Chapter 1

Old Assumptions, New Realities

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In an era of rapid technological change and continuing globalization of labor, capital, and product markets, old economic notions of a trade-off between "efficiency" and "equality" have been replaced by a more nuanced understanding of the interdependence of economic and social development. Governments in all industrialized countries balance economic imperatives to increase the size, efficiency, and productivity of their economies, with social imperatives to promote individuals' productivity, economic opportunity, economic security, and social inclusion in their communities. Although governments are charged with achieving these social goals for all populations in their countries, it is particularly critical to assure the health and security of working age adults, who as workers are the engines of economic productivity and as parents are the means for social reproduction.

Governments manage economic imperatives through fiscal, monetary, trade, regulatory, and other policies aimed at growing the economy. They advance social goals by providing income support, health and other programs that cushion temporary or permanent loss of market income, assure minimum levels of income and of essential goods and services, facilitate employment, improve the skills of the workforce, protect the health and

safety of workers, expand social and economic opportunities, and meet the special needs of particularly vulnerable populations.

Debates about whether the United States has a welfare state are long over; the U.S. has a large and complex array of social, health, family, and employment policies designed to address these social imperatives. The scholarly debate about whether the U.S. welfare state is big enough, or too big, is also winding down in the wake of new analyses that suggest that social and health spending is more similar than different across the mature welfare states (Garfinkel, Rainwater, and Smeeding 2010).

The current questions for scholars and policymakers are: Do U.S. income support, social, health, and employment policies meet the needs of the country and its residents? If not, why not? How could they be improved?

Events in the first decade of the twenty-first century suggest that the answer to the first question is no, particularly for working-age individuals and their families. Even before the Great Recession of 2008, the U.S. trailed other rich countries on many indicators of social and economic security for families and children, with higher poverty rates, greater economic inequality, worse school and health outcomes, more individuals lacking health care, and a larger share of the workforce in low wage jobs than in most other OECD (Organisation for Economic Co-Operation and Development) countries (OECD 2007). As the economy slid into recession in 2007 and 2008, rising unemployment compounded these and related social problems.

The response of U.S. policymakers to the economic downturn reinforces our pessimistic conclusion about the current capacity of the welfare state to support workers and their families. Response to the financial dimensions of the downturn was swift and dramatic. Response to social and economic dislocation was slow and hesitant. As record numbers of families lost their jobs, incomes, health care, homes, retirement savings, and other assets, the vast system of federal and state welfare and employment programs was able to do little to prevent dislocation. Nonprofit and charitable organizations that provide emergency assistance were overwhelmed. Policymakers at the federal level responded with short-term extensions of unemployment insurance and food assistance and temporary stimulus spending to jumpstart recovery. State policymakers, forced to balance budgets devastated by declining income and sales tax revenues, cut back on essential social and health services even as demand for these services was growing. Debates about health-care reform, arguably the most important social legislation of the decade, swung wildly off topic even as rising unemployment put more

families at risk, but ultimately culminated in the March 2010 passage of the Patient Protection and Affordable Care Act.

Many of the inadequacies in the nation's response to the social and economic dislocations of the Great Recession can be traced to structural features of the welfare state put in place more than seventy years earlier. This motivates us to address the second and third questions posed above. If the American welfare state is not meeting the needs of working adults and their families, why not? And what can we do differently as we recover from the current economic crisis and move forward into the twenty-first century?

The Big Bang of U.S. Social Policy

The U.S. welfare state is often described as having been created somewhat like the universe: out of nothing—or at least, very little in the way of national social policy. A "big bang" of policymaking during the Great Depression created the 1935 Social Security Act (SSA). The SSA has served as the foundation for major social and health policy in the U.S. ever since, with programs added piecemeal over, on and around this foundation. If adoption of the SSA was the big bang of the U.S. welfare state, welfare state expansions in the 1960s and 1970s and neoliberal reforms of the 1980s and 1990s were important but smaller cosmic events that modified the structures created by the SSA without fundamentally changing them.

Understanding the historical foundations of social policy is important because once policies are adopted, the structures of those policies themselves influence and constrain possibilities for reform for many years to come. As students of social institutions and policy feedback have taught us, major policy initiatives change the balance of political influence, create or derail the development of institutional capacity, and deeply inform citizen's understanding of their identities, their rights, their social responsibilities, and the role of the state in fostering social welfare. More than seventy-five years ago, the United States adopted the legislation that set these processes in play for the welfare state.

The SSA reflected the belief of policymakers in the early twentieth century that the populations most at risk in a capitalist economy were the aged, the temporarily jobless, and needy children, whose mothers were not expected to work. Soon thereafter, the amendments of 1939 added dependents' benefits for the spouse and minor children of a retired worker and survivors benefits for the family of a deceased worker. These extensions transformed Social Security from a retirement program for individuals into a family-based economic security program. Amendments in 1954 created

Disability Insurance, which provided working families with additional economic security. Yet this expanded economic security program was incomplete, for it largely ignored risks to the economic or social security of able-bodied working-age adults and their dependents.[1]

The 1935 and 1939 legislation reflected the organization of work and family life, the structure of employment, and the population characteristics of that era. It was informed by the assumptions of that time about the proper role of the state and the responsibilities of the public and private sectors and of families and individuals.

During the second major period of welfare state development, in the 1960s and 1970s, the focus shifted to the crises of race and extreme economic marginalization in U.S. cities and rural areas, to public funding of health care for the elderly and needy through Medicare and Medicaid, and to expanding social services for needy populations. Broader concerns about economic, health, and social security for working-age families received little attention. Welfare reform in the mid-1990s ratified the emerging consensus and economic reality that all parents—high- and low-earning, single, and partnered—would engage in paid employment while caring for children and other family dependents. But there was little expansion of services or other forms of support for working-age adults. Child-care assistance and tax credits available to the lowest-income families expanded but fell far short of assuring economic security.

Posing the Question

The chapters of *Old Assumptions, New Realities* began as papers for a conference that brought together leading scholars from economics, political science, social welfare, and public affairs to examine the challenges of ensuring the economic security of working-age adults and their children in the twenty-first century. Prominent policy practitioners joined the scholars in a two-day dialogue about the interconnected issues of social, health, and economic security. Two observations provided the intellectual impetus for the conference and resulting volume.

First, the context for the American welfare state—including labor markets, the organization of family life, the demographic characteristics of the population, and social norms and expectations—has changed enormously since the passage of the Social Security Act in 1935, the prosperity following World War II, and the expansion of social welfare programs in the 1960s and 1970s. The institutions of the welfare state have also changed, especially the sizes and roles of the public and nonprofit sectors.

