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Poverty and Inequality

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Inequality—that feeling of a few doing very well, while so many slip further behind—that is the defining challenge of our time.

—Bill de Blasio, Mayor elect, New York City (2013)

Some people continue to defend trickle-down theories, which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world. This opinion, which has never been confirmed by the facts, expresses a crude and naive trust in the goodness of those wielding economic power and in the sacralized workings of the prevailing economic system. Meanwhile, the excluded are still waiting.

—Pope Francis, *Evangelii Gaudium* (2013, p. 46)

The provision of food is indeed a central issue in general social ethics since so much in human life does depend on the ability to find enough to eat. In particular, the freedom that people enjoy to lead a decent life, including freedom from hunger, from avoidable morbidity, from premature mortality is quite centrally connected with the provision of food and related necessities. Also, the compulsion to acquire enough food may force vulnerable people to do things which they resent doing and may make them accept lives with little freedom. The role of food in fostering freedom can be an extremely important one.

—Amartya Sen, *Food and Freedom* (1987)

Poverty and Inequality in the 21st Century

Nearly everyone in the United States understands poverty as a lack of monetary resources. But the meaning attached to it, the status ascribed to it and how it is defined is less simple. Rising inequality has received extensive media attention since the recession. Many Americans have asked themselves and their society “How did we get here?” This chapter seeks to answer at least part of that question. It focuses on causes, impacts, and remedies for poverty.

Why are social workers interested in poverty? Since the beginning of the profession, poverty has been a focus. Social workers began to understand the structural problems of minority status, poor living standards, the human capital aspects of poverty, and the contribution of poor education to persistent poverty. Throughout its development as a profession, social work has been concerned about the effects of poverty as an issue of social justice and as it produces additional stress on the families that the profession works with in every area of service across the life span.

The preamble of the National Association of Social Workers (NASW; 2008) Code of Ethics states,

The primary mission of the social work profession is to enhance human well-being and help meet the basic human needs of all people, with particular attention to the needs and empowerment of people who are vulnerable, oppressed, and living in poverty. A historic and defining feature of social work is the profession's focus on individual wellbeing in a social context and the wellbeing of society. Fundamental to social work is attention to the environmental forces that create, contribute to, and address problems in living.

Though most social workers do not work in basic needs agencies, the historic recognition of the importance of the environment that the client lives in and interacts daily with continues to be important.

Defining and Measuring Poverty

The term poverty is one of those that most people think they recognize, though if they are asked they cannot always readily define. Many people of the older generation, the writer's grandmother, for example, used to say, ominously, “I'm going to end up in the poorhouse.” The threat of the poorhouse, the place where someone goes when they have no assets and no one to take care of them, loomed over generations of Americans. The old poorhouse has long been gone but the fear of impoverishment is as prevalent as ever. In most instances, the poorhouse has morphed into a nursing home.

Poverty does not have simple definitions, and the psychological impacts of the fear of becoming poor may be as damaging as poverty itself. It is both a quantitative measure and a state of mind.

In effect, poverty has to do with concepts of scarcity and abundance. Americans become more aware of poverty in times such as the Great Depression and the Great Recession, when people who had attained a more prosperous status begin to fall

back. Both of these economic calamities happened after a time of steady wage erosion, while, at the same time, the assets of the top 20% of the population were growing.

As Mark Rank (2013) notes, in the *Encyclopedia of Social Work*, “Poverty has been a subject of concern since the early days of social work” (p. 1). When we attempt to discuss poverty and inequality, we first might think of wages or income. Rank quotes Adam Smith who, in *The Wealth of Nations* (1776), declared poverty to be “a lack of those necessities that “the custom of the country renders it indecent for creditable people, even of the lowest order, to be without” (p. 2)—or as Michael Harrington (1962) put it in the 1960s, not necessarily the stark reality of near starvation that still lingers in some developing countries but “existing at levels just below that necessary for human dignity” (p. 9). Thus, definitions of poverty in relationship to standard of living have been remarkably constant over time.

Monetary Thresholds

Poverty definitions may focus on absolute amounts of money, as in the definition devised by the U.S. Department of Agriculture economist Molly Orshansky (1963) and adopted by the United States or may be relative in nature, such as the ratio to median wage rate adopted in a number of European countries and the European Union.

In 1963, Orshansky wrote a discussion paper devising two systems of poverty thresholds. Both systems used food plans developed by the Department of Agriculture.¹ She used both the economy (now called the thrifty plan) and the slightly higher low-cost plan to develop budgets that would indicate different levels of economic opportunity among demographic groups of families with children. She calculated that if the cost of food is about 30% of a family’s budget, then the poverty threshold could be established at three times the rate of that market basket.

Her article describing the poverty thresholds appeared in the *Social Security Bulletin* in July of 1963 (Orshansky, 1963). Six months later, in January 1964, President Johnson declared the War on Poverty and the 1964 Report of the Council of Economic Advisors included a chapter on poverty that referred to Orshansky’s thresholds (Fisher, 1992).

The measure developed by Orshansky was adopted and continues to be used as the official poverty level. As Ruggles (1990) noted, Orshansky (1963) used the lowest possible budget so that it could not be challenged for its generosity, much as Benjamin Rowntree (1910) had at the beginning of the 20th century. At the time, the amount was the equivalent of about half of the median after-tax income of a four-person, two-child family (Citro & Michel, 1995, p. 138). By the late 1990s the poverty line had fallen to less than a third of household income (Glennerster, 2002), but during the 2000s wages stagnated and then fell during and after the recession. The ironic result was that the

1. The Thrifty Food Budget has the lowest cost of four food budgets developed and refined since 1894 by the U.S. Department of Agriculture Food and Nutrition Service. The Thrifty Food Budget was established as the standard for the maximum benefit in the 1964 Food Stamp Bill. The Thrifty Food Budget “represented a minimal cost diet (based on up to date dietary recommendations, food composition data, food habits, and food price information)” (Carlson, Lino, Juan, Hanson, & Basiotis, 2007). It has been revised several times, most recently in 2006.

poverty line is now a larger proportion of median household income than it was during the 1990s.

In recent years, the Census Bureau has, in addition to continuing to report information using the Orshansky (1963) definitions, also developed and begun to report on poverty using alternative measures. Following a review of the last 15 years of research on the poverty measure, a Supplemental Measure, which includes more aspects of income and deductions than the standard, will be reported along with the standard measure. Table 5.1 describes the differences between the two models.

The number of people in poverty appears to be higher using the Supplemental Poverty Measure (SPM) than the official measure. In 2012, 47 million people were poor using the official definition, but 49.7 million people were poor using the SPM (Short, 2012, p. 5).

The Supplemental Poverty Measure uses a formula that adds the value of benefits and subtracts the expenses, as in Table 5.2.

Table 5.1 Poverty Measure Concepts: Official and Supplemental

	Official Poverty Measure	Supplemental Poverty Measure
Measurement Units	Families and Unrelated Individuals	All related individuals who live at the same address, including any co-resident unrelated children who are cared for by the family (such as foster children) and any cohabiters and their relatives
Poverty Threshold	Three times the cost of a minimum food diet in 1963	The 33rd percentile of expenditures on food, clothing, shelter and utilities (FCSU) of consumer units with exactly two children multiplied by 1.2
Threshold Adjustments	Vary by family size, composition, and age of householder	Geographic adjustments for differences in housing costs by tenure, family size, and composition.
Updating Thresholds	Consumer Price Index: all items	Five-year moving average of expenditures on FCSU
Resource Measure	Gross income before tax cash income	Sum of cash income, plus noncash benefits that families can use to meet their FCSU needs, minus taxes (or plus tax credits), minus work expenses, minus out-of-pocket medical expenses, and child support paid to another household

Source: Short (2012).

Table 5.2 Resources Included in Calculation of Supplemental Poverty Measure

Plus:	Minus:
Supplemental Nutrition Assistance (SNAP)	Taxes (plus credits such as the Earned Income Tax Credit [EITC])
National School Lunch Program	Expenses Related to Work
Supplementary Nutrition Program for Women, Infants and Children (WIC)	Child Care Expenses
Housing Subsidies	Medical Out-of-Pocket Expenses
Low-Income Home Energy Assistance (LIHEAP)	Child Support Paid

Source: Short (2012).

