keeping them at single digit increases.

So, there is one example of a company, you know, actually putting a very solid incentive structure in place. Can you tell us more

about what the market is doing? What you as a market participant are doing to put good incentive structures out there so the consumer actually, it pays to have a healthier lifestyle. And I'm also interested in the rest of the panelists, what you are seeing. I know Kaiser, I mean you are the cutting edge: researchers in a lot of these areas, what do you see that's taking place, the new phenomenon in the marketplace, are there things that we can do in tax laws or public policy to improve the availability of these new incentive structures? Let me just throw it out for the incentive structure discussion.

Mr. Oatman. Sure. Let me respond to that. I think what that employer is doing is very remarkable and what more people need to do. We've tried to accomplish similar things in some of the products that we sell. There are four basic components to the kinds of things that we have done that we think have proven to be very, very successful.

The first is medical saving accounts (MSAs). We are the largest writer of medical savings accounts and we have seen that the health care of people that decide to pay a significant portion of the first dollars of health care spending themselves and where they have got more responsibility for that is significantly lower. And it's not only significantly lower at the time they buy the policy, but it continues for many years into the future, that they continue to have lower costs because they're very much engaged in the game.

Senator Bennett. Can I just ask you on that point. Is there any indication that because they are paying the costs, they don't seek care that they really need, or is it, in fact, the change in lifestyle that makes them healthier?

Mr. Oatman. You would think that if they were not getting the care they needed, then you might see an increased incidence of the more catastrophic and serious things and we do not see that. We see a lower incidence of the serious things as well.

Senator Bennett. Thank you.

Mr. Oatman. I think there is evidence that is not happening.

Dr. Rowland. However, some of what we see with the use of those accounts is that younger, healthier people who are less likely to have a lot of health expenses are the ones who opt for that account. Very few people with serious chronic illness, which is where most of the cost in our health system occurs, or with ongoing diabetes, are in these kinds of programs.

Representative Ryan. What adverse selections data is out there for MSA? I know MSA is going to cap and they're fairly limited, but could you address that as well since I think that's where we are headed?

Mr. Oatman. Actually, we were surprised. We thought that indeed that might happen, that the younger people would buy this product and healthier people would buy this product. In fact, we've seen a different pattern. In fact, the average age of the buyer is older, generally it's a very much a cross section of customers that buy it, that look very much like the rest of our business and quite frankly we were surprised by that. We felt we would see something different.

Representative Ryan. Is it because they'll buy an MSA and then a catastrophic plan. So it's people who may be less healthy,

who know that they're really going to need catastrophic coverage at some point and they'd rather manager their cost and get a better deal in their health insurance. So is it, in fact, that you are getting some sicker people into these MSAs, for those reasons? That it's actually the reverse argument of an adverse selection argument?

Mr. Oatman. I don't think that it's a reverse selection or a positive selection. It seems to me that it is pretty much like the same kind of customer. The one interesting thing too is that for someone who gets sick, a typical family MSA account with a $3,400 deductible, their costs are capped at that $3,400. And often, in many other products that are not MSA products, a very sick person could end up going to a much higher number of out-of-pocket cost. So actually, for the sick person, the MSA account tends to work pretty well in limiting to a fixed dollar amount, their out-of-pocket expenditures. And we see that as people do get sick, they are very pleased with their product, and they hang on to it and it serves them very well.

Senator Bennett. Is it portable from employer to employer?

Mr. Oatman. Currently, the medical savings accounts that are offered are only offered to the self-employed and to small employers. And quite frankly, our experience has been limited to mostly the self-employed. Because of the lack of portability many small employers are not adopting it as much. They are tending to go for a health reimbursement account, it's tended to be the way they have gone. Many of the limitations I think on medical savings accounts have limited their applicability to a very small subset of self-employed people and with the expansion of MSA rules, we think they would have much broader applicability.

Representative Ryan. Your business—I think because you are a Wisconsin company I'm familiar with your business—your business in HRAs really grew drastically after the IRS ruling on Health Reimbursement Accounts (HRA). Could you explain why that occurred and what benefits HRAs have over MSAs and why it's easier to get that product out to the marketplace?

Mr. Oatman. We market HRA exclusively to small employers and in fact, the average size of employer group that buys our product is six lives. We introduced a health reimbursement account product and found that our sales very, very quickly went to 25 percent of our sales, that employers are hungering for this kind of solution to health care costs.

Representative Ryan. Just for everybody else who isn't familiar with the IRS ruling, could you just quickly describe that? Some people might want to know that.

Mr. Oatman. I'm not sure I'm familiar with all of the details, but basically, the employer can set up an account for an employee and the employee can use that account for health care expenses under the deductible, and unlike medical spending accounts that many large employers have, this account can be carried forward year after year. So, it's a very positive thing for the employee as well.

Representative Ryan. No use-it-or-lose-it rule?

Mr. Oatman. It's no "use-it-or-lose-it" rule with that product and we found that employers are looking for a way to responsibly partner with their employees in the health care cost equation and so

have been looking for solutions. As a result of this, it took off well beyond our expectations.

Senator Bennett. Let me ask a question that I think Dr. Rowland is interested in. Are these employers those that would otherwise cancel their insurance because of the cost and therefore increase the number of uninsured? Do you think you are reducing the number of uninsured with this product?

Mr. Oatman. Yes. The data is very early and we haven't done all the analytics on health reimbursement accounts. I can give you the numbers on medical savings accounts. We are finding that half of the people that are buying that product, previously had no insurance coverage at all. So it's addressing a need for people who previously were not in the market and have decided to get into the segment.

Representative Ryan. Is that just in all MSA, or your pool of business?

Mr. Oatman. Our pool of business. I'm unfamiliar with the rest of the business.

Senator Bennett. Is there anybody else offering this same mix that would expand the amount of data that we can look at for this phenomenon?

Mr. Oatman. Yes. There are a number of carriers that are offering these products. I think that you will see an expansion of health reimbursement accounts, now that the IRS has favorably ruled on them. Medical savings accounts are offered by rather more limited number of carriers because they didn't want to make the investment, given that there was a termination date associated with the legislation.

Senator Bennett. We fought that fight in the Senate—and basically we lost it—to try to get more opportunity for medical savings account experimentation. I don't think the opportunity to experiment is big enough to give us enough data to make it complete.

Dr. Rowland. Mr. Chairman, we do an annual survey of employers of the health benefits that they offer, and in this year's 2003 survey we saw among some of the jumbo firms, those over 2,000 employees, the beginning of offering of a broader mix of services, including some of the medical reimbursement accounts with the catastrophic plan attached to it. That was one area in which many of the employers said they were going to look at instituting in the future. Mostly, however, in our survey, it was those very, very large firms where they felt they could have a whole mix of insurance options as opposed to the firms under 200. So, we're talking about very different markets here.

Representative Ryan. Dr. Rowland, have you looked at the connection between incentive structures and these health reimbursement type of accounts? The question I'm asking is, because right now we're in the middle of a Medicare conference report, we're debating health savings accounts. It's another iteration, but it has all of the benefits basically of all of these different products kind of wrapped into one product. No use-it-or-lose-it, it's portable for the employee, the employee and the employer can put tax deductible dollars into it, you have to buy catastrophic coverage.

The question I'm trying to get at is, do we have evidence and data that suggests that you can get the right kind of incentive

structure set up inside these plans where an employee has his or her own money at stake and the first dollar of coverage, the employer sets up some kind of incentive system so they lead a healthier lifestyle. Their own money is at stake because it's money that has been given to them by their employer that is part of their property or they put their own tax deductible into it. Is there evidence that suggest that you can get these incentives set up and if we fix some of the strings and the problems that are associated with Medical Savings Accounts (MSA), Flexible Spending Accounts (FSA), Health Reimbursement Arrangements (HRA), which is essentially what Health Savings Accounts (HSA) have attempted to do. I know I'm throwing a lot of acronyms out.

Senator Bennett. You sound like you work for the Pentagon. [Laughter.]

Representative Ryan. Can we get a good—can we really push this incentive issue?

Dr. Rowland. There's really not much data that I'm aware of on the use of incentives at all. We're just beginning to pick up some of the employer's strategies to contain cost in our last survey, but none of them include anything along the lines of the wellness incentive. We can certainly ask that in this year's survey which is about to go into the field.

Representative Ryan. It would be interesting to see that.

Dr. Rowland. What we do know however is, in some of the public opinion work we've done trying to assess health insurance options that the public views, that many members of the public are very concerned about ending up with health care costs they can't afford and so they seem very risk-adverse in some of our questioning to go into a system with a high deductible. So I think there is really a pretty limited understanding of what these plans are or how they operate.

Representative Ryan. Sure. I understand a lot of those questions don't necessarily say that you'll have the money in your account to cover the deductible and then when you reach that level, your insurance kicks in.

Dr. Rowland. Well, and as you pointed out, one of the problems is that the structure of these plans vary so tremendously from one to another that you're really comparing apples to oranges in most of the cases.

Representative Maloney. Dr. Rowland, in your comments earlier, you mentioned that in some cases, families may not be making good health choices because they cannot afford more protein. Have you done any studies on what the impact has been on granting Medicaid, which has really capped the amount of money that can go to the poor and the competition with health care, and have you thought about incentives of maybe more food stamps would go farther if you bought vegetables as opposed to potato chips or that type of thing that could encourage healthier eating patterns?

And the Surgeon General, you mentioned quite a bit about exercise and the importance of it. I represent the Rusk Institute, which really was a trailblazer in rehab and exercises as a tool to heal. And what they do there is absolutely remarkable. I feel that future research will really change the way we approach our lives because with exercise, you can literally heal people that are very, very ill

and any studies that the government may be doing on the impact of exercise.

Everyone says exercise and build it into your life, but when we look at our public school system, oftentimes gym classes, after-school programs, the very programs that begin a healthy life pattern, where you learn that that has to be part of your life, regrettably are being cut out of many public education programs. What are we doing to counter that? Obviously, if we raise healthy people, the cost on our medical system both for individuals, for business, for the government is far, far less. Also, any comments on screening?

Obviously, if we screen people early and find out what health ailments they may have, whether it's prostate cancer or breast cancer, the degree of probability of healing it and healing it in a cost effective way goes up dramatically. So those are items if anyone wants to comment from both the panel and the Chairman and so forth.

Senator Bennett. Feel free to dip into your opening statement now. This is your opportunity to read those things that we didn't give you a chance to read.

Dr. Rowland. Well let me just comment from the perspective from low-income families and their access to affordable foods. Most of the work that we've looked at involves the Native American population and some of the real disparities in terms of the kinds of foods that were made generally available through some of our assistance programs. I think there has been a lot of work now to try to remedy that, but historically that has been an area where we've know that the choice of food has been particularly poor for the health of that population.

In terms of my own statement, I do recognize that advances in improving health and combating obesity offer a great promise in the health care system. But I also am concerned that for many Americans, those gaps will not be closed by just improving healthy behavior alone. Health insurance really is a key to the door for getting people into the health system for both preventive care as well as for the follow-up medical care that may be needed. And yesterday's statistics from the Census Bureau reporting that we had 43.6 million Americans in 2002 who were uninsured, I think provided a wake up call for all of us that this is a problem that's growing and not a problem that's going away.

But what I'd like to put before the Committee's consideration is that we also have to think about the consequences of lack of health insurance. And in my longer statement, I reviewed much of the evidence on the fact that an uninsured population is also not a healthy population. They have less access to care, they tend to postpone or forego needed care, go without needed prescriptions, and receive less preventive care. I think the Surgeon General would agree, that this also brings them in later at a point where their diseases have advanced more so they are less likely to gain some of the therapeutic advantages that early detection may bring. And as a result, they have a higher mortality rate.

I think we can't be complacent when the Institute of Medicine (IOM) is estimating that some 18,000 Americans die prematurely each year because of their lack of health insurance. But it also is a substantial burden on our society as a whole. Lack of coverage

in the middle ages means that when people come on to the Medicare program, they are in poorer health. We now estimate that about $10 billion a year could be saved in Medicare alone if we had people engaged in healthier behaviors as well as in having health insurance coverage to treat illnesses before they age onto the Medicare program.

I think these statistics compel us to try to provide both a coverage initiative as well as a healthy behavior initiative to make our nation a healthier place. And unfortunately, in today's economy, I think the employer-based coverage we've enjoyed, as well as the public coverage, are in serious jeopardy.

Last year, employer premiums rose by 14 percent. We now pay $9,000 on average a year for a family health insurance policy, unaffordable for many of the lowest income. The employee's share for those policies is roughly $2,400 a year, which is a very big burden on employees and I think we're going to see in the future, more and more low wage employees not able to even pick up the health insurance offered by their employer and we're seeing employers really struggle with how they can limit their cost and now we can expect some employers to decide not to offer coverage because of the price tag.

On employer behavior, we've had very promising statistics in that there has been no drop off in the percent of employers offering coverage, but there has been a drop off in the percentage of employees who are able to gain insurance through the workplace.