Second, these new realities are at odds with many of the old assumptions about economic and social arrangements that motivated the initial structure of the SSA and its subsequent expansion. This gap between old assumptions and new realities may be a fundamental reason why current policies are failing to assure the economic security of working-age adults and their children.

The chapters in this volume consider the state of the social, health, family, and employment policies that support working-age individuals and their families in the United States. They describe major components of the U.S. welfare state at the beginning of the twenty-first century in the domains of income support, health care, employment and training, asset ownership, and family policy. They pay particular attention to the well-being of low-skilled workers and low-income families, both because public supports are particularly important for this population and because their experiences of the welfare state serve to indicate the robustness of the system itself. Two chapters consider major institutional issues in the modern welfare state: the structure of public services and the role of nonprofit organizations.

Each chapter takes up the volume's theme by discussing the implications of "old" assumptions that shaped the structure of the U.S. welfare state and the most relevant new demographic, economic, social, and policy realities. Authors assessed contemporary challenges of assuring the economic and social security of working-age adults and their families and recommended revised or new approaches that would more closely align policies with contemporary realities. Two experts, a scholar and a policy practitioner, reviewed each paper presented at the conference. The chapters in the volume incorporate these comments and critical perspectives.

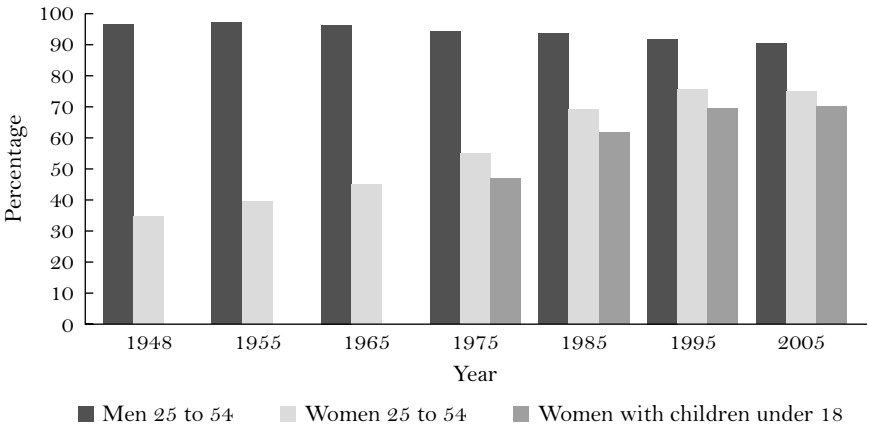
Old Assumptions, New Realities

Before starting our examination of specific domains of the modern welfare state, it is worth pausing to consider how much the world has changed since the passage of the SSA in 1935, and how assumptions that informed the SSA and social policies of the following three decades may be at odds with contemporary realities. Consider these stylized facts that contrast the old assumptions with new realities.

One Male Breadwinner per Family

When the SSA was passed, families functioned as economic and home production units in which a male breadwinner earned a "family wage" sufficient to support himself and his dependents, and a female homemaker provided full-time, uncompensated carework in the home.

FIGURE 1.1 Labor-Force Participation Rate for Men and Women, Age 25 to 54, and Mothers, 1948 to 2005



Source: Authors' compilation based on data from Mosisa and Hipple (2006, table 1).

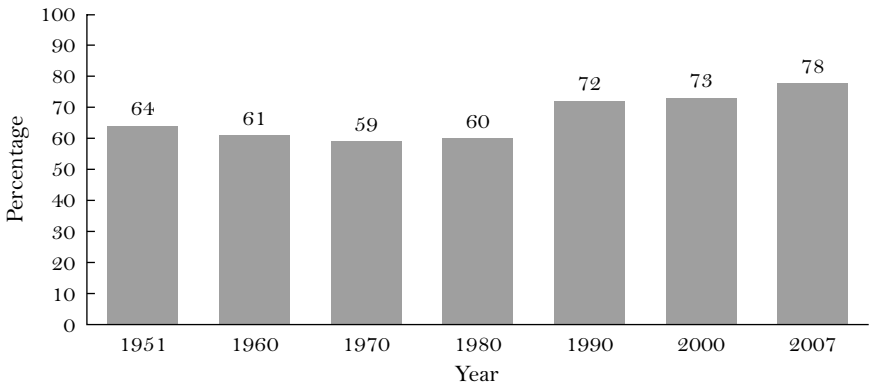
When the SSA passed, it seemed reasonable to expect that the employment earnings and benefits of a male breadwinner would support a family and the household labor of wives, and mothers would support full-time workers. But even in the 1930s this assumption did not hold for all families.

The economics and organization of work and family life have changed dramatically since the 1930s. Low-skill adults, whether male or female, find it difficult to earn enough to support a family. Labor-force participation by prime-working-age women (from twenty-five to fifty-four) more than doubled between 1948 and 1995 before leveling off, while the participation rate for prime-working-age men has gradually declined (figure 1.1). Most women, including those raising children, now work, and their earnings have slowly converged with men's (figures 1.1 and 1.2). As women have shifted their labor from the home to the market, families have scrambled to replace lost hours of caregiving and domestic labor (see Heymann and Earle, chapter 6, this volume). Care of dependent family members is increasingly outsourced from the nuclear family to other providers of child care, afterschool care, and elder care.

Changing Family Patterns

When the SSA was passed, most nuclear families remained together and were able to pool income and share caregiving across the lifecycle.

FIGURE 1.2 Women's Median Annual Earnings as a Percentage of Men's (Full-Time and Full-Year), 1951 to 2007

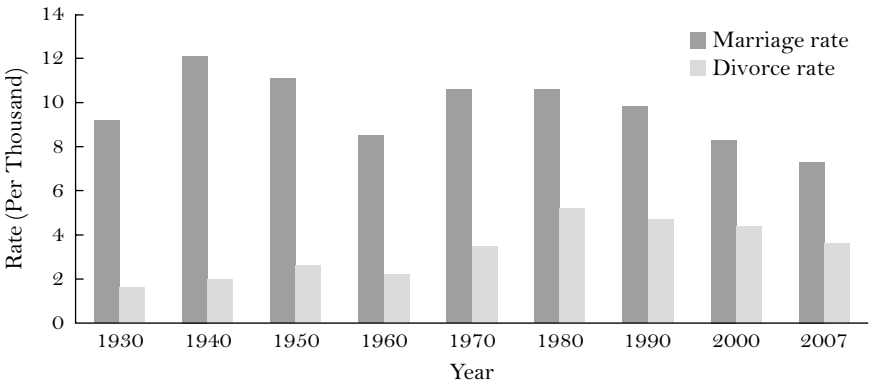


Source: Authors' compilation based on National Committee on Pay Equity (2009).

