

Unemployment and inflation: Economic recovery for capitalists doesn't mean recovery for workers

written by Gary Wilson
July 6, 2021



Prices are rising at their fastest rate since 2008.

[President Joe Biden said](#) after the June jobs report: “Our economy is on the move.”

Biden was referring to the [Department of Labor report](#) released July 2 which said that job growth in June was higher than expected. That’s the politician’s spin.

The details of the report (not in the spin) are that the unemployment rate rose to 5.9% from 5.6% the month before; 9.5 million people are still considered “unemployed,” almost double the number of unemployed in the month before the coronavirus shutdowns began in February 2020. And 14.7 million people are still claiming unemployment benefits under all programs, according to the Department of Labor.

Looking more closely at the jobs report, the Labor Bureau says that in June some 6.4 million people wanted a job but did not actively look for a job over the previous four weeks or were unavailable to take a job. Therefore, these are unemployed workers who are not counted in the official unemployment figure of 9.5 million.

There are many reasons why workers are not looking for work or are unavailable. This includes having to take care of children when schools and daycare centers are not fully open, as well as those who have been unable to get vaccinated.

Many of the unvaccinated are working class. Vaccinations have been easily available for the millionaires and managers, but for the working class there are a great many obstacles. As of July 1, only 47.6% of the U.S. population has been vaccinated and this has been done mostly on class lines.

The main obstacle to vaccination is access, says [Dr. Thomas R. Frieden](#), a former director of the Centers for Disease Control and Prevention. Racism and class have meant that vaccines are often unavailable, which has increased the level of distrust in the vaccines. The lowest vaccination rates are in areas “characterized by high poverty rates, crowded housing and poor access to transportation,” the New York

Times reports.

Whose wages increased?

Another part of the Labor Department's report that's getting the spin is the indication that average hourly earnings rose for "everyone." What the figures reflect is that higher-paid workers who have kept their jobs and switched to working from home have gotten a pay increase. A closer look at the Labor Department report shows that Black and Latinx workers aren't getting jobs, much less a meaningful pay increase.

Center for Public Integrity's [Alexia Fernández Campbell reports](#): "Black and Latino employees, many of whom work in the service industry, lost their jobs at a higher rate than everyone else. They were also less likely to qualify for unemployment aid because many live in states that have made it harder to access the benefit. ... If you look closely at the numbers, a familiar theme emerges. The recovery is not the same for everyone."

The Labor Department report does show that employment in the leisure and hospitality industry — which includes restaurants and hotels — is slowly restarting, but employment in this service industry is still down by about 2.18 million workers compared to the peak in February 2020.

Employment in manufacturing rose by only 15,000 jobs in June. The number of workers in manufacturing is still down 481,000 from February 2020.

While employment is down, manufacturing production fully recovered in May compared to February 2020. During every capitalist downturn, manufacturers respond by investing in automation or by moving production to low-wage areas, if possible.

While employment in manufacturing peaked in the 1970s and has since fallen by

about one-third, production, boosted by high-tech automation, continued to rise until the end of 2007. During the Great Recession (2007-2009), manufacturers mostly relocated production to other countries. Production never recovered to the 2007 peak.

Then, in March 2020, factory production in the U.S. practically disappeared. But by May 2021, production was back to February 2020 levels, but with 481,000 fewer workers.

The number of employed workers won't return to its pre-pandemic level until 2024, according to a [Congressional Budget Office report](#). The same report says that the "economy" is near a full recovery. That is, the profits of the capitalists are recovering, not the jobs of the workers.

Inflation: pay cut for workers

Meanwhile, there has been a general increase in prices across the U.S., also known as inflation. Prices are rising at their fastest rate since 2008.

For workers, inflation is not good, because it cuts into their pay as the prices of necessary food, housing and transportation rise. Capitalists, on the other hand, tend to like some general inflation as it gives them an opening to raise prices.

When the news reports claim that wages are going up, they never honestly explain if the raises are even keeping up with inflation. The wage rise in the Labor Department report does not meet the rate of inflation.

The prospect of higher wages sounds like good news for layers of workers previously on minimum wage levels or even below. But wage increases that are being reported in the news at best have been about 3%. With the official U.S. inflation rate [hitting 5% in May](#), real wages are actually falling.

The “economic recovery” is being driven by the Federal Reserve “printing” enough money to keep interest rates from rising as the growing budget deficits of the government are holding up the economy. This, they hope, will cause the economy to recover and boom. A booming economy means high profits for business while “full employment” means rising wages for workers.

The rise of inflation threatens to disrupt any economic recovery at this time and could lead to a serious downturn.

The Biden administration and the Federal Reserve hope that the current surge of inflation reflects shortages caused by the COVID-19 pandemic and will die down as the economy returns to “normal.”

However, if inflation does not die down, it could deteriorate into stagflation — that is, persistent high inflation combined with high unemployment and slow economic growth.

The Federal Reserve can always halt inflation by making money “tight” and allowing interest rates to rise, but if it does that any recovery would stop with many millions still unemployed.

