WEST COAST POVERTY CENTER

West Coast Poverty Center

UNIVERSITY OF WASHINGTON

A Partnership of the SCHOOL OF SOCIAL WORK, the DANIEL J. EVANS SCHOOL OF PUBLIC AFFAIRS and the COLLEGE OF ARTS AND SCIENCES

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Poverty Research Flash

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Highlighting New Poverty Research

This special issue of ***Poverty Research Flash*** highlights research by several participants in the West Coast Poverty Center's September 2008 research conference, "*Old Assumptions, New Realities: Economic Security for Working Families in the 21st Century.*" The conference, co-sponsored by the Nancy Bell Evans Center on Nonprofits and Philanthropy and with support from the Russell Sage Foundation and the Seattle Foundation, brought policy scholars and practitioners together at the University of Washington to develop new approaches to economic security for today's working families.

The West Coast Poverty Center's ***Poverty Research Flash*** presents new research by Center faculty affiliates and others on causes, consequences, and effective policy responses to poverty, with an emphasis on changing labor markets, demographic shifts, family structure, and social and economic inequality. More information about the West Coast Poverty Center and the "Old Assumptions, New Realities" conference is available at our website: www.wcpc.washington.edu

SPECIAL SUMMER ISSUE

Old Assumptions, New Realities: Economic Security for 21st Century Working Families

For over seventy years, the Social Security Act (SSA) has provided the foundation of national social insurance programs in the U.S. Originally aimed primarily at adults who could no longer work because of age or disability, these programs have greatly improved the economic security of older and disabled adults and their dependents. But the original provisions of the Act did much less to protect working-age adults and their children. Over the years, federal, state and local governments have addressed this and other gaps in the initial SSA provisions by developing a large and largely uncoordinated array of programs targeted to specific populations and needs—from health and nutritional assistance for low-income pregnant women to public and publicly subsidized housing, means-tested child care subsidies, public preschool services, specialized social and mental health services, employment preparation and vocational training programs, and many more. Less visibly, federal and state lawmakers have used specialized tax deductions and credits to create incentives for employers to provide benefits; to subsidize individual expenditures for home mortgages, retirement and college savings, and other expenses; and to provide refundable tax credits for low income workers.

In light of profound changes in family structure, demographics, and the economy since the SSA was enacted, however, today's working families confront new realities that go beyond the reach of many of these programs. While the relevance of the SSA has been eroding for many years, the current economic recession has made the debate over how to address its limitations all the more timely and important. In September 2008, the West Coast Poverty Center and the Nancy Bell Evans Center on Nonprofits and Philanthropy brought leading national policy scholars and policy practitioners together in a conference, entitled "Old Assumptions, New Realities: Economic Security for Working Families in the 21st Century," to reevaluate the existing framework and to generate new policies that will better promote economic security for today's working families.

This *Poverty Research Flash* highlights four social policy challenges and summarizes proposals for reform from conference participants. Jacob Hacker explores rising income volatility and outlines how a new, multipurpose social insurance system could address several major sources of families' economic vulnerability. Jodi Sandfort proposes ways to revamp the social service delivery system to eliminate redundancies and improve access to services. Paul Osterman suggests ways to involve the demand side of the labor market in workforce services and training efforts, while Michael Stoll makes several suggestions for supply-side changes. Finally, Michael Sherraden considers the benefits of creating more inclusive programs for asset-building.

Universal Insurance as a Hedge against Economic Insecurity

Jacob Hacker

In what he calls “The Great Risk Shift,” Jacob Hacker describes American families’ growing exposure to a range of economic risks, including rising income volatility and increasing health care costs, as America’s traditional framework of employer-based and government supports grows weaker. To close gaps in the existing social safety net and better support workers and their families, Hacker proposes several steps government and employers can take. These include making unemployment insurance more accessible and more responsive to broad economic shifts; providing paid leave to new parents; and implementing a universal 401(k) that would follow workers across jobs. To address gaps in health care coverage and rising costs, Hacker proposes a program he calls “Health Care for America” under which employers could choose to offer their employees private health care coverage or pay to have their workers covered through a new national insurance pool. People in this pool would have access to regulated private health plans or a new public plan modeled after Medicare.