Patterns of family formation have changed substantially over the decades, with significant consequences for the ability of nuclear and extended families to ensure the economic security of all members. The marriage rate has fallen (figure 1.3). The divorce rate tripled between 1930 and 1980. It has since declined, but about half of all marriages now end in divorce. Since 1950 the rate of nonmarital childbearing has more than tripled and the percentage of all births by unmarried women has risen tenfold, to almost 40 percent of all births. These changes have greatly increased economic risk for the one half of children born today who can expect to spend at least part of their childhood with a single parent (figures 1.4 and 1.5). Remarriage, cohabitation, and having children with multiple partners are far more common than in the thirties, a circumstance that has created new, more complex living, parenting, and economic arrangements.

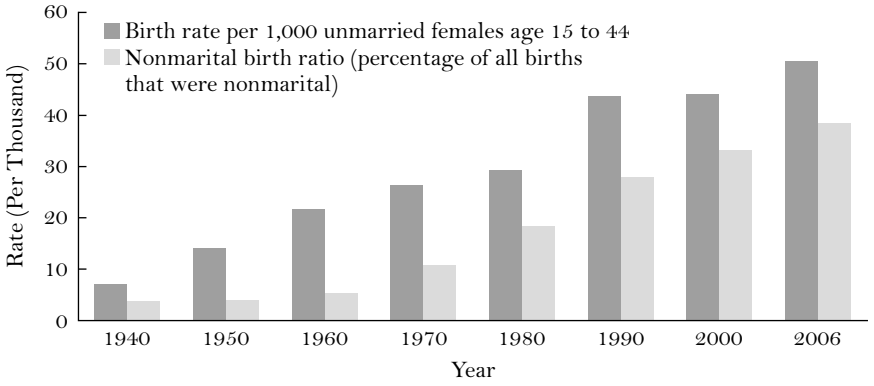
Young adults spend more years preparing for their careers, and marry and have children at much later ages (Furstenberg 2010). One consequence is that the economic burden of supporting children has risen for more and more parents. Older adults, enjoying much higher incomes than their counterparts in the mid-twentieth century, are more likely to live apart from their adult children. Their greater independence has meant they provide less caregiving labor within the family—and they receive less caregiving from the family.

FIGURE 1.3 Marriage and Divorce Rates per Thousand Population, 1930 to 2007



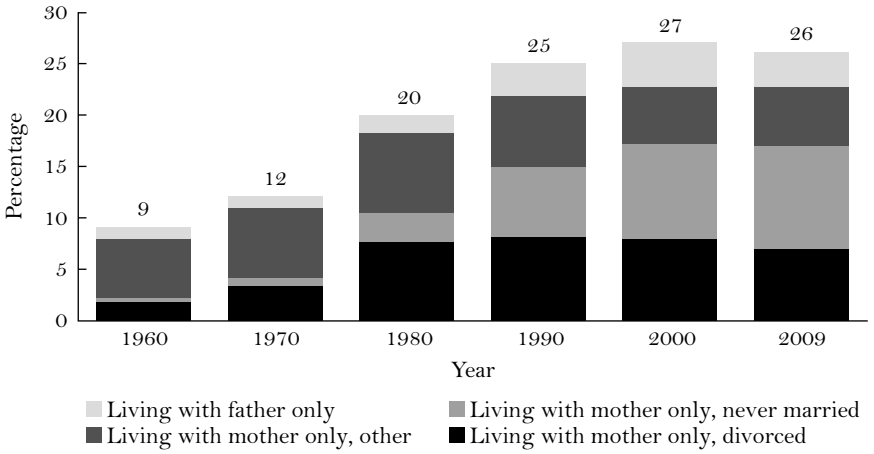
Source: Authors' compilation based on U.S. Census Bureau (N.d.; 1950, table 64; 1970, table 75; 2000, table 144, and 2010, table 126).
Note: Rates for men and women age fifteen and older show similar trends, but are only available through 1993.

FIGURE 1.4 Nonmarital Birth Rate and Nonmarital Birth Ratio, 1940 to 2006



Source: Authors' compilation based on Ventura and Bachrach (2000) (data for 1940 to 1990) and Hamilton, Martin, and Ventura (2007) (data for 2000 to 2006).

FIGURE 1.5 Children Under Eighteen Years Living with One Parent, 1960 to 2009



Source: Authors' figure based on U.S. Census Bureau (2010a).

Changing Employment Patterns

When the SSA was passed, individuals expected to have stable and continuous employment throughout their working years.

The original SSA programs were designed to provide insurance against specific lifecycle risks to earnings—old age, widowhood, and, later, disability—for adults who were otherwise stably employed, often with a single employer throughout their working years. The economy of the twenty-first century provides new opportunities and creates forms of risk that would have been impossible to foresee seventy-five years ago. In recent decades, although we have seen historically high employment rates, voluntary and involuntary employment transitions have grown, job tenure has substantially fallen (Farber 2007) and family incomes have become increasingly volatile (Hacker 2008; Hacker, chapter 2, this volume). As the share of workers in nontraditional job arrangements—including contingent and temporary positions—has grown, the likelihood of disruptions in employment and earnings has grown as well.

Who Pays for Retirement and Health Insurance?

When SSA was passed, employment was expected to be the primary mechanism for securing health and retirement benefits.

Beginning with the industrial welfare movements of the Progressive Era, employers and organized labor in the U.S. promoted workplace benefits as an alternative to state provisions. During and after World War II, unions' success in bargaining for health and retirement benefits solidified assumptions that employers would provide these and other benefits. The extent to which the U.S. relies on employer-provided benefits, and deeply subsidizes these arrangements by exempting the costs of benefits from income and payroll taxes (Adema and Ladaique 2005), remains exceptional compared to the practice of other rich industrialized countries.

Employment-based benefits never reached all workers. Currently, only about 60 percent of all companies provide health benefits for their workers, and about half offer retirement benefits (U.S. Department of Labor 2009). Provision of health insurance by private employers has declined steadily in recent years and dropped sharply after the 2007 recession. The share of workers with access to a private pension or retirement savings plan has also fallen since the early 1980s. As with wages, employment-based benefits have become more unequal in recent years as coverage has eroded most for workers in the lowest-earning groups.

