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# Fighting Austerity for Racial and Economic Justice

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**CLASP**  
The Center for Law and Social Policy

## Introduction

In early 2020, advocates were cautiously optimistic as a new decade awaited, one that could be free from the economic crises, slow recovery, and painful mistakes of the last one. Nine months later, as the summer of 2020 ends, the atmosphere could not be more different. The coronavirus (COVID-19) epidemic has devastated the United States and the world, disproportionately infecting and killing people of color, while shutting down schools, businesses, and economies.<sup>1</sup> On June 8, the National Bureau of Economic Research (NBER) announced that the U.S. economy had officially been in recession since February.<sup>2</sup> Congress passed several recovery bills to provide immediate relief, most notably the Coronavirus Aid, Relief, and Economic Security (CARES) Act in late March. However, these efforts fell far short: unemployment rates for workers of color still hover in the double-digits and tremendous uncertainty remains about education, employment, and other economic activities.

Our nation badly needs another economic recovery package, and several supports from previous bills have either expired or will sunset soon. Struggling workers, families, and students did not get sufficient relief from either the \$1,200 stimulus checks—which not all workers and families received—and have long since been spent, or the president’s executive actions on unemployment insurance benefits, the suspension of student debt payments, or the federal moratorium on evictions.<sup>3</sup> As a result, we have an increased urgency for government spending and fiscal support to states. Yet, as past economic crises have shown, without sustained federal support, states will be forced to implement harsh austerity measures, rather than fund critical programs to help workers and families survive and recover.

**In this brief, the Center for Law and Social Policy (CLASP) spells out why federal fiscal relief is imperative for states to avoid harsh spending cuts that will have severe consequences on communities of color and the economic recovery.**

### What is Austerity?

- Austerity measures are defined as a set of economic policies at the federal, state, or local level that aim to reduce public debt through harsh spending cuts and by reducing public benefits.
- When adopting austerity measures, policymakers often impose additional fines and fees to increase government revenue and balance budgets. These payments seek to shift costs away from the government. They can take many forms, including increased tuition in public higher education or funds accrued in the carceral system, such as fees for bail, probation, and administrative processing. costs.

Austerity is not just an economic issue; it is also a critical racial justice issue. Austerity measures fall most severely on people of color, especially Black, Latinx, and immigrant people who work in jobs paying low wages. Our analysis of austerity policies from the last 10 years shows that inadequately supporting states, which are required to balance their budgets, would be disastrous to workers who were struggling before these crises began. CLASP also proposes **policy recommendations**, most importantly state support and stabilization. And more specifically, we advise additional investment in critical programs to support families and workers, such as the Supplemental Nutrition Assistance Program (SNAP), unemployment insurance, Medicaid, and paid sick and family leave. During a recession, investing in key public programs that help workers meet their basic needs can effectively promote a recovery amid an unforeseen global shock.

### Without Federal Aid, State Austerity Measures Will Further Harm People and Workers

Economic crises—and resulting reductions in state tax revenues—challenge public sector spending, whether it is for government jobs, public benefits, postsecondary education, workforce training or other programs. Yet, it is precisely the time of economic crises that social safety net programs and other government investments are needed the most because people are losing their jobs or their income is stretched. For example, in a recession, struggling families might need access to unemployment insurance or nutrition assistance. Prospective and current postsecondary students would benefit from additional financial aid. However, the periods during and after major crises are when much of this spending on state infrastructure is cut and underfunded. Nearly all states are constitutionally required to balance their budgets, so they must be supported by the federal government.<sup>4</sup> Families, workers, and students bear the brunt of the shortfall if the federal government inadequately or only temporarily supports states.

This is exactly what happened after the Great Recession of 2008. In the 12 years since, public spending on higher education has remained lower than pre-2008 levels in many states. And the number of families benefiting from the Temporary Assistance for Needy Families program

(TANF) stayed flat, despite a definite increase in poverty.<sup>5</sup> Similarly, many state public benefit programs were depleted after the 2008 crisis. This was the case with unemployment insurance. As a state-federal partnership, TANF relies on federal funding to adequately serve people in need. But without further federal funding, states saved money by implemented harsh limits such as cutting the amount and duration of benefits or complicating eligibility requirements. These policies have left states extremely vulnerable to the current crisis, as several are now struggling to meet the surge of workers requiring benefits.<sup>6</sup> While the American Reinvestment and Recovery Act (ARRA) of 2009 was a necessary first step to help communities rebuild after the recession, once those federal funds ran out, states were forced to implement austerity measures.