On top of that, the good news in this year's Census data was that while the employer coverage was slipping and creating more uninsured Americans, Medicaid actually grew and provided some coverage to pick up at least some of the children who may have lost coverage when their families were uninsured. But Medicaid itself is now in dire fiscal straits because of the revenue depletion at the state level and the fact that states are making more and more difficult choices about how to restrict their Medicaid budgets. Virtually every state is looking at reducing eligibility, reducing benefits, really unraveling some of the progress that's been made since 1997 when the State Children's Health Initiative was passed to complement Medicaid and really try to address our uninsured children.

So I think as a society, one of our pressing problems remains how do we maintain coverage in the employer-based sector and in Medicaid and how do we expand coverage so that everyone is on an equal playing field to get the preventive care they need and to be able to participate fully in the many benefits of our health system—whether that is early education, wellness programs or other things. Lack of health insurance really is undermining the health of our nation, just as some of our unhealthy behaviors are.

Senator Bennett. Thank you very much. May I offer a slight correction? You say the cost is $9,000 a year and $2,400 of that is paid by the employee?

Dr. Rowland. Right.

Senator Bennett. All of that is paid by the employee?

Dr. Rowland. Right.

Senator Bennett. We have created the fiction in this country that it's free. But having been an employer, I know that if the em-

ployee does not return enough economic value to me by his labor to cover the full $9,000, I can't afford him. And even though it doesn't show up on his W-2, he earned that entire $9,000. And if we can get that concept firmly rooted in people's minds, that this isn't free, this is your money, it might go a long way towards solving the educational problem that you talk about, because a lot of folks say "Well, I don't have to worry about that. That's the employer's money, it's free to me. So whatever he decides to do, is just so much gravy to me."

No, it's your money and you ought to take control of it and be educated about it and have some degree of say as to how it is spent. And that gets us back to cafeteria plans and all the rest of that.

I don't know that you have any numbers on this, I discovered when I was running a business, and we did set up a cafeteria plan, where we said you have X number of, we called them "flex bucks," we will spend—pick a number, it was about $350 a month—that you, the employee, can dictate how it's going to be spent. And, you tell us "here is the cafeteria of options." Well, the first employee comes in and he says, "Are you out of your mind? I've got four children, I want every dime of that $350 to go to health coverage, and of course, I'll have to add another $150 myself to get the coverage I need for my family. I have no options. What do you mean cafeteria plan? I need every bit of it."

Then the next employee comes in and she says, "Well you know, my husband works at Hill Air Force Base and he is covered under the Federal Employee Health Benefits Program, and I don't need any health coverage. And I'd like the $350. We've got little kids; I'd like it to go to daycare. Could you spend it that way?" We'd say "Sure. Give us the name of the daycare, we'll send the $350 a month check to your daycare."

The next employee comes in and says, "Hey, my husband works for a law firm and he has got all kinds of health care coverage at his law firm, I don't need health benefits and I don't have any small children. Can you put that in my 401K?" And we'd say "Yeah, we can put it in your 401K," etcetera.

Well, it made for a much happier workforce because they began to get control of these benefit dollars. But the great thing that hit me, that I would like some statistics on, if anybody has them, how much double coverage do we have? Where we have two-income families, are both husband and wife in plans where the employer is paying for both of them, when in fact, they would be covered by just one. Is there some duplication there? We are spending more GDP than any other country in the world. We're not necessarily healthier than any other country in the world. Although we do have better health care than anybody else, except for the people who fall between the cracks. How much of that is eaten up in duplication and administration and checking and all other rest of that. Does anybody have any reaction?

Dr. Rowland. There is some duplicate coverage. Although what we do find is that one of the major reasons that an individual cites as not taking up their employer's offer is that they're getting coverage through their spouse. We see also one of the new incentives that many employers are starting to offer is they are giving bo-

nuses to employees who will sign up for their coverage through a spouse's plan as one of their strategies for reducing their overall health care costs.

So I know in one situation, one employee of ours said her spouse was offered $1,000 in additional salary for the year if he did not elect the health insurance coverage and instead signed with hers through Kaiser.

Senator Bennett. Yeah, and that $1,000 means that the employer probably saved $4,000 or $5,000 on it. You are in the insurance business. Do you have any reaction to this?

Mr. Oatman. We're in, of course, as I mentioned in the individual and small group segment and quite frankly, we don't see very much duplicate coverage in that end of the market. Obviously, if an individual is going to buy coverage, there is no duplicate coverage there and similarly with small employers, I think that they know their employees, know the situations, and often you don't find as much duplicate coverage in our end of the market. So our experience with it is pretty limited.

Senator Sessions. A couple of things, Mr. Oatman, one regarding medical savings accounts and those type plans. I have heard recently that the uninsured who are often poor, not always, but often, much poorer, when they go to the doctor, that they pay much more for the same care two, three, four times, what someone who is insured would. And I wonder if that impacts adversely medical saving account holders also.

Mr. Oatman. Let me explain.

Senator Sessions. Medical, less physicians, excuse me, hospital care probably more often.

Mr. Oatman. The medical savings account customer has the benefits of the negotiated rates that we have with doctors and hospitals, even on the portion which they fund themselves.

Senator Sessions. Is that true with all the plans that you know of?

Mr. Oatman. Certainly all of the plans that we offer the insured has the benefit of those deductions. I do think it's a tragedy that the uninsured people who can least afford it have to pay full retail.

Senator Sessions. Unfortunately, that's a serious problem Mr. Chairman. One more thing. There was this very moving article in one of the newspapers about a lady who was a nurse in charge of—I'll ask the Surgeon General and others who want to comment—in helping people who were diabetic. And she was highly motivated, visited people in their homes, gave rewards to people who stayed on their diet and exercised and did the things that had the ability to improve their health condition. But the science on even that kind of care was not really encouraging in the number of people who lost substantial amount of weights, who stayed consistently on their diet, it still was rather discouraging actually, the numbers there. So I guess my question is, I'm not sure we used to have this many people in this condition, is this a lifestyle thing that really does need to be addressed early, that once you have a lifetime of poor eating habits, it's much less like to be able to change than otherwise?

Surgeon General Carmona. Senator, I think you've hit the nail on the head. It is a lifestyle issue and I agree with my col-

league, Dr. Rowland, about the impact of health insurance and the need for it. But many of the things that we can do as a society really involve lifestyle and really very little cost.

Getting some physical activity every day, the issue of exercise, the word exercise turns off some people. "I don't want to exercise." Well, take a walk. Go play with your kids, you know, park in the back of the parking lot in the mall and walk through the mall rather than looking for the closest spot to the door. Take the stairs when you have a few flights, rather than the elevator, and put some groupings of physical activity together throughout the day. Eating a healthy diet, which we've heard some of the barriers to, is hard. Some of the barriers that have not been mentioned are also cultural. Because even when we have the funds and even when the populations who are those that we classify as underserved, often people of color—Black, Hispanic, Native Americans—the cultural barriers, even with the money, prevent them from readily changing their diet. Because the——

Senator Sessions. Well, frankly, it's cheaper, sometimes a good diet is often cheaper.

Surgeon General Carmona. Yes sir. But you know, when, on the Native American reservation—I'll use my own example in my family. My grandmother was an immigrant here, spoke no English and she made some good food for the family, very poor Latino family. But if you evaluated your cooking, based on healthy standards, it was filled with grease and lard and tasted awfully good. But that's part of the culture and breaking those cultural norms, on the Native American reservation, where I visit frequently—I was just in Montana on the Crow reservation—and as Dr. Rowland pointed out, the diets leave something to be desired.

But, when you look at their cultural norms, how they prepare their food, how they buy, even if they have the money, it's still an issue or, I termed it literacy earlier, building capacity, education into society to make those changes. We have the science. The problem is we have this wonderful diversity that makes us the best nation in the world, but that diversity also makes it very difficult to deliver culturally competent messages that would result in transformational behavior. That is, eating more healthy, cooking your food the right way and such.

Senator Sessions. I guess—let me be explicit on it. Isn't it one of these things where if it's not done early, it's much harder to change later? And is there a plan out there to deal—I know there has been a lot of talk about helping young people who are overweight how to confront that and deal with it. Do we have any plans that might be effective at this point, you think on how to deal with that?

Surgeon General Carmona. Well, yes sir. Your point again is well taken. The earlier we start, the better it is. When you move through life it's much more difficult to break those bad habits. You know, James Baldwin I think said it best, if I quote him correctly, that, "We spend a lifetime telling our kids what to do, but they never fail to imitate us." And so, our children often end up looking like we do. And if we are couch potatoes and not physically active, and eating the wrong foods, then our children probably are going to head in that direction.

We have programs within HHS now, and I know of many community programs that start in the schools very early in getting the kids engaged in physical activity. That's where it has to start. Also we must engage the parents and the school systems and the administrators for the understanding of what constitutes a balanced diet while those children are in school, and the physical education part.

It really does take a whole community to change this. The capacity has to be built in throughout society and as early as possible. We have the Healthier Steps Program within HHS that President Bush and Secretary Thompson have been pushing very successfully. I've been out as a Surgeon General throughout the United States speaking to school administrators and school districts about the value of these very simple measures of reducing risks, exercising, or some physical activity and a balanced diet. We have spoken out strongly to the National Groups of School Administrators and Teachers to not remove physical activity from the curriculum as we see being done in many school districts because they can't afford the teacher or they don't have the time. There are lots of reasons. But the bottom line is, there is a huge impact to those children when they are not physically active and they are spending four hours in front of the TV.

So, to answer your question, we are starting to target these audiences earlier. We're spending a lot of time with children. One program I'm specifically involved in, the 50/50, 50 states, 50 schools, where I have targeted a school in every state, working with the leadership in the state to bring a symbolic message, if you will, to grammar schools and encourage children to stay active. But I'm not just speaking to the children, I'm speaking to their parents, speaking to the community leaders and hopefully spread that word through the country, that this is very important. And it's not just about insurance or money, it's about taking some personal responsibility, understanding the issues, staying active, eating healthy, reducing risk in your life.

Dr. Rowland. Senator, while much of the work I do with the foundation focuses on health insurance coverage, another aspect of the work we undertake is to look at the use of the Internet and TVs and their availability in the homes and their utilization in homes, especially among children. And I know that many of our studies are very alarming in terms of the number of hours and the increasing number of hours that children spend either watching TV or in front of the computer, neither of which have a lot of activity to them. We are beginning to look more at the messages they get from watching TV shows, from watching bad behavior on TV shows and we've engaged in trying to do a number of public education and health education activities by getting some of the Hollywood writers to cover things a little more effectively. I think we need to try to change the way entertainment media portrays a child's afternoon to one in which they're outside doing physical activity instead of inside at the computer and eating carbohydrates while they are sitting at the computer. This is an area where we could really try to change the way the public views this issue with more than just discussion—with actually observing how the entertainment media covers this situation.

Senator Sessions. I believe I saw in *The Wall Street Journal*, something about that and it indicated that one soft drink a day was 50,000 calories a year, and I forgot how many pounds that translated in and all things else being equal. What about PSA? Public Service Ads (PSA) that give some concrete suggestions if you'd like to reduce your weight, even for kids aimed even at kids, you know, make this change and have some kid say that you know, I lost this by doing such and such. Do we have any PSAs that might be helpful?

Surgeon General Carmona. Senator, we've done some PSAs in partnering with private organizations who are stakeholders in this, but we also are trying to do this much smarter. Some of our staff, some of whom are sitting behind me are looking at better ways to understand the marketplace just like the private sector does to sell products. And we have to do a better job of delivering those messages in a culturally competent way. I often joke with my staff that the last thing the kids watching MTV want to see is some middle aged guy in a white uniform telling them to be healthy. But you know, if Carson Daily and the latest pop icon says it, you know, with maybe the Surgeon General or somebody with a position of authority, it's probably going to go over.

Senator Sessions. That could describe how they keep their weight under control. What they do every day.

Surgeon General Carmona. We're trying to get those best practices from the market and looking at—because really what we're looking at across society is multiple markets that we have to motivate to change their behavior and one size doesn't fit all.

Dr. Rowland. Dr. David Satcher has just joined the Kaiser Foundation Board of Trustees and I know that he will be pushing us in the work we do with BET and with MTV to try and develop more programming and more ads that actually will give some better messages about this issue as well. We have found that PSA placements are very difficult to get at a good time, but have entered in a number of partnership with groups like MTV so that we do these ads as part of their programming and we develop the ads and they actually give the programming time to us to try to further public health education messages. I think we should broaden our messaging and work with the Surgeon General on that.

Senator Bennett. I don't want to disparage the ad effort because I think it's essential and I'm in favor of everything you're talking about, and we do have the example with cigarettes. We have seen a cultural change in smoking in this country so that now people don't assume it's the norm and you really discover that when you go outside the United States. I used to own a business in Japan, and over there everybody smokes, and that's the norm. And you come to America and it's no smoking in this building, no smoking, etcetera, etcetera, and we've seen the number of smokers come down particularly among young people fairly significantly.