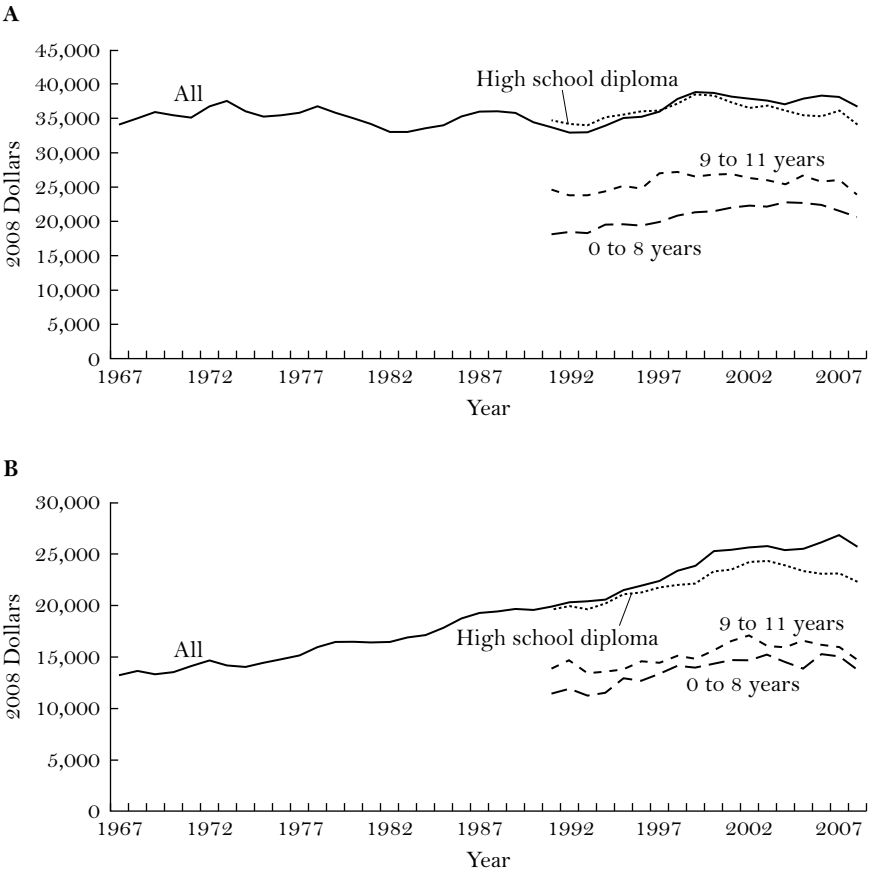
Who Has Enjoyed Most of the Gains from Economic Growth?

After the Great Depression and World War II, economic expansion was expected to absorb new workers with the returns from increasing prosperity shared broadly across all income levels.

The failure to recognize risks to the incomes of working-age individuals and their dependents resulted in part from the postwar optimism that an expanding economy would provide economic security for all, into the foreseeable future. Belief that a rising tide of prosperity would "lift all boats" was largely confirmed for many decades, as the U.S. economy grew steadily, and apart from short recessions, per capita income increased and poverty and income inequality deceased. But the equalizing and poverty-reducing effects of economic growth ground nearly to a halt in the 1970s. For the past thirty years, the U.S. economy has indeed grown in both absolute and per capita terms, but the benefits have increasingly flowed to those in the highest income brackets. Though work effort is substantial in the United States, it has not been enough to assure economic security for all families, even during periods of robust economic performance (Mishel, Bernstein, and Allegretto 2007; U.S. Department of Labor 2008).

Real earnings have stagnated for most men; median earnings actually fell between 1991 and 2008 for men with some high school or a high school degree (see figure 1.6). Earnings have grown modestly for women, largely

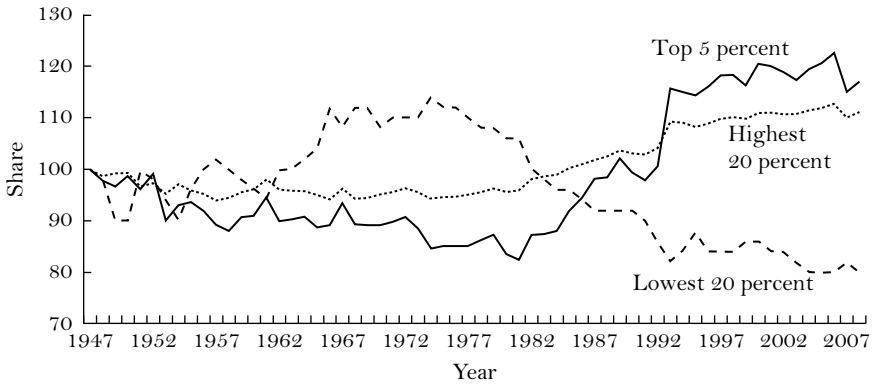
FIGURE 1.6 Real Median Earnings of Male Workers (A) and Real Median Earnings of Female Workers (B), 1967 to 2008 (2008 Dollars)



Source: Authors' calculations based on U.S. Census Bureau (2010b).

because of increases in their hours of employment; less-educated women have gained the least (Blank, Danziger, and Schoeni 2006). Figure 1.7 portrays the increase in income inequality. The share of income received by families in the lowest 20 percent of the income distribution has fallen in comparison to 1947 and, especially, to the 1970s. Conversely the income shares of the highest 20 percent and top 5 percent are well above their levels from 1947 through the mid-1980s. Wealth (as opposed to income) inequality has also increased.

FIGURE 1.7 Share of Aggregate Income of High- and Low-Income Families Compared to 1947[a]



Source: Authors' calculations based on U.S. Census Bureau (2010b).
[a] The income share of each group is set to 100 in 1947. The value for year T is the ratio of the income share in T to the share in 1947, multiplied by 100.