Food Security

Another way of looking at poverty is to evaluate food security. Since food is such a basic need, the relationship between poverty and having enough to eat is a significant one.

Nord (2010) found that from 2000 to 2007 median food spending by low- and middle-income U.S. households grew more slowly than food prices over the same time period. Food spending by middle- and low-income households actually declined after adjusting for inflation. “The deterioration in food security was greatest for households with incomes in the 20th to 40th percentile, for which the prevalence of very low food security increased by about 50 percent” (Nord, 2010, p. iii). The decline in food spending occurred at the same time that spending on housing rose. In the lowest quintile, the decline accompanied an overall decline in spending. American families were already stressed before the beginning of the Great Recession.

Measuring Food Insecurity

Since 1995, the Current Population Survey has administered the Food Security Supplement every December. The supplement is used to develop the food security reports issued annually by the Economic Research Service, Department of Agriculture. *Food Security* is defined as,

Access by all people at all times to enough food for an active, healthy life. Food security includes at a minimum: (1) the ready availability of nutritionally adequate and safe foods, and (2) an assured ability to acquire acceptable foods in socially acceptable ways (e.g., without resorting to emergency food supplies, scavenging, stealing, or other coping strategies).

Food insecurity is defined as “limited or uncertain availability of nutritionally adequate and safe foods or limited or uncertain ability to acquire acceptable foods in

socially acceptable ways” (Bickel, Nord, Price, Hamilton, & Cook, 2000). *Very low food security* is characterized by times, during the year, when the food intake of household members is reduced and their normal eating patterns are disrupted because the household lacks money and other resources for food.

Over 94% of those suffering from very low food security

- [Reported] they could not afford to eat balanced meals (94%)
- Reported having worried that their food would run out before they got money to buy more (99%)
- Reported that the food they bought just did not last and they did not have money to get more (97%)
- Reported that an adult had cut the size of meals, or scaled meals, because there was not enough money for food (96%)
- Reported that they had eaten less than they felt they should because there was not enough money for food (95%) (Coleman-Jensen, Nord, & Singh, 2013, p. 5)

Nationally, food insecurity (very low food security is a subcategory of food insecurity), increased 29.2% from an average of 11.3% in 1996 to 1998 to an average of 14.6% in 2008 to 2010,² and only declined by one tenth of 1% in 2010 to 2012, although the recession was over in June, 2009. This represents approximately 48.9 million individuals in the United States. The rate of very low food security, which affects approximately 17,179,000 individuals, actually rose (Coleman-Jensen et al., 2013, p. 6).

While the rate of food insecurity declined .2%, from 2008 to 2010 to 2010 to 2012, very low food security increased. Nationally, the rate of very low food security increased 51.3%, from 3.7% in 1996 to 1998, to 5.6% in 2008 to 2010 and increased an additional one-tenth percent from 2010 to 2012. Table 5.3 demonstrates the decline of food security and increases in food insecurity since 1998.

The majority of the increase in food insecurity occurred in the very low food security statistic and it continued to increase after the end of the recession. Table 5.3 shows both the increase in food insecurity and the growth in the percentage of very low food security.

Figure 5.1 shows the prevalence of trends in food insecurity over the last 18 years.

Food assistance has moved from being used primarily by the low-income, non-working population to being a mainstay of the low-income working population. Rank and Hirschl, quoted in Rank (2004), writing before the onset of the Great Recession, found, based on longitudinal analysis of data from the Panel Study of Income Dynamics, that “by age 65, 64.2% of the population has received an in-kind program, such as food stamps, at least once in their life (Table 4.5 in Rank, 2004, p. 103).³

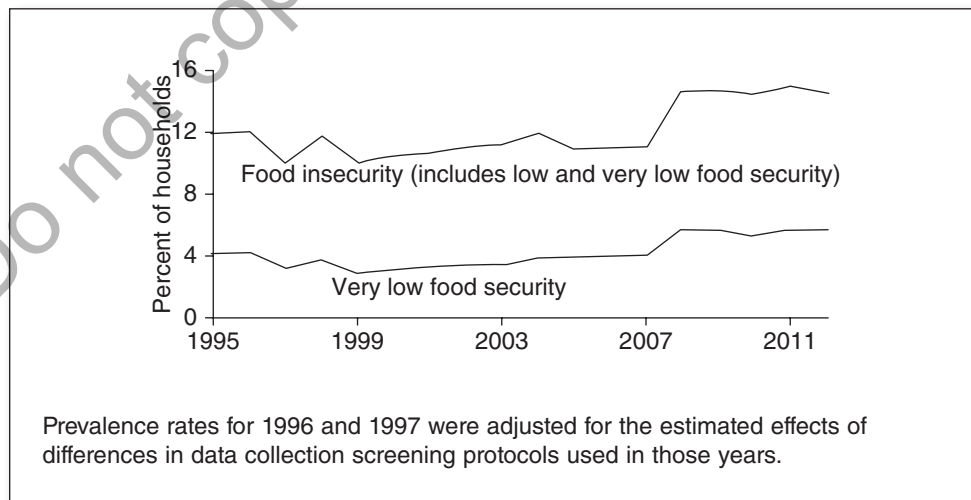
2. Data are averaged for greater reliability.

3. The Panel Study of Income Dynamics is a nationally representative, longitudinal sample of households and families interviewed annually since 1968. “The measure of welfare use in Table 4.5 is constructed from a series of questions asked by the PSID interviewers about whether the household has received any cash or in-kind public assistance programs at some time in the previous year. . . . In-kind programs include Food Stamps and Medicaid” (Rank, 2004, p. 262).

Table 5.3 Percentage of Households by Degree of Food Security, 1996 to 2012

	Food Insecurity Percentage	Low Food Security Percentage	Households That Are Food Secure
Average 1996–1998	11.3	7.6	88.7
Average 2003–2005	11.4	7.6	88.6
Average 2006–2008	12.2	8.2	87.8
Average 2008–2010	14.6	9	85.4
Average 2010–2012	14.5	8.8	85.5

Source: Coleman-Jensen, Nord, & Singh (2013). Data are averaged for greater reliability by the author.

Figure 5.1 Trends in Prevalence Rates of Food Insecurity and Very Low Food Security in U.S. Households, 1995–2012

Source: Calculated by ERS based on Current Population Survey Food Security Supplement data.

Shaefer and Wu (2011), using the Survey of Income and Program Participation (SIPP),⁴ found that low-educated women (those with a high school diploma or less) between the ages of 22 and 55 who entered employment from 1990 to 1994 and from 2001 to 2005 experienced an increase in unemployment insurance eligibility but not in unemployment benefit receipt during periods of unemployment. They found that “receipt of food stamp benefits is far more common than either unemployment insurance or cash welfare” (p. 222).

Thus, in the Great Recession, food assistance emerged as a critical part of the safety net, and the only one that expanded based on need.

Global Measures: Relative Poverty and Social Exclusion

While the United States relies on a dollar definition based on actual expenses, which may be described as an absolute measure, the European Union definition uses a more relative measure, a ratio of median income. While it varies among EU members, it is a ratio of 40% to 70% of median income (European Anti-Poverty Network, 2013). The EU definition, generally referred to as social exclusion, is broader than money, thus

people are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. Because of their poverty they may experience multiple disadvantages through unemployment, low income, poor housing, inadequate healthcare and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalized from participating in activities (economic, social and cultural) that are the norm for other people and their access to fundamental rights may be restricted. (Council of the European Union, 2004, p. 9)

Social exclusion is a broader process that keeps people from employment and general participation in everyday life. It can happen due to monetary poverty but also due to minority status and disability: sometimes even by being stranded in a rural or poor inner city community with no transportation to enable participation in jobs and other activities.

Note the similarities to both Smith (1776) and Harrington (1962) in the phrase “standard of living considered acceptable in the society in which they live.” Thus, whether poverty is defined in absolute or relative terms, it must be seen in the context of the society one lives in.

The Culture of Poverty

Over the years the debate on poverty has often focused on the difference between a lack of work—or a lack of training to obtain work—and a so-called

4. The Survey of Income and Program Participation (SIPP) is administered by the Bureau of the Census. The SIPP provides a nationally representative sample, developed through clustering addresses within cities and counties. It surveys respondents on demographics, income sources, public assistance program participation, household and family structure, jobs, and work history (Shaefer & Wu, 2011, p. 210).