However, an economic incentive I think has to be linked to it. I remember, and Mrs. Maloney has left, but at the height of the energy crisis in California, when the demand for energy was causing enormous spikes—and ultimately it looks like Gray Davis might pay the price for that next week—there were all kinds of PSAs saying "turn off your washing machine in the afternoons, only use

your appliances at night, help us, help us, help us." And the behavior did not change appreciably until the increased cost of electricity hit the average household in California and the crisis almost disappeared overnight. "Oh, it's going to cost me X amount more if I don't do what the ad is saying." So we've got to link some economic incentives here. I'm not quite sure how we can do it.

Mr. Oatman. Mr. Chairman could I speak momentarily to that issue?

Senator Bennett. Sure.

Mr. Oatman. We do, in our individual products charge people more if they are tobacco users, and we find that gets a strong message across to people when they can see tangibly what is the economic cost in terms of their health coverage for this. We often have people come back and say, "I'd like to now reapply, I've stopped smoking for a year, can I get a lower rate?" And so that is a very effective way not only to communicating the message, but getting the behavior change you're looking for.

Senator Bennett. So that leads to the theoretical question, can you say X dollars per pound for a certain level if we have indeed an epidemic of obesity?

Mr. Oatman. Yes, we do, in fact, do that as well. We charge extra for people that are BMIs that are overweight and BMIs that are obese and we have different levels and we track the statistics and know the cost of that and put that into the cost of our products so at the end we'll send a message.

Senator Bennett. Has it produced significant behavior change?

Mr. Oatman. I can't honestly say whether that one has produced behavior change. I know the smoking one has, but the weight one I don't have any particular data on it to suggest that it resulted in changes.

Senator Bennett. The hour is going and you have been very patient. Let me raise one more issue and get your reaction to it. Health care is really nothing more than data management. "Where does it hurt?" You are a doctor, you can't cure me until you get a body of data about me. "Where does it hurt? How long? When did it start? What happened?" Okay, you get above that level to, "Let's do an MRI, let's do some other kinds of tests." All right, now, with this amount of data in front of me, I can now make a diagnosis and a decision and recommend a course of treatment.

We do not have anything approaching a significant database about our nation's health. There are tiny individual bits of data scattered around, but we do not have what our current technological capacity could give us. So let me get Buck Rogers here for just a minute—and of course; the 21st Century is now here, so Buck Rogers is obsolete. Let's say 22nd Century but, maybe 21st. We have the capacity for an individual to carry his entire medical record around with him on a credit card, in his wallet. And we have the capacity to update that continually. So you talk about screening and there is evidence from some of the other panelists who were scheduled to be with us at the previous roundtable and couldn't come back on this occasion, that they've been able to increase the health and reduce the price in their risk pool quite significantly through screening.

Now your average HMO is going to say to you, "We're not going to cover the cost of screening every single person, we'll wait until somebody shows some symptoms and then we'll cover the cost of treating those symptoms, but it's too expensive." Well, the evidence of this particular group is, it saves money. And they screened every single employee of the company with whom they were working, for a variety of congenital conditions, and discovered, while the percentages were small, those people that didn't know they had (fill in the blank), were enormously expensive claims on the system walking around with the claims to come three to five years down the road. And by screening and discovering what they were and then monitoring their activity, whether it was exercise or diet or medication, they prevented heart attacks, they prevented hospitalizations, they staved off, in some cases, diabetes and so on, and saved huge amounts of money, even though the initial screening seems to cost something now.

The key to this working is the willingness on the part of the employee in this situation, the individual, if we do it on a national basis, to have his data in a central databank where it can be accessed, and they can be nudged. Where you can say to the—you sit down at the console of the giant register as it were, and you say, "Okay, give me the names of everybody here who had this kind of result a year ago and let me go out and find out what they're doing."

The privacy advocates will come at us and say this is an enormous violation of privacy. But from a health care standpoint, this is the tool that could vastly increase the health of Americans and ultimately reduce costs, because as I say, the groups that have done this have found that their population gets healthier and the cost of providing health care goes down.

Let's take a look at that and get your reactions to it. If there was to be some kind of an attempt at creating a truly significant large database and Dr. Rowland, maybe some kind of public money available to screen every child regardless of whether they have coverage or not in public schools, to begin to produce that database so that public providers of health care would have that tool available for them for people who are on Medicaid or Medicare and some way to have portability—I mean, the portability is there once the data is there—and so the individual says "Okay, I'm now covered." Well, whoever is providing their health care coverage now has access to the database.

Mr. Oatman you are in an interesting niche market. How would you access the database? Let's just put aside our biases about Big Brother and the implications of somebody being able to have access to that database for some evil purpose and stipulate for the sake of this conversation that the access will always be benign. How helpful would it be to producing a healthier population and helping do something about this skyrocketing cost?

Dr. Rowland. Well obviously, what you've talked about is the ideal of what a Health Maintenance Organization was supposed to be all about. It was supposed to be about enrolling, having screening and then being followed up. What's happened in our current fragmented health care system is that nobody really wants to take on the responsibility for screening because it's an up-front cost and

the long run savings may accrue to someone else because health care coverage switches back and forth. So, having the screening in our fragmented system financed separately is probably an important concept. The only program that has a built-in requirement for screening is the Medicaid program for children, called the Early Periodic Screening Diagnosis and Treatment Program. However, the governors have been complaining for many years about that particular program because it requires full treatment for anything screened in the children. So that's the one example we currently have of national screening, and in that program screening picks up a lot of disability early among children and if they are treated for it, they go to school, they learn better and do better.

So I think that clearly, screening is important if it's followed up with treatment, but our current fragmented system doesn't provide much of a mechanism for giving insurers an incentive to do that.

Mr. Oatman. Let me speak to that because—I'm a great believer of screening and assessment. I think to the extent that we could do annual screening on things like weight, cholesterol levels, blood pressure, many things which are reasonably controllable by the individual, it could have a payback for us, if we could then tie that with the incentive. But right now, we can not tie it to an incentive. The state laws basically wouldn't allow me to adjust my premium every year based on that regular assessment to get the message to people to get the behavioral change. And if we had the freedom with state premium laws to make adjustments, based upon regular assessment of health cost, it would have an economic advantage and we would be spending the money on it. But right now, we don't have the ability to leverage it into incentives for an existing customer.

Senator Bennett. In other words, there is no payback to you.

Mr. Oatman. Right, because I can't——

Senator Bennett. If you do the screening, it's just a cost with no particular benefit.

Mr. Oatman. Yes. Take for instance someone that has been a customer for a few years and perhaps has gained weight, isn't managing their health. If I could do a regular assessment of that and charge them more for that behavior, I think I can impact their behavior and I think that would have a payback in doing that. But I don't have the freedom under current state laws to make those adjustments to premiums after I've sold the policy to the individual. So I do think if we got creative about this and thought about it, we could find some ways to make it economically feasible to do assessment on an ongoing basis, and it would prove valuable.

Surgeon General Carmona. I think Senator, that's a key, what Mr. Oatman said, making it economically feasible. Because in fact, as Dr. Rowland pointed out also with the screening, not only from a public health standpoint, it's obviously the way to go. We're talking about the cost, but when an insurer deals with it and takes on that responsibility, often they are saddled with more cost after they've made the diagnosis, and they are committed then to have to care for that person. So from the public health standpoint, I think there is no disagreement that screening as the way to go is one of the best methods of prevention. We do it now. We've gone through it with kids with PKU, with thyroid testing, diabetes, hy-

pertension, cholesterol, and it's proven. In fact, within HHS, we have the Guide to Clinical Preventive Services put out by ARC, and it's one of the best books around that talks about the evidence base for screening and the cost benefit analysis for all types of screening. More screenings than most people have ever heard of that are out there and have been studied. But really, it comes down to that cost benefit ratio and who pays for that screening.

Let me make another point on the database though. I think one of the things, and I think Dr. Rowland might mention it because I always mention it as it relates to Kaiser. We have some wonderful national databases in Kaiser. As you know, one of those—we don't have a national database, but we do have large groups, Fortis for one, Kaiser and many others that we have through our statistical centers at HHS, where we study large populations for just that reason—to see trends that are emerging, to look at epidemiological trends, to try to make predictions as to where we are going. We're doing it now knowing that we have 9 million children that are overweight and obese and we're looking 20 years forward when they become middle aged. What will our population look like then? How much will it cost? How much diabetes will be in society? How much accelerated cardiovascular disease?

How much cancer as a result of that obesity epidemic? So we are doing that. But I agree with you that we probably could do it better with larger databases, especially one that relates to underserved populations who often don't get picked up in some of these databases because they may be the uninsured and are not captured. So there are some inequities in the system, but I think it has it has improved a great deal.

Senator Bennett. Well, that's really the reason for these hearings, or this discussion and I'm very grateful to you for your willingness to participate in it, and I'll just close it off with this summary of where we are.

This is the Joint Economic Committee and we exist to look at the economy as a whole, both Houses, that's why it's joint, House and Senate. The American economy is really the wonder of the world. Our economy is enormously resilient. We've taken hits that in past history would have thrown an economy into terrible tailspin. One after the other, the bursting of the bubble of the late 1990s, which was inevitable, dropped the stock market, we lost $7 trillion worth of wealth, numerous jobs, particularly in the high tech industry wiped out as some of the illusions of that industry were exposed. Followed by the shaking of confidence in the governance of American industry. People wanted to flee investment in American because of Enron and WorldCom and the other shocks, 9/11, the terrorist attack, the enormous difficulties that followed that, the geopolitical uncertainties, the decision to respond to 9/11 militarily, which I happen to agree with and support, I think it was the right thing to do, but that puts another tremendous strain on the economy.

One after the other and in historic terms, compared to past recessions and past problems, the economy weathered that series of shocks with enormous resilience and is the envy of every other economy in the world. Every other industrialized country, even with our unemployment rates where they are, even with our GDP

growth, as anemic as it has been, every other industrialized country in the world would kill to have our numbers.

So, the Joint Economic Committee, we look out into the future and say, the future really looks pretty good, and it does, until we start looking at health care and the numbers. You were talking about it, General Carmona, the numbers in the next 50 years become truly frightening. We are living longer, which is a good thing. Our population is growing, which is a good thing. But the cost, if we do not do something about medical cost, the cost that will hit us in the Medicare out years as this population starts—the baby boomers start to retire in the next decade or less—and they are going to stay in that position longer and their demands on Medicare are going to be higher. It's happening in the rest of the population, ironically we discussed this at a previous hearing. The more technology we apply to the health care challenge, the more we bring down the cost per procedure and the more procedures we stimulate, so the cheaper the procedure becomes, the greater the cost to society overall.

If all we were interested in was money, we'd say, let them die and save the money. But we do a tremendous job in keeping people living longer and then we have this enormous challenge.

So, as I say, as we look out over the economy, the one thing that truly is frightening, if we cannot get it under control, is the health care costs that are waiting for us several decades down the road. And we've got to think creatively, we've got to start experimenting, Mr. Oatman, with the kind of thing that you are doing. We've got to open up the question of the database. We've got to face what could happen to us if we did more screening and paid for it and say to the states, "Okay, whatever it takes." We've got to keep this going, because the individual employer may not see the long-term benefit or the individual insurer may not see the long-term benefit, America as a whole, 50 years from now, has got to see the long-term benefit in healthier people and thereby ultimately lower health care cost, or the whole economy will be over. So that's a little bit too apocalyptic, but the whole economy will be in trouble, would be a better way of saying it. So, that's why we have focused on these kinds of discussions rather than the traditional political shouting matches over current situations in health care and why your observations here this morning have been so particularly helpful to us.

We're building a record, which we hope the appropriate legislative committees can take advantage of as they look at these challenges that we face. Thank you very much again for your willingness to come.

The hearing is adjourned.

[Whereupon, at 12:15 p.m. on Wednesday, October 1, 2003, the roundtable discussion was adjourned.]

Submissions for the Record

PREPARED STATEMENT OF SENATOR ROBERT F. BENNETT, CHAIRMAN

Good morning and welcome to today's roundtable discussion: "Reshaping The Future Of America's Health."

We would like to try something a little different this morning. Rather than using the traditional congressional hearing format, we will be using a roundtable approach. I want to try this approach because too often the traditional approach limits the discussion between the Members and the witnesses.

The current debate on health care is dominated by a discussion of benefits, deductibles, insurance coverage, and payment levels. The attention of policymakers has been drawn away from the most important health care issue—the actual health of the American people.

America has the pre-eminent health care system in the world. America also has the most expensive health care system in the world. Despite our pre-eminence and our spending, there are some disturbing trends emerging with serious implications for the health of the American people in the future.

The numbers are overwhelming. Obesity is epidemic in the United States. In recent years, diabetes rates among people ages 30 to 39 rose by 70 percent. We know that this year, more than 300,000 Americans will die from illnesses related to overweight and obesity.

We also know that about 46.5 million adults in the United States smoke cigarettes, even though this single behavior will result in disability and premature death for half of them.

Compounding the problem, more than 60 percent of American adults do not get enough physical activity, and more than 25 percent are not active at all.