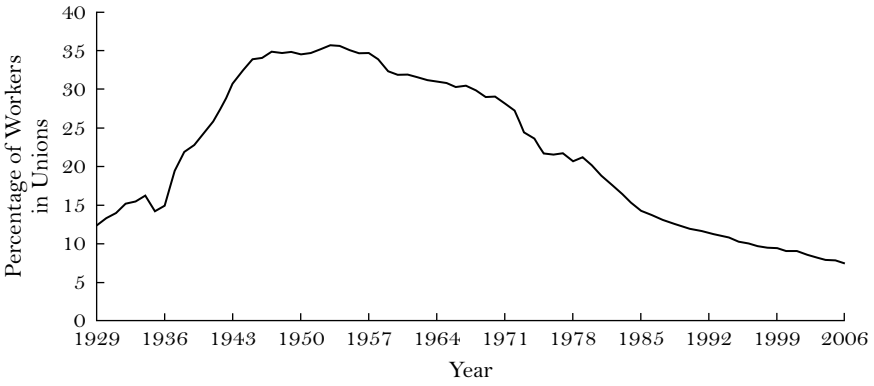
In the mid-twentieth century, unions' success in securing greater job security, higher wages, and employer-provided benefits for working-class and middle-class families helped create high expectations for work and economic security, and also played a key role in meeting them. To the extent that those expectations were predicated on the continuing strength of unions, labor-market realities gradually but steadily undercut them. Union membership declined from about 35 percent of private-sector wage and salary workers in the period from 1940 to 1959, to less than 8 percent in 2010 (see figure 1.8).

Changing Demographics

When the SSA was passed, the U.S. population was distributed in an age pyramid with a small dependency ratio: a large working-age population was available to support a small elderly population.

Dramatic increases in life expectancy that were impossible to foresee in the 1930s, coupled with declines in fertility, have steadily increased the share of population age sixty-five and over; at 6.8 percent in 1940, in 2000 it was 12.4 percent.[2] The U.S. Census Bureau (2005) projects the share to exceed 16 percent by 2020. Such growth, particularly among the "oldest old" who are in frail and declining health, is rapidly increasing the demand

FIGURE 1.8 Percentage of Private Wage and Salary Workers in Unions, 1929 to 2006



Source: Authors' compilation based on Hirsch (2008, data appendix).

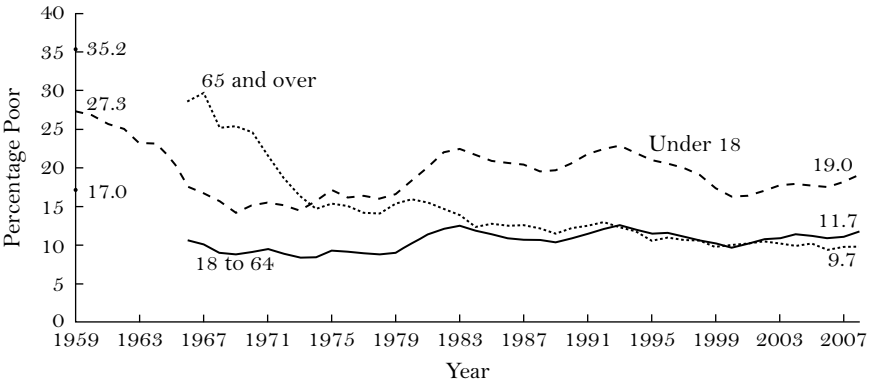
for health and caregiving services both within and beyond the family. The increase in demand for long-term care, currently provided for most seniors by family members or through privately financed nursing home arrangements, is creating heavy burdens on many working-age families' time and economic resources.

The rising proportion of elders in the population is placing ever greater financial demands on Social Security and Medicare. Burgeoning costs of these two core welfare state programs, coupled with large federal deficits, pose fiscal threats to the expansion of publicly supported child care, family leave, workforce development programs, asset building programs, and other programs that enhance economic security for working-age families. The crucial exception is the comprehensive healthcare reform of 2010, which seeks to expand health coverage available to working-age families. It also seeks to rein in Medicare costs, which would free up funds for other social programs and for debt reduction. Whether the reform accomplishes either or both of these goals remains to be seen.

Unforeseen Groups at Risk for Poverty

When the SSA was passed, economic insecurity among the working-age population was expected to wither away, and long-term poverty among the aged was seen as the major poverty problem.

FIGURE 1.9 U.S. Poverty Rate by Age, 1959 to 2008



Source: Authors' calculations based on U.S. Census Bureau (2009b, table B-2.)

The legislation approved in 1935 and 1939 focused on risks to elders' income from retirement and widowhood. Over time, provisions were made for other forms of risk, including permanent disability and health care for the elderly and very poor. These incremental changes built directly on the 1935 legislation and produced a rapid decline in poverty among the elderly.[3] They did little to affect the factors that place working-age individuals and their children at risk of poverty, including long-term joblessness, low wages, divorce, and single parenthood. Social policy reforms in the 1960s and 1990s focused attention on the effects of family poverty, but did not substantially reduce it.

Since 1974 the official poverty rate for the elderly has dropped well below that of children, and poverty among both children and working-age adults remains stubbornly high (figure 1.9). The poverty and economic insecurity created by low earnings is compounded by the structure and paucity of America's public income support, health, employment, and other social benefits for working-age adults and their children, as compared to support structures in most comparably rich countries (Rainwater and Smeeding 2003).

Increased Diversity of Population Receiving Benefits

When the SSA was passed, restrictive policies limited the diversity of claimants for social benefits.

Through policy design and administrative practices, the initial benefits of the Social Security Act flowed disproportionately to U.S.-born citizens

of European ancestry. Following earlier practices that excluded many African Americans from private charity benefits and Mothers' Pensions, the SSA specifically restricted access for African Americans by excluding most agricultural and domestic workers from coverage. African Americans' and Hispanics' exclusion from the conventional labor market and financial system historically has limited their opportunities to achieve economic security through work and asset accumulation (Sherraden, chapter 5, this volume; Stoll, chapter 3, this volume). The civil rights movement of the mid-twentieth century expanded the rights of African Americans to claim social benefits, but U.S. social policy remained highly racialized. The insurance-based benefits of the SSA and state unemployment insurance programs continued to flow disproportionately to white, male, and regularly employed citizens. As opposed to this source of benefits were means-tested programs such as food stamps and housing assistance. By design, means-tested programs benefit the poor. After the expansions of the Great Society and War on Poverty in the sixties and early seventies, these means-tested programs became even more concentrated on inner-city, economically marginalized, and nonwhite populations. Although most poor and welfare-recipient families in the United States are white, race continues to play an outsized and divisive role in public, media, and policy discussions of social policy.