Source: Photo by Brandon Luke.

Absolute Poverty in Nicaragua. Children search through rubbish heaps for food and useful items.

culture of poverty, where the poor have caused their own problems by their own poor judgment.

Recent research has addressed, at least to some extent, the “culture of poverty” and found it related to the stress of being poor. In *Scarcity*, Mullainathan and Shafir (2013) found in experiments in both New Jersey and India that the stress of poverty greatly impacts the judgment of the poor. In interviews with shoppers at a New Jersey mall, participants were asked their incomes and were classified (unbeknown to them) as rich or poor. Then they were asked what they would do if their car broke down and needed a \$150 repair: take out a loan, pay in full, or just postpone. On this task both rich and poor participants exhibited similar scores on willpower and intelligence tests. Then the test was repeated but this time the price was \$1,500. With the raise in price, the intelligence and willpower scores of the poor declined sharply.

Since the enactment of the Personal Responsibility and Work Opportunity Act of 1996 (popularly known as welfare reform) there has been an increased focus on low-wage workers. This growing emphasis gained ground during the Great Recession, which began, according to the National Bureau of Economic Research (NBER, 2010) in December 2007 and reached its lowest point in June of 2009. In the early months of the recession, the winter and spring of 2008, the U.S. economy lost 800,000 jobs per month. The problem persisted until April 2009 (Greenstone & Looney, 2011), although every month 125,000 new workers entered the job market. Even for those workers who quickly regained employment, the jobs they were able to find paid, on average, 17% less than their previous positions. Even at this writing, in the fall of 2013,

annual GDP remains depressed. The percentage of the population with a job in August 2013 reached the lowest level since 1978.

During the recession, long-term unemployment (that is over 26 weeks) rose to a level higher than at any time in the last six decades and remains an ongoing concern. In August 2013 nearly two fifths (37.9%) of the 11.3 million people who were looking for work had been looking for 27 weeks or more. At the beginning of the recession there were about seven jobseekers for every open job. In August 2013, the ratio had declined to 3 jobseekers for every available job (Stone, 2013).

In 1959, prior to the War on Poverty, 22.4% of the population lived below the poverty line. By the early 1970s, the poverty rate had fallen to about half that amount: 11.1% in 1973. By 1983 it had risen to 15% and has never returned to the 1973 level. In 2000, at the end of the Clinton administration, it again dipped to 11.3%, then rose to 12.4% and then increased sharply during the 2007 recession to 15%, where it currently remains (Gabe, 2013).

How many people, over a lifetime, experience poverty? Once a year, the Census Bureau issues a report that states the proportion of the population whose income is below the poverty rate. However, this only partially describes the actual number of people who over their lifetimes have experienced poverty. Rank and Hirschl (1999) found that between the ages of 18 and 75, 58% of Americans will experience at least one year with income below the poverty level and 75% will have at least one year of income below 150% of the poverty line. In addition, two-thirds of Americans will rely on a means-tested program such as SNAP (Supplemental Nutrition Food Assistance Program) between the ages of 20 and 65 (Rank & Hirschl, 2002).

Yet, for most Americans poverty only lasts a year or two before their income recovers, at least to a certain extent. Sendoval, Rank, and Hirschl (2009) found that during the 1990's, the risk of acute poverty (spells of a year or two living in poverty) increased especially for white males as a whole and nonwhite males in their 30s, 40s, and 50s, while chronic poverty (spells of over 5 years out of 10) declined (p. 731). Thus, according to Sendoval et al. the American life course is increasingly characterized by periodic spells of economic turmoil. . . . If anything, it may have intensified given the continuing patterns of job insecurity, erosion of social protection programs, levels of financial debt, and wage stagnation during the 2000s. (p. 734)

Growing Inequality

Since the mid-1980s economists have realized that after 3 decades of the income distribution remaining stable, suddenly inequality began to rise (Krugman, 1992). Though some economists had been writing about income inequality for decades, suddenly in the spring of 2014, in the words of Stephen Colbert, Thomas Piketty's new book, *Capital in the Twenty-First Century*, "blew the lid off inequality" (Gasperak, 2014). Piketty's contribution is extensive data analysis of both income taxes and wealth across both developed and developing countries. He demonstrates that concentrations of capital by the top 20% allows those at the top level an increased ability to make even more money. Through data analysis that covers over a century, he shows that while

income inequality diminished dramatically post World War II, it was mainly the result of the “shocks of the Great Depression and World War II” (Piketty, 2014, p. 15).

Until the mid-1970s all groups experienced growth in income at the same rate; since 1980, income inequality has increased significantly, “especially in the United States, where the concentration of income in the first decade of the twenty-first century regained, indeed slightly exceeded, the level attained in the second decade of the last century” (Piketty, 2014, p. 15). Income inequality in the United States has returned to levels not seen since before the Great Depression, and “inherited wealth comes close to being as decisive at the beginning of the 21st century as it was in the age of Balzac’s *Pere Goriot*” (p. 22).

Piketty’s (2014) work also demonstrates that the more wealth one has to begin with the more likely one is to gain even more wealth. The more surplus income, the easier it is to invest and grow part of that income. Thus, such tendencies, over time, contribute to greater concentrations of wealth, as has been seen since the 1980s. How does this happen? Piketty (2014) states plainly, “The resurgence of inequality after 1980 is due largely to the political shifts of the past several decades, especially in regards to taxation and finance” (Piketty, 2014, p. 20).

Stated simply, unchecked great wealth creates even greater concentrations of wealth in the hands of the wealthy. Progressive taxation systems and investment in training and education promote the growth of a more equal society, which in the long run, benefits society as a whole.



Source: Photo by Rupert van Wormer.

Immigrant Laborers Doing Yard Work. These Mexican laborers in Seattle experience many barriers in their pursuit of the American dream.

Piketty does not discuss the role of unions, but certainly collective bargaining in the U.S. resulted in steady increases in wages and benefits and helped to promote more equality and a higher standard of living for its members.

The lessons are relatively simple. Regulation and reform of the tax code to produce a more progressive system and greater support for public education and training will result in more wealth for average Americans, which will result in less inequality.

Factors That Differentiate the Great Depression From the Great Recession

There are two major differences between the 1930s Depression and the most recent Great Recession. One is the general availability of credit, through credit cards, to consumers. Early in the recession, in 2008, the average borrower carried \$9,887 in charges. By 2012, according to Traub and Ruetschlin, the average carried was down to \$7,145. However, 40% of households report using credit cards for basic living expenses. The availability of credit cards in the 2007 recession contributed to the ability of households to cover shortfalls and maintain their ability to stay current on expenses and basic needs such as food and rent. The only credit available during the 1930's Depression was generally from local grocers (and butchers such as the writer of this chapter's grandfather) who would allow families to run an account.

Second is the vast array of major social insurance and safety net programs that protect, at least to some extent, people in the throes of poverty. Social insurance programs such as Social Security have provided the ability to keep older adults and persons with disabilities participating in the economy as consumers, while unemployment insurance has helped to maintain the consumer behavior of working Americans while they looked for work.

Income maintenance programs are social welfare programs designed to prevent or combat poverty through contributions to the income of individuals or families. Included in this category are the seeming opposites: social insurance programs and public assistance. The former is a universal-style program in which people receive benefits as legal entitlement based on their own contributions. The latter, the public welfare dimension, is financed out of general tax revenues. Public assistance is not universally available but rather means tested. Let's take a look at some of the key income maintenance programs that are designed to help mitigate the effects of poverty and to help level the playing field for American citizens.

Social Insurance Programs

Major social insurance programs include Social Security, Medicare, and unemployment insurance. Social insurance operates much like any other type of insurance; people pay against future risk. Social insurance programs are government programs to protect citizens from the full consequences of the risks and situations (such as unemployment) to which they are vulnerable (see Barker, 2014, p. 398).

Social insurance programs are financed at a level about four times higher than public welfare. Older adults are the principal beneficiaries of U.S. social insurance programs.