Austerity and its consequences are no longer hypothetical problems. The COVID-19 crisis has led to a steep decline in state sales and income taxes, as well as crippling budget shortfalls for FY2021, which began in July.<sup>7</sup> Since the vast majority of states are not permitted to run budget deficits, the federal government could use its ability to borrow money to increase spending during a recession. However, to date Senate Republicans have proposed only a narrow aid package, and the House and Senate have not yet come to agreement on a next COVID package.

### **Why have this conversation now? Isn't the economy recovering?**

In August, national unemployment fell to 8.4 percent from a high of 14.7 percent in April. Since then, prominent policymakers have argued that a swift economic recovery was underway, and the urgency of federal aid had diminished.<sup>8</sup> This view could not be more shortsighted. The consequences of inaction will immensely hurt workers, especially workers of color. Declaring that the economy is recovering based on a slightly lower overall unemployment rate misses important points:

1. The double-digit jobless rate for workers and youth (aged 16-24) from Black, Latinx, Native American, Asian, and immigrant communities, is still much higher than the national average both now and during the Great Recession. Among some groups, such as Black women aged 16-24, the unemployment rate of 25.6 percent is just over three times higher than the national rate. If only white workers are seeing their jobless rates fall to single digits, that is a clear sign that we do not have an equitable recovery.
2. As of September 5, over 28 million people were still filing a new or continued unemployment claim, including for regular unemployment insurance (UI), Pandemic Emergency Unemployment Compensation (PEUC), and Pandemic Unemployment Assistance (PUA).<sup>9</sup> This need shows that workers are still relying on UI to cover their basic needs, and they need extended federal support.
3. The economy is entering into the "permanent job loss phase." Workers laid off in May/June are far less likely than before to get their original jobs back.<sup>10</sup> Layoffs will likely persist, especially if businesses close down again due to COVID-19 spikes.<sup>11</sup>

In the face of little or no additional federal aid, states would be forced to implement austerity measures and budget cuts, which would only deepen structural racial inequities and deny recovery to workers of color. Anti-austerity policies, in the form of bold, expansive spending programs, are the only way forward to lasting recovery and stability.

The economy is in the midst of a sharp recession. States are struggling to support unemployed workers and manage a public health crisis, particularly in K-12 schools and higher education as fall semesters progress. They are doing so while also facing a budget crisis due to plummeting revenues.

The federal government must support states before they implement major cuts. By preventing austerity measures in the wake of COVID-19, policymakers can also advance racial equity and justice. Workers of color face the compounded impact of increased risk to COVID-19 and greater losses than others from the economic recession. They will lead to the most destructive consequences of austerity policies. Policymakers must intervene to provide economic relief.

*By being forced to implement austerity measures, states would only deepen structural racial inequities and deny recovery to workers of color*

## Learning from the Past: Austerity Slows Economic Growth

The United States is in a uniquely dangerous type of recession, one triggered and continually threatened by a pandemic that shows little sign of ending. With clear examples from the Great Recession, policymakers can recall the lessons learned from the economic collapse and their legislative response, rather than repeat the same mistakes. In the last recession, austerity measures became a defining trend that heavily contributed to the slowed economic recovery, and that economic crisis occurred without a pandemic. Today, advocates and policymakers must advance solutions that support those most harmed by the current crisis, most importantly through federal support to states.

After the Great Recession, and in direct response to the decline in tax revenue, state and local governments were forced to balance their budgets through austerity measures. While ARRA was pivotal to rebuilding the economy, it was not enough. Federal support to states quickly ran out. Congressional Republicans' insistence on spending cuts, such as the Budget Control Act of 2011, seriously diminished any further federal aid to states struggling through a recession.<sup>12</sup>

This lack of funding and tax revenue led most states to cut their public spending:

- 43 states cut higher education spending,
- 31 states cut health care services, and
- 44 states cut employee compensation.<sup>13</sup>

State and local governments may have believed at the time that these decisions were fiscally prudent. However, the consequences over the next decade would be devastating to households and workers who lost income, social programs, and health care due to many states' refusal to expand Medicaid.<sup>14</sup> Austerity measures also deeply undermined national economic growth and recovery from the recession.<sup>15</sup> States that cut funding and programs ultimately fared much worse than states that increased investment. Those with higher spending cuts saw higher unemployment rates, sustained and created fewer private sector jobs, and experienced overall slower economic growth.<sup>16</sup>

Some states used the budget crisis and lack of federal aid as an opportunity to underfund certain programs, re-prioritize spending, and actively implement anti-worker policies. For example, beginning in 2013, the Florida unemployment insurance system was essentially designed to limit benefits and deny claims.<sup>17</sup> Nine other states cut the duration of unemployment insurance benefits after 2011, leaving their systems woefully underfunded and unprepared in today's crisis.<sup>18</sup> It is also worth reiterating that states with the least generous unemployment insurance schemes have the highest concentrations of Black and Latinx workers in jobs paying low wages.