To simultaneously insure against all of these risks, Hacker proposes a far-reaching Universal Insurance program that would protect workers and their families from large and sudden income declines, as well as catastrophic health costs, whether those declines result from unemployment, maternity leave, disability, or sickness. Taken together, Hacker argues that these reforms would create a basic foundation of economic security that would allow middle-class Americans to look toward the future with optimism, rather than anxiety, and thus seize the economic opportunities before them.

About the Authors

Jacob Hacker is Stanley B. Resor Professor of Political Science at Yale University.

Paul Osterman is Professor of Human Resources and Management at the MIT Sloan School of Management.

Michael Stoll is Chair of the Department of Public Policy and Professor of Public Policy and Urban Planning at the University of California, Los Angeles.

Jodi Sandfort is Associate Professor at the Hubert H. Humphrey School of Public Affairs, University of Minnesota.

Michael Sherraden is Benjamin E. Youngdahl Professor of Social Development at Washington University in St. Louis.

Re-Thinking Social Service Delivery

Jodi Sandfort

President Clinton’s welfare reform in 1996 fundamentally transformed the social welfare state. Faced with increasingly restrictive federal regulations and fiscal constraints, states now operate short-term, work-based, cash-assistance programs for small numbers of destitute families, but the tax system is the most significant source of income transfer in the United States, and networks of nonprofits now provide many types of supports. Jodi Sandfort argues that the current fragmented delivery system for these leaner social service programs is inconvenient and inaccessible for low-income clients, especially those who are employed. In part, this fragmentation results from a “system” consisting of multiple unconnected programs, implemented incrementally and administered at various levels of government or managed by boards or private organizations. Means-tested programs such as food stamps and child nutrition assistance often require separate applications with differing eligibility requirements and in-person eligibility interviews, which can be difficult for working family members who cannot take time off for service-related appointments. Taking the perspective of clients and front-line workers, Sandfort imagines what reforms would be required to deliver appropriate, efficient, and accessible services while ensuring that policies are applied fairly and that reliable information is available to policymakers.

Sandfort suggests that necessary reforms would most likely occur at the state level. However, direct service providers and intermediaries would be key players in the restructured system, along with new forms of public governance. Direct service providers, for example, would need access to cross-system data that would help them lead clients sequentially through appropriate integrated services. Intermediaries, such as associations of service professionals or think tanks, could increase direct service providers’ capacities by providing funding, networks, and policy knowledge (e.g., “best practices” and help with budgets). Governments would need to function not as a set of bureaucratic, rule-bound organizations but in a new streamlined role as managers and overseers. For example, while the government would still have the authority to set eligibility requirements for means-tested programs, it could simplify how eligibility is established across programs. Together, Sandfort argues, these reforms could help the social safety net support working families more effectively.

Low Skill Workers: Supply and Demand Side Solutions

Paul Osterman, Michael Stoll

The economic and labor market shifts of the last several decades have taken the biggest toll on low skill workers. For low skill men in particular, good wage opportunities have been declining since the 1970s. Paul Osterman and Michael A. Stoll tackle different sides of the low skill labor market. Osterman addresses demand side reforms, looking at how employers and employment and training programs can improve employment conditions for low skill workers. Stoll focuses on the supply side, highlighting ways for low skill workers to increase their skills and employment prospects.

Historically, most public policy aimed at improving workers' earnings has focused on changing the characteristics of individuals, i.e., improving their human capital. Osterman acknowledges that workers' skills are important. But he notes that many of the jobs that firms offer to low skill adults are inadequate on many dimensions, including wages, benefits, and job security, and there is evidence that firms, under intense competitive pressure and in an environment of decreased regulation, are degrading low skilled employment even further. Osterman sees room for improvement both in how firms organize work and in the regulatory environment for employment. Employers could make low skill work more stable by providing training and career ladders and investing more in their workers; stronger unions would help facilitate this. Existing publicly-funded training programs such as Workforce Investment Act programs and Adult Basic Education, he argues, should be better funded and better utilized by employers, while better enforcement of labor standards would also improve working conditions. Some of these reforms would focus specifically on the low end of the labor market, but employment and training programs that are available to workers at all skill levels would make them a stronger resource for all workers and employers.

