American Academy of Social Work & Social Welfare

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Grand Challenges for Social Work Initiative

The Grand Challenges for Social Work are designed to focus a world of thought and action on the most compelling and critical social issues of our day. Each grand challenge is a broad but discrete concept where social work expertise and leadership can be brought to bear on bold new ideas, scientific exploration and surprising innovations.

We invite you to review the following challenges with the goal of providing greater clarity, utility and meaning to this roadmap for lifting up the lives of individuals, families and communities struggling with the most fundamental requirements for social justice and human existence.

The Grand Challenges for Social Work include the following:

- Ensure healthy development of all youth
- Close the health gap
- Stop family violence
- Eradicate social isolation
- End homelessness
- Promote smart decarceration
- Reduce extreme economic inequality
- Build financial capability for all
- Harness technology for social good
- Create social responses to a changing environment
- Achieve equal opportunity and justice
- Advance long and productive lives

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Reversing Extreme Inequality

Laura Lein, Jennifer L. Romich, and Michael Sherraden

Extreme economic inequality has taken hold in the United States. Fostered in part by misguided policies and intentional choices, it can be reversed through purposeful action. However, social policies created for the industrial age face relentless political opposition and are not meeting the social welfare challenges of the information age. A new social contract is required. This paper elaborates key components of that contract, identifying social innovations to increase income at the bottom of society and reduce wealth disparities. Through such innovations, the United States can reverse extreme economic inequality. Because of social work's history in addressing injustice and reforming policy, the profession is uniquely positioned to take on this challenge and has critical roles to play in addressing it.

Key words: Child care, Earned Income Tax Credit, education, home equity, human capital, income, inequality, retirement, tax credit, unemployment insurance, wealth.

Modern economies in many countries are generating more wealth than at any other time in history, yet divisions and disparities are increasing, with concentrated flows of income to the top and capital accumulation mostly by those who are already wealthy. Extreme inequality in the early years of the 21st century raises questions of decency and morality, and it leads to negative systemic outcomes: slower economic growth, increased social dysfunction, and rising political instability. Today it is clear that the United States is experiencing extreme inequality. For the benefit of individual households and the society as a whole, it should be reversed (McCall, 2013).

For the most part, the pattern of extreme inequality has emerged from social and economic policies and practices. It can be reversed by improving strategies for social and economic development. In other words, we need not be resigned to hand wringing and despair. The United States has arrived at extreme inequality because of intentional choices as a society, and this trend can be reversed through purposeful action.

The Increase in Inequality

There are several reasons for the growth of income inequality in the United States. Foremost, labor has received an ever smaller share of the total economic product over time as capital has

captured more. In the United States and in other industrialized economies, business owners have claimed an increasing amount of total income, and this trend has accelerated since the 1980s (Elsby, Hobijn, & Şahin, 2013; Karabarbounis & Neiman, 2013).

Within labor's shrinking share of total output, income is becoming more unequal. Those at the bottom of the income distribution have seen actual declines in wages since 1979, and half of all workers have seen little or no growth in hourly wages since 2000 (Gould, 2014). One quarter (25.3%) of U.S. workers have low pay by the international comparative standard (i.e., less than two thirds of the median wage). This puts the United States at the very bottom in comparison with other countries in the Organization for Economic Cooperation and Development. On average, 16% of the workers in member countries have low pay (Organization for Economic Cooperation and Development, 2014). At the other end of the earnings distribution, the top 10% of earners have captured almost all of the growth in labor income over the last two decades, and growth for the wealthiest has been especially noteworthy, with the top 1% of the income distribution capturing 55% of total real income growth (Saez, 2015). It is commonplace today for heads of companies to earn hundreds of times as much as the average income brought home by their workers. These trends have led to hardship among ordinary workers and concentrated income poverty.

