

Part 2 of 6

ECONOMIC SECURITY POLICIES ARE TOO CLOSELY TIED TO EMPLOYMENT

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VALUABLE RESEARCH ASSISTANCE FOR THIS SERIES PROVIDED BY BENJAMIN KOLANSKY

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The Great Recession has exposed numerous flaws in our social contract – weaknesses that existed prior to the economic downturn – highlighting the need for changes in our system. This series of policy briefs explores the stresses on our social contract, and the policy changes that must be made to mend it. The six-part series includes:

- Overview: The Great Recession exposes weaknesses in the American social contract
- Economic security policies are too closely tied to employment
- The safety net for unemployed Americans is inadequate
- Problems with a state-based social welfare system
- The regressive delivery of social welfare benefits in the U.S.
- The ownership society is vulnerable during downturns: Pensions and home ownership

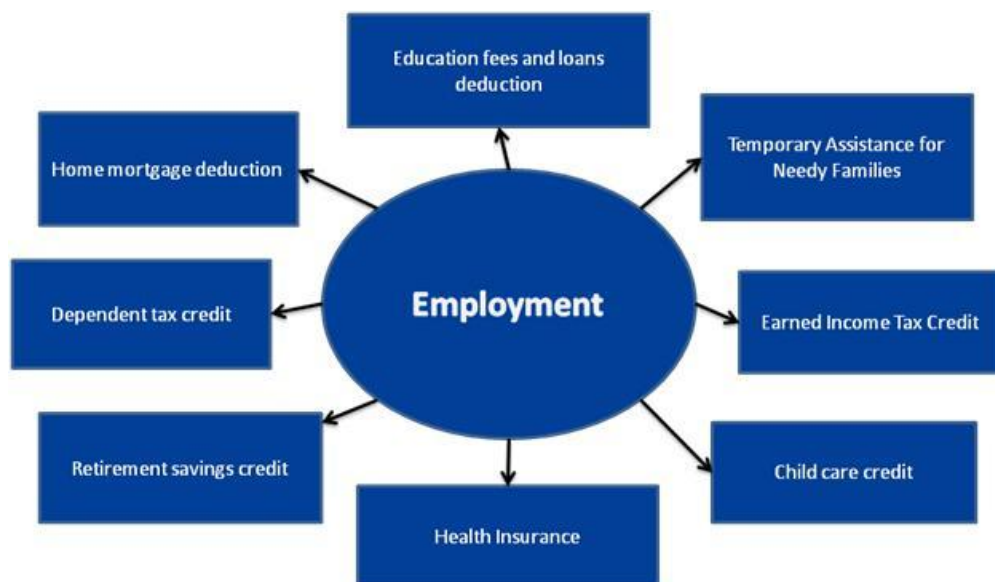


Introduction

In the first installment, we broadly outlined the indicators of structural problems with the American social contract. The second installment explores how social and economic security supports are closely tied to employment, leaving unemployed Americans with little to no safety net when they lose their jobs.

Assistance is Tied to Employment

Almost all U.S. social and economic security mechanisms are tied to employment, often through tax breaks. Supports upon which many families depend – such as education and student loan deductions, home mortgage deductions, dependent and child care credits, and even Temporary Assistance for Needy Families, our foremost welfare vehicle – are linked to employment, meaning that laid off workers lose not only their incomes, but other forms of assistance when they become unemployed.

