

WORKING FAMILIES AND
THE FUTURE OF
AMERICAN SOCIAL POLICY

THE
missing

middle

A CENTURY FOUNDATION BOOK

"Skocpol's comprehensive vision of democratic change provides compelling but practical ways to advance the cause of ordinary families." —William Julius Wilson

THEDA SKOCPOL

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The
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BY THE SAME

AUTHOR

*Boomerang: Health Care
Reform and the Turn
Against Government*

*Protecting Soldiers and
Mothers: The Political
Origins of Social Policy
in the United States*

*The New Majority:
Toward a Popular
Progressive Politics*
(coedited with
Stanley B. Greenberg)

*Civic Engagement in
American Democracy*
(coedited with
Morris P. Fiorina)

FOREWORD

SOME MAY THINK that this is an odd time to focus on the issue of inequality: the popular press describes the present as the best of times for many Americans. Overall, this is a period of remarkable prosperity, but what is striking is that even after the long-sustained economic upswing of the 1990s, the United States still has the greatest inequality of wealth and income in the developed world. One of the reasons for this situation is obvious: Most of the increase in wealth in the past decade involves the appreciation of financial assets—and such assets are the most unequally distributed part of personal wealth.

Yet few in American politics want to rain on the current parade. The battle, rather, is over who can take credit for low unemployment rates, steady growth, and a federal budget surplus. These are, to be sure, important and memorable accomplishments, but it does not diminish them to focus on the persistence of poverty and inequality, the lack of health care for millions of Americans, unequal access to educational opportunity, and other problems that undermine our overall sense of social welfare. The successes that we are enjoying could and should be the impetus for attacking the problems that continue to afflict so many.

We owe much to Theda Skocpol for our understanding of these issues. In a body of work over the past two decades, includ-

ing *Boomerang: Health Care Reform and the Turn Against Government*, *The New Majority* (coedited with Stan Greenberg), *Civic Engagement in American Democracy* (coedited with Morris Fiorina), and *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States*, she has documented and explained how such diverse events as the creation of pensions for Civil War veterans in the nineteenth century and the passage of Social Security in the twentieth spring from common characteristics in our national politics and personality.

In this volume, Ms. Skocpol brings together her exceptional knowledge of the history of social policy and her keen sensitivity to political realities at a critical time for social programs in the United States. Following the enactment of the most sweeping changes in welfare programs since the Great Depression, the central topics of American politics have become the need to reform Social Security and Medicare. It is not an exaggeration to say that the outcome of the struggle over these programs will reshape the agenda of both parties for a generation. *The Missing Middle: Working Families and the Future of American Social Policy* provides a lucid explanation of these issues and of the other key elements of contemporary progressive policy. It explains the nature of America's necessary struggle to redress inequality and reduce its consequences and offers a blueprint for those who seek a renewal of long-standing traditions of broad-based social programs for all Americans. Ms. Skocpol's ideas are compelling. And they are practical, representing the sort of thinking of real value to policy makers and political leaders.

The Century Foundation believes that this subject is so important to our nation's future that we have devoted much of our energy over the past several years to bringing it to the public's attention. We have supported such works as James K. Galbraith's *Created Unequal: The Crisis in American Pay*, Edward N. Wolff's *Top Heavy: The Increasing Inequality of Wealth in America*, Joel F. Handler and Yeheskel Hasenfeld's *We the Poor People: Work, Poverty, and Welfare*, and *No One Left Behind*, the report of a

Century Foundation Task Force on retraining America's workforce. In a belief that there is a need to ensure that this critical subject remains in the public eye, we are currently supporting works by Barry Bluestone (and the late Bennett Harrison) on how inequality and flawed public policy undermine economic growth; a study of skill, work, and inequality by Edward Wolff; an examination of the impact of technology on economic inequality by Simon Head; and an examination of what the United States can learn from other countries about the workforce, economic inequality, and public policy by Jonas Pontusson.

The unpleasant truth is that one does not have to be a cynic to say that if something is being ignored in the public sphere, that means there is no political gain to stressing it. In other words, in the market for political discourse, where there's a potential "profit," there will be active market participants. Maybe. But unlike the easy calculations of wins and losses in commerce, politicians often have a tin ear when it comes to what the public wants to hear or what the nation really needs. Theda Skocpol believes, in effect, that such a misunderstanding is at work, and she makes a powerful case that a renewed progressive agenda—one that stresses the obligations that we have to include those least fortunate in social programs that benefit a broad spectrum of the population—is not only morally compelling but also politically feasible. This message is of great import. On behalf of the Century Foundation, I thank her for this timely work.