Some groups of Americans are particularly hard hit by these disturbing trends, especially the epidemic growth in diabetes. Native Americans are two to three times more likely to have diabetes than whites. And, NIH reports that diabetes among African Americans has doubled in just 12 years.

Many of the problems I just mentioned are completely preventable. Having the pre-eminent health care system is not a replacement for a healthy lifestyle. Americans need to be responsible for their own health and prudent consumers of their own health care.

Much of current medicine is reactive, not proactive. A more proactive approach that emphasizes targeted screenings, patient education and proper follow up by medical providers can go a long way to help improve the health and productivity of the American people. However, poor preventive screening, redundant or inappropriate treatment, simple medical mistakes and lack of oversight do little but increase the cost of care.

This morning our goal is to focus on health, not just health insurance. As we examine the challenges that face Americans over the next five or ten years, there are at least two questions that must be asked: What are the major health challenges that face Americans over the next five to ten years? What are the most innovative tools available to meet these challenges?

Our roundtable discussion this morning will include the unique insight of Surgeon General Richard Carmona, who is spearheading President Bush's *HealthierUS* initiative. The *HealthierUS* initiative helps Americans to take action to become physically active, eat a nutritious diet, get preventive screenings, and make healthy choices. We are very happy the Surgeon General was able to find time to join this morning's discussion and look forward to hearing his thoughts on these vital issues.

We are also pleased to have Mr. Jim Oatman, currently Senior Vice President of Fortis Health. He is here to elaborate on initiatives the insurance industry is taking to promote healthy lifestyles and keep down costs. Many insurance plans and employers, including Fortis Health, have taken a "carrot and stick" approach to encour-

aging beneficiaries to exercise, quit smoking or follow doctor's orders while monitoring chronic illness. Some companies reduce premiums, increase interest rates on health care savings accounts, or give away free gym equipment as rewards for healthier lifestyles. Health and Human Services (HHS) Secretary Tommy Thompson met with Fortis Health and other insurers in July to persuade them to find ways to reduce the public cost of treating America's obesity epidemic.

We are also very pleased to have Dr. Diane Rowland of the Kaiser Family Foundation. Dr. Rowland is a nationally recognized expert on Medicaid and the uninsured. Like physical inactivity or cigarette smoking, the lack of health care coverage is also a risk factor for long-term health problems. We look forward to Dr. Rowland's insights on the particular problems facing lower income Americans and those without access to health insurance.

We welcome each witness's thoughts on the challenges facing health care today. I want to thank Ranking Member Stark for his interest and help in organizing this hearing and in bringing these distinguished experts before the Committee. I ask all of you to join me in a bipartisan spirit as we engage in this important task.

PREPARED STATEMENT OF REPRESENTATIVE PETE STARK, RANKING MINORITY MEMBER

Thank you Chairman Bennett for holding this roundtable discussion on "Reshaping the Future of America's Health." I expect this will be a far-reaching discussion about ways of improving care and responding to the health care challenges facing the nation. Certainly, there are public health issues, such as diabetes and heart disease, which are going to require new innovations and research. But the most crucial issue we face is increasing access to care and improving public health insurance programs.

Our nation—wealthy as it is—continues to leave more than 41 million people without health insurance. The downturn in our economy will only make these numbers grow. Every American should have affordable, quality health care coverage and expanding health care coverage to the uninsured, especially children, must be a top priority.

In July, the President unveiled his *HealthierUS Initiative*, which encourages Americans to be physically active, eat a nutritious diet, get preventative screenings, and make healthy choices. But the President's "eat your broccoli" health initiative won't help millions of Americans get important preventative screenings, such as mammograms, cholesterol tests, or prostate exams. Such potentially life-saving preventative tests are skipped by millions of the uninsured and even millions more of insured Americans who simply can't afford high out-of-pocket costs needed to pay for them.

Medical experts, doctors, hospital executives, and academic leaders have increasingly concluded it is time for some form of universal health coverage to be considered. Just last month over 7,700 doctors nationwide, including the former Surgeon General Dr. David Satcher, endorsed a "Medicare for all" national health insurance plan.

The Institute of Medicine of the National Academies recently found that the benefits of insuring uninsured Americans would be substantially greater than the cost of the increased utilization of health services. Specifically, the report found that since uninsured Americans have shorter life spans, poorer health, and higher morbidity rates than Americans with health insurance, they cumulatively forego $65 to $130 billion a year in economic value that could be realized if they had health insurance. In contrast, the cost of the additional health care the uninsured do not currently access because they are uninsured totals $35 to $70 billion a year.

In short, it's costing us more to leave Americans uninsured than to insure them. For what the President wants to spend in Iraq in 2003 and 2004, we could provide health coverage for the uninsured for a year.

My favored approach to universal health care is to build on the success of the Medicare program, which provides universal coverage for our nation's seniors and people with disabilities. Unfortunately, Republicans in Congress would like to privatize Medicare. Rather than dismantle Medicare as we know it, we should expand and improve the program, including broadening preventative benefits and adding a prescription drug benefit.

Protecting Medicaid for low-income Americans is also a vital issue in improving the health of the U.S. population and preventing further increases in the number of uninsured. However, the program has come under increasing economic pressures in both the short- and long-term.

During the Bush recession and current economic slump states are being forced to make tough choices between Medicaid and educational programs. Paltry federal relief did not come soon enough this year to prevent 44 states from having Medicaid cost overruns, thus forcing many states to trim the Medicaid roles and cut back on optional health services.

Millions of low-income Americans would be placed at risk by a Bush Administration plan to cap federal government spending by block granting the program. But this would only exacerbate the long-term structural funding problems of Medicaid as states face mounting costs of long-term care for an aging society.

As we look to the future of health care, the federal government needs to assume more responsibility for insuring that all Americans receive quality care, not less.

Thank you Mr. Chairman and I look forward to the discussion with our panelists.

PREPARED STATEMENT OF RICHARD H. CARMONA, M.D., M.P.H., F.A.C.S., SURGEON GENERAL, U.S. PUBLIC HEALTH SERVICE, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Thank you, Mr. Chairman. It is a pleasure to be here with all of you. And I commend you for your leadership in calling for this discussion.

What if I told you 2 in 3 Americans already had symptoms of a condition that could kill them, and that the disease rate was growing every year?

You would say, "You're the Surgeon General. Do something! Now!"

In fact, it's true.

Nearly 2 out of 3 of all Americans are overweight and obese; that's a 50 percent increase from just a decade ago.

More than 300,000 Americans will die this year alone from heart disease, diabetes, and other illnesses related to overweight and obesity.

Obesity-related illness is the fastest-growing killer of Americans. The good news is that it's *completely preventable* through healthy eating—nutritious foods in appropriate amounts—and physical activity. The bad news is, Americans are not taking the steps they need to in order to prevent obesity and its co-morbidities.

The same is true for other diseases related to poor lifestyle choices, such as smoking and substance abuse.

Put simply, we need a paradigm shift in American health care.

There is no greater imperative in American health care than switching from a treatment-oriented society, to a prevention-oriented society. Right now we've got it backwards. We wait years and years, doing nothing about unhealthy eating habits and lack of physical activity until people get sick. Then we spend billions of dollars on costly treatments, often when it is already too late to make meaningful improvements to their quality of life or lifespan.

Overweight and obese Americans spend $700 more a year on medical bills than those who are not overweight. That comes to a total of about $93 billion in extra medical expenses a year.

We simply must invest more in prevention, and the time to start is childhood—even before birth.

Fifteen percent of our children and teenagers are already overweight. Unless we do something now, they will grow up to be overweight adults.

None of us want to see that happen.

We can't allow our kids to be condemned to a lifetime of serious, costly, and potentially fatal medical complications associated with excess weight. Being overweight or obese increases the risk and severity of illnesses such as diabetes, heart disease, and cancer.

Those are the physical costs. There are also social and emotional costs of being overweight.

We first see this emotional pain on the school playground, when children's self-esteem drops because they are teased, or on the dance floor, because they are never asked to dance.

.None of us want to see our kids go through that.

The science is clear. The reason that our children are overweight is very simple: *Children are eating too much and moving too little.*

The average American child spends more than four hours every day watching television, playing video games, or surfing the web. They know more about the running style of "Sponge Bob Square Pants" than Gail Devers or Maurice Green.

Instead of playing games on their computers, I want kids to play games on their playgrounds.

As adults, we must lead by example by being responsible, and adopting healthy behaviors in our own lives.

We've got to *show* them it doesn't matter whether you're picked first or last, only that you're in the game. Not all kids are going to be athletes, but they can all get some exercise.

We've got to *show* them how to reach for the veggie tray rather than the unhealthy snack.

We've got to *show* them how to encourage their peers to adopt healthy behaviors rather than ridiculing them.

As James Baldwin put it, "Children have never been very good at *listening* to their elders, but they have never failed to *imitate* them."

Our commitment to disease prevention through healthy eating, physical activity, and avoiding risk—is one our entire society must be prepared to make in order for it to be effective.

President Bush is leading the way through the *HealthierUS* prevention initiative.

HealthierUS says, "Let's teach Americans the fundamentals of good health: exercise, healthy eating, getting check-ups, and avoiding risky behavior."

Secretary Thompson and the Department of Health and Human Services are advancing the President's prevention agenda through *Steps to a HealthierUS*, which emphasizes health promotion programs, community initiatives, and cooperation among policy makers, local health agencies, and the public to invest in disease prevention.

Steps also encourages Americans to make lifestyle choices that will prevent disease and promote good health, from youth, such as avoiding tobacco use, which is still the leading preventable cause of death and disease in America, and avoiding alcohol, drug use and other behaviors that result in violence and unintentional injuries.

Congress has approved funds for *Steps* in FY 2004 for community initiatives to reduce diabetes, obesity, and asthma-related hospitalizations.

We cannot switch America's health care paradigm from treatment to prevention through government action alone. This fight has to be fought one person at a time, a day at a time.

All of us must work together, in partnership, to make this happen.

Last week, I joined former Surgeon General David Satcher and the National Football League in kicking off their partnership in promoting school-based solutions to the obesity epidemic.

This week I joined NBA player LeBron James to launch Nike's PE2GO program, which provides equipment and expertise to schools so that they can offer fun physical activity. School-based programs that focus on physical activity offer one of our best opportunities to improve children's health—today and in the future. We welcome partnerships like these to improve the health of children from the earliest ages.

As Members of Congress, you can influence the behavior of your constituents in many ways, starting through your own example. Secretary Thompson put himself and the entire Department of HHS on a diet, and lost 15 pounds. I challenge you to do the same with your staff members.

You can also help educate your constituents about the importance of prevention through Town Hall Meetings and by establishing partnerships in your own communities.

As I said, it will take *all* of us to switch from a treatment-oriented society to a prevention-oriented society, but the effort will be worth it, both to individuals and to the larger community.

I'm a doctor, not an economist, but I know we can save both the human costs in pain and suffering, and economic costs in dollars and cents by investing in prevention.

Think about it: the total direct and indirect costs attributed to overweight and obesity is about $117 billion per year, or $400 for every man, woman and child in this country.

Just a 10 percent weight loss—through healthier eating and moderate physical activity—can reduce an overweight person's lifetime medical cost by up to $5,000. Not to mention what it will do for their self-esteem and sense of well-being.

Where else can you get that type of return on investment?

Thank you and I look forward to our discussion.

PREPARED STATEMENT OF JAMES E. OATMAN, SENIOR VICE PRESIDENT, FORTIS HEALTH

I. INTRODUCTION

As 75 million baby-boomers reach the prime years of their lives they are facing an epidemic of chronic disease. In spite of the fact that medical advances of the 20th century improved life expectancy from 47 years at the beginning of the century to 77 years at the end of the century, some very troubling trends developed in the last quarter of the 20th century.

- The incidence of cancer is up over 25 percent.
- The incidence of heart disease is up over 50 percent.
- The incidence of diabetes has doubled.
- The prevalence of obesity has more than doubled.

The data is in and we now know that lifestyle changes can make significant reductions in all these disease categories. We individually need to take personal responsibility for significant lifestyle changes to improve our health. When looking at the cause of health care cost increases perhaps it is time to stop pointing fingers and literally look in the mirror.

II. KEY ELEMENTS OF LOWER COSTS VIA LIFESTYLE CHANGES

Three key elements will be required if we are to witness significant improvements are:

A. Education

People need a consistent, reliable source of information on the efficacy of health improving behaviors. Health and Human Services has done an excellent job of collecting and distributing information on health improvements. Our health care providers should be encouraged to deliver the message to their patients. Employers can play an active role in educating in the workplace.

B. Screening & Assessment

People need a method to measure their current health status in order to calibrate their current health status against a reliable standard. Benchmarking key indicators such as diet, exercise, weight, cholesterol levels, blood pressure levels, alcohol consumption, and driving habits against acceptable standards is the second step towards making changes. This is a personal responsibility, we each have to maintain our health and well-being.

C. Incentives

Incentives are the final and essential component to motivate people to make behavioral changes. Proper rewards and incentives applied by health care payors serve as an important impetus to reinforce the message and secure important lifestyle changes.

