WORLD BUSINESS ACADEMY
Sharing the Vision... Building the Network... Healing the Planet

PERSPECTIVES

by ***Rinaldo S. Brutoco***

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"TAKE THIS JOB AND SHOVE IT!"

Worker driven economic growth

Have you heard all the news stories lately about "the Great Resignation" (or as some podcasters are calling it, the "Take this job and shove it" moment)? Tune into CBS, NBC, ABC, CNN, MSNBC or pick up a copy of the Economist, the Wall Street Journal, New York Times, Washington Post, or even your favorite internet news service and you'll be hearing lots about it. What's peculiar about the phenomenon is that it is only affecting the United States and none of our European or Asian allies.

So, what is this uniquely American affliction? Why have so many Americans refused to re-enter the workforce even at wage levels substantially higher than they were pre-pandemic?

The term "the Great Resignation" refers to the fact that over four million Americans left the workforce who, one would normally have expected, should have returned to work once the pandemic eased — but didn't. The unemployment rate has dropped to 4.2 percent, yet millions of currently still available jobs remain unfilled.

Let's start with a look at the alternative. Europe and leading Asian industrial economies took a different approach to the Covid pandemic than the US. They chose to send financial support to companies in return for keeping people on their payroll. For reducing churn on employment, this worked extremely well as the idle employees were in place to re-open as the pandemic came under more control. In addition, workers in European nations enjoy much stronger workplace protections than commonly available here in the US.

The United States, on the other hand, gave checks directly to the employees. This direct payment was enormously helpful in keeping the economy afloat but encouraged every worker to start thinking like a "free agent" with less loyalty to historical employers and more attention on their own after-tax income.

The federal minimum wage has been stalled at the shockingly low, non-livable rate of $7.25/hour since 2009; meanwhile inflation has risen 20 percent in the same period. With absolutely no change in the federal minimum wage, the states have been forced to raise their minimum wages. For example, California is at $14/hour for smaller employers and $15/hour for companies larger than 26 employees starting January 1st. The California laws, and those of many other jurisdictions, have for years been the last resort of state governments who have seen greater numbers of their population fall into poverty and even homelessness, while working a full 40 hours per week.

Fortunately, that state intervention isn't needed at the moment as today's tight job market is driving wages higher from the bottom up instead of the other way around. As reported last week in this column, wages for the bottom 25 percent of the workforce increased faster than the top 75 percent for the first time since the 1970s!

There simply are not enough folks around wanting to work to keep wages low.

The shortage of qualified workers applying for jobs is likely to push wages still higher in the coming months. Yes, this will add to a temporary increase in "wage-push" inflation, but it will also result in real wage gains that will ultimately provide far more economic value to our "consumerist" economy than the transient inflationary impact. It is a big "Net Plus" to the economy.

The fact that so many folks have decided to not return to their former workplaces are giving workers a much stronger bargaining position than they've had in five decades! This ability to increase one's individual paycheck is one reason for the Great Resignation. It's a tool to increase worker bargaining power—and it's working.

On this point, however, let's dispense once and for all with that old canard that temporarily paying higher unemployment benefits kept people from returning to work. The data is now overwhelming that those states who cut higher unemployment benefits many months ago are suffering the same rate of "resignation" as the more progressive states like California. The real reasons are other factors which are outlined in this column.

Workers are demanding more control generally, and specifically better workplace conditions as they look at the offers on the table before them in deciding whether it's worth it to them to return to the workplace.

One issue is the cost of commuting, which is exorbitant in the US due to the severe lack of quality public transit or affordable housing near jobs. It was not uncommon before Covid, particularly in California, for workers to spend 90 minutes or longer commuting each way to work on clogged freeways – contributing to a continuous deterioration in the quality of life and massive costs for automobile-related expenses, especially fuel. Don't underestimate traffic congestion and the cost of gas as a real drag on more people willing to return to the workforce.

Also, many folks who are 55 or older have decided they've had enough of "the rat race" and are opting to reduce their future income by choosing early retirement. They are voting with their feet to leave the workplace permanently and settling for less in current income in return for greater personal freedom and more personal "downtime."

Finally, and this is the largest category for non-returning workers, many women would genuinely like to return to the workplace but the cost and/or lack of availability of consistent childcare has prevented their return. Providing for quality childcare to all families regardless of wealth status is probably the most important proposed piece of President Biden's "Build Back Better" act that was passed by the House but remains bogged down in the Senate. More than anything else that legislation would unlock the return of up to two million women to the workforce, which would make that section of the act one of the most economically important to the entire economy.

Even as union membership continues its multi-decades decline, workers are regaining increased leverage in our economy and that is all to the good. While small businesses may be having trouble adjusting to near-term higher labor costs, especially those who are critically short of help in the service sectors, wages rising on the bottom is the one sure way to dramatically raise the economy. As is often remarked, a rising tide carries all ships—especially those on Main Street.

Published in the 12/09/2021 edition of the Montecito Journal