RICHARD C. LEONE, President
The Century Foundation
April 1999

PREFACE

FOR YEARS I HAVE WORKED with students and associates to understand the politics of U.S. social provision—from the emergence of public schools, veterans’ pensions, and programs for mothers and children in the nineteenth and early twentieth centuries, through the fashioning of social insurance and antipoverty programs in the New Deal and the Great Society, to the rise and demise of Bill Clinton’s Health Security effort in the early 1990s. Drawing from what I have learned about the possibilities and shortfalls of the past, this book grapples with current U.S. policy debates, asking how we as Americans can continue to care for our grandparents while doing a much better job than we now do of supporting all working parents as they do the hard and vital work of raising our nation’s children.

Again and again, throughout our national history, we Americans have created and sustained generous, dignified, and democratically grounded social programs to support families and offer enlarged opportunities to individuals. But in recent decades, our national politics has veered off course, turning away from the kinds of social programs and political strategies that previously worked so well for so many. A “missing middle” has emerged in American social policy and political debates, as we argue about supposed trade-offs between helping young and old, while failing to address the values and needs of working parents who are at the

Preface

vortex of contemporary societal changes. Advocacy groups debate artificially polarized positions, while politicians resort to symbolic gestures rather than measures that could really help regular families of modest means.

Can the citizens of the United States find ways to revitalize our best traditions of democratic social provision? The obstacles are many, and I face them head-on in this book. In the end I argue that, yes, we Americans can revitalize our best traditions of inclusive social provision to meet today's challenges and forge a bright shared future.

This book has taken a while to come together, as I have wrestled with the hopes and frustrations of social policy debates and progressive politics in the 1990s. For patience as well as advice, I am grateful to people at both W. W. Norton and The Century Foundation. I would also like to thank the many colleagues who worked with Stanley Greenberg and me on the "New Majority project" of 1995 to 1998. Whether they know it or not, they served as unpaid consultants, giving me many good ideas about how progressive politics might be revitalized. For excellent research assistance and advice during the final stages of this project, I am grateful to Jillian Dickert (who is not responsible for the things I continue to say here with which she disagrees!). And, as always, I have been very fortunate in the support and inspiration of my husband Bill Skocpol and my son Michael Skocpol. Through several summers in Maine, they put up with my preoccupation with this project.

THEDA SKOCPOL
Mount Desert, Maine

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The
**MISSING
MIDDLE**

CHAPTER ONE

The Missing Middle

"WE'LL PUT GOVERNMENT BACK on the side of the hard-working middle-class families of America who think most of the help goes to those at the top of the ladder, some goes to the bottom, and no one speaks for them."¹ With this bold promise, Governor Bill Clinton of Arkansas announced his run for the presidency in October of 1991. "Putting People First" became the watchword as Clinton and vice-presidential candidate Al Gore were nominated by the Democratic Party and waged their ultimately successful 1992 campaign. Bemoaning twelve years of Republican-dominated government rewarding "those who speculate in paper," while "the forgotten middle class worked harder for less money" and "the working poor had the door of opportunity slammed in their face," Clinton and Gore advocated a change of direction toward a federal government newly active on behalf of regular Americans—and especially working parents. "Putting our people first means honoring and rewarding those who work hard and play by the rules. It means recognizing that government doesn't raise children—people do."²


Economic growth with social equity and health care coverage for all Americans would be the top priorities, Clinton and Gore proclaimed. Welfare reform would be accompanied by job training and measures to ensure higher wages and enhanced social protections for all working families. Along with new incentives

for market investments would come substantial public “investments” in community infrastructure, improved schools, and expanded access to higher education. Shrinking the federal deficit would be a goal, but not at the expense of social improvements. Economic growth would be channeled by new regulations designed to reduce income disparities, discourage “outrageous executive pay,” and make the rich “pay their fair share in taxes.”³ Clinton and Gore also promised to break with old ways of doing politics. “Our political system failed us,” they declared, vowing to transform a system “dominated by powerful interests” and “high-priced influence peddlers.”⁴