III. HEALTH INSURANCE PRODUCTS THAT ENCOURAGE HEALTHY LIFESTYLES

D. Medical Savings Accounts

At Fortis we have observed that the cost of health care is lower and annual increases in costs are also lower for individuals who chose to self-fund a significant portion of the first dollars spent on health care. Direct personal responsibility for health care costs has an impact on controlling costs.

E. Health Reimbursement Accounts

In increasing numbers employers are embracing health reimbursement accounts as a method to engage employees in a partnership to control health care spending. Health Reimbursement Accounts are relatively new, but reports on early data is encouraging.

F. Lifestyle Discounts at Point of Sale

For many years Fortis has offered discounts for improved lifestyles. We reward people who control their weight, cholesterol and blood pressure. We also include smoking habits and driving habits in our assessment. We have found people with better lifestyles consume less health care and continue to spend at lower levels for long periods of time.

G. Renewal Incentives to Encourage Healthy People to Continue to Fund the Pool

Unfortunately, most state laws significantly restrict the ability of an insurance carrier to introduce incentives at renewal. Fortis believes that if insurers were granted more latitude in providing incentives at renewal to reward healthy lifestyles

this would have positive outcomes. With appropriate incentives more healthy people would retain their coverage at renewal. They would then stay in the insured pool helping to finance the less healthy and not enter the ranks of the uninsured.

PREPARED STATEMENT OF DIANE ROWLAND, SC.D., EXECUTIVE VICE PRESIDENT, KAISER FAMILY FOUNDATION AND EXECUTIVE DIRECTOR

HEALTH CHALLENGES FACING THE NATION

Health insurance coverage remains one of the nation's most pressing and persistent health care challenges. When asked to identify the top health care priorities for the nation, the public consistently ranks lack of health insurance coverage as a top priority. Nearly 1 in 3 Americans (31 percent) rated increasing the number of Americans covered by health insurance as the "most important" health issue for Congress and the President to deal with, in a public opinion survey this summer.

The most recent data—released this week from the Census Bureau—show that 43.6 million adults and children were without health insurance in 2002—more than one in every seven Americans. The new statistics reveal that this is not only a large problem, but a growing problem for millions of Americans. From 2001 to 2002, the number of Americans lacking health insurance increased by 2.4 million due to the decline in employer-sponsored coverage (Figure 1). Public coverage expansions through Medicaid helped to moderate the growth in the uninsured, most notably by providing coverage to children in low-income families, but were not enough to offset the decline in private coverage.

The uninsured come predominantly from working families with low and moderate incomes—families for whom coverage is either not available or not affordable in the workplace (Figure 2). Public program expansions through Medicaid and the State Children's Health Insurance Program (SCHIP) help to fill some gaps, especially for low-income children, but the fiscal crisis in the states is now putting public coverage at risk. Unfortunately, the economic downturn, coupled with rising health care costs and fiscal constraints on public coverage, all point to continued growth in our uninsured population.

THE CONSEQUENCES OF LACK OF INSURANCE

The growing number of uninsured Americans should be of concern to all of us because health insurance makes a difference in how people access the health care system and, ultimately, their health. Leaving a substantial share of our population without health insurance affects not only those who are uninsured, but also the health and economic well-being of our nation.

There is now a substantial body of research documenting disparities in access to care between those with and without insurance. Survey after survey finds the uninsured are more likely than those with insurance to postpone seeking care; forego needed care; and not get needed prescription medications. Many fear that obtaining care will be too costly. Over a third of the uninsured report needing care and not getting it, and nearly half (47 percent) say they have postponed seeking care due to cost (Figure 3). Over a third (36 percent) of the uninsured compared to 16 percent of the insured report having problems paying medical bills, and nearly a quarter (23 percent) report being contacted by a collection agency about medical bills compared to 8 percent of the insured. The uninsured are also less likely to have a regular source of care than the insured—and when they seek care, are more likely to use a health clinic or emergency room (Figure 4). Lack of insurance thus takes a toll on both access to care and the financial well-being of the uninsured.

There are often serious consequences for those who forgo care. Among the uninsured, half report a significant loss of time at important life activities, and over half (57 percent) report a painful temporary disability, while 19 percent report long-term disability as a result (Figure 5). Moreover, there is a growing body of evidence showing that access and financial well-being are not all that is at stake for the uninsured (Figure 6). Lack of insurance compromises the health of the uninsured because they receive less preventive care, are diagnosed at more advanced disease stages, and once diagnosed, tend to receive less therapeutic care and have higher mortality rates than the insured. Uninsured adults are less likely to receive preventive health services such as regular mammograms, clinical breast exams, pap tests, and colorectal screening. They have higher cancer mortality rates, in part, because when cancer is diagnosed late in its progression, the survival chances are greatly reduced. Similarly, uninsured persons with heart disease are less likely to undergo diagnostic and revascularization procedures, less likely to be admitted to hospitals with cardiac

services, more likely to delay care for chest pain, and have a 25 percent higher in-hospital mortality.

Urban Institute researchers Jack Hadley and John Holahan, drawing from a wide range of studies, conservatively estimate that a reduction in mortality of 5 to 15 percent could be achieved if the uninsured were to gain continuous health coverage. The Institute of Medicine (IOM) in its analysis of the consequences of lack of insurance estimates that 18,000 Americans die prematurely each year due to the effects of lack of health insurance coverage.

Beyond the direct effects on health, lack of insurance also can compromise earnings of workers and educational attainment of their children. Poor health among adults leads to lower labor force participation, lower work effort in the labor force, and lower earnings. For children, poor health leads to poorer school attendance with both lower school achievement and cognitive development.

These insurance gaps do not solely affect the uninsured themselves, but also affect our communities and society. In 2001, it is estimated that $35 billion in uncompensated care was provided in the health system with government funding accounting for 75-80 percent of all uncompensated care funding (Figure 7). The poorer health of the uninsured adds to the health burden of communities because those without insurance often forego preventive services, putting them at greater risk of communicable diseases. Communities with high rates of the uninsured face increased pressure on their public health and medical resources.

A recent IOM report estimates that in the aggregate the diminished health and shorter life spans of Americans who lack insurance is worth between $65 and $130 billion for each year spent without health insurance: (Figure 8). Although they could not quantify the dollar impact, the IOM committee concluded that public programs such as Social Security Disability Insurance and the criminal justice system are likely to have higher budgetary costs than they would if the U.S. population under age 65 were fully insured. Research currently underway at the Urban Institute by Hadley and Holahan suggests that lack of insurance during late middle age leads to significantly poorer health at age 65 and that continuous coverage in middle age could lead to a $10 billion per year savings to Medicare and Medicaid.

THE CURRENT ENVIRONMENT

Given the growing consensus that lack of insurance is negatively affecting not only the health of the uninsured, but also the health of the nation, one would expect extending coverage to the uninsured to be a national priority. However, all indicators point to this year as one in which we can expect little action on coverage, despite the significant growth in our uninsured population.

With the poor economy and rising health care costs, employer-based coverage—the mainstay of our health insurance system—is under increased strain. Health insurance premiums rose nearly 14 percent this year—the third consecutive year of double-digit increases—and a marked contrast to only marginal increases in workers' wages (Figure 9). As a result, workers can expect to pay more for their share of premiums and more out-of-pocket when they obtain care, putting additional stress on limited family budgets. With average family premiums now exceeding $9,000 per year and the workers' contribution to premiums averaging $2,400, the cost of coverage is likely to be increasingly unaffordable for many families (Figure 10). For many low-wage workers, the employee share of premiums may now equal 10 to 20 percent of total income, causing those who are offered coverage to be unable to take it up. However, for most low wage workers, especially those in small firms, it is not a question of affordability—because the firms they work in do not offer coverage.

From 2000 to 2001, employer-based health insurance coverage declined for low-income adults and children. However, Medicaid and SCHIP enrollment increased in response to the sharp decline in employer-based coverage for children, offsetting a sharper increase in the number of uninsured (Figure 11). The latest Census Bureau statistics on the uninsured for 2002 underscore the important relationship between public coverage and loss of employer-sponsored coverage. Between 2001 and 2002, health insurance provided by the government increased, but not enough to offset the decline in private coverage. Most notably, while the number of uninsured adults increased, the number of uninsured children remained stable because public coverage helped fill in the gaps resulting from loss of employer coverage.

For many low-income families, Medicaid is the safety net that provides health insurance coverage for most low-income children and some of their parents. However, Medicaid coverage provides neither comprehensive nor stable coverage of the low-income population. In 2001, Medicaid provided health insurance coverage to over half of all poor children, and a third of their parents, but only 22 percent of poor childless adults (Figure 12). Most low-income children are eligible for assistance

through Medicaid or SCHIP, but in most states parents' eligibility lags far behind that of their children. While eligibility levels for children are at 200 percent of the federal poverty level ($28,256 for a family of 3 in 2001) in 39 states, parents' eligibility levels are much lower. A parent working full-time at minimum wage earns too much to be eligible for Medicaid in 22 states (Figure 13). For childless adults, Medicaid funds are not available unless the individual is disabled or lives in one of the few states with a waiver to permit coverage of childless adults. As a result, over 40 percent of poor adults and a third of near-poor adults are uninsured.

In recent years, with SCHIP enactment and Medicaid expansions, states have made notable progress in broadening outreach, simplifying enrollment processes, and extending coverage to more low-income families. Participation in public programs has helped to reduce the number of uninsured children and demonstrated that outreach and streamlined enrollment can improve the reach of public programs. However, the combination of the current fiscal situation of states and the downward turn in our economy are beginning to undo the progress we have seen.

States are now experiencing the worst fiscal situation they have faced since the end of World War II. Over the last two years, state revenues have fallen faster and further than anyone predicted, creating substantial shortfalls in state budgets. In 2002, state revenue collections declined for the first time in at least a decade, falling 5.6 percent from the previous year (Figure 14). These worsening fiscal pressures mean that state budget shortfalls will reach at least $70 billion in FY2004. At the same time, Medicaid spending has been increasing as health care costs for both the public and private markets have grown and states face growing enrollment in the program, largely as a result of the weak economy. However, even as Medicaid spending grows, it is not the primary cause of state budget shortfalls. While state Medicaid spending rose in FY2002 by $7 billion more than projected based on recent trends, this contribution to state budget deficits is modest compared to the $62 billion gap in state revenue collections relative to projections.

The state revenue falloff is placing enormous pressure on state budgets and endangering states' ability to provide the funds necessary to sustain Medicaid coverage. Turning first to "rainy day" and tobacco settlement funds, states have tried to preserve Medicaid and keep the associated federal dollars in their programs and state economies. But, as the sources of state funds become depleted, states face a daunting challenge in trying to forestall new or deeper cuts in Medicaid spending growth. Earlier this year in the Jobs and Growth Tax Relief Reconciliation Act, Congress provided $20 billion in state fiscal relief, including an estimated $10 billion through a temporary increase in the federal Medicaid matching rate. This has helped states avoid making deeper reductions in their Medicaid spending growth. However, this fiscal relief will expire next year, and it seems unlikely that states' fiscal conditions will improve by then.

Because Medicaid is the second largest item in most state budgets after education, cuts in the program appear inevitable—in the absence of new revenue sources—as states seek to balance their budgets. Indeed, survey data the Kaiser Commission on Medicaid and the Uninsured released at the end of September indicates that every state and the District of Columbia put new Medicaid cost containment strategies in place in fiscal year 2003, and all of these states planned to take additional cost containment action in fiscal year 2004 (Figure 15).

States have continued to aggressively pursue a variety of cost containment strategies, including reducing provider payments, placing new limits on prescription drug use and payments, and adopting disease management strategies and trying to better manage high-cost cases. However, the pressure to reduce Medicaid spending growth further has led many states to turn to eligibility and benefit reductions as well as increased cost-sharing for beneficiaries. Although in many cases these reductions have been targeted fairly narrowly, some states have found it necessary to make deeper reductions, affecting tens of thousands of people.

The fiscal situation in the states jeopardizes not only Medicaid's role as the health insurer of low-income families, but also its broader role as the health and long-term assistance program for the elderly and people with disabilities. Although children account for half of Medicaid's 51 million enrollees, they account for only 18 percent of Medicaid spending (Figure 16). It is the low-income elderly and disabled population that account for most of Medicaid spending—they represent a quarter of the beneficiaries, but account for 70 percent of all spending because of their greater health needs and dependence on Medicaid for assistance with long-term care (Figure 17).