In recent years, changes in immigration law and in immigrants' origins have increased the size and diversity of the immigrant and minority populations, creating new social cleavages along racial and ethnic lines. In the 1930s the American population was about 10 percent African American and 90 percent white European. In 2008, racial and ethnic minorities accounted for 35 percent of the total population and fully 43 percent of persons under age twenty (U.S. Census Bureau 2006, 2008a; Johnson and Lichter 2010). Hispanics are now the largest minority (15 percent), followed by African Americans (12 percent), Asians and Pacific Islanders and others (5 percent), and persons identifying themselves as multiracial (2 percent). Foreign-born residents currently make up 12 percent of the population, the highest level since 1930 (U.S. Census Bureau 2006, 2008b) and double the share from 1950 to 1980. Citizenship status, once a relatively minor issue for U.S. social policy, has become more salient as the composition of immigrant populations has changed. Length-of-residency tests for recently arrived immigrants, and specific exclusion of undocumented immigrants, have limited and complicated the delivery of social, health, and other services to first- and even second-generation immigrant families.

Changing Role of Government in Social Policy

When the SSA was passed, the government, particularly at the federal level, played a limited role in social and health policy.

With some notable exceptions such as Civil War Veterans' Benefits, before the Great Depression, state and local governments were largely responsible for health and social welfare programs. The SSA was the first legislation to create a significant public and federal responsibility for social welfare. As the SSA social insurance programs have matured, their costs have grown both in absolute dollars and as a share of public expenditures. Income support, health, workforce development and social service programs enacted in the 1960s and 1970s further raised social welfare expenditures that are funded by general tax revenues rather than the Social Security trust funds. Congress also expanded tax expenditures (in the form of tax credits and deductions and thus uncollected tax) for retirement savings, employer-provided health insurance, and other private means of enhancing economic security (Howard 1997). Seventy-five years after the passage of the SSA, the United States can no longer be characterized as a nation with a small public social welfare system. But the decentralized "system" has grown haphazardly over the years. The result has left gaps in some areas of provision and redundancies in others, large regional variations, and a mix of social insurance, public assistance, social services, and tax benefits that varies sharply with income and is of dizzying complexity for needy families to understand and access.

Changing Mix of Private and Public Social Services Providers

When the SSA was passed, and well into the 1960s, government and private charities played distinct roles in social welfare and health provision.

Before the "big bang" of the SSA legislation in 1935, churches and private charities financed and provided much of the social welfare and health assistance outside of workplace benefits; they continued to do so well into the 1960s. Between 1935 and the 1960s, government efforts to foster economic security focused largely on income support, while private secular and faith-based organizations continued to provide most social services. Public spending for social services began expanding in the 1960s. As expansion of the public sector has continued since the sixties, the boundary between the public and private sectors has grown much fuzzier. An increasingly diverse sector of private nonprofit, private for-profit, quasi-public, secular, and faith-based organizations has obtained contracts to deliver a significant share of publicly funded social services (Allard 2009; Allard, chapter 7, this

volume; Smith and Lipsky 1993). The separate public and nonprofit domains of an earlier era have given way to a complex, growing interdependency between the two sectors.

Because government is now the largest source of funding for many private nonprofit social service providers, new governance and accountability requirements have arisen (Sandfort, chapter 8, this volume). Within personal social services, demands for greater individual choice and self-advocacy and the emergence of extensive networks of nonprofit and public service providers are challenging the traditional organization of the "labor" and "management" roles in human services. The government's role is moving away from old administrative assumptions of rule-bound authority toward a focus on governance, coordination, and oversight.

Overview of This Book

As we have just outlined, the world and the United States have changed in many ways since the passage of the SSA. The questions posed to the authors at the Old Assumptions, New Realities conference were: Are the social, economic, employment, and health policies that have over the years been built on to the foundation of the 1935 SSA congruent with new social, economic, and political realities? If not, what can be done to revise or replace these policies as we enter the twenty-first century? The deep, lasting recession in the first decade of the new century and the inadequacy of existing federal and state policies to prevent or respond to major economic and social dislocations gives these questions greater urgency.

Suppose the nation were starting from scratch to create a social welfare system consistent with the realities of the twenty-first century. The resulting set of policies and organizational structures surely would differ considerably from the array of programs that have grown incrementally from the Social Security Act of 1935. But starting over is not an option. The task, rather, is to identify politically and administratively feasible reforms that build on but improve current programs and organizational structures.

Policy reform can take two broad approaches: change the programs, or change the new realities themselves. With the first approach, one tries to bring the assumptions undergirding social policies into better line with the realities of the twenty-first century. For example, expanding child-care choices, improving its quality, and increasing its affordability are policy directions that enhance economic security by recognizing and adapting to the reality of mothers' long-term commitment to the workforce. Another would be to incentivize more flex-time arrangements for all parents.

The second approach to improving the alignment between current needs of populations and the programs that should serve them is to enhance economic security by adopting policies that change some of the new realities. Labor law reforms that are more supportive of unionization and stronger enforcement of wage and hours laws are two examples.

The broad divergences between old social and economic assumptions and new realities described in the previous section underlie the many challenges facing today's social welfare state, but that accounting is hardly exhaustive. Each chapter elaborates on this theme by identifying important tensions between earlier assumptions and current conditions in a specific policy arena or organizational sphere, then drawing out the implications for the safety net in the twenty-first century.

Economic Security

To provide economic security to workers and their families the United States relies on workplace benefits to a far greater extent than other rich capitalist countries. This employment-based approach to economic security was never fully inclusive for working-aged adults. Jacob Hacker observes in chapter 2 that it has become less inclusive since the late 1970s, as employers have reduced the coverage and extent of their health, pension, and other benefits. This contraction, coupled with declining employment security and increasing income volatility, has increased economic risk for workers and their families. As private risk has increased, public programs have failed to expand commensurately, thereby amplifying rather than reducing private risk.

The "great risk shift" (Hacker 2008) from employers and the public sector to workers and their families has occurred in major areas of working families' finances: jobs, provision for retirement, health care, home financing, savings, and strategies for balancing work and family. Passage of health-care reform in 2010 was a major breakthrough that will shift some risk back and profoundly affect the delivery and financing of health care. Nevertheless, Hacker argues, the new legislation falls well short of other wealthy countries' efforts to provide universal coverage and control medical costs. Hacker contends that government and employers can make several changes to better support workers and their families and close gaps in the current social safety net.

Hacker contends that government and employers can change the current social safety net to create a stronger foundation of economic security that would allow middle-class Americans to look toward the future with optimism, rather than anxiety, and seize the economic opportunities before

them. He suggests revisions to the recent health-care reform that would strengthen it as well as reforms of unemployment insurance that would improve its coverage and effectiveness. Hacker also recommends "wage insurance" to help workers facing permanent job loss find work and a universal 401(k) account that would follow workers across jobs.