Social Security

Old Age, Survivors, and Disability Insurance (OASDI), popularly referred to as Social Security, was created by the 1935 Social Security Act and later amendments. Administered by the Social Security Administration, Social Security is primarily financed through payroll taxes, Federal Insurance Contributions Act (FICA) (Social Security Administration, 2014a). Payroll taxes are paid by employees and matched equally by employers. There are three separate programs; old age benefits (this is what is commonly referred to as Social Security), disability benefits, survivors benefits, and a death benefit.

The original Social Security Act provided only retirement benefits and only to the worker (Social Security Administration, 2014a). The 1939 amendments added benefits to spouses, minor children of the worker, and survivors. These benefits are paid to the family in the event of the worker's premature death. As of 1975, automatic increases based on the annual Cost of Living Adjustment (COLA) were added every January. Since 1990, the payroll tax rates have been 12.4% for Social Security and 2.9% for Medicare (Social Security, 2013). For 2015, the maximum taxable earnings amount for Social Security (OASDI) taxes is \$118,500. There is no limitation on taxable earnings for Medicare's hospital insurance taxes. The current FICA tax rate applicable to each employee and employer is 6.2% for OASDI (temporarily reduced to 4.2% in 2012 for employees as part of the American Recovery and Reinvestment Act, popularly called the stimulus bill). Medicare is an additional 1.45%. The self-employed pay double these rates on a voluntary basis, since they pay both the employee and employer share.

Retirement benefits from this program are provided to fully insured workers age 66 or older. Dependent spouses over 62 and dependent children under age 18 (19 if enrolled full time in an elementary or secondary program) are also covered. The minimum retirement age for full old-age Social Security benefits ranges from age 65, beginning with people born in 1938 or earlier, to age 67 for people born after 1959 (Social Security, 2014c).

Disability Benefits

The disability program was added by amendment in 1954, though cash benefits were not paid until 1965. Initially it was restricted to workers ages 50 to 65 (the prime ages for disabling conditions) but was gradually widened to include dependents and disabled workers of any age.

Financial Concerns

A major concern in recent years has been the financial soundness of the social insurance programs. A putative crisis was fueled by the economic recession that started in 2007 and resulted in a high rate of job loss, an unprecedented concern by right-wing politicians over the federal deficit, demographic changes (a dropping birth rate plus an increase in life expectancy), and a commonly voiced yet unverified concern that providing any financial aid to laid-off workers would act as a disincentive to motivate them to seek work and increase an unhealthy dependency (Wallace, 2010).

Table 5.4 Social Security Fact Sheet

In 2013, almost 58 million Americans will receive \$816 billion in Social Security benefits.

June 2013 Beneficiary Data			
Retired workers	37 million	\$47.4 billion	\$1,269 average monthly benefit
Dependents	2.9 million	\$1.8 billion	
Disabled workers	8.9 million	\$10 billion	\$1,129 average monthly benefit
Dependents	2.1 million	\$69 billion	
Survivors	6.2 million	\$6.6 billion	\$1,221 average monthly benefit

Social Security is the major source of income for most of the elderly:

- Nearly 9 out of 10 individuals age 65 and older receive Social Security benefits.
- Social Security benefits represent about 39% of the income of the elderly.
- Among elderly Social Security beneficiaries, 53% of married couples and 74% of unmarried persons receive 50% or more of their income from Social Security.
- Among elderly Social Security beneficiaries, 23% of married couples and about 46% of unmarried persons rely on Social Security for 90% or more of their income.

Social Security provides more than just retirement benefits:

- Retired workers and their dependents account for 74% of total benefits paid.
- Disabled workers and their dependents account for 16% of total benefits paid.
- About 90% of workers ages 21 to 64 in 2012 who have enough time paid (calculated in quarters of a year) into the Social Security system and their families have protection in the event of a long-term disability.
- Just over one in four of today's 20-year-olds will become disabled before reaching age 67.
- Sixty-nine percent of the private sector workforce has no long-term disability insurance.
- Survivors of deceased workers account for about 10% of total benefits paid.
- About one in eight of today's 20-year-olds will die before reaching age 67.
- About 96% of persons ages 20 to 49 who worked in covered employment in 2012 have survivor's insurance protection for their young children and the surviving spouse caring for the children.

An estimated 163 million workers are covered under Social Security:

- Fifty-one percent of the workforce has no private pension coverage.
- Thirty-four percent of the workforce has no savings set aside specifically for retirement.

In 1940, the life expectancy of a 65-year-old was almost 14 years; today it is more than 20 years:

- By 2033, the number of older Americans will increase from today's 45.1 million to 77.4 million. There are currently 2.8 workers for each Social Security beneficiary. By 2033, there will be 2.1 workers for each beneficiary.

Source: Social Security Administration (2013, June).

A counterargument is that unemployment benefits help keep families out of poverty, provide time for a person to seriously look for suitable work, and boost the economy by increasing consumption.

The Social Security Trust Fund will need adjustments to be maintained; the simplest way to ensure solvency is to remove the cap on Social Security taxes. As of 2014, payroll taxes are collected on incomes up to \$117,000. By removing the cap and collecting payroll taxes on all earned income, the funding concerns can be alleviated.

Once the baby boom generation has passed on, the current funding issues should resolve and the system should replenish itself. Because it prevents large numbers of older Americans from living in dire poverty and because they or their family members have paid for this protection during their working years, this is a program worth saving.

Social Security has come under attack by conservative legislators in the U.S. House of Representatives. Initiatives during the George W. Bush administration to privatize the system were not popular and did not pass in Congress. An initiative that found some support across party lines was to recalculate inflation so the amount paid out to recipients did not increase to the extent that it currently does. Yet, as former Secretary of Labor Robert Reich (2013) informs us, this decrease in income would be disastrous for many low-income elders who depend on Social Security as their major source of income. Employed in low-wage jobs during their working years, these adults were not able to save toward retirement. Even Social Security's current inflation adjustment understates the true impact of inflation on older adults due to the fact that they spend 20% to 40% of their incomes on health care on average, and health care costs have been rising faster than inflation.

In fact, as Burk (2011) indicates, Social Security does not contribute to either the national debt or the yearly deficit. It is run outside the federal budget and has historically maintained a surplus.

The revenue problem stems from demographics—the imbalance in the population due to the “baby boom,” which took place following World War II when the men returned home from the war and started families. Due to the increased life expectancy today of Americans, the bulge in the now aging population from this birth cohort, and a decline in the numbers of younger workers paying into the system, taxes need to be increased or the money diverted from elsewhere to compensate for the shortfall. But, according to Reich (2013),

Social Security isn't in serious trouble. The Social Security trust fund is flush for at least two decades. If we want to ensure it's there beyond that, there's an easy fix—just lift the ceiling on income subject to Social Security taxes, which is now \$113,700. (p. 1)

Proposed Reforms

Responding to the dramatic economic downturn of the Great Recession, Americans increased pre-retirement withdrawals from their 401ks (Argento, Bryant, & Sabelhaus, 2013) and the percentage of people applying for Social Security at age 62 increased dramatically, reversing a decadelong decline in early retirements (Rutledge, Coe, & Wong, 2012). Responding to these trends Senator Tom Harkin (D-Iowa) introduced the Strengthening Social Security Act of 2013, proposing a 15% increase to benefits

over a 10 year period, improving the Cost of Living Adjustment (COLA) to include medical costs, and removing the cap on the payroll tax over the course of 10 years to stabilize the trust fund.

Social Security Disability Insurance (SSDI)

Social Security Disability Insurance (SSDI) is a federally funded social insurance program introduced in 1954. It is granted to a worker who has paid into Social Security and become blind or disabled and is no longer able to work. The monthly disability benefit amount is based on the Social Security earnings record of the insured worker and the length of time worked.

Significantly, the number of workers receiving SSDI increased from 2.9 million in 1980 to 8.8 million in 2012. Dire projections have been made about this social insurance program (Daly, Lucking, & Schwabish, 2013), and it was the subject of a negative Planet Money report on *This American Life* (Joffe-Walt, C., 2013). While the Planet Money report was widely cited, the *Columbia Journalism Review* found that it was poorly researched and lacked context (Lieberman, T., 2013). It appears that SSDI has expanded in relationship to demographic trends and changes in other benefit programs. According to Pattison & Waldron (2013), 94% of the growth in the program is explained by three factors: population growth, growth in the proportion of women insured for disability, and movement of the baby boom generation into disability prone ages (ages 50 to 65).