It is these broader roles for the elderly and disabled population that drive Medicaid's costs. Most notably, for 7 million low-income elderly and disabled Medicare beneficiaries, Medicaid provides prescription drug coverage, long-term care assistance, vision care, dental care, and other services excluded from Medicare. While

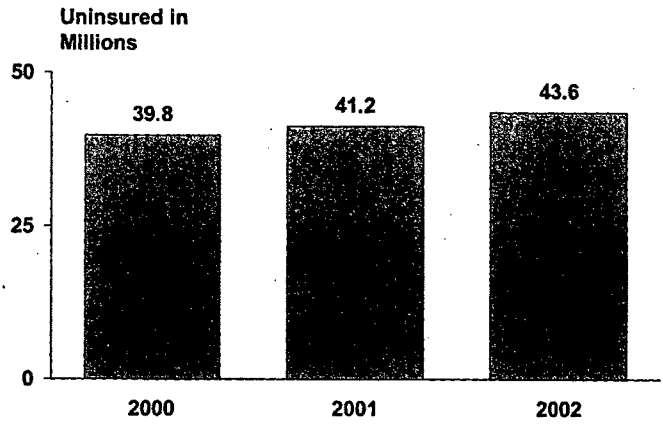
these dual eligibles represent 10 percent of the Medicaid population, they account for over 40 percent of Medicaid spending. Most of the growth (77 percent) in Medicaid spending last year was attributable to elderly and disabled beneficiaries, reflecting their high use of prescription drugs—the fastest growing component of Medicaid spending—and long-term care, where the bulk of spending on these groups goes. These are all areas in which states will find it difficult to achieve painless reductions and understandably areas where states are seeking more direct federal assistance, especially with the costs associated with dual eligibles.

CONCLUSION

Looking ahead, it is hard to see how we will be able to continue to make progress in expanding coverage to the uninsured or even maintaining the coverage Medicaid now provides. This week's latest statistics on the uninsured from the Census Bureau show that lack of health coverage is a growing problem for millions of American families. The poor economy combined with rising health care costs make further declines in employer-sponsored coverage likely. The state fiscal situation combined with rising federal deficits complicate any efforts at reform. In the absence of additional federal assistance, the fiscal crisis at the state level is likely to compromise even the ability to maintain coverage through public programs. Although Medicaid has demonstrated success as a source of health coverage for low-income Americans and a critical resource for those with serious health and long-term care needs, that role is now in jeopardy. Assuring the stability and adequacy of financing to meet the needs of America's most vulnerable and addressing our growing uninsured population ought to be among the nation's highest priorities.

Figure 1

Number of Nonelderly Uninsured Americans, 2000-2002

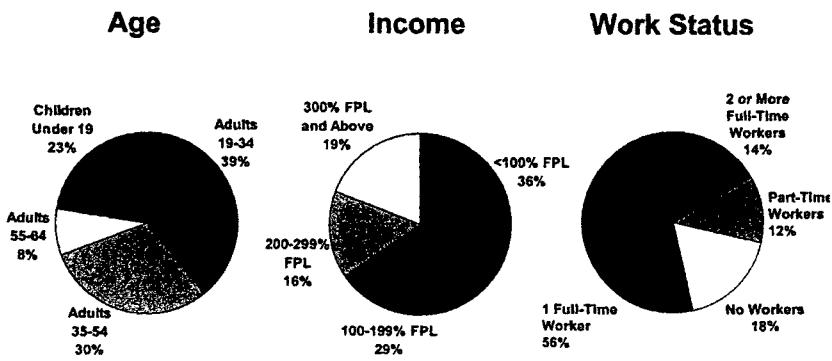


KAISER COMMISSION ON
Medicaid and the Uninsured

SOURCE: U.S. Census Bureau, 2002 Current Population Survey, 2003.

Figure 2

Characteristics of the Uninsured, 2001



Total = 41 million uninsured

Note: The federal poverty level was $14,128 for a family of three in 2001.
SOURCE: Urban Institute and Kaiser Commission on Medicaid and the Uninsured, analysis of March 2002 Current Population Survey, 2003.

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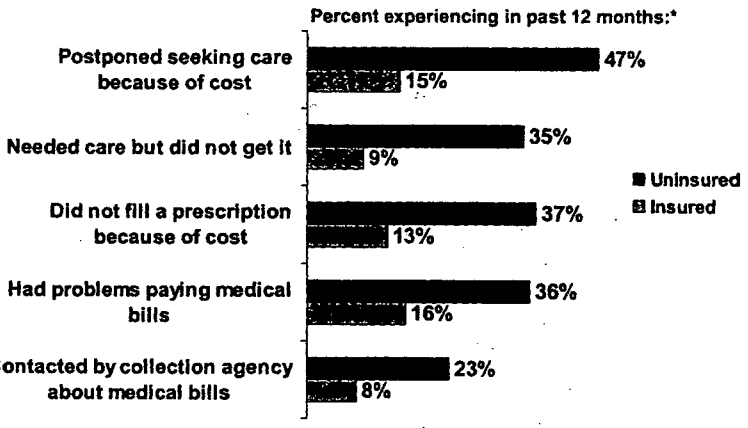
Figure 3

Barriers to Health Care by Insurance Status, 2003



Notes: *Experienced by the respondent or a member of their family. Insured includes those covered by public or private health insurance.
Source: *Kaiser 2003 Health Insurance Survey.*

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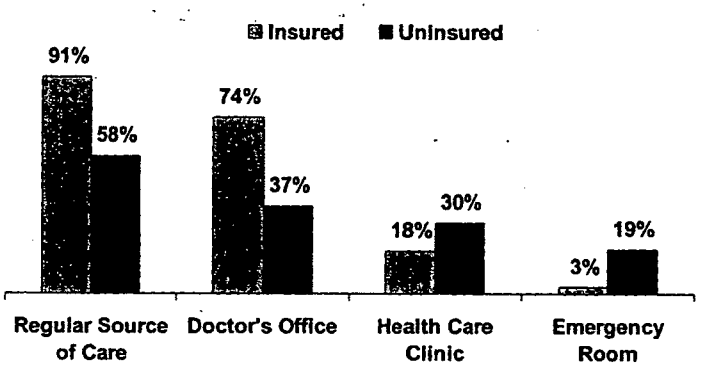
Figure 4

Sources of Care by Insurance Status, 2003



Note: Insured includes those covered by public or private health insurance.
Source: *Kaiser 2003 Health Insurance Survey.*

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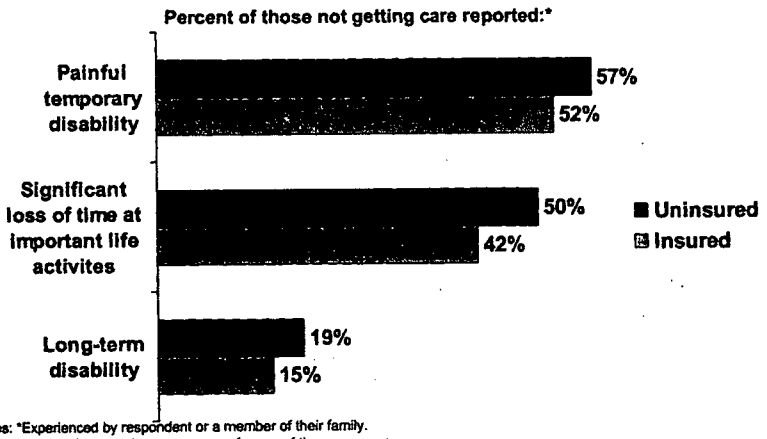
Figure 5

Consequences of Not Getting Care by Insurance Status, 2003



Notes: *Experienced by respondent or a member of their family.
No significant differences between groups for any of these measures.
Insured includes those covered by public or private health insurance.

Source: *Kaiser 2003 Health Insurance Survey.*

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Figure 6

The Consequences of Being Uninsured

Research demonstrates that the uninsured:

- **use fewer preventive and screening services;**
- **are sicker when diagnosed;**
- **receive fewer therapeutic services;**
- **have poorer health outcomes (higher mortality and disability rates); and**
- **have lower annual earnings because of poorer health.**

SOURCE: Hadley, Jack. "Sicker and Poorer – The Consequences of Being Uninsured: A Review of the Research on the Relationship between Health Insurance, Medical Care Use, Health, Work, and Income," *Medical Care Research and Review* (60:2), June 2003.

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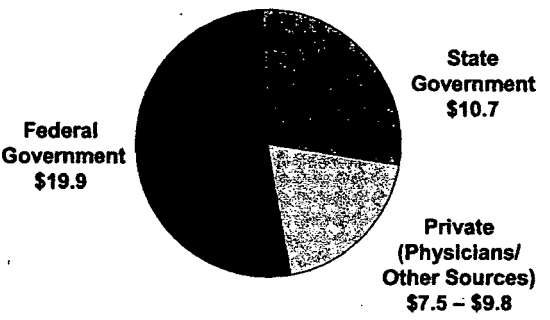
Figure 7

Sources of Funding Available for Uncompensated Care, 2001
(in billions)



Total = $38.1 – 40.4 Billion

SOURCE: Hadley and Holahan, February 2003

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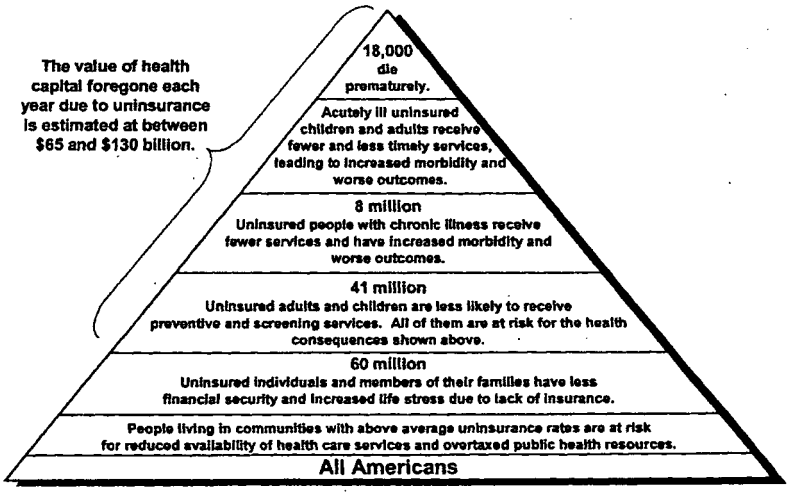
Figure 8

The Consequences of Uninsurance



SOURCE: Institute of Medicine, *Hidden Costs, Value Lost*, June 2003.

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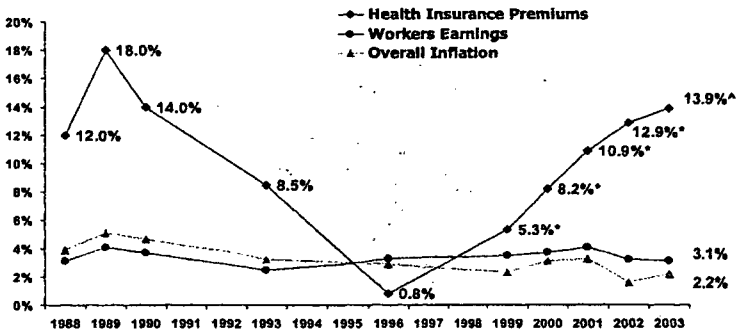
Figure 9

Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2003



Notes: Data on premium increases reflect the cost of health insurance premiums for a family of four.
*Estimate is statistically different from the previous year shown at p<0.05: 1998-1999, 1999-2000, 2000-2001, 2001-2002.
^ Estimate is statistically different from the previous year shown at p<0.1: 2002-2003.
SOURCE: KFF/HRET Survey of Employer-Sponsored Health Benefits; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1989, 1990, 1993, 1996.

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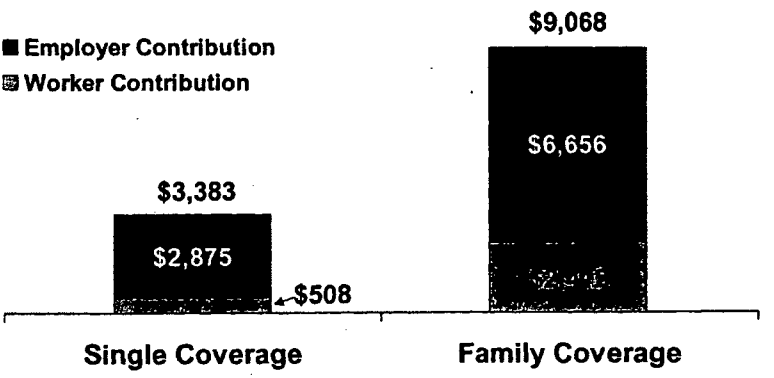
Figure 10

Average Annual Premium Costs for Covered Workers, 2003



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003.

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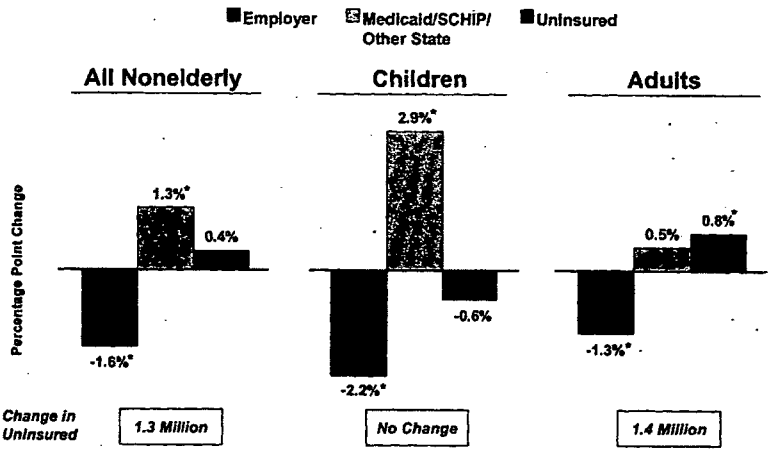
Figure 11

Changes in Health Insurance Coverage Among Low Income Nonelderly Americans, 2000-2001



*Indicates change is significant at the 95% confidence level
Low Income is less than 200% FPL
SOURCE: Urban Institute, 2002, based on data from the March Current Population Surveys, 2001 and 2002.