Over the same 36-year period, nonwage compensation and emerging employment practices have exacerbated income differences and further undermined earnings potential for the lowest earners. The highest-paid jobs in our economy are marked by stable wages with the potential for increases, flexible (if demanding) schedules, and important fringe benefits (e.g., paid time off, retirement plans, and high-quality health insurance). In contrast to these so-called good jobs, the positions held by workers at the low end offer little opportunity for advancement and few valuable benefits. The workers have scant control over their own job demands and schedules (Kalleberg, 2011). These differences exacerbate income disparities. Paid time off protects income from the adverse effects of personal or family illness and supports healthy rest; differential access to paid time off means that many low earners fall further behind when health needs arise. Scheduling practices have also become a source of instability for low-wage hourly workers. Employers who once hired workers for a fixed number of hours per week have adopted on-demand, or dynamic, scheduling practices, whereby workers' schedules and shift lengths vary in response to daily or even hourly fluctuations in the employer's needs. These practices are increasingly widespread in the hospitality and retail industries, where workers—not their employers—now bear the costs of fluctuating customer demand (Henly & Lambert, 2010, 2014). Through such practices, firm earnings are shifted from labor to management and ownership.

For example, consider an employer like Wal-Mart, which increases its own profit margin by relying on public policies—food stamps, the Earned Income Tax Credit (EITC), and other public programs—to supplement workers' pay. In effect, taxpayer money is supporting wealth building

by the owners of Wal-Mart (Jacobs, 2015; Jacobs, Perry, & MacGillvary, 2015). This is a shameful excess of capitalism. It is harmful to the nation as a whole and should be controlled.

Changes to public assistance and income tax policy amplify labor market inequalities. To date, public policies in the United States have done little to address extreme income inequality. In fact, since the middle of the 20th century, our income-tax system has grown less progressive, amplifying rather than dampening changes in the market. As inequality accelerated in the last decades of the 20th century, public assistance for those who were impoverished became more limited and more dependent on labor force participation.

Evidence from outside the United States indicates that public policies can make a real difference, and many other countries offer more generous social-welfare benefits; U.S. social policies provide families in poverty with limited cash and in-kind transfers though a patchwork of special-purpose programs (Garfinkel, Rainwater, & Smeeding, 2010). Broad rules limit program use and restrict eligibility for programs. In addition, the United States tends to devolve policies to states and localities instead of administering them at the national level. This sets the stage for federal funding cuts and differences in the adequacy of benefits across different parts of the country.

Wealth inequality (commonly measured by net worth) has also increased, reaching levels not seen since the roaring 1920s and the Gilded Age of the late-19th century. Inequality in wealth was greatly compounded by the Great Recession (2007–2009) and its stubborn aftermath. Fiscal and monetary policies following the recession have also played roles by supporting the financial sector at the expense of ordinary households. In the United States, the top 1% of wealth holders own over three times as much as the bottom 80% (Wolff, 2014).

There are particularly extreme differences in wealth across racial and ethnic groups. Today, depending on the data set used, the median net worth of White households is 10 to 20 times greater than the median net worth of African American and Hispanic households (Taylor, Kochhar, Fry, Velasco, & Motel, 2011). If accumulated wealth is the resource that enables families to make long-term investments in education, homeownership, enterprise, and development, then this wealth inequality is quite different from income inequality—and ultimately more harmful (Sherraden, 1991).

How did wealth inequality become so extreme? We usually turn to the market and its cruel arithmetic for answers to this question, but wealth inequality is also a function of public policy. The main stores of wealth for most American households are owned homes and savings in retirement accounts. Both are highly subsidized by public policy via tax benefits. Homeowners receive a tax deduction for the interest paid on their mortgages, and savings in retirement accounts are sheltered from tax exposure. The total tax benefits for homes and retirement

accounts today exceed $200 billion dollars per year, and nearly all of this public subsidy goes to the top half of the income distribution—indeed, most of it goes to the top 10% and especially to the top 1% (Congressional Budget Office, 2013; Sherraden, 1991).There are no such benefits for people who do not own their homes or have retirement savings. This public policy is shameful in every respect. Wealthy households, which do not need the assistance, typically receive tens of thousands of dollars per year in these sorts of public subsidies, while very few impoverished households receive any of these subsidies at all.

This same pattern—substantial and stable subsidies for the wealthiest households but meager and uncertain benefits for the poor and lower middle class—appears in different guises in other areas of social and tax policy. Most would agree that the government should not be in the business of exacerbating inequality, yet this empirical reality persists with little political opposition or public outcry.