In addition, Guo and Burton (2012) found that increases in disability applications and awarded benefits were a result of changes in workers' compensation programs in the 1990s that restricted eligibility and lower benefits.

Medicare

Federal health insurance for the aged, Medicare was incorporated into law in 1965 and Old Age, Survivors, and Disability Insurance (OASDI) became Old Age, Survivors, Disability, and Health Insurance (OASDHI). Medicare consists of two separate but coordinated programs: part A is hospital insurance and part B is supplementary medical insurance of which beneficiaries are charged a monthly premium. Part D (prescription drug coverage) is voluntary and the costs are paid for by the monthly premiums of enrollees and Medicare. Unlike Part B, in which you are automatically enrolled and must opt out if you do not want it, with Part D you have to opt in by filling out a form and enrolling in an approved plan (Social Security, 2014c). Unlike Social Security, Medicare spending does contribute to the national deficit. The reason is that former president George W. Bush added a benefit—the unfunded prescription drug program that was a bonanza for the pharmaceutical companies, because of a prohibition against government negotiation for drug prices (Burk, 2011).

Hospital insurance helps pay for inpatient hospital care, inpatient care in a skilled nursing facility, home health care, and hospice care. Coverage is limited to 90 days in a hospital and to 100 days in a skilled nursing facility.

In 1983, a system of diagnostic-related groups (DRGs) was established by the federal government. Under this cost-saving measure, Medicare's reimbursement rates to

hospitals were set according to illness category. This reimbursement plan has resulted in intensified discharge planning to reduce hospital stays. This has resulted in the growth of home health care services and other changes far beyond Medicare patients.

Unemployment Insurance

At the time of the enactment of the 1935 Social Security Act, the provision for unemployment benefits was considered the major program. Overseen by the federal Department of Labor, every state administers its own unemployment benefit program. Unemployment insurance provides benefits to workers who have lost their jobs through no fault of their own. This program is available through federal and state cooperation. The weekly benefit amount for which the unemployed are eligible, along with the number of weeks of eligibility for payment (usually for up to 26 weeks), varies from state to state. In most states, the formula is designed to compensate for a fraction of the usual weekly wage, normally about 50%, subject to specified dollar maximums. Generally, extensions are granted during periods of economic recession. Eligibility requirements in most states are that the worker must have worked a certain number of weeks in covered employment, must be able to work, available for work, and be free from disqualifications.

The unemployment benefit program is fraught with difficulties (Reich, 2012). Jobless Americans today typically use up their benefits while they are still unable to find suitable work. The unemployment system was designed when workers were temporarily laid off until the economy rebounded, and they were hired back. Many of the states have steadily tightened eligibility requirements. At the height of the recession, only 40 percent of unemployed people qualified for unemployment benefits (Reich, 2012). People who have been fired from their jobs for cause, for example, do not qualify. Additionally, restrictions against students receiving benefits hinders recipients in long-term preparation for career change (Karger and Stoesz, 2013). Due to the very temporary nature of the coverage, when the unemployment rate is high, as it is today, only a fraction of unemployed workers are receiving benefits. In addition, the administrative systems in some states were antiquated at the time the Great Recession and prevented some potential recipients from receiving benefits (U.S. Government Accountability Office, 2013).

An article in *Bloomberg Business Week* puts these benefits in global perspective. In Norway, where unemployment is a mere 3.3%, laid-off or fired workers keep 72% of their annual pay in combined unemployment pay and state benefits (Scott, 2010). This compares to 28% on average in the U.S., and the time frame is far different. Germany pays one-third of the salaries of workers whose hours and wages are slashed by companies and provides job training. In Japan, with almost 5% unemployment, the government gives former workers 45% of their work pay the first year.

Workers' Compensation

Workers' compensation was the earliest U.S. social insurance program. It covers workers hurt on the job. Developed during the Progressive Era, as a response to devastating industrial accidents that not infrequently resulted in death and maiming of

workers, it replaced a system in which the only recourse available to a worker was suing the employer. Between 1909 and 1920, 43 states enacted workers' compensation laws (Trattner, 1999). All 50 states and the District of Columbia participate.

Workers' compensation provides an automatic non-means-tested benefit to 90% of the workforce (Terrell, 2008). The approach is no-fault, in other words it does not matter how the injury occurred.

States administer the programs, and therefore benefits and conditions vary state by state. For example, in some states psychiatric and substance abuse conditions are covered; in others, they are not.

In most states, employers purchase workers' compensation coverage. In some instances the rates are affected by the number of claims, leading to safety campaigns to minimize on the job injuries.

Benefits cover medical expenses and supplies, temporary disability payments, permanent disability payments, treatment to cure and relieve the effects of the injury, replacement of wages lost, and funeral and dependency benefits in cases where a worker dies due to an occupational injury or disease (Clayton, 2003). The replacement of lost wages varies by state and type of disability: temporary or permanent. For temporary disability, payments average two-thirds of pretax wages, a level viewed as fair without providing a disincentive to returning to work (Terrell, 2008), though the rates varied substantially. In 2008, the highest weekly benefit was \$1,133 in Iowa, and the lowest was \$351 in Mississippi.

In the modern era, workers' compensation is part of a complex system of vocational rehabilitation, Social Security Disability, and other programs. Perhaps as the disability rights movement has developed, the attitude toward disability has shifted from a view of disability as a permanent condition to an increased emphasis on helping a person with disabilities return to the workforce. Recent analysis has focused on the impact of workers' compensation cases on SSDI. For example, Guo and Burton (2012) found that when workers' compensation benefits declined and eligibility rules tightened in the 1990s, the SSDI application rate increased.

Veterans Benefits

Veterans benefits is the oldest benefit program in the history of the United States, dating back to 1776, when the Continental Congress granted the states authority to provide Revolutionary War veterans half pay for life "in cases of loss of limb or other serious disability" ("History of Veterans," 2012). This burden was later assumed by the federal government. Throughout the 19th century, pensions were paid for veterans of armed conflicts, for varying lengths of time, to disabled veterans, widows, and dependents. The federal government established soldiers' homes and hospitals, as did some states.

Following World War I, rehabilitative services were added, and in 1924, a bonus to World War I veterans based on length and location of service was authorized, payable in 20 years. This led, during the Great Depression, to the bonus march of veterans requesting early payment of the bonuses.

The so-called GI Bill, or the Servicemen's Readjustment Act, enacted in 1944, provided 4 years of education and training, federally guaranteed housing, farm and

business loans with no down payment, and unemployment compensation. It also established veterans hiring preference where federal funds are spent.

In the last 20 years waiting for disability claims to be decided has been a continuing issue. Problems grew apparent under the leadership of Veterans Affairs (VA) secretary Eric Shinseki and developed a new urgency in 2014, when it was revealed that some VA hospitals had developed secret waiting lists to conceal long wait times for appointments, resulting in Secretary Shinseki's resignation and the firing of some VA hospital directors (Lichtblau, 2014).

Veterans' health care benefits are open to any veteran who was discharged or released under conditions other than a dishonorable discharge (Department of Veteran's Affairs, 2010). This widened the availability for such benefits and aggravated already long wait times. Other benefits include disability compensation for an injury or illness incurred or aggravated during active military service based on a disability ranking from 10% to 100%; pensions to low-income veterans who are permanently or totally disabled or over the age of 65; education and training benefits based on the length of active-duty service (full benefits require 36 months), including tuition and fees, books and supplies, and housing allowances. Full benefits are transferrable to family members with the approval of the Department of Defense. There is also a work-study benefit. Home loans are available to eligible service members, veterans, and unmarried surviving spouses to buy, renovate, refinance, or install a solar heating or cooling system or other energy efficient improvements (Department of Veteran's Affairs, 2010). Life insurance and burial and memorial benefits are also available as well as health care benefits for the spouse and dependents of disabled veterans.

In addition to the Veterans Affairs hospitals and related services, a system of Vet Centers has been established nationwide to aid veterans in readjustment following after discharge. Located in storefront offices they provide a

continuum of care including readjustment counselling, community education, outreach to special populations brokering of services with communities and the Department of Veterans Affairs. They provide individual counselling, group counselling, marital and family counselling, medical referrals, assistance in applying for VA benefits, employment counseling, drug and alcohol assessments, sexual trauma counseling and referral and bereavement counselling for eligible family members. Vet Centers serve both veterans and active duty families. ("Serving Those Who Need," 2014)

An executive order of the Obama administration launched a major homelessness initiative to have every homeless veteran housed by 2015.