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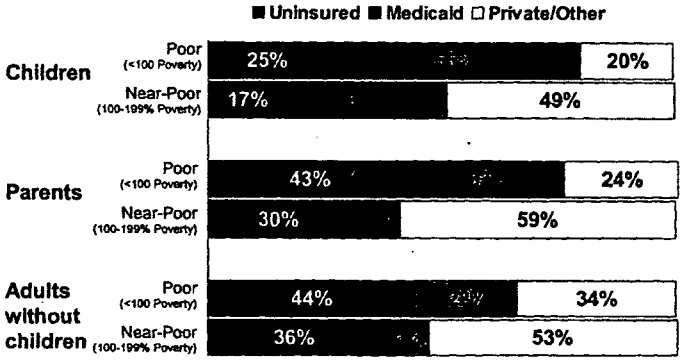
Figure 12

Health Insurance Coverage of Low-Income Adults and Children, 2001



Note: Adults age 19-64. Federal Poverty Level was $14,128 for a family of three in 2001.
SOURCE: Urban Institute and Kaiser Commission on Medicaid and the Uninsured, analysis of March 2002 Current Population Survey, 2002.

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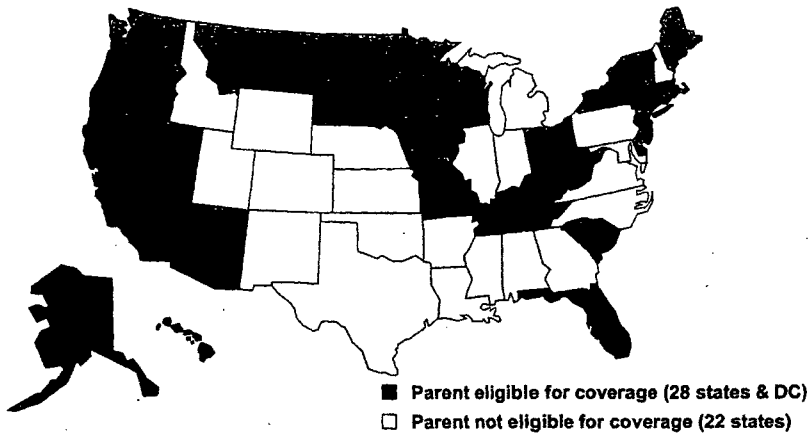
Figure 13

Medicaid Coverage of Parents Working Full-Time at Minimum Wage, 2001



Note: Assumes parent works 35 hours per week at $5.15 per hour.
SOURCE: KCMU analysis of Maloy et al. and Broaddus et al. in conjunction with Elizabeth Schott and Matthew Broaddus.

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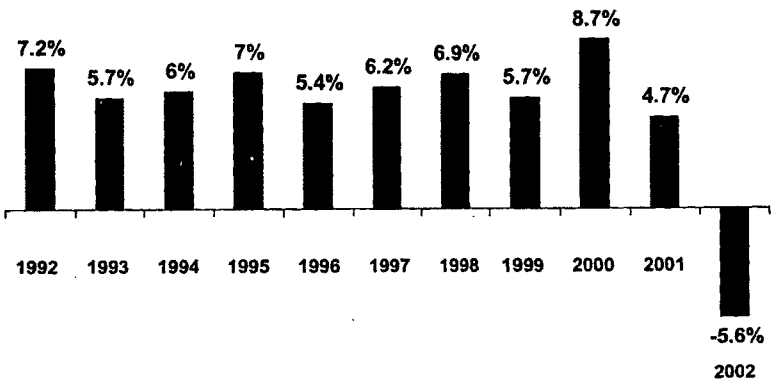
Figure 14

Change in State Tax Revenue Collections, 1992-2002



SOURCE: Rockefeller Institute of Government, Fiscal Year 2002 Tax Revenue Summary, May 2003. Changes are shown in nominal terms and are not adjusted for tax-related legislative changes.

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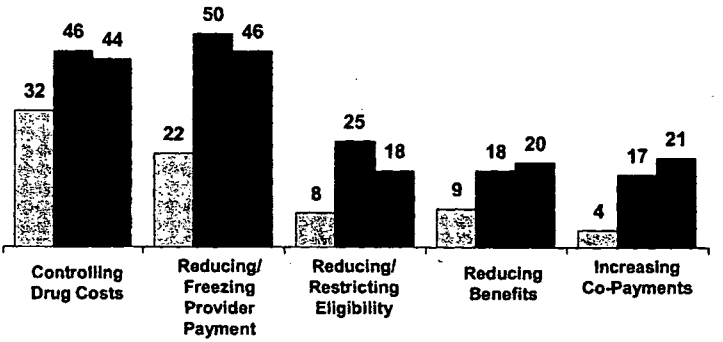
Figure 15

States Undertaking Medicaid Cost Containment Strategies FY 2002 - FY 2004

☐ Implemented in FY 2002 ■ Implemented in FY 2003 ■ Planned as of July 1 for FY 2004



SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, June and December 2002 and September 2003.

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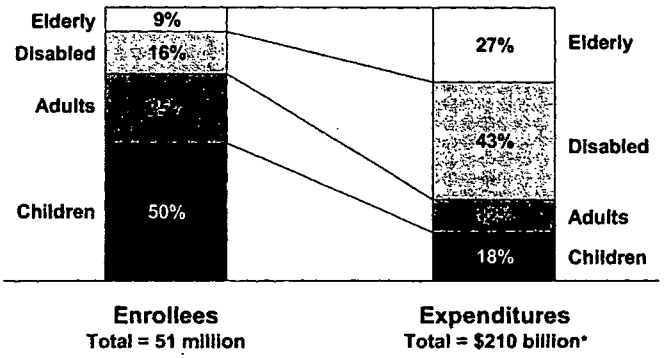
Figure 16

Medicaid Enrollees and Expenditures by Enrollment Group, 2002



*Expenditures on services based on historical state share data.
SOURCE: Kaiser Commission estimates based on CMS and March 2003 CBO data.

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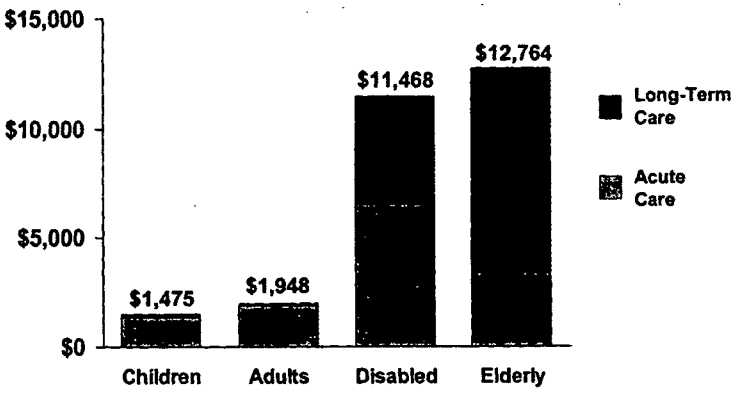
Figure 17

Medicaid Expenditures Per Enrollee, 2002



*Expenditures on services based on historical state share data.
SOURCE: KCMU estimates based on CBO March 2003 Baseline and Urban Institute data.

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Medicaid and the Uninsured

NEWS RELEASE

820 First Street, NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

CENTER ON BUDGET AND POLICY PRIORITIES

FOR IMMEDIATE RELEASE:
EMBARGOED UNTIL 12:02 AM EDT
Tuesday, September 30, 2003

CONTACT: Leighton Ku
Michelle Bazie
202-408-1080

NUMBER OF AMERICANS WITHOUT HEALTH INSURANCE ROSE IN 2002

Increase Would Have Been Much Larger If Medicaid and SCHIP Enrollment Gains Had Not Offset the Loss of Private Health Insurance

The ranks of those without health insurance grew from 41.2 million in 2001 to 43.6 million in 2002, according to new data the Census Bureau has just released.[1] The percentage who lack insurance rose from 14.6 percent in 2001 to 15.2 percent in 2002.

The primary factor behind the increase in the number of uninsured was an erosion in both adults' and children's private health insurance coverage, driven by the weak economy, rising unemployment and the increasing costs of health care. These developments made it harder last year for workers and their dependents to retain employer-sponsored health insurance coverage.

In response to the loss of private insurance coverage and the increase in the number of low-income families and other individuals, enrollment in the Medicaid program and the State Children's Health Insurance Program responded by expanding to pick up millions more people in 2002.

"If enrollment in Medicaid and the State Children's Health Insurance Program (SCHIP) had not grown in 2002, the number of Americans without health insurance would have been much higher," said Leighton Ku, Senior Fellow in Health Policy at the Center on Budget and Policy Priorities. Ku noted that enrollment in Medicaid grew by 3.2 million in 2002, while enrollment in SCHIP increased about 600,000 (not including children counted as Medicaid beneficiaries), according to state administrative data.

"Medicaid's ability to respond during economic downturns to cover substantial numbers of newly eligible people who would otherwise be uninsured depends directly on its status as an entitlement program, under which funding levels increase when need grows," Ku said. "Had federal Medicaid funding been capped under a block grant, as the Bush Administration proposed earlier this year, rather than rising automatically in response to the increased need, states would not have been able to afford to cover substantial numbers of additional people who lost their jobs and their health insurance, and the ranks of the uninsured would have swelled to a much greater degree."

[1] Robert Mills, *Health Insurance Coverage in the United States: 2002*, Current Population Reports P60-223, U.S. Census Bureau, September 2003. For the March 2003 Current Population Survey (CPS), being uninsured means that a person did not have any insurance coverage during 2002. Having Medicaid or private coverage means a person had that form of health insurance for at least some part of the year.

Although there that are signs the economy is now gradually recovering, evidence suggests that private health insurance coverage will continue to deteriorate in 2003. Unemployment rates have been modestly higher so far in 2003 than they were in 2002, and health care costs are still surging. Medicaid enrollment is continuing to grow, as well, although at a somewhat slower pace than in 2002. These developments indicate that the number of people without health insurance is likely to increase again in 2003, for the third consecutive year.

Key Findings from the New Census Data

- The percentage of non-elderly adults (those aged 18 to 64) with private health insurance slipped from 70.9 percent in 2001 to 69.6 percent in 2001 (see Table 1). A small part of this loss was offset by growth in Medicaid coverage, which increased from 6.7 percent of non-elderly adults in 2001 to 6.9 percent in 2002. The overall percentage of non-elderly adults who lacked health insurance climbed from 18.5 percent in 2001 to 19.5 percent in 2002.

- Private health insurance coverage for children also dropped, falling from 68.4 percent of children in 2001 to 67.5 percent in 2002. In contrast to what happened to coverage for adults, however, the loss of children's private insurance coverage was *entirely* offset by increases in enrollment in Medicaid and SCHIP. The percentage of children insured through one of these programs increased from 22.7 percent in 2001 to 23.9 percent in 2002. As a result, there was a very small reduction in the percentage of children who are uninsured — from 11.7 percent in 2001 and 11.6 percent in 2002 — although this change was not statistically significant.

Table 1

Changes in Selected Categories of Insurance Coverage, 2001 to 2002, Based on the Current Population Survey

	Private Health Insurance		Medicaid or SCHIP		Uninsured	
	2001	2002	2001	2002	2001	2002
Total U.S. Population	70.9%	69.6%	11.2%	11.6%	14.6%	15.2%*
Selected Subpopulations						
Children, under 18 years	68.4%	67.5%	22.7%	23.9%	11.7%	11.6%
Adults, 18 to 64 years	73.7%	72.2%	6.7%	6.9%	18.5%	19.5%*

* The change in the percentage of those uninsured is significant with 90 percent or better confidence. The Census Bureau reported significance levels for changes in the uninsured, but did not report them for changes in private insurance or Medicaid/SCHIP coverage.

Note: Coverage by other forms of health insurance (e.g., Medicare or military health coverage) is not shown in this table. People may report having more than one type of insurance during the year.

Source: March 2002 and 2003 Current Population Surveys, analyzed by the Center on Budget and Policy Priorities.

These new Census Bureau findings parallel other recently released data about health insurance coverage from the Centers for Disease Control and Prevention[2] and the Urban Institute.[3] The other surveys also found that growth in publicly-funded health insurance has helped to offset the loss of private insurance. The CDC data indicate that about 2.5 million more children and 1.4 million non-elderly adults were covered by public health insurance programs — principally Medicaid and SCHIP — in 2002.