On the supply side, Stoll argues that existing workforce policies have been unable to prevent less educated men's wages from stagnating or going down in the face of declining unionization, reduced enforcement of anti-discrimination policies, technological changes, and the movement of low skilled jobs from cities into suburbs. In the face of these changes, Stoll sees opportunities within the education and workforce development system for job training programs that teach specific problem-solving and advanced skills that meet the needs of employers in the modern labor market. Within schools, Career Academies that provide college-preparatory training for a given career could be expanded in partnership with local employers. Outside of schools, workforce development programs could create and maintain relationships with employers and tailor their training to match employer needs, providing skill sets required for specific jobs, "soft skills" training in addition to technical training, and post-employment assistance services to improve job retention.

Government policies can also address other realities of the job market: spatial frictions such as a mismatch between where low skill jobs are located and where these workers live, as well as frictions caused by employers' lack of information about job candidates. Stoll suggests that cooperation among regional workforce development agencies would help mitigate existing spatial imbalances and minimize future ones. To address race-based and statistical job discrimination among employers who may believe that minority job applicants are more likely to be former offenders, Stoll argues for better relationships between employers and job training programs, increased reliance on criminal background checks, and better enforcement of antidiscrimination laws.

Asset-building and Financial Security: Toward Fairness and Inclusion

Michael Sherraden

Although income has long been used as the standard measure of poverty and well-being, a growing body of evidence shows that asset holding, independent of income, also affects the economic and social well-being of households and outcomes for children. Partly in response to changes in economic conditions, social policy in recent decades has shifted toward asset accumulation. Today, asset-based policy is robust. But this policy operates on the tax side of fiscal policy and receives less attention than direct expenditures. Unfortunately, asset-based policy is enormously regressive; the poor receive almost none of these public benefits. Michael Sherraden explores the increasingly important role that financial assets play in determining a family's well-being. He focuses on three old assumptions about assets and suggests policy approaches to address the new realities of more inclusive asset ownership.

First, Sherraden notes that owning certain assets, such as homes and stocks, has become mainstream. While the risks of owning these types of assets used to be borne primarily by the wealthy (who could afford to take the risks), the risks are now spread across more families. Accordingly, Sherraden argues that the federal government should provide subsidies (similar to the home mortgage interest deduction) to support this type of investment for the entire population while ensuring greater market regulation of financial services to protect the growing consumer class.

Second, Sherraden notes that a college degree or other advanced training is increasingly required to earn enough to support a family. Obtaining those credentials can be expensive, so he advocates for creating additional wealth-building mechanisms for children, which might include Child Development Accounts in which parents can invest in their children's education and training.

Finally, Sherraden makes a more general case for asset-building over the life course, given that employment has become more volatile, current incomes are not always sufficient to support a family, and Social Security benefits do not by themselves generally provide an adequate retirement. In this climate of uncertainty, the poor need general savings vehicles such as Individual Development Accounts, just as universal and progressive 401(k)s and other universal asset-building programs are important for the general population. Rather than shoring up faltering social safety net programs for which there may be little political support, Sherraden's policy prescriptions paint a picture of individual or family-level asset-based approaches as an alternative pathway to economic security. Expanding these types of asset-building programs to be inclusive and fair could be one important way to increase financial security for lower income American families.

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The West Coast Poverty Center serves as a hub for research, education, and policy analysis leading to greater understanding of the causes and consequences of poverty and effective approaches to reducing it in the west coast states. The Center, located at the University of Washington, is one of three regional poverty centers funded by the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Education (ASPE). More information about the West Coast Poverty Center is available from our website: www.wcpc.washington. edu

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