Attacks on Social Insurance Programs

Social insurance programs, which are designed to provide replacement income for when a worker is retired, unemployed, or disabled, are enormously popular with the general public. Older adults rely on Social Security, for example, for a significant part of their income. It is especially important for low-income people, as it may be their only source of retirement income. Most Americans feel entitled to Social Security since

they or their spouses paid into this insurance program for a number of years. Still, political conservatives and libertarians argue that Social Security socializes a portion of the national income, discourages savings, and causes retired people to become dependent on the government (Allen, 2013). One strategy is for conservative politicians to plant the suggestion through constant repetition that the government will go bankrupt as the baby boom population retires and to continually stress that something has to be done. A second strategy is to alter the perception of a program by renaming it so that it takes on negative connotations. So it is with the term *entitlement*.

First applied to government benefits by President Reagan, the term was placed in quotes to imply that the recipients might not really be entitled to receive their benefits; this usage was quickly picked up the business press (Hertzberg, 2013). Over time the term *entitlement* was no longer used in quotes, but the pejorative aspect to the way the word was uttered prevailed. Thus in the 2012 presidential election campaign, Republican candidate Mitt Romney attributed his difficulties in garnering votes to the 47% of Americans who believe they are “entitled to health care, to food, to housing, to you name it” who would not vote for him. According to Hertzberg, he was denigrating the Social Security programs along with the people who depend on them (p. 23). However, compared to means-tested programs, such as TANF that provide benefits to those with very low or no income, social insurance benefits are highly regarded by the general public. As discussed above, the concerns with the soundness of Social Security financing are overstated, perhaps for political reasons.

Public Assistance Programs

Sometimes called *welfare* by the general public, programs restricted to the income eligible in which applicants must undergo a “means test” are highly stigmatized. Instead of being financed by the employee through his or her job, support for the public assistance comes out of general tax revenues.

Examples of means-tested programs are Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP) formerly called Food Stamps, supplemental security income (SSI), Medicaid, the Earned Income Tax Credit, and housing assistance. These programs in contrast to social insurance programs are all based on need rather than entitlement. An important fact to note about means-tested programs is that when they are available only to people below a certain income and not available to others, resentment builds up, and the programs are stigmatized. Over time they are underfunded.

Temporary Assistance to Needy Families (TANF)

In the summer before the 1996 election, President Clinton signed into law the Personal Responsibility and Work Opportunity Responsibility Act of 1996 and repealed the open-ended welfare program, Aid to Families of Dependent Children (AFDC). The new program is now called the Temporary Assistance for Needy Families (TANF). This legislation (generally known as *welfare reform*) was designed by Clinton to end “welfare as we know it” and it did just that (Vobejda, 1996, p. A01). According to Vobejda, labor unions, religious groups, and organizations representing women,

minorities, and immigrants, all of whom are key Democratic constituencies, expressed outrage over Clinton's decision to support the bill. Those within the Christian Right were fervent supporters of welfare reform because of its focus on behavioral reform and consistency with the Protestant work ethic (Martin, 2012). This philosophy—that taking care of small children is not work—and that only paid work counts reflects, as Secombe (2011) argues, the low value that society places on caring for children. As a result of this attitude, about half of women with infants under a year old are employed. In the Scandinavian countries, in contrast, the values put a premium on the mother and father taking at least a year's leave from work to take care of infants, each parent in turn.

Providing the states with grants to be spent on time-limited cash assistance, TANF generally limits a family's lifetime cash welfare benefits to a maximum of 5 years and permits states to impose a wide range of other requirements as well—in particular, those related to employment. Block-granting TANF resulted in funds being diverted to fund day care, foster care and other eligible activities. TANF, which like AFDC, was designed to support mothers with children (the original target group as nonworking widows whose husbands' work histories had not qualified for Social Security), did not expand during the Great Recession, and eligibility in many states has become more restrictive.

The nation's largest public assistance program, TANF is the most stigmatized of the public assistance program. Tim Wise (2010) attributes this fact to racism. This was especially a factor in the 1970s, he says, as conservative politicians increasingly sought to scapegoat welfare efforts for everything from taxes to crime to family dissolution. In the belief that the types of people who need government aid are apt to use illicit drugs, legislators in at least 10 states are considering bills that would require adults on various types of public assistance to submit to drug testing. The results from Florida's experimentation revealed that few recipients failed the test and that this policy was expensive to the state. The punitive nature of these attacks on welfare recipients is obvious (Alvarez, 2012).

Significantly, the family aid program started in 1935 as a method of keeping mothers at home. Mothers were being supported to care for their children: in effect, paid for child care activities. Today, with middle-class mothers working with a fiercely renewed work ethic, a major objective of the program is to compel other single mothers, without a private means of support, to work or to train for work.

Meanwhile, intellectual rationales for reductions in welfare spending came with the publication of Murray's *Losing Ground* (1984). Since the antipoverty programs of the 1960s, according to Murray's argument, failed to reduce poverty, promoted dependency, and did not support the work ethic, they were actually harmful. This ideology was reflected in the Family Support Act of 1988.

Work expense and child care may be provided for up to 12 months after a family leaves the AFDC rolls because of employment. States have adopted a variety of approaches from workfare to job training and education programs, but most states have chosen an approach that focuses on readiness to work and work search efforts. Supporters point to the desire to end the dependency and stigma of the program. Detractors argue that welfare is punitive and reduces the number of well-paying jobs.

The myths about TANF are persistent. The facts to refute such myths are as follows:

- Ninety percent of TANF children live with their single mothers; the average family has fewer than two children.
- Before assistance was time limited, over half of the recipients received help for only 1 year, and 70% left after 2 years.
- Thirty-five percent of recipients are non-Hispanic white, 35% African American, and 23% Hispanic; the rest are Asian and American Indian.
- In 2008, 26% of TANF recipients were employed.

Medicaid (Title 19)

Title XIX of the Social Security Act is a jointly funded cooperative venture between the federal and state governments to assist states in the provision of adequate medical care to the poor. Known as Medicaid, this program became law in 1965. Because each state administers its own program, specific policies vary from state to state.

To be eligible for federal funds, states are required to provide coverage for individuals who receive federally assisted income maintenance payments such as TANF or SSI. Pregnant women without resources are generally required to be provided with services also.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (or *welfare reform*) made restrictive changes regarding eligibility for SSI coverage that affected the Medicaid program. For example, legal resident aliens and other qualified aliens who now entered the United States were ineligible for Medicaid for 5 years. This decision still stands under the 2010 Affordable Care Act (ACA), which was passed by Congress amid great difficulty and compromise between political factions. This act (often called Obamacare) includes a number of provisions that will expand access to subsidized health insurance coverage to the nonelderly population, including many immigrants. Major provisions of the ACA include

- the expansion of Medicaid up to 133 percent of the federal poverty level,
- new state-based health insurance exchanges combined with insurance market reforms,
- premium subsidies for individuals with incomes below 400% of the federal poverty level (FPL) and cost-sharing subsidies for individuals with incomes below 250% FPL, and
- an individual requirement to obtain health insurance coverage (U.S. Department of Health and Human Services, 2012, p. 1).

Beginning in 2014, the ACA expands Medicaid eligibility to include all individuals under age 65 in families with income below 133% of the federal poverty level. A state's Medicaid program must offer medical assistance for certain basic services to most

categorically needy populations. These services as listed by the Social Security Administration (2011) generally include

- inpatient hospital services;
- outpatient hospital services;
- pregnancy-related services, including prenatal care and 60 days postpartum pregnancy-related services;
- vaccines for children;
- physician services;
- nursing facility services for persons ages 21 or older;
- family planning services and supplies;
- rural health clinic services;
- home health care for persons eligible for skilled nursing services;
- laboratory and X-ray services;
- pediatric and family nurse practitioner services;
- nurse-midwife services;
- federally qualified health center (FQHC) services and ambulatory services of an FQHC that would be available in other settings; and
- early and periodic screening, diagnostic, and treatment (EPSDT) services for children under age 21. (pp. 58–59)

Because individuals are not required to be parents of eligible children under the new law, the greatest increase in future enrollment is expected to be from adults under age 65. In most years since its inception, Medicaid has had very rapid growth in expenditures. This rapid growth has been due primarily to the increase in the older adult population, the revised federal mandates, the impact of the economic recession, and the expanded coverage and use of services.

