

The Great Risk Shift

The Assault on American Jobs, Families, HealthCare, and Retirement and How You Can Fight Back

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Summary

More and more economic risks have been offloaded by government and corporations onto the increasingly fragile balance sheets of workers and their families. This is not just an economic change, but also an ideological change. The economic instability of the family has actually risen much faster than the economic inequality.

Risky Jobs

We now have a new “work contract”.

- Used to be - workers received job security, guaranteed benefits, and good pay; employers got loyal, productive workers who invested in skills specific to their jobs and didn't jump ship when times were tough.
- Now we have “spot market” and “individual gain”
- Companies have the upper hand.

Good Jobs are gone for good.

- Used to be “cyclical”
- Increasingly “structural” called “downsizing”
- Contrary to common perception, the long-term unemployed are older, better educated, and more likely to be professionals than the unemployed as a whole.
- Transition of full-time workers from manufacturing to the service industry which uses part-time workers

Risky Families

Two-earner Family

- Second income is not a luxury and increases the risk of a drop in income.

Indebted Family

- By middle-age, instead of being out of debt and owning a home, families are at the peak of their indebtedness.
- Investing in a house and education are risky and expensive.
- Relying on credit cards to get through tough patches adds to debt.

Baby Blues

- Leaving work to raise kids is expensive. Loss of income and “wage penalty for motherhood” when returning to work.

Divorce

- The greater ability of women to support themselves and children outside of marriage is an important factor in the post-1960s increase in divorce rates.

Risky Retirement

Companies are freezing their defined-benefit plans and younger workers are given an alternative such as 401(k)s.

- Traditional plans were mandatory, professionally managed and put the risk on employers
- 401(k)s have low participation, rely on individuals to manage and take the investment risk, fluctuate with the stock market, and are not guaranteed for life.

Social Security is the only guaranteed pension left for many workers.

- Republicans standard mantra is that Social Security is going broke, drastically reducing national savings, bad for widows and blacks, and a form of fiscal child abuse that allowed greedy seniors to rob from the younger generation.
- “Transition costs” prohibit changes to Social Security. (Cost to pay for obligations to current seniors while not getting income from workers.)

Risky Health Care

Sick Market

- Health care has more options, more expensive, wasteful, ill-targeted and inefficient.
- Insurance framework is exorbitantly expensive.
- Federal tax breaks given for employer-provided health benefits
- “Adverse selection” - people who most need insurance are most likely to buy it. This leave a “Death spiral” for insurer.

The US is the only rich capitalist nation that relies on employers to voluntarily provide health insurance to working-age citizens and their children.

Government health insurance was an “orphan” of the New Deal.

History

- Blue Cross charged similar rates to all subscribers
- After WWII commercial insurers moved in and offered lower-risk groups reduced premiums
- 1974 - Employee Retirement Income Security Act included a loophole. Companies that paid for their employees health costs directly (self insured) could escape all state regulations.
- 1993 - Clinton’s ill-fated Health Security Act
- Personal Responsibility Crusade’s alternative to private risk-pooling was Medical Savings Accounts

Conclusion

Where do we go from here?