Other findings of interest from the new Census data include:

- In 18 states, there was a statistically significant increase in the percentage of people who were uninsured between the 2000-2001 period and the 2001-2002 period. These states are Colorado, Idaho, Indiana, Maryland, Michigan, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, North Carolina, Oregon, Pennsylvania, Rhode Island, Texas, Vermont, Virginia, and Wisconsin. One state — New Mexico — experienced a statistically significant reduction in the percentage of people who are uninsured.

- People who are poor were more than twice as likely to be uninsured as those who were *not* poor. The percentage of poor people who are uninsured stood at 30.4 percent in 2002, compared to 13.2 percent for those with incomes above the poverty line.

- The *number* of poor people who are uninsured rose from 10.1 million in 2001 to 10.5 million in 2002. The *percentage* of poor people who are uninsured, however, did not change significantly in 2002. The increase in the number of poor Americans without insurance was spurred by growth in the overall number of poor Americans, not by a change in the proportion of poor people with health coverage.

- Substantial racial and ethnic disparities exist in health insurance coverage. In 2002, some 10.7 percent of white, non-Hispanic Americans were uninsured, compared to 20.2 percent of African-Americans, 18.4 percent of Asians and 32.4 percent of Latinos.[4] The risk of being uninsured is particularly high for immigrants who are not citizens: 43.3 percent of non-citizens were uninsured.

---

[2] Leighton Ku, "CDC Data Show Medicaid and SCHIP Played A Critical Counter-Cyclical Role In Strengthening Health Insurance Coverage During The Economic Downturn," Center on Budget and Policy Priorities, Sept. 23, 2003.

[3] Stephen Zuckerman, "Gains in Public Health Insurance Offset Reductions in Employer Coverage among Adults," *Snapshots of America's Families III, No. 9*, Sept. 2003. Genevieve Kenney, Jennifer Haley and Alexandra Tebay, "Children's Insurance Coverage and Service Use Improve," *Snapshots of America's Families III, No. 1*, July 2003.

[4] This year, the Census Bureau began presenting data about racial categories in a new way, letting people report being more than one race. Thus, the Bureau now reports data for those who report being only one race (e.g., Asian) or being that race alone or in combination with other races (e.g., Asian alone or in combination). For the sake of simplicity, we report percentages for those who are white alone, non-Hispanic, African-American alone and Asian alone.

- The percentages of white, non-Hispanic people and of African-Americans who are uninsured rose in 2002. The percentage who are uninsured did not change significantly among Latinos or Asians, but among both of these racial/ethnic groups, the percentage of people without insurance is very high.

Why Private Health Insurance Declined and Public Coverage Rose

Three key factors pushed the number of people with private health coverage lower in 2002. First, unemployment rates climbed from 4.7 percent in 2001 to 5.8 percent in 2002, and a large number of newly jobless workers and their dependents lost employer-sponsored health insurance. Second, some smaller businesses responded to soaring health care costs — employer-sponsored insurance premiums surged an average of 12.7 percent in 2002 — by dropping health coverage for their workers.[5] Third, many other businesses asked employees to pay more for health insurance, with the result that some employees could no longer afford to purchase coverage for themselves or their dependents.

The main reasons that Medicaid and SCHIP coverage increased were that more people fell into poverty and became eligible for benefits and also that more low-income people needed public coverage as a result of losing private health insurance. In addition, some states improved enrollment procedures in Medicaid or SCHIP, particularly for children, making it simpler for families of newly unemployed workers to enroll.

Medicaid enrollment grew despite the fact that some states were beginning to implement eligibility cutbacks by late 2002, in response to budget shortfalls. A larger number of states have instituted such cuts — or have changed enrollment procedures in ways that make it more difficult for eligible families to enroll or remain enrolled — in 2003.

Despite signs that the economy is beginning to recover, preliminary evidence suggests that health insurance trends for 2003 are likely to be similar to those for 2002 and that the number of uninsured people is likely to increase further this year. Unemployment rates so far in 2003 have modestly exceeded those of 2002, and private, employer-sponsored health insurance premiums are still growing at double-digit rates. (A recent survey reports an average increase of 13.9 percent in 2003.[6]) These trends suggest that private health insurance coverage is continuing to drop in 2003. States report that Medicaid caseloads are continuing to rise, but at a somewhat slower pace than in 2002.[7]

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[5] Kaiser Family Foundation and Health Research and Education Trust, "Employer Health Benefits: 2002 Summary of Findings," August 2002.

[6] Kaiser Family Foundation and Health Research and Education Trust, "Employer Health Benefits: 2003 Summary of Findings," August 2003.

[7] Vernon Smith, et al., *States Respond to Fiscal Pressure: State Medicaid Spending Growth and Cost Containment in Fiscal Years 2003 and 2004: Results from a 50 State Survey,* Kaiser Commission on Medicaid and the Uninsured, September 2003. This study reports that states estimate that Medicaid enrollment will rise 7.8 percent in 2003.

Medicaid's Responsiveness Depends on Its Entitlement Status

During economic downturns like that experienced in 2002, the "counter-cyclical" role of Medicaid as an entitlement program is evident. To cover more uninsured people through Medicaid — and to do so while also meeting rising costs for prescription drugs and long-term care, especially for the low-income elderly and disabled — costs more money. Medicaid expenditures rose more than 13 percent in 2002. Under Medicaid's entitlement funding structure, federal funding levels increased automatically in 2002 to match states' Medicaid expenditures, without being limited by predetermined federal funding caps or grant levels.

If Medicaid funding were capped under a block grant, as the Bush Administration proposed earlier this year, federal funding would not have been as responsive to mounting health care needs as the economy soured. A funding cap would have placed states in the awkward position of either having to pay for millions of new low-income enrollees entirely with state funds — something that would have been extremely difficult, if not impossible, for many states, given the budget shortfalls they faced — or to take harsh actions to cut Medicaid expenditures, such as eliminating health care coverage for various categories of low-income elderly and disabled people, parents, or children, placing eligible people who apply for Medicaid on waiting lists and leaving them uninsured until "coverage slots" open, or eliminating coverage for some important medical services. If states had been forced to hold down Medicaid enrollment in the face of rising poverty and eroding private health care coverage, many more Americans would have been uninsured last year.

The experience of other social programs provides evidence about how entitlement programs respond in a counter-cyclical fashion to meet increased demands for assistance when the business cycle turns down. In Medicaid and the Food Stamp Program — both entitlements — enrollment has grown during the economic slump in response to increased need.[8] In contrast, caseloads in the TANF block grant have been falling despite the poor economy and high unemployment levels,[9] and limited funding for child care from TANF and the Child Care Block Grant is leading to reductions in the number of children in working families who receive child care assistance.[10]

The economic slump also has led to a sharp drop-off in state revenues, causing serious state budget shortfalls. In response to these concerns, Congress passed bipartisan state fiscal relief legislation earlier this year that provided $10 billion in federal Medicaid aid by temporarily increasing the federal Medicaid matching rate, as well as an additional $10 billion in broad state fiscal relief grants. This fiscal relief is helping states cope with their budget crises in 2003 and the first half of 2004. Many states have been able, with these funds, to avert or lessen the

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[8] Joseph Llobrera, "Food Stamp Caseloads Are Rising," Center on Budget and Policy Priorities, forthcoming revision, September 2003.

[9] Shawn Fremstad, "Falling TANF Caseloads Amidst Rising Poverty Should Be a Cause for Concern," Center on Budget and Policy Priorities, revised Sept. 5, 2003.

[10] Sharon Parrott and Jennifer Mezey, "New Child Care Resources Are Needed to Prevent the Loss of Child Care Assistance for Hundreds of Thousands of Children in Working Families," Center on Law and Social Policy and Center on Budget and Policy Priorities, July 15, 2003.

severity of Medicaid cutbacks that they otherwise would have instituted and that would have further increased the ranks of the uninsured.[11] Moreover, the fiscal relief legislation gives states an incentive to avoid restricting Medicaid eligibility from September 2003 through June 2004; states that restrict eligibility during that period would lose most of the additional federal Medicaid funds.

This federal fiscal relief expires in mid-2004. State budget outlooks remain dire in many states, and unemployment remains high. If state budget conditions and general employment growth do not improve significantly before the fiscal relief ends and the fiscal relief is not extended until a stronger economic recovery takes hold, larger cuts in the provision of health insurance coverage through Medicaid could begin being implemented about a year from now.

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[11] Vernon Smith, et al., *op cit.*

FamiliesUSA
The Voice for Health Care Consumers

EMBARGOED FOR RELEASE
September 30, 2003
12:01 a.m. EDT

CONTACT: Kelly Schoinghammer
(202) 626-8651

CENSUS BUREAU'S UNINSURED NUMBER IS LARGEST INCREASE IN PAST DECADE

Total Number of Uninsured Now Exceeds the Cumulative Population of 24 States and the District of Columbia

Ron Pollack, Executive Director of Families USA, Available for Analysis

The following is the statement of Ron Pollack, Executive Director of Families USA, about the Census Bureau's newly released findings that the number of uninsured Americans rose to 43.6 million during 2002:

"Last year's growth in the number of people without health coverage is the largest increase in a decade. The huge number of uninsured Americans now exceeds the cumulative population of 24 states plus the District of Columbia.[1] **[See attached map.]**

"The increase in the number of people without health coverage is the direct result of our weak and jobs-losing economy. This increase was caused by unemployment growth, double-digit health cost increases, and employers – who find spiraling health costs to be unaffordable – passing on more and more of those costs to their workers.

"The only silver lining in the Census Bureau report is that, once again, public programs – especially Medicaid – covered more people and cushioned the loss of employer-provided health insurance. It underscores the importance of protecting the Medicaid program.

"The Census Bureau's report should be a clarion call to the President and the Congress to take effective action quickly so that recently laid-off people and workers in jobs that provide no health coverage can gain such coverage for themselves and their families. The failure to do so may have significant repercussions in the 2004 elections."

-30-

Families USA is the national organization for health care consumers. It is a nonprofit and nonpartisan organization dedicated to high-quality, affordable health care for all Americans.

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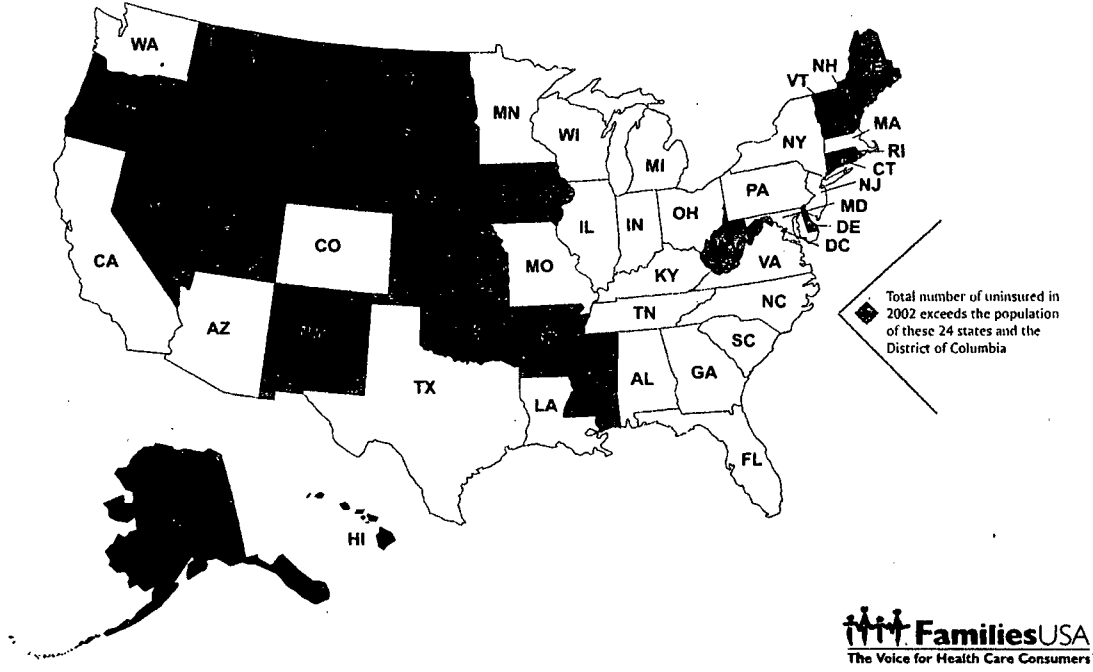
[1] Alaska, Arkansas, Connecticut, Delaware, District of Columbia, Hawaii, Idaho, Iowa, Kansas, Maine, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Oklahoma, Oregon, Rhode Island, South Dakota, Utah, Vermont, West Virginia, and Wyoming.

1334 G Street, NW * Washington, DC 20005 * 202-628-3030 * Fax: 202-347-2417
E-Mail: info@familiesusa.org * Web site: www.familiesusa.org

Number of Uninsured Now Exceeds Cumulative Population of 24 States Plus the District of Columbia



FamiliesUSA
The Voice for Health Care Consumers
September 26, 2003