

Updating the Social Contract

Amy Hanauer and Sarah Osmer

This report, analyzing the results of two surveys and a policy review, finds a tattered social contract in need of updating. Many Ohioans are not able to meet their family needs despite hard work. The social contract no longer ensures provision of essentials.

In 2010 and 2011, Policy Matters Ohio conducted two surveys, one of 150 non-profits serving more than 100,000 Ohio families and one of 2,000 northeast Ohioans who use social services. The surveys found:

- Caseloads increased by an average of 60 percent between 2008 and 2011, with the largest increases among providers of emergency food and shelter.
- Organizations added staff, demanded more of existing staff and turned clients away.
- Organizations said that the crunch meant that their clients skipped health care, rent payments or meals; exhausted savings; shed vehicles; borrowed money; and even left children unattended.
- When asked how policy should respond, organizations said the public sector should provide more funding, make health care more affordable, better fund safety net programs and expand eligibility for programs, among other reforms.
- Responding individuals, 92 percent of whom were employed but 80 percent of whom were earning \$30,000 or less, reported enormous problems with health care and hunger. Despite working, three in five respondents could not get health care, through Medicaid or through their employers, and more than one in five said lack of money often made them skip meals.

American productivity increased by 112 percent between 1968 and 2008, but wages have been stagnant. Families have also sent more adults into the workforce but that has not been sufficient to meet basic needs. Other findings on returns to work include:

- Despite work effort and productivity, poverty recently reached its highest rate in 50 years, unemployment remains high, and many have left the labor market. Inequality is also at staggering levels nationally.
- Between 1983 and 2001 the percentage of 56-64 year olds with defined benefit retirement plans declined from 70 percent to less than 50 percent. Many households don't have access to any retirement plan beyond Social Security.
- Health insurance provision has declined sharply with nearly one in five working-age Ohio adults lacking coverage, and much higher percentages among low-wage and young workers. More than four in ten Ohio employees do not have paid sick days and about seven in ten lack sick days to care for an ill child.

Because the workplace does not help all families escape poverty, state and federal programs have been set up to provide opportunity and security to Ohio families. These essential programs relieve poverty, but leave far too many behind. Among the study's findings about the safety net are:

- Cash assistance helps some poor families, but many fewer than in the past. About three in four poor Ohio children lived in a family that got no cash assistance in 2008. General assistance, the program that once provided help to desperately poor adults with no children, no longer exists.
- The supplemental nutritional assistance program provides very low-income households with a modest \$1,100 average per year to purchase food. A family of three earning \$23,801 or more does not qualify, but last year the program helped one in seven Americans, the highest share on record. An additional program provides a modest \$33.52 average per month to poor infants and pregnant mothers at risk of malnutrition. Last year Congress tried to slash both programs.
- Childcare is costly – center-based infant care would consume more than one-third of a median single parent's income in Ohio. About 51,000 Ohio children were helped through a federal program, and about the same number got help through a state program. This enables parents to work and improves care quality, but federal and state cutbacks mean fewer will be eligible and overall funding will be reduced.
- In Ohio, a little over half a million workers are unemployed, with long-term unemployment levels reaching a sixty-year high in 2011. Unemployment insurance kept more than three million Americans out of poverty in 2009, while stabilizing communities and reducing a downward spiral in our economy. This program, too, is under threat at the federal level.
- Unlike nearly every other industrialized democracy, the United States does not provide universal health coverage and tens of millions of Americans are uninsured as a result. Medicare covers elderly and some disabled Americans, while Medicaid covers many of the poorest and of those who private companies exclude because of disease or disability. The Affordable Care Act will expand Medicaid, allow business and individuals to purchase insurance through an exchange, charge employers who don't provide coverage and eliminate some coverage denials. This represents an unusual expansion of the social contract at a time when many parts of the contract are under threat.
- Social Security lifts 859,000 Ohioans out of poverty and has turned old age from the time of life when poverty was most likely to the time of life when it is least likely.
- The U.S. does not have a solid federal housing policy. Federal housing assistance peaked in 1978 and provides half what it once did in assistance. Ohio, with one of the nation's most vibrant housing trust funds, does better than many states in this area, but many are still left behind.

Much of the way that we provide security and assistance to families is through the tax code, but that assistance is skewed toward the upper middle class and wealthy. The home mortgage deduction costs the U.S. treasury \$103.7 billion a year and provides more assistance to those purchasing more expensive homes. Deductions for retirement savings cost \$108.2 billion annually and are of greater assistance to upper middle-income and high-income earners who can afford to save more. The Earned Income Credit, targeted toward poor and moderate-income working families, costs just \$55.1 billion a year. This credit helps working families and is now the nation's largest poverty relief program, lifting 6.5 million working families out of poverty each year.

In all, our survey found that Ohio families are struggling despite working and our review of policy found deep retrenchments in the social contract. If American families are to meet their own needs, we will have to ensure that either work or policy does more to bring about opportunity and security.