### **Cutbacks Threaten a Decade of Economic Loss**

Austerity measures were so harmful to states that 2008-2018 became a "Lost Decade." That is, states missed out on over \$250 billion in tax revenue and could not return to pre-crisis levels of spending and investment.<sup>19</sup> In 2018, almost half of all states were still spending less than before the crisis, by, for example, dedicating 13 percent less funding to higher education.

Local, state, and federal policymakers implemented austerity measures. These measures can take many forms, such as spending cuts and layoffs. One of the most painful austerity measures for individuals and families was the shedding of government jobs, from local positions to federal employment. It hurt workers—especially Black workers—immeasurably, given that public sector jobs have long paid well, provided benefits, and offered a path toward economic mobility.

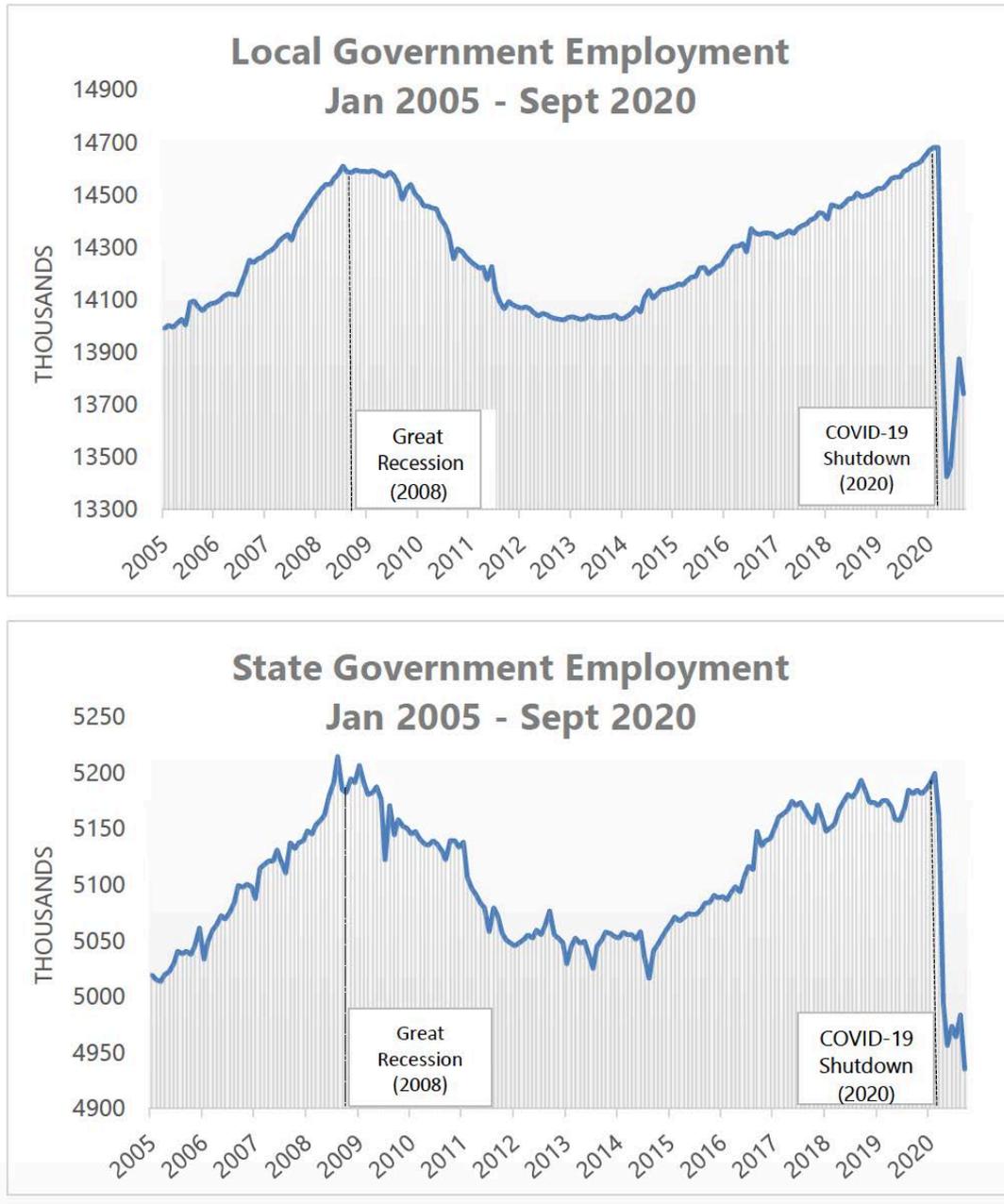
Currently, states are following this same pattern, cutting public sector budgets in the absence of further federal support. In May 2020 alone, half-a-million public sector employees were laid off.<sup>20</sup> Figure 1 shows state and local employment from 2005-2020. After the 2008 crisis, as the recession deepened, governments slowly cut jobs. The decline is dramatically steeper in 2020. If policymakers carry out the same austerity policies today, we risk another lost decade.