Much of the expense of Medicaid is related to long-term care. Medicaid paid for nearly 41% of the total cost of nursing facility care in 2008 (Social Security Administration, 2011).

The government's report on Medicaid provision also mentions the role of managed care. Instead of a traditional fee-for-service system, the health maintenance organizations and other prepaid health plans will provide a set of services for a predetermined periodic payment for each person enrolled.

SNAP (Food Stamps)

The federal government provides 16 food assistance programs. Among them are the School Lunch and School Breakfast Programs, Summer Food Programs (to replace school lunch in the summer); the Women, Infants, and Children (WIC) program; and others, but the largest is the SNAP program.

Initiated on a pilot basis in 1961, the food stamp program, providing a monthly amount of coupons, was formally established by the Food Stamp Act of 1964 with 22 states participating. For years, food stamp coupons were purchased by participants, the amount varying according to household income. Poor families, however, had problems

accumulating the cash to exchange for stamps. Then, in 1977, the method of procuring stamps was changed so that food stamps were sent directly to the needy.

In 2008, the food stamp program was renamed the Supplemental Nutrition Assistance Program (SNAP) to better reflect the needs of the clients, including a focus on nutrition and an increase in benefit amounts (U.S. Department of Agriculture, 2012). As of 2012, a four-person household with little to no income can receive a maximum of \$668 per month in food stamps. Households with income receive the difference between the amount of a nutritionally adequate diet and 30% of their income after allowable deductions. Medical expenses, for instance, may be deducted for aged and disabled persons. Participating households receive monthly benefit allotments in the form of electronic debit cards (also known as EBT, or electronic benefit transfer).

SNAP benefits are limited to the purchase of food items for use at home as well as seeds and plants to produce food. Unlike TANF, the food stamp program is not a cash supplement but rather an in-kind benefit. The receipt of food stamps boosts a poor family's standard of living substantially. Benefits are entirely federally funded. Who is eligible? Eligibility of a household is determined by its assets, income, and size. People who receive TANF and/or SSI payments automatically qualify to receive food stamps.

Objections to the program focus on the restrictions in purchasing; that is, only food or seeds may be purchased—no prepared food or health and hygiene products. Nevertheless, the food stamp program has notable strengths: During the Great Recession it served many more people than did unemployment benefits. It helps the poor meet basic nutritional needs and is uniform in its allocation across the states. Additionally, this arrangement helps guarantee that children, even children of addicted or spendthrift parents, receive food.

Supplemental Security Income

The Supplemental Security Income (SSI) is a federal public assistance means-tested program that provides income support to persons age 65 or older, blind or disabled adults, and blind or disabled children (Social Security Administration, 2014c). In May, 2014, 8,414,000 individuals received SSI with an average benefit of \$536. The program was authorized in 1972 and transferred the responsibility of state programs for the blind, aged, and disabled to the federal government. The definition of disability is the same as for SSDI: "the inability to engage in substantial gainful activity based on a medically determinable impairment that is expected to last at least 12 months or result in death" (Social Security Administration, 2014b). Blindness is also considered a disability.

The process of determination for children is similar to that for adults, but the standard is stricter; the recipient must have "marked and severe functional limitations," which means that the child's impairment must meet, medically equal, or be functionally equal to the listings (Social Security Administration, 2014b).

Housing Assistance

Enacted in 1937, the U.S. Housing Act was passed to help the poor get adequate housing. Similar to food stamps and Medicaid, housing assistance is an in-kind program to ensure the purchase of services. Several public programs assist in the purchase

or rental of housing for low-income families. The Section 8 rental assistance program is currently the best-known housing support for low-income families. Often assistance is provided in the form of public housing, usually government-owned projects.

Both federal and state governments offer a wide array of housing programs, from financing and help for low- and moderate-income families and individuals, including help with down payment and closing costs for first-time buyers, to foreclosure prevention and renovation and repair funds. Built in the 1930s and 1940s, large urban public housing communities continue to be a significant, though inadequate, source of affordable housing for income eligible families, disabled individuals, and seniors. However, the shortage of affordable housing is a major problem in the United States today. In 2010, 4.9 million low-income families received federal housing support, 1.2 million for traditional public housing units, 2 million for tenant-oriented assistance (Section 8), and 1.1 million for subsidies to developers (Seefeldt, Abner, Bolinger, Xu, & Graham, 2012). This was a 26% decline since 2005, due in part to the HOPE IV program, which provides funding to transform public housing communities to mixed-housing developments, resulting in a decrease in total units available to low-income families.

Rising home prices and rents during the 2000s and the economic dislocations of the Great Recession dramatically increased the number of homeless, including homeless families (Sard, 2009). Only one in four eligible low-income households receives federal housing assistance because of program limitations (Schott & Finch, 2010). TANF benefits, which have not kept pace with inflation, cover a smaller share of housing costs over time and are leaving many families without permanent housing, if not homeless. Yearslong waiting lists for Section 8 vouchers have long been a feature of urban life for low-income families. These conditions were accentuated with the onset of the 2007 recession. For example, from July to November 2008, New York City saw a 40% increase in admissions to homeless shelters. Unfortunately, though the recession is over, the number of homeless continues to rise (Homelessness Research Institute, 2013).

Housing and health care are closely linked. Karen Seccombe (2011) in her book on welfare recipients, aptly titled *So You Think I Drive a Cadillac?* describes in graphic terms the plight of minimum-wage workers and women on public assistance who can't afford even a modest two-bedroom unit. Often they have to grapple with child care expenses as well. Seccombe describes poor children whose health and safety are at risk due to their substandard housing: "Exposure to rodents, crowding, and cold can wreak havoc on a family's health and well-being," as she indicates (p. 100). Many children each year are hospitalized because of asthma attacks caused by such exposure to rodents and roaches. There are also safety issues related to living in high-crime neighborhoods and the dangers of children being left unattended for long hours while their parents work.

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) was first enacted in 1975 to offset the burden of payroll taxes for low-income working people with children. It is a federal tax credit for low- and moderate-income people. Twenty-five states also offer some form of this benefit.

In 2013 the EITC provided benefits to families with an income below about \$37,900 to \$51,000, depending on the number of dependents (Lewis & Beverly, 2008). It is administered by the Internal Revenue Service. In 2011, the most recent data available, 28 million working families and individuals received benefits with an average benefit of \$2,905 (Center for Budget and Policy Priorities, 2014).

The intent of the benefit is to reward and encourage work. It has three levels: the phase-in range, the plateau range, and the phase-out range. When family income is low, the benefit increases as family income increases until it reaches a maximum benefit. Benefits begin to phase out once income reaches a significantly higher level. Thus, in 2014 a married couple with two children received a maximum benefit at \$13,430 of earnings (the benefit amount would be \$5,460). They will continue to receive the maximum benefit until their income reaches \$23,260. At that point the benefit begins to decline until their income reaches \$49,186, when they are no longer eligible for the benefit (Tax Policy Center, 2014). The credit is refundable. The maximum credit varies by the number of children and whether the caregiver is single or married. The maximum credit was \$496 in 2014 for childless families and \$6,143 for families with three or more children. The IRS reported that more than three fourths of eligible families claimed the EITC in 2005, which is significantly higher than SNAP enrollment.

The intent of the program is to reward and encourage work and in that regard seems to have been successful. Studies have shown that families use tax refunds to catch up on bills and purchase necessities (Mendenhall et al., 2012; Romich & Weisner, 2000). Mendenhall et al., interviewing 194 black, Latino, and white parents found that 57% reported that they planned to allocate a considerable portion of their refund to savings, and 39% were “estimated to accomplish their goal.” Findings also suggested that the EITC provided backup funds to meet emergencies, debt, and bills, thus aiding in household stability. EITC also increases employment among single mothers.