More far-reaching, Hacker proposes a Universal Insurance program that would provide all workers and their families with protection against large and sudden income declines. He argues that such a program, while costly, would reduce wasteful spending and inefficiencies in the current safety net.

Low-Skill Labor Markets

When the SSA was passed, economists and public policy experts shared the optimistic assumption that the fruits of economic growth would be shared across all income classes. A growing economy would absorb new workers, providing them with stable employment. The returns from increasing productivity would flow to both investors and the workers who made that increase possible. Government had a role in the provision of universal primary and secondary education. Policymakers and employers assumed that this education, along with employer-provided on-the-job training, would provide the skills to secure and retain employment and wages needed to support workers and their dependents.

Since the 1970s the benefits from economic growth have increasingly flowed to those in the highest income brackets. In chapter 3, Michael Stoll argues that as manufacturing jobs declined in significance, employers began to demand workers with higher-level job skills who can acquire new skills during their worklife. But public workforce development programs, both in and out of school, have been limited in scale and funding and are often isolated from the private sector.

Shifts in demand for labor and weak enforcement of labor standards and other labor-market regulations have eroded the economic bargaining power of workers. Earnings have stagnated and declined for less-skilled male workers and have grown only modestly for less-skilled women. Contingent, temporary, and contract work is more prevalent, the job market in general has become more volatile, and job losers are increasingly unlikely to return to their old employers when they find work.

In chapters 3 and 4, Michael Stoll and Paul Osterman speak to the disjuncture between the old assumptions about the labor market and the new realities that govern it, and what we can do to improve labor-market

outcomes in the future. Stoll addresses the supply side of the labor market. He argues that existing workforce policies have been unable to prevent less educated men's wages from stagnating or falling in the face of declining unionization, reduced enforcement of anti-discrimination laws, technological changes that shifted demand away from low-skill workers, and the movement of low-skill jobs from cities into suburbs.

Notwithstanding these changes, Stoll sees opportunities for education and workforce development programs that teach specific problem-solving and advanced skills that meet modern employers' needs. Within schools, he recommends expansion of Career Academies, which integrate college-preparatory career training with relevant work experience in partnership with local employers. Outside schools, workforce development programs should create and maintain stronger relationships with employers and tailor their training to match employer and employee needs.

Stoll also examines three sources of friction in labor markets that disadvantage low-skill workers: spatial mismatch between low-skill workers' place of residence and the location of low-skill jobs, racial discrimination in housing and labor markets, and offender status. He suggests that cooperation among regional workforce development agencies would help mitigate existing spatial frictions and minimize future ones. To address discrimination among employers based on their belief that many minority job applicants have criminal backgrounds, Stoll argues that better relationships between employers and job training programs will encourage employers to hire program participants regardless of their race. He also calls for increased reliance on criminal background checks and tougher enforcement of anti-discrimination laws.

In chapter 4, Paul Osterman examines the demand side of the labor market. He notes that many of the jobs that companies offer to low-skill adults are inadequate on many dimensions, including wages, benefits, training opportunities, and job security. There is evidence that companies, under intense competitive pressure and in an environment of decreased regulation, are degrading low-skilled employment even further, which they get away with by evading laws relating to wages and number of hours worked. Unemployment Insurance eligibility and benefit policies have not kept pace with changes in the nature of employment.

Like Stoll, Osterman argues that skill acquisition remains central. However, Osterman's main interest is influencing the demand side of the market. He calls for better enforcement of labor standards to improve working conditions. Increasing unionization of low-wage labor markets by reforming labor law to speed up elections and reduce unfair labor practices

would be an important component of any strategy. He favors expansion of Community Benefit Agreements, in which a coalition of community groups identifies a large development project that requires city approval and then negotiates with the developer regarding hiring, wage standards, and other topics such as affordable housing and recreation.

Building and Protecting Assets

In chapter 5, Michael Sherraden explores the disjuncture between older assumptions about wealth, asset accumulation, and education and the realities of the twenty-first century. He argues that in the early and middle years of the twentieth century it was widely assumed that assets, especially owning both a home and shares of stock, were only for the rich, who could afford to take market risks. The new reality is that home ownership and stock market equity have reached more than half the population as a result of changes in housing and mortgage markets, personal and employer investment practices, and tax laws. The risks associated with investments in stock, housing, and other assets are now widespread as well.

College, graduate, and professional educations were likewise once considered the domain of the privileged. This assumption is far out of date for contemporary globalized and technologically advanced economies, where a middle class lifestyle increasingly requires post-secondary education. Even with public and private financial aid, access to postsecondary education depends to an important degree on family wealth and is out of reach (or believed to be out of reach) for many poor adolescents.

A third critical assumption of the twentieth century was that working-age people can support their families on current income and retirees can primarily rely on Social Security. While this model worked well for many decades, working-age people are now increasingly obliged to build private assets over the life course to both cushion short-term income losses and provide retirement income. Yet many middle- and low-income families lack pensions and have little or no wealth outside of housing equity. These workers face the reality that Social Security benefits will not be sufficient to maintain their standard of living in retirement without additional private savings and pensions.

Sherraden advances several policy recommendations to close the gap between old assumptions about assets and new realities for working families. The federal government should reform current tax policy so that it subsidizes accumulation for the entire population, including the poor. Individual Development Accounts (IDAs), universal and progressive 401(k)s, and

similar savings vehicles can all be part of a strategy to help the whole population build lifelong assets. He calls for greater regulation of financial services to reduce investor risks and curtail predatory financial practices.

Sherraden also advocates for Child Development Accounts, a wealth-building mechanism in which parents save for their children's future in tax-sheltered accounts and public funds subsidize low-income parents' savings. Such accounts could be based on the existing platform of state college savings (529) plans. Inclusive asset-based programs can supplement the traditional income support programs of the social safety net and enhance financial security for all American families.

Balancing Work and Family Life

Enacted in an era when most women with young children either did not work or worked part-time, the SSA did not provide or subsidize paid sick leave, maternity leave, family leave, child care, or preschool education. Nor did it create child or family allowances, like those that in much of Europe help offset the costs of raising children. The drafters of the SSA did not anticipate far-reaching changes in work and family life, including dramatic increases in women's paid employment and in single-parent families in the late twentieth century. Despite recent federal and state legislation that has begun to address these issues, Jody Heymann and Alison Earle document in chapter 6 that current policies fall well short of enabling adults to thrive economically while adequately caring for family members, given the realities of work and family life in the twenty-first century.