When governments start to pull back spending on infrastructure, education, and public benefits, communities that most need those programs face the greatest harm. Additionally, funding cuts can lead to gaps in enforcing critical labor standards, hurting workers in jobs paying low wages who are disproportionately people of color and immigrants.

Cutbacks also create lasting damage to the economic health of communities. Austerity measures create disparities in education and job access by reducing opportunities and raising costs.<sup>21</sup> Such policies only deepen existing racial inequities in education and the labor market,

as even less funding supports people of color and their employment, schools, and neighborhoods. In higher education, for example, public institutions have continued to shift costs onto students through tuition and fee increases. Students' share of higher education revenue rose by 10 percent in the last decade, to 46 percent. Some states, like Vermont, now require students to bear as much as 87 percent of the cost of public higher education.<sup>22</sup> As a result, students from wealthier backgrounds are more likely to attend, succeed, and graduate from many postsecondary institutions.

**Figure 1: Austerity Measures Decimate Government Jobs**



Source: CLASP Analysis, Bureau of Labor Statistics, "Employment, Hours, and Earnings from the Current Employment Statistics survey", Series CES9092000001 and CES9093000001, August and September data still preliminary.

## Austerity and the 2020 Coronavirus Recession

Under the normal austerity patterns during a recession, we would expect steep public sector cuts. For example, in 2010, when over 200,000 government jobs were cut, the top mass layoffs occurred in K-12 schools, public transportation, food service, and child care services.<sup>23</sup>

Today, these sectors have also been hit hardest by COVID-19, with unique harms to workers and families navigating schools and child care closures:

- **Education:** Public education systems, from elementary schools to large state universities, have had to move to on-line learning due to fears of virus transmission. In addition to merely disrupting learning, the discontinuation of in-person instruction is threatening educational development and outcomes for millions of students. Many students do not have reliable broadband internet or the ability to replicate instructor or extracurricular support at home.<sup>24</sup> The shift to online education has intensified racial and income inequities in many ways. A recent analysis of the online education platform Zearn showed that, in middle- and lower-income districts, students moved through their curriculum at less than half the pace of in-person schooling.<sup>25</sup> Coronavirus has already had a devastating impact on students, families, and workers. Further austerity measures will only compound this impact, worsening disparities.
- **Child care:** Similarly, publicly funded child care may be cut as a part of austerity measures, which will undoubtedly harm families, children, and household recovery and stability—not to mention the economic recovery overall.<sup>26</sup> The lack of safe, reliable child care options will overwhelmingly hurt working parents, especially women, many of whom are also struggling with reduced income and hours.<sup>27</sup> Child care workers also face serious health concerns, as the risks of contracting COVID-19 remain high. Child care workers are disproportionately women of color and immigrant women. Even before the pandemic, a study found Black early educators were paid 78 cents less per hour than their white peers.<sup>28</sup> Austerity measures and cuts to child care, coupled with the health and economic aftershocks of COVID-19, will widen already stark racial, income, and gender disparities.<sup>29</sup>

### Austerity Is Bad for People and the Economy

In addition to hurting people, **austerity is also incredibly harmful to the economy**. Historically, one of the most effective ways Congress has strengthened a distressed economy was by providing direct aid to state budgets.<sup>30</sup> Though not all aid programs have the same effect, research has shown that investments in public programs create large returns. Funding unemployment insurance, nutrition assistance programs (like SNAP), and critical infrastructure results in more economic activity than the original investment.<sup>31</sup>