There has been some criticism of misrepresentation of income resulting in a higher error rate. However, 70% of EITC claims are filed through commercial tax preparers, and the IRS believe most errors originate with these preparers. The IRS then required preparers to pass a competency test, which was blocked by a federal court when the preparers sued.

The Center for Budget and Policy Priorities (2014) states that simplification of EITC eligibility rules would likely reduce errors.

THINKING SUSTAINABLY

The general public's views on poverty and inequality, and resulting social welfare policy, have tended to change over time. With the ever-expanding role of the corporation in American life, the corporate view of welfare policy has tended to take hold: that these “entitlement” programs are basically free handouts given from those who work

and produce to those who are lazy takers. Consider the following specific programs in light of the corporate view of welfare policy:

- Social Security
- Medicare
- Unemployment Insurance
- Food Stamps

Are these programs necessary, in your view? Briefly consider broad changes you might make to make them more fair, sustainable, and/or effective.

Contemporary Responses to Poverty in America

Seemingly spontaneous, in the second week of September 2011, squatter camps began to appear in numerous American cities—the Occupy movement had begun. Although the movements in New York City and Washington, DC, were carefully planned, at least as to date (Milkman, Luce, & Lewis, 2013), the initial gatherings gave rise to encampments all over the country in large cities, such as Seattle, and smaller, such as Lancaster and Erie, PA. It brought attention to the 99% who do not own most of the assets, “the creep of austerity and the continued anguish of the global middle class in the developed world after the Great Recession” (Thompson, 2011, p. 1). By October the movement had spread to Europe, Japan, and other global urban centers.

Though the Occupy movement was time limited by weather and displacement by city police, the movement shifted the debate at a time when conservative political movements were focusing on debt reduction and ignoring job development. It provided a reminder that the economy was not serving the middle class. Although the recession formally ended in 2009, the unemployment rate continued to be higher than before the recession.

By June 2013, as reported by the Economic Policy Institute (Shierholz, 2013), 734,000 public sector jobs (government jobs) had also been cut due to a combination of state government cutbacks and the federal sequester. As of November 2013, the labor force participation rate, or the proportion of the working-age labor force with jobs, sank to 62.8% from its high of 66.4% in January 2007. Also, disturbingly, the median wage was declining. In some parts of the country, workers are organizing to resist this state of affairs. After nationwide protests by fast-food workers, raising the minimum wage has become a front-page issue (Greenhouse, 2013).

Just as a declining economy increases the unemployment rate, a decrease in the number of people participating in the economy is a major factor weakening the economy as consumer spending is thereby reduced. This, in turn, reduces hiring and causes

job layoffs. Speaking of the postrecession situation, Heidi Shierholz (2013) stated, “We need 8.0 million jobs to get back to the pre-recession unemployment rate, and at the average rate of growth of the last 12 months, that won’t happen for another five years” (p. 1).

According to Stiglitz (2012), the major problem with the economy during the 2000s was not the housing bubble. “For a while the housing market obscured the underlying weakness in the economy, but as the economy moved from a focus on manufacturing to a focus on services wage rates declined” (p. 2). Even before the recession, for example, the lack of living-wage jobs has resulted in a decline in marriage for lower income Americans.

As Stiglitz (2012) noted in *Vanity Fair* “[prior to the 2007 recession] Incomes for most working Americans still hadn’t returned to their level prior to the previous recession. The American standard of living was sustained only by rising debt” (p. 2). Growing inequality results in shrinking opportunity. Caused in part by a focus on tax cuts for upper brackets, more and more wealth has become concentrated in the top 1% of the population. The expanding income gap therefore continues to grow.

Since April 2009, as part of the American Recovery and Reinvestment Act (the stimulus passed in the early days of the Obama program to short-circuit the recession) participants in the Supplemental Nutrition Assistance Program (SNAP, until 2008 known as food stamps) had received a 13.6% benefit increase (Andrews & Smallwood, 2012). On average, this brought a \$46 dollar increase to an average household. In the 4 and a half years since the enactment of the Recovery Act, food prices have continued to rise. Nord (2013) found that “from 2009 to 2011 . . . the food security of SNAP households worsened as inflation reduced the buying power of the ARRA SNAP benefit increase by about half” (p. 1). Despite the increase in food prices, the SNAP increase was cancelled as of November 1, 2013. The Food Bank for New York City found that even before the November 1 cut, three quarters of the food stamp recipients using city pantries and soup kitchens reported that their benefits lasted only through the first 3 weeks of the month (Hunger’s New Normal, 2013).

The November 1, 2013, cut, in effect, reduced SNAP benefits below the levels of 2007, in terms of purchasing power. By November 10, accounts in the media were already describing the increased stress on SNAP recipient food budgets and the strain on the food bank/food pantry systems.

In addition, extended unemployment benefits were also cut on January 1, 2014. Aside from the pain and deprivation of recipients, the economy was also projected to suffer cuts in GDP. The Recovery Act had provided some immediate benefits to the economically devastated, but a second stimulus program became politically infeasible after large gains made by Republicans in the 2010 election.

Yet at the same time, Senator Tom Harkin of Iowa, introduced the Strengthening Social Security Act of 2013, described earlier, which proposes an expansion to the Social Security program that would alter the formula by which benefits are calculated, boosting benefits for all beneficiaries by \$70 per month (targeted to those in the low-to middle-range of the income distribution), changing the cost-of-living adjustments to ensure that benefits better reflect expenses, and phasing out the cap on taxable income (now at \$117, 000) to begin to collect taxes on all income.

Summary and Conclusion

This chapter on poverty and inequality began with a statement by Bill de Blasio, the newly elected mayor of New York City. Elected as a progressive Democrat following the long tenure of technocrat Michael Bloomberg, de Blasio captured the imagination of voters who had fallen further and further behind others in a volatile economy. He was elected only 4 days after the last provision of the American Recovery and Reinvestment Act of 2009 had expired. On election night he stated, “Inequality—that feeling of a few doing very well, while so many slip further behind—that is the defining challenge of our time.”

In a nutshell, this statement effectively captures the essence of our discussion of poverty and inequality. In the United States, a nation of vast wealth and resources, there is enough in the way of money and food to go around. Yet, as we have seen, in the tax structure, the allocation of unemployment benefits, and the expansion of low-wage, service-oriented jobs and decline in living-wage employment, the society creates a situation ripe for increasing the gap between the rich, super-rich, and the poor. While education is often touted as a way to move forward, it was also under attack as state legislatures reduced support for state universities, and because tuition has risen, many students graduate owing significant amounts of student loans. The Obama administration did support an income-based repayment program to ease the burden of newly graduated students and has introduced other initiatives to make higher education more affordable and to ensure that it leads to eventual employment.

The Occupy movement was successful in informing the public about a lopsided economy that drastically needed to change for the benefit of all people. It is clear that the solutions to the current economic problems lie in the policy arena, such as represented in the proposal by Senator Harkin. The United States would benefit from less focus on the debt and a greater focus on rebuilding infrastructure and putting people back to work, in both the private and public sectors. The remedies that were applied by the Roosevelt administration to help bring the United States out of the 1930s depression, which were based on increased government spending even at the expense of incurring government debt in the short term, can once again work to heal the economy.

Critical Thinking Questions

1. Should the poverty level be viewed as absolute or as relative to correctly reflect the individual's sense of impoverishment?
2. What is the standard of living “necessary for human dignity” in the United States?
3. Should the minimum wage be raised? In arguing your points, state the basic argument's, pro and con.
4. What separates the Great Depression from the Great Recession?

5. Is the national debt really a challenge to U.S. policymaking? Why is it said to be so?
6. What is the meaning of social exclusion, and what is its relationship to poverty?
7. Is it a problem that a small proportion of people have a majority of the wealth in the United States?
8. How can the United States go about providing more living-wage jobs?
9. Should the United States adopt the Supplemental Poverty Measure? What are the advantages and disadvantages?
10. Discuss ways in which the stress that people experience when they lack monetary resources might result in bad decisions for the long-term. Do you personally know of any instances where this has occurred?
11. Why is the EITC more popular than SNAP?
12. Are food pantries a good way to help hungry people? Why or why not?
13. Discuss the proposition that Americans pay Social Security taxes on all their income, not just the proportion below a certain set amount (\$117,000 as of 2014). What does this say about the issue of sustained inequality?

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