What has caused these conditions? Capitalism often gets the blame and, in truth, has earned this reputation. Capitalism is of course a very productive economic system, but it is also prone to excesses, and excesses must be constrained. Both older research and more recent work in economics show that the nature of capital is to concentrate; unless intervention prevents it, owners of capital will accrue a greater and greater share of a society's production over time (e.g., George, 1880; Piketty, 2014). This is not a radical assessment; it is only a clear-eyed and practical observation.

Evidence is now building in the United States and in other countries that current economic disparities are dysfunctional for the whole economy and society. Inequality contributed to the U.S. financial crash of 2007 and the Great Recession, as workers augmented their stagnant salaries by taking on increasingly unsustainable levels of debt (Van Treeck, 2014). Citizens of more equal countries live longer, enjoy better health, and report more trust in one another than do those who live in less equal countries (Wilkinson & Pickett, 2010). When the level of inequality in a nation broadly affects the health and longevity of its population as well as the foundation of social relations, everyone has an interest in addressing this dysfunction.

As a result of these conditions, increasing inequality is visible on many fronts. The number of people in poverty is higher now than it was 20 years ago (U.S. Census Bureau, 2013), and the impoverished population is different. More families are living in extreme poverty. Remarkably, nearly 20% of impoverished nonelderly households with children are living on $2 per day or less, and the prevalence of such households rose dramatically between 1996 and 2011 (Edin & Shaefer, 2015). These families are often without employment or public assistance and struggle to meet daily needs. Their lived experiences include days with insufficient food and periods of unstable housing (Seefeldt & Horowski, 2012). Extreme poverty leaves families debilitated by debt, and untreated medical conditions are common. Many of the consequences are harmful for

children. They include negative health effects and disruptions in schooling (Holzer, Schanzenbach, Duncan, & Ludwig, 2008; Yoshikawa, Aber, & Beardslee, 2012).

The changing nature of jobs leaves the working poor particularly vulnerable to financial difficulties. In hospitality industries, for example, employees encounter variable hours. If business is slow, they can be sent home early; if business picks up unexpectedly, they can be called in at the last minute. The demand for flexibility makes it difficult for workers to cobble together enough hours of employment (Henly & Lambert, 2010, 2014; Lambert, Fugiel, & Henly, 2014), and the challenges of parenting with low income are exacerbated by shifts that fall outside of the regular workday. Both factors make it very difficult to plan for and secure child care (Henly & Lambert, 2010, 2014; Lambert, 2014; see below). The lack of employer-sponsored health-insurance benefits leaves workers without medical coverage and vulnerable to the financial impact of health emergencies (Angel, Lein, & Henrici, 2006). These conditions can make it virtually impossible for families to save and accumulate resources.

Although unemployment rates are slowly declining, underemployment and unemployment continue to affect hourly employees, who have fewer work hours than they need. For both men and women, the likelihood of having a stable, full-time job with benefits continues to decline. Parents struggle to support their children and households at a level above destitution. In this context, low-income families rarely have complete health insurance coverage over time (Angel et al., 2006).

In addition to the challenges of finding child care that can accommodate fluctuating schedules, many low-income families cannot afford safe, high-quality care for their children. Market-rate care is very expensive relative to typical incomes. In 10 states, including the large population centers of California, New York, and Illinois, center-based infant care exceeds 14% of the annual income of the median married couple—such care would cost between one third and two thirds of the income of a single parent (Child Care Aware of America, 2015). For the lowest earners, child care options and access to child care subsidies are constrained by cost and availability. Although states draw federal funds to provide subsidized child care for low-income families, subsidies are limited, and many families find themselves on long wait lists. Availability of child care subsidies has declined in most states over the past decade. Fewer than one in five children from poor families receives subsidies, though there is variation across the states (Bruch, Meyers, & Gornick, 2014). High market costs and limited subsidies mean that many low-income workers cannot afford child care at all and therefore must rely on strained combinations of kin and self-care.

Low-income families under such pressures are unlikely to accumulate even modest assets. Without resources to fall back upon, they have no buffer against sudden declines in income or sudden increases in expenses. Both are common features of living in poverty. Moreover, the

difficulty of accruing financial resources prevents investments for parents' advancement and their children's future. It is not surprising that social mobility and economic mobility have declined. Families in poverty are increasingly unlikely to escape it.