Nearly a decade later, Americans can look back on not just one but two Clinton presidencies that have been politically very successful—arguably even triumphant in the face of the Congressional “Republican revolution” of 1994–95 and the impeachment proceedings of late 1998 and early 1999. At the height of his Senate impeachment trial, President Clinton delivered his next to last State of the Union address. He took credit for eliminating the federal budget deficit, putting the nation “on course for budget surpluses for the next 25 years,” and achieving “the longest peacetime economic expansion in our history—with nearly 18 million new jobs, wages rising at nearly twice the rate of inflation, the highest home ownership in history, the smallest welfare rolls in 30 years—and the lowest peacetime unemployment since 1957.”⁵ Clinton outlined a plan to devote projected federal surpluses to retiring federal debt and shoring up Social Security and Medicare in order to “meet our generation’s historic responsibility to establish true security for 21st Century seniors.” He added a long list of proposed regulatory and tax adjustments, most justified as ways to help “our children” prepare for the “21st Century economy.”

Conspicuously missing from the 1999 State of the Union address were the “forgotten middle class” and the “working poor” so prominently featured in 1991 and 1992. Listeners might imagine that there are no longer Americans lacking basic social pro-

tections or working “harder for less money.” But actually economic and social inequities have continued to widen during the 1990s, just as they did during the previous twelve years presided over by Republican presidents Ronald Reagan and George Bush.

To be sure, all Americans have benefited from steady and robust economic growth. In the expanding economy of the 1990s, men and women have been able to find jobs—even combine two or three jobs to buoy family incomes. Real increments to the wages of low- and middle-income employees finally appeared late in the 1990s expansion. But by far the greatest part of the decade’s economic gains have flowed toward the most privileged heights of the American class structure—not to put too fine a point on it, toward those who “speculate in paper” on Wall Street.⁶ The incomes and wealth of the top fifth have soared, with the top 5 percent (indeed the top 1 percent) doing best of all. As economist Lester Thurow explains, “the bottom 60 percent of Americans cannot benefit from the stock market boom since they don’t own any stock.” And wages have also stagnated for nonprivileged Americans. “Real wages for 80 percent of the male labor force are below where they used to be,” Thurow notes, adding that incomes for families right at the middle of the U.S. income ladder have hardly changed in real dollars since the 1970s, even though “the average wife is working 15 more weeks a year than she did back then.”⁷ 

At the bottom of the economic ladder the American dream of success through hard work is fading, explains political scientist John Schwarz, because “more than 12 million full-time year-round workers are paid wages beneath those needed to support a minimally decent standard of living for households with children.” Two-thirds of workers who start at subpar wages are unable to lift themselves to a decent wage even after a decade of full-time work.⁸ Nor can families working for meager pay count on adequate health care, pensions, or family leaves. Huge gaps remain in social supports vital to the well-being of working families. Private employers have reduced contributions to employee

retirement pensions and health insurance for employees and their family members. Less-educated Americans working for low or modest wages are the least likely to be covered, and are the ones experiencing the sharpest cutbacks in employers' contributions to health insurance and pensions.⁹ Many of these same working men and women remain beyond the reach of federal legislation.

Under the 1993 Family and Medical Leave Act that President Clinton repeatedly touts as one of his and the Democratic Party's major legislative achievements, employees of small businesses (who are more likely than other employees to earn low wages) are not covered at all. And the legally covered employees of larger enterprises must be able to afford to forgo wages if they want to claim their right to take unpaid time off to tend to family emergencies.¹⁰ For many of America's most vulnerable workers, political advertisements touting Family and Medical Leave as a great step forward must simply underline the irrelevance of government to their daily lives.

People working for low or modest wages and their children are also the ones falling through the cracks in our nation's ever-more-fractured and incomplete health care system. Leaving aside the many employees who must contribute more to employer-designated managed care plans that may not meet their needs, the ranks of Americans not covered at all by any private or public health insurance rose from 14.8 percent of the nonelderly population in 1987 to 18.3 percent in 1997.¹¹ Despite President Clinton's support for the principle of extended coverage, about one million Americans per year have lost health insurance during his watch; and contractions in public coverage account for much of the increase in the uninsured since 1993. By 1997, more than 43 million Americans had no health insurance—and coverage shrinks the lower down the income ladder one goes. Although Medicaid subsidizes care for many of the needy, nearly one-third of all impoverished Americans were uninsured in 1997. Most Americans not covered by health insurance are members of families with at least one worker; and the uninsured include