This “bang for your buck,” known as the government multiplier effect, means that every dollar put into a public program will generate more dollars in economic activity. For example, when a family receives SNAP benefits, they might spend them at a local grocery store, which then supports that small business owner as well. Economists differ on how big a boost the economy would get from the federal investment. While the boost depends on the economic conditions of the time, most data suggest each dollar of federal spending yields 1 to 2.5 times more in economic activity. For example, estimates suggest that:

- Each dollar put into unemployment insurance could generate \$1.61 in economic activity.<sup>32</sup>
- Every dollar invested into SNAP could generate between \$1.54 and \$1.80.<sup>33</sup>

These programs are not only essential to people’s wellbeing and survival, but they can promote an economic recovery. In this way, contrary to the claims of many opponents of spending, federal investments are cost effective.

In addition to data from the Great Recession, a growing field of recent evidence has shown the value of increased government support in a downturn. New research shows that in the current recession, states with more generous unemployment insurance have already had less severe declines and faster recoveries.<sup>34</sup> If states were to once again implement austerity policies, rather than invest in programs that support basic needs, it would have devastating consequences on workers and the national recovery effort. This is why further federal aid is essential.

## Fighting Austerity is a Racial Justice Issue

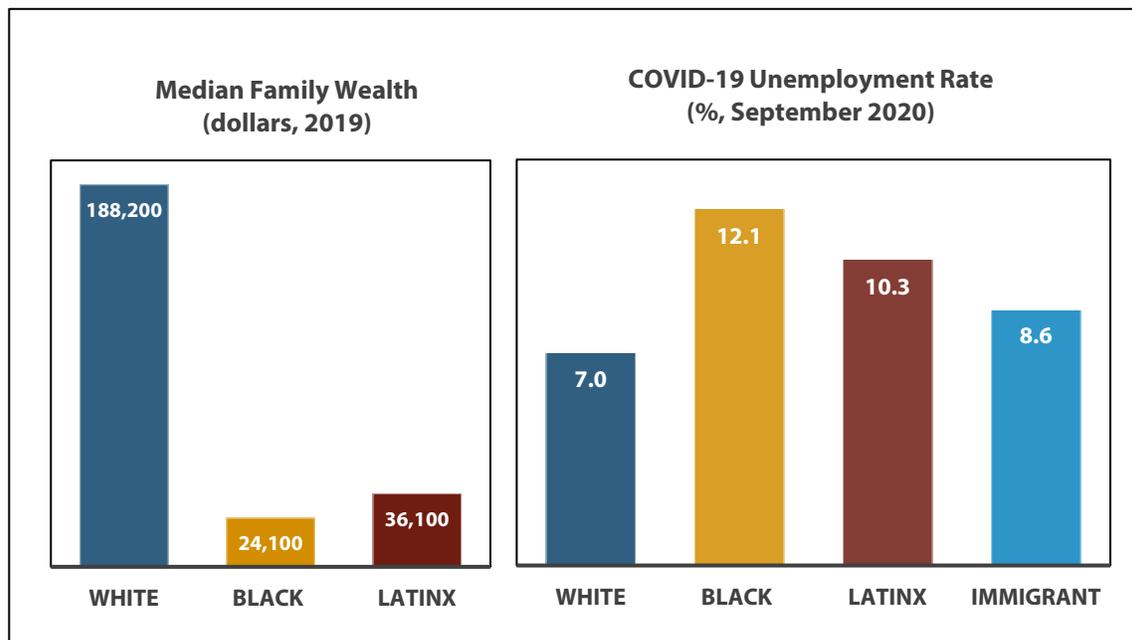
Fighting against austerity measures is both an economic policy issue and one of racial and economic justice. Austerity policies, whether as layoffs or school tuition hikes, disproportionately hurt African Americans, Latinx people, immigrant workers, Native American and tribal communities, and women.<sup>35</sup> The public sector is one of the most important sources of high-wage employment for Black workers. Black public sector workers are more likely than Black private sector workers to be unionized, own houses, receive benefits, including retirement, and move into the middle class.<sup>36</sup> Cutting these jobs wipes away vital opportunities for Black workers who have been historically and systematically

discriminated against and denied and barred from such opportunities.<sup>37</sup>

### Spending cuts exacerbate harms of the racial wealth gