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Labor Day 2021: Creeping Austerity Has Arrived

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Today, September 6, 2021, Labor Day in the USA, brings nothing to celebrate for American workers.

As the most recent Labor Department monthly job report a few days ago revealed, continued job recovery has hit a wall. After averaging 750,000 jobs over the preceding three months, from May to July 2021, job recovery this past August fell by more than two-thirds, to only 235,000.

The jobs numbers were particularly weak for job recovery in the service occupations, which were hit hard by Covid resurgence. Jobs in hotels, bars, and restaurants in late July-early August began contracting once again following three months of recovery May to mid-July. Moreover, due to the Covid delta variant intensifying during August, the numbers will likely worsen further through August and into September, given that only 53% of Americans are vaccinated and that reaching even a modest level of 60% appears increasingly unlikely.

Capitalist Ideology: Make the Victim the Cause

Capitalist ideology always blames the victim for the cause of the crisis. And it's no different this time around. Right wing, conservative, and anti-Labor business interests—along with their politicians and media—are consistently blaming workers for the faltering job numbers and for not going back to work when they could.

The mantra throughout the summer has been unemployment benefits were too generous and that's keeping job recovery from growing. But the data just don't support that argument.

For example, the state of Texas, one of the first to cut off unemployment benefits this past June, had payroll gains of 2.5% over the past three months; whereas California, which continued the extra unemployment benefits, saw payroll gains of 4.2% over the same period.

Similar data applies to the large Leisure & Hospitality industry, one of the most important service industries employing more than 15 million workers in the US: States like Texas, that arbitrarily cut off unemployment benefits early in June, saw that industry's payrolls rise 4.6% from May to mid-July; whereas California, continuing to pay benefits, witnessed a growth of 6.5% of payrolls in the industry. The facts simply don't support the view that too generous unemployment benefits is why more workers aren't returning to their jobs and job recovery is faltering.

Another favorite false argument one hears is that there are more than 10.2 million open jobs available and only 8.3 million unemployed workers. So why don't the 8 million just take the 10 million jobs? They've been spoiled by the fiscal stimulus. Once again, the worker is the cause of the problem—not the victim.

It is obvious, however, that the 8 million officially jobless are not necessarily in the same industries as the 10 million openings; nor in the same geographical area. As economists like to say, there's a 'structural mismatch' between the available jobs and the unemployed. There are other problems with this fake argument as well.

First, many of the 10 million openings are in tech industries and companies. It is a well-known practice in that industry that companies post jobs they have no intention to fill in the short run. They post the openings just to see what the qualifications of available workers and availability might be. Tech companies also over-post openings to convince the US government there just isn't enough highly skilled workers available in the US, as an argument for the government to allow them to import foreign workers (often from their offshore subsidiaries) on H1-B and L-1 visas. And for decades US business in general has refused to train in-house a generation of workers in manufacturing, construction, and trucking—as it once did in prior decades. So now it finds itself short of all kinds of skilled and semi-skilled critical labor.

Another problem with the 8 million vs. 10 million openings is that the 8 million jobless is a gross underestimation of the total workers currently unemployed. The 8 million refers only to former full time workers now unemployed; that is, what's called the Labor Department's 'U-3' unemployment rate.

But other government indicates that no fewer than 12 million workers are currently receiving unemployment benefits. Certainly they too are unemployed or they couldn't be getting the benefits. That of course still does not count the 2-3 million more who have been thrown off unemployment benefits in the 'red' states since June. Millions of them no doubt have still not found employment. So that's at least a cumulative 14 million. Not counted as well in the jobless totals are at least 3 million who have dropped out of the labor force altogether, per government data, since Covid began to wreck the labor markets in early 2020 (and with it, I might add, the accuracy of US labor statistics in general). That adds up to 17 million and that still does it include the 1-2 million who the Labor Department has misclassified since Covid began as "unemployed with expectation of return" to work. This latter group are workers who have been 'furloughed' from their workplace, are therefore at home not working, and aren't being paid. But have not been officially laid off by their companies. They expect to return to their jobs. Yet the Labor Department says they are 'employed' because they have 'expectation of return'. They are not counted among the unemployed. The Department admits the error but refuses to change the new category. It continues to count them as employed.

For all these reasons, the actual number of workers truly jobless and unemployed today is at least 16 million. That's about double the official 8.3 million. And it means the official U-3 unemployment rate continually bandied about in the media, press, and by politicians is actually in the range of 11%-12% today. Arguing that 10 million jobs exist for 8 million jobless is therefore nonsense. There are far fewer than 10 million actual openings and there are at least double the 8 million actually unemployed at around 16-18 million!

Faltering Job Recovery

Leisure & hospitality industry jobs—i.e. hotels, restaurants, bars, entertainment, recreation, sports events, gambling, amusement parks, etc.—initially gained jobs throughout May to mid-July as the US economy began to reopen. That was especially true of the biggest employment category in Leisure & Hospitality called Accommodations—i.e. hotels, bars, restaurants—that employ 13 million of the industry's roughly 15 million workers. But after mid-July employment in hotels, bars, & restaurants crashed. Jobs actually contracted by 41,500 this past month, after having gained hundreds of thousands of jobs each month, May to mid-July! The US labor market hit a wall in August.

Something began to happen in the closing weeks of July, thereafter accelerating into early August. The job growth will almost certainly slow further into September. So if it's not due to overly generous unemployment benefits, what's happened?

Why have jobs crashed in key sectors in the latest August employment report last week? The collapse of employment in key service industries and occupations in the Labor Department's latest report (mid-July to mid-August) has been due to several causes unrelated to unemployment benefits.

Among the real reasons are: the lack of affordability and availability of child care for workers wanting to return to work; concern of many workers in occupations serving the public of the spread of the more highly contagious Covid Delta variant; workers fed up with service jobs that are low paid and unstable in terms of job security as the new Covid wave began to surge this summer; workers likely being offered their jobs back by their former employers but with fewer weekly hours of work (and thus less weekly pay); decisions by older workers to get off the job seesaw and retire early; young workers fed up with service employment with no future who have decided to seek new careers more stable and better paid; workers still fearful of future school shutdowns and, almost as unstable, periodic quarantines of students.

Cutting Unemployment Benefits

As job recovery has now begun to seriously falter, overlaid on it is the second great 'gift' to American workers this sad Labor Day: the formal cut off of unemployment benefits this week of September 6-13 of unemployment benefits for 11.2 million. 7.5 million will lose the $300 weekly benefit altogether. Another 3.7 million will lose the $300 as a supplement to their traditional state unemployment benefits.

The $300 will greatly impact workers who are freelancers, independent contractors, temps on contract, gig workers and related employment. They are part of what the Labor Department defines as the 10 million 'unincorporated self-employed'.

Before Covid these 10 million were not considered workers eligible for unemployment benefits, but instead small businesses. But they were, and remain, small business in name only and mis-defined as such. Most have no employees who work for them. They are occupations like independent truck drivers, freelance professionals, the Uber & Lyft at large 'chauffeurs'; they are the new 'shape up' industry workers who await calls from 'Taskrabbit' and similar companies to do 'handyman work' each day; they are on-call home aide workers awaiting a call each morning by the new 'coyote' home health care companies for an assignment to take care of the elderly and infirm. Before Covid they were ineligible for unemployment benefits. Starting in March 2020,however, they became eligible under what's called the Pandemic Unemployment Assistance program (PUA). This was the $600 per week original benefit started March 2020 under the 'Cares Act' that month that was discontinued in August 2020, thereafter resurrected under the December 2020 'Consolidation' Act on an emergency basis for two more months, when it became clear the US economy has stalled almost completely in December 2020 and policy makers feared a double dip recession was likely in the first quarter of 2021. (More money for small business loans and grants was also quickly thrown in as well under the 'Consolidation' Act in December 2020 and then again under Biden's first stimulus bill).

When the 8 weeks extension of benefits expired in February 2021, Biden's $1.9 Trillion emergency Covid relief Act (aka American Rescue Plan) was enacted in March 2021. The ARP once again resurrected the PUA benefit for the 10 million, as well as for workers on the state unemployment benefits system as a supplement to their state benefits. The $600 benefit of the Cares Act was reduced to $300 in the 'Consolidation' and the Biden American Rescue Plan Acts. Now even that $300 is being discontinued as of September 2021 as well—just as the jobs market is hitting a wall once again!

Massaging & Cherry-Picking the Jobs Numbers

The actual number of workers truly jobless and unemployed today is not the 8.2 million indicated in the last August Labor Department report; it's at least 16 million and possibly as high as 18 million. That means the official U-3 unemployment rate of 5.2% bandied about in the media, press, and by politicians is a cherry picked, low balled number. It's not false. It's just a subset of what is a truer, larger number. It's the product of certain narrow definitions of terms, convenient assumptions and statistical manipulations. The true unemployment rate today is in the range of 11%-12%.

The monthly Labor Department jobs reports contain multiple data points. The media and politicians like to 'cherry pick' the best statistic to put a shiny spin on the numbers and make it appear the labor market is healthier than it actually is. The U-3 unemployment rate of 5.2% is perhaps the most notorious 'cherry pick'. But there are others as well. For example, assuming last month that only 350,000 workers are 'discouraged' about finding a job and have given up actively searching for one. Or that, out of a total labor force of 161 million in the US, only 4.4 million workers are employed part time but would like full time work.

Then there's questionable methods used to estimate employment by the Department using 'seasonality adjustment' methods. For example, this past June it assumed that 220,000 K-12 teachers were 'newly employed' when they were just teachers who, given the late reopening of the schools in spring, continued to teach through June to try to catch up for lost classroom time. But the Department's 'seasonality adjustment' methods assumed, as in years past, teachers no longer were employed in the classroom after early June. So when they continued to work, they were classified as new employment. Ditto to a lesser extent for auto workers, who typically in years past were temporarily laid off at the beginning of summer as their companies re-tooled for fall production. But this year, 2021, they continued to work through June without retooling shutdowns. Seasonality assumptions in the Labor Department therefore counted them as net new auto jobs.

Ignoring the 'cherry picked' stats and the questionable seasonality adjustments in general in the monthly employment reports, the August jobs report showed some very serious weakening of the employment picture beginning this mid-summer. Looking at the actual, raw (not seasonally adjusted) total employment numbers in the report, the total number of employed actually declined in the last report. In the private sector, for example, total employment in the July (mid-June to mid-July) report was 121,489,000. In the latest August (mid-July to mid-August) report it had FALLEN to 120,904,000. That's a DROP in total employment of -585,000. So what is one to believe? Did the economy gain in the number of jobs by 235,000? Or did total employment decline by -585,000?

Ending Rent Moratorium & Assistance

This labor day workers are not only facing a faltering jobs market recovery and elimination of still very much needed unemployment benefits, but also millions of them—mostly low paid and workers of color—are facing the prospect of being evicted from their homes.
While more than 11 million are having their unemployment benefits terminated, another 7 million have begun experiencing the end of the moratorium on rent payments. That's 7 million households, and likely 15 million or more family members.

At the beginning of this year, 2021, Moody's Analytics, a noted business research source, estimated that $70 billion was owed in back rent. The US Census estimated 15 million people were involved. Since January, many states (Texas et. al.) have continued to process rent evictions, despite the US government's CDC moratorium on evictions. That moratorium never affected all renters, however. It was always a subset, for rental properties that in some way received funding assistance directly or indirectly from the US government.

In late December, the Consolidation Act passed that month provided for $25 billion in rent assistance. Biden's American Rescue Plan passed by Congress in March 2021 added a further $21 billion, for a total of $46 billion. By August, however, more than $40 billion was still not distributed to landlords to cover at least half of the back rent owed. The main reason is many 'landlords went on strike'.

It is generally not known, but to get a rent assistance payment to pay down back rent owed, both the renter and the landlord must file forms. The forms are very complicated for the average renter, much like filing for a mortgage. Many renters have never confronted the mountain of paperwork and income verifications required. That's one problem for the fact that so little of the $46 billion has been distributed. But the other major reason is that landlords in many cases refuse to file parallel forms. Why wouldn't they not want to get paid for back rent owed? For several reasons.

First, the rent assistance programs pays them for only 80% of back rent owed. To receive it they have to agree not to pursue the other 20% from the renter. Nor can they evict the rent. Nor can they evict if there are late payments due to renters affected by Covid related reductions in income. In addition, many landlords want to sell their rented properties given the escalating home prices. That's particularly true of small renters with two or three homes. There's also the problem off big equity firms wanting to buy up properties en masse, further driving up sale prices of apartments and rented homes.

The majority of renters facing eviction and rising rent prices are working class families. They are low wage, mostly service workers, whose incomes have been severely impacted by Covid. They are often the same whose unemployment benefits are being cut off. And who now face prospects of declining job opportunities as well, as Covid delta surges once again. At least 7 million of them and their families are facing eviction. Once evicted, it will be almost impossible to get a decent reference to get another rent.
This Labor Day tens of millions of workers are facing a triple crisis of a faltering jobs market, elimination of unemployment benefits, and rent evictions.

Creeping Austerity

What all this represents is that a 'creeping austerity' has already begun. Capitalists and their politicians believe the economy is reopening and that's sufficient to generate a sustained recovery. Thus, programs of fiscal stimulus provided to working families can be rolled back and phased out.

That's what they believed last summer 2020 as well—only to find out that the economy stalled in the fourth quarter of 2020 at year end and almost tripped into a double dip recession in early 2021. The 'Consolidation Act' at year end through another round of emergency stimulus into the economy to avert disaster and buy a couple more months. (That made that Act a 'mitigation' bill and not a true stimulus).
This past March the Biden administration picked up as the Consolidation Act began to fade, as it passed the American Rescue Plan (ARP). But the major stimulus elements of the ARP have dissipated or are now being discontinued: the $1400 stimulus have been spent. The unemployment benefits are being discontinued. The rent assistance is not getting into the economy. Continuing the creeping austerity trend, the much vaunted child care payments that began this past July are slated to end in December, and suspension of payments on student loans in January.

Meanwhile, Biden's two big fiscal stimulus bills on the table—the $550 billion Infrastructure Bill and the $3.5 trillion Family Plan Bill—appear stalled in Congress. Filibuster will continue in the Senate, and the refusal of key Senate Democrats like Manchin and Senema to allow 'budget reconciliation' means both bills—Infrastructure and Family Plan—are likely dead on arrival. While the Infrastructure bill may eventually pass it won't impact the economy until 2023. The Family Plan, however, will almost certainly fail.

That means no significant fiscal stimulus on the horizon as workers face a resurging Covid threat, a faltering jobs recovery, millions of evictions, and the cut off of unemployment benefits for millions more.
It is an interesting contrast that there's no complaining by either party when it comes to the Federal Reserve providing $120 billion in free money to bankers and investors—every month since March 2020 and continuing for the foreseeable future. A little more than half of that for one month would cover all the $70 billion in back rent owed. A month or two more would provide unemployment benefits until well into 2022.

Another 'Rebound' Without 'Recovery'?

Last summer 2020 the US economy slipped into stagnation as Trump and the Congress failed to pass a true follow up stimulus once the first March 2020 Cares Act dissipated by late summer. The result was the attempted reopening of the economy became a temporary 'rebound' of the economy, not a sustained 'recovery'. The two are quite different. A similar scenario now seems also possible a year later once again, in summer 2021.

The economy has now reopened a second time. Capitalists once again believe that will be sufficient to generate a sustained recovery this time, even though it didn't last summer. This time it will be different. There's the vaccine, they say. There's also the more virulent delta variant causing infection rates as serious as last winter's prior wave, but now in the summer when the effects are supposed to have moderated. Most importantly, there is no further fiscal stimulus on the horizon.
What have is the emergence of a 'creeping austerity—as Covid is resurging in a more contagious delta form while only 53% of the country is vaccinated and at least 40% is adamantly opposed to ever become so.

In the words of the great philosopher, Yogi Berra, it's beginning to seem déjà vu all over again.

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