As mobility has become increasingly constrained, families in poverty have lost access to options for advancement. They have become less able to accrue the financial resources necessary for investment in their own advancement or in their children's future. They also have become less able to amass the assets necessary to buffer the effects of future adversities. They face increased likelihood of long-term destitution and indebtedness.

RESPONDING TO EXTREME INEQUALITY

We have arrived at a historical transition: The social policies created for the industrial age, especially policies for the most disadvantaged, now face persistent political opposition and are not meeting the social welfare challenges of the information age. A new social contract is required, with particular attention to social policy innovations that support economic stability and development, especially at the bottom. Below we succinctly present promising and achievable policies to shore up incomes of the poor, build middle-class stability and wealth, and reverse the mechanisms that concentrate wealth solely among the wealthy.

Strategies to Increase Incomes at the Bottom

Increase earnings from low-skilled jobs

Low-wage workers and advocates have begun mobilizing to demand better wages and more predictable pay. Spurred by the protests of fast-food workers, cities and states are taking the lead in raising the minimum wage to a new standard of $15 per hour (National Employment Law Project, 2015). Several localities have passed industry-specific or general wage increases that bring all workers to this standard, and additional efforts are underway. National legislation to increase the federal minimum wage has been introduced but is currently stalled (H.R. 3164, 2015; S. 1832, 2015). Social workers are already engaged in and should continue advocating for reforms at local, state, and federal levels. The profession also continues to document effects of inadequate pay in the lives of impoverished families. Social work's professional organizations should propose and support policy reforms. In jurisdictions where wage reforms have been adopted, social workers can inform clients and support enforcement if the policies are violated. Social work researchers will continue to collect evidence on wage adequacy and assess efficacy of policy reforms.

Make part-time, shift, and variable work more humane

Like higher pay rates, guarantees of sufficient work hours—in the form of reporting-time pay laws or other such measures—can add stability to workers' lives and enhance the adequacy of their total earnings.[1] It is unreasonable and harmful to workers if the structure of part-time work is completely subject to the whims of employers. Other countries and some U.S. states have set standards for minimum shift length and on-call time compensation. Federal laws should limit the demands that employers can put on workers, specifying the allowable extent of flexibility and instability in hours and income (Lambert, 2014). A positive approach would be to offer incentives that encourage workplace responsiveness to circumstances in the lives of employees and their families—incentives such as preferential consideration in public contracts for firms with documented family-friendly policies. Social workers should advocate at all levels for policies that guarantee minimum hours as well as pay for reporting and on-call time. In jurisdictions that have adopted such policies, social workers can educate clients and the public about their rights and protections, directing workers to appropriate authorities if omissions occur. Social work researchers long have played central roles in tracking business-practice trends and effects of those trends in workers' lives. This work will continue to inform strategies to improve working conditions.

Expand the EITC

The EITC has become the major income-support policy for low-income households. By tying the size of the credit to the number of children in the household, this postmarket transfer targets more support to low-income households with greater need. The EITC has bipartisan support, and efforts are underway to expand it. Reforms should include extending the credit to workers who are parents but do not claim dependent children. Many of them are noncustodial parents. By extending the credit to them, policymakers will somewhat reduce poverty and inequality. Social workers should support the EITC, educate clients and the public about it, and work with allied professionals to enable eligible households to claim it. Social workers will continue to monitor for-profit tax-preparation firms, which serve as the intermediaries for most claimants. Important to consider are increases in the protection against predatory financial practices related to claiming the credit, worker control over when they access the value of the credit, and the number of alternatives for effective use of the credit, including saving a portion of it.

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[1]Reporting-time pay provisions "require employers to pay workers for a minimum number of hours for shifts they report to work" (Lambert, Haley-Lock, & Henly, 2010, p. 11). Eight states, the District of Columbia, and Puerto Rico have reporting-time laws (Center for Law and Social Policy, Retail Action Project, & Women Employed, 2014).