Drawing on the experiences of the many countries with far more extensive work-family policies than the United States, Heymann and Earle lay out a broad policy agenda that would increase families' economic security and reconcile the demands of working and caring in the context of a competitive globalized economy. The elements of their agenda include universal paid sick leave, medical leave, and family leave (both for new parents and to care for ailing family members) and mandated breastfeeding breaks, expanded early childhood care and education, quality after-school programs, a longer school year, and visiting care providers to help elders meet basic needs. Notwithstanding weak political support for such initiatives in the past, Heymann and Earle suggest that the Great Recession of 2007 to 2009 (like the Great Depression) and new electronic forms of political organization may give impetus to major legislation to expand social protections and economic security.

Nonprofit Organizations and Economic Security

The public and private organizations that provide a safety net for the poor in the United States have undergone a significant but often overlooked transformation in the past several decades. Scott Allard in chapter 7 points out that the traditional assumption that cash assistance is the dominant approach to assisting the poor no longer holds. In the twenty-first century, social service programs have become the primary mode for delivering assistance to families near and below the poverty line. Public spending for these programs now exceeds spending on cash assistance by tens of billions of dollars annually. While attention often focuses on social policy at the national or state level, today much of the important action shaping whether working poor families have access to safety net assistance happens at the local level.

Allard explores a new landscape for delivering services characterized by a complex web of relationships between government and private entities that makes it difficult to coordinate activity and target resources efficiently. Providing help to low-income populations is yet more daunting amidst a volatile funding environment that contracts when need rises. Allard also finds that low income people's access to services varies spatially and racially because local governmental and nonprofit agencies are more likely to locate in certain areas than others.

Allard observes that volatility in funding and difficulties in accessing services destabilize the agencies and organizations that make up the safety net and make assistance less available to the needy. If we are to improve the effectiveness and reliability of social services for the working poor, federal agencies, states, and communities need to maintain stable funding for widely accessible programs. Policymakers also need to take account of how changes in other social policy areas affect the health and efficacy of the nonprofit service sector.

A growing understanding of successful new nonprofit organizational forms, joint public-private ventures, and social enterprise may help local actors adopt solutions that aid the working poor, and do so with more diversified and sustainable revenue streams than is currently the case. Allard and other contributors to this volume provide examples of innovative ways to organize and deliver employment and social services that American communities are currently implementing.

Reforming Delivery Systems of the Safety Net

The SSA focused on economic risks of the unemployed, single mothers, the elderly, the disabled, and their survivors. Provisions to improve

economic security for other populations, particularly low-earning families, followed piecemeal over the years through a variety of federal, state, and local programs. Jodi Sandfort argues in chapter 8 that the set of programs that has been cobbled together over since 1935 has not produced a coherent safety net. Instead, each policy initiative—cash assistance, tax credits, employment services, health care, and others—tended to develop its own institutional structure to implement its programs without necessarily considering how that structure interacted with other programs. Today's fragmented delivery systems for social programs fail to provide convenient, accessible services to clients, especially those who are employed, and place extra burdens in particular on low-income families. For example, means-tested programs such as Food Stamps and Child Nutrition Assistance often require separate applications with differing eligibility requirements and in-person eligibility interviews.

Working from the perspective of the client and frontline workers, Sandfort imagines what types of reforms would provide more efficient service delivery while ensuring fair determination of eligibility, accessible services, appropriate matching of services to particular family circumstances, and reliable information to aid policy-making, and suggests that these reforms would be most likely to occur at the state level. While recognizing that states will make different choices about the programs to include in system redesign and the specific institutions that operate a reconstituted safety net, Sandfort expects that direct service providers, intermediaries, and public governance would be key actors in any restructured system.

Direct service providers would need access to information that would help them lead clients sequentially through appropriate services. Intermediaries, such as associations of service professionals or think tanks, could increase direct service providers' capacities by building administrative capacity and networks, providing budget analyses and access to new sources of funding, and cultivating policy knowledge. The government's role would need to evolve from old assumptions of bureaucratic, rule-bound authority to a more streamlined role of *governance* involving systemwide design, oversight, and collaborative management of partnerships and assuring accountability of partners. Together, Sandfort argues, the reforms she envisions would help the social safety net better support working and low-income families.

Concluding Thoughts

The chapters in this volume document that America's demographic, economic, and social realities have changed enormously since Congress enacted the Social Security Act. Indeed, many have significantly changed since the

expansion of social welfare programs in the 1960s and 1970s. The chapters contain convincing arguments that the new realities are at odds with most of the old assumptions about economic and social arrangements that motivated the legislation that created the Social Security Administration and its programs, the landmark law that has had enduring effects on the structure of the American welfare state. The gap between old assumptions and new realities may be a fundamental reason why current social, health, income support, employment, asset building, and family policies often fail to ensure the economic security of working-age adults and their children.

To meet the twenty-first century's challenges of ensuring economic security for working-age families, the nation needs either to better align the assumptions that undergird specific social policies with today's realities or, alternatively, to adopt policies that change the new realities in ways that enhance economic security. The Great Recession of 2007 to 2009 and the inadequacy of existing policies to prevent or respond to major economic and social dislocations give even greater urgency to addressing these challenges.

The authors of this book offer promising reforms or new approaches to help meet these challenges. They especially attend to policies and institutional designs for fostering the well-being of low-skilled workers and low-income families, both because public supports are particularly important for these persons and because their experiences of the welfare state serve as telling indicators of the robustness of the system itself. The ideas put forward by the volume's authors give testimony to the nation's capacity to close the gap between old assumptions and new realities if it has the political will to do so.

Notes

1. Policymakers expected the need for the income-tested benefits of Aid to Dependent Children (the forerunner of Aid to Families with Dependent Children and Temporary Assistance for Needy Families) to decline as more and more families qualified for Survivors Insurance.
2. Life expectancy was 62.9 in 1940 and 77.7 in 2006 (U.S. Centers for Disease Control 2009).
3. A large gap between the poverty of children and the elderly remains (that is, the proportion of children living in poverty is far greater than the proportion of the elderly living in poverty), after adjusting the poverty statistics for in-kind benefits, taxes, the Earned Income Tax Credit, and other types of income omitted from the official measure (U.S. Census Bureau 2009a).

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