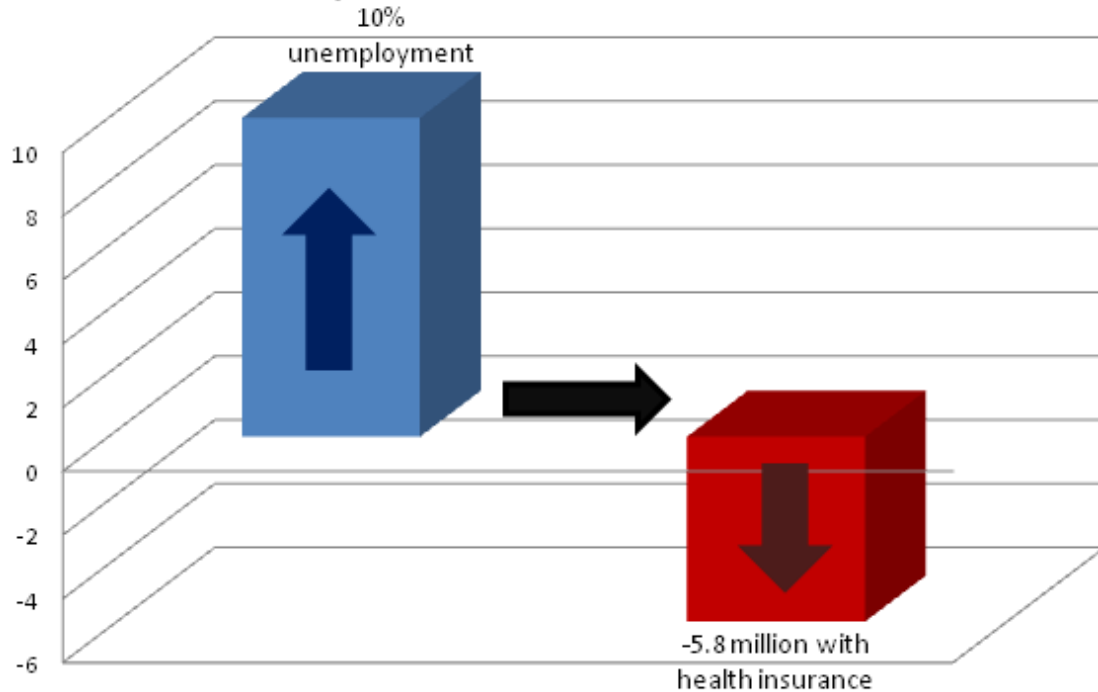


Health Insurance

Perhaps the most important loss for unemployed workers, especially for those lucky enough to receive it in the first place, is employer-sponsored health insurance. Over 40 percent of the under- and un-employed currently lack health insurance, and fully 36 percent of the underemployed were unable to pay for needed health care in the past twelve months, compared to 14 percent of the employed.¹ In a system with some of the highest costs of care in the world, over 50.7 million Americans are uninsured², and over 17 percent of households reported postponing seeking healthcare for financial reasons in 2008.³

All Americans need access to affordable health insurance. The new state-based Health Benefit Exchanges should help make coverage more affordable by offering partially-subsidized plans (on a sliding scale based on income for those earning 133 – 400 percent of the federal poverty level) to those who do not get health insurance from their employers, but only starting in 2014.⁴ Still, implementation is yet to come, and in the meantime, millions of Americans must bear the full cost of healthcare alone.

An unemployment rate of 10 percent leads to an estimated 5.8 million person increase in the uninsured

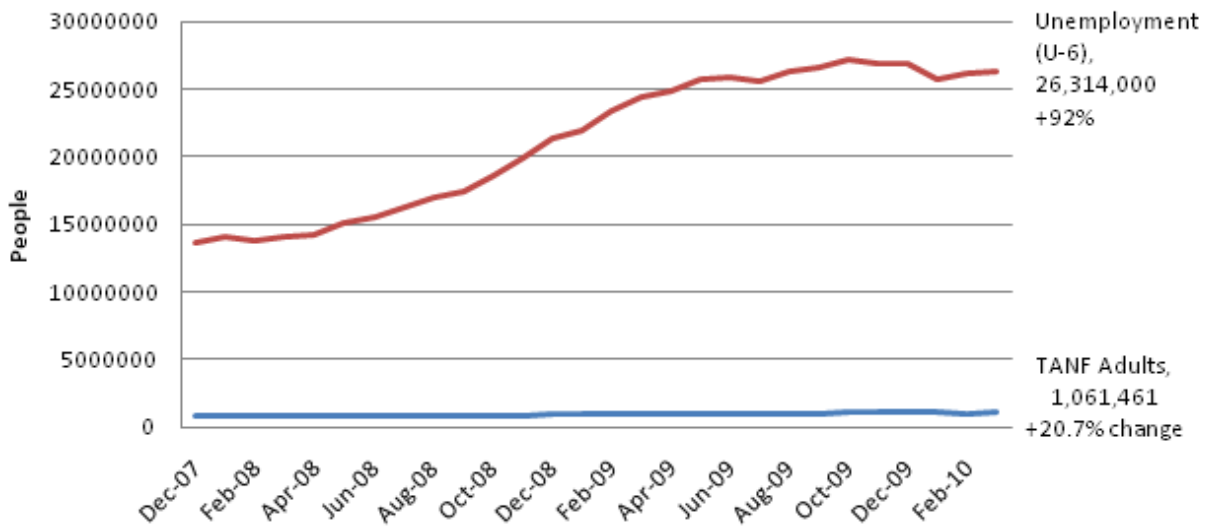


Source: The Kaiser Commission on Medicaid and the Uninsured, 2009.

Temporary Assistance for Needy Families

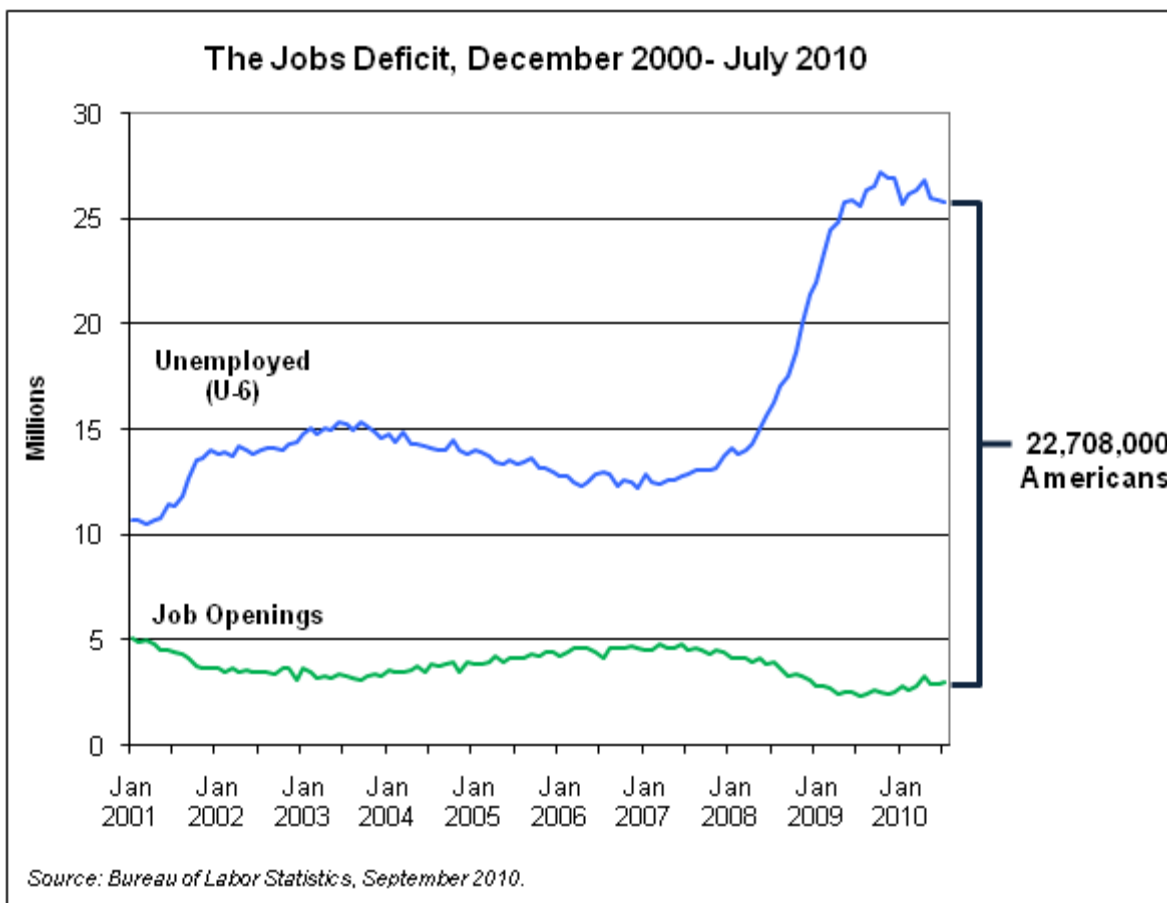
Temporary Assistance for Needy Families, America's principle welfare program, has links to work requirements, which may be a reason why there has been little increase in recipients since the start of the recession. Since the start of the recession, the gap between unemployment and adult TANF recipients has widened considerably, as shown below.

Unemployment rises while Temporary Assistance to Needy Families idles, Dec. 2007 - Mar. 2010



Sources: Administration for Children and Families, 2010. Bureau of Labor Statistics, Current Population

Yet even as Americans' security becomes more linked to employment, America's jobs machine has broken down: as of July 2010, we have a 22.7 million job deficit. Although 14.86 million people are officially unemployed, an additional 2.37 million are marginally attached to the labor force, 8.86 million are involuntary part-time workers, and 1.11 million are discouraged workers who believe no jobs are available. The graph below shows the gap between the Bureau of Labor Statistics' alternative measure of unemployment, U-6 (those officially unemployed, marginally attached, and part-time for economic reasons, at 25.75 million in July 2010), and the number of jobs currently available (3.04 million in July 2010.)



Conclusion

Recession, stagnating wages, and massive unemployment mean more Americans than ever need support. But instead of receiving help, when workers lose their jobs, they also lose almost all access to social and economic security supports.

Too many Americans fall through the cracks of our employment-based system of benefits. Access to healthcare and other benefits, like education, should be a right of citizenship, and making these unaffordable for the unemployed is unacceptable. Separating employment and a minimum level of benefits is the first step to creating a universal, citizen-based social welfare program.

Next week we will examine the condition of the U.S. safety net – which must now support millions of unemployed Americans.

¹ Gallup Poll. Four in ten unemployed currently lack health insurance. March 2010.

² U.S. Census Bureau, 2010.

³ U.S. Census Bureau, 2009. Gallup, 2008.

⁴ Medicaid coverage will be extended to all workers making less than 133 percent of the Federal Poverty Level. For more on the health reform law, see: Kaiser Family Foundation. *Summary of New Health Reform Law*. Focus on Health Reform. 18 June 2010.



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