Expand child care to enable stable employment

Difficulties in finding and affording child care are important barriers for low-income parents trying to achieve stable income and develop assets. Child care is a necessarily time-limited benefit; parents use full-time care only until children enter school and cease using care when children become self-sufficient. Middle- and high-earning families are eligible for the Child and Dependent Care Credit, a modest tax credit to partially offset the cost of care. But because the credit is nonrefundable (the credit may not exceed the amount a filer owes), low-wage workers with low tax liability cannot claim it.

State and federal policies should expand supports for child care to ensure that they are available for all working families. Investing in high quality care for low-income children is expensive but also highly efficient relative to other public investments (Heckman, 2011). Recent state and city expansions of prekindergarten schooling represent progress toward public provision of safe and stimulating environments for young children. Social work research and practice have provided important insights that inform public policy in this area. Social workers will continue collaborating with allied professionals to promote quality care.

Expand active employment creation

Although publicly supported job-creation strategies have fallen out of favor, they have historically had considerable impact on national economic stability and the ability of low-income families to maintain their households. When the private market fails to provide sufficient jobs paying enough for workers to support their household needs, public jobs can provide opportunities and labor for projects that create public good. The Works Progress Administration and Civilian Conservation Corps (CCC), both responses to the Great Depression, together represent the apex of American public-employment efforts. These programs built many lasting public amenities. For example, the CCC built many of the state parks in America and planted more trees than had ever been planted in the nation's history (Sherraden, 1979). The WPA built many public buildings and parks. Its cultural workers documented America's geography, landscapes, and histories (Sherraden, 1979).

Similar public employment policies might be enacted today. For example, a "CCC for the twenty-first century," if comparable in size, could employ about one million young people (Sherraden, 2014, p. 32). But public jobs programs are politically controversial today; private industry tends to view them as unfair competition or inconsistent with capitalist goals (Rose, 1989). Since the mid-20th century, public policies for job creation have most often taken the form of incentives for private industry. For instance, the American Recovery and Reinvestment Act of 2009 offered job-creation incentives, and the "vast majority" of jobs credited to it were in private firms that received government-funded grants or contracts (Council of Economic

Advisors, 2009, p. 6). Creating better evidence on the effectiveness and distributional impacts of job creation policies should be a priority. As social workers Frances Perkins and Harry Hopkins did for President Franklin Roosevelt in the 1930s (Downey, 2009; Hopkins, 2008), social workers today can lead in developing, implementing, and evaluating innovations in employment creation.

Strengthen unemployment insurance

Unemployment insurance provides an important buffer to protect workers who find themselves out of a job. However, many low-wage workers do not qualify because they do not meet the program's minimum-earnings or job-tenure requirements. The standards were designed for workers with so-called good jobs, not those in contingent or schedule-restricted positions (Shaefer, 2010). Changes to the requirements would extend this key support to the families least able to weather a spell of joblessness (Levine, 2006). Indeed, states have reacted to the 2009 American Recovery and Reinvestment Act by enacting reforms to strengthen the program; families have fared better in states that implemented the unemployment insurance reforms than in states that did not (Chang, 2015). In some cases, unemployment insurance is not an option. Temporary Assistance for Needy Families remains a significant bridging program for those families in difficulty. In this difficult job market, families may require support when adults are between jobs, injured, or ill. Since the profession's inception, social workers have helped families to access these programs, delivered supports, and tested sustainable improvements to the safety net. At national and state levels, social workers can continue to advocate for inclusive unemployment insurance and effective temporary relief for those who do not qualify.

Stop privileging income from capital over income from labor in the tax system

One income-oriented strategy that targets the wealthy should be put squarely on the table. In future budget-reform negotiations, favorable treatment of capital earnings should be eliminated because it is unfair and counterproductive policy. It does little for the economy and increases inequality. This tax change would (a) reduce incomes at the top, where so much of the total income comes from capital; (b) raise public revenue, creating resources that could support incomes at the bottom; (c) remove the distortion between investment in capital and investment in labor, leading to greater investment in labor, increases in employment opportunities, and wage growth. The change touches upon the trifecta of inequality and would have huge positive effects.

The profession is perhaps uniquely positioned to make this case. Social work researchers have produced a body evidence on the effects of capital-oriented strategies in the lives of families, and insights from practice complement this evidence, suggesting effective ways to frame the relevant

issues. Moreover, social work's commitments to social and economic justice give the profession leverage and credibility in public discussions about fairness of policy choices.

Strategies to Reduce Wealth Inequality

Several policy changes offer promising ways to reduce wealth inequality. We identify several elephants in the room. Progressive advocates should shine a light on them.

Redeploy wealth-building subsidies in retirement

Federal and state governments spend well over $100 billion per year in tax benefits to support retirement accounts, mostly for the already well-off (Congressional Budget Office, 2015; Joint Committee on Taxation, 2015). This support, at minimum, should be equally distributed across the population (a fair policy). Ideally, more of the support would go to lower income households (a progressive policy).

Social workers should lead discussions about distributing public subsidies more fairly, and even progressively. In these discussions, they should identify priorities and specific policy designs that protect those who need support in their older years. At the same time, social workers will continue to inform and engage in debates about Social Security retirement and its protections for those with lowest incomes.

Redeploy wealth-building subsidies for shelter

As with retirement subsidies, the more than $100 billion in annual public subsidies for homes, mostly in the form of the home-mortgage interest tax deduction (Congressional Budget Office, 2015), should be redeployed so that the distribution is at least fair and ideally progressive. If there is to be a public subsidy for shelter, then at minimum each household should have the same amount, regardless of whether they are owning or renting.

More generally, the United States is in need of an institutional strategy for universal, lifelong, and progressive asset building. Such a strategy may have several components.

Create a new lifelong policy of inclusive and progressive wealth building

Such a policy can begin with accounts for all children at birth and evolve into a lifelong system that builds wealth for education, homes, other life goals (Sherraden, 1991). This policy system could eventually become a supplement for retirement security. The policy goal is not far-fetched; it can happen. During 2014, three states (Maine, Nevada, and Rhode Island) announced the implementation of universal and automatic accounts for children. Policy innovations in the states

are ongoing, and there is a positive, bipartisan, federal discussion (Beverly, Clancy, Huang, & Sherraden, 2015)

Social workers are already leading efforts to build and test the features of universal and progressive asset-building policies. As that work continues, the profession should advocate for the broadest adoption of effective measures. In related work, the profession should also reincorporate financial capability practice into the professional training curriculum (Sherraden et al., 2015). This training was an integral part of social work practice in the first half of the 20th century, and it is now time to reestablish it.

Reduce the role of income and wealth in building human capital

In addition to strengthening opportunities for private saving, we should continue to scrutinize education funding models that do not benefit the full population effectively. In primary and secondary education, this includes local tax-based funding for public schooling. Such a funding model is inherently unfair.

This also includes the shift away from public investment in postsecondary education. Earning a college degree is the surest step toward a middle class life, yet American higher education—once an engine of our middle-class democracy—is slowly morphing into a replicator of economic inequities. The children of the wealthy are more likely to enter and finish college than are the children of low- and middle-income parents (Bailey & Dynarski, 2011). Moreover, poor and middle-class students who gain entry but cannot pay outright must borrow, mortgaging their future earnings to pay for college.

In short, a major funding shift has occurred: Basic postsecondary education, once a public responsibility shared by taxpayers and families, has become a private responsibility met primarily by students and their parents, with long-term implications for the financial positions of all parties. College graduates from low- and moderate-income families now spend nontrivial parts of their first two decades of work repaying student loans instead of accumulating resources for their future (Elliott, 2015).

At every level, social workers can design, study, and advance policy innovations that increase access to quality education and promote successful educational completion. This should happen for reasons of decency and fairness, and also because this is the best possible investment strategy for the future of the nation as a whole.

Getting There from Here

In sum, inequality in the United States today creates hardship for households, a suboptimal economy, and social instability. One important insight is that inequality is not caused solely by the market. Misguided public policies have fostered inequality; thus, a partial remedy lies in the design and implementation of more positive policies. The United States can reverse extreme economic inequality.

Achieving the goals discussed here will require advances in policy design and changes in public will. The grandness of this challenge lies not in the depth of the required technical knowledge but in the daunting task of crafting and executing political changes within legislative systems that are too often beholden to the interests of the wealthy. Demanding work remains, but social workers have a long and honorable history of pointing out the injustices, recommending better policies, and working very hard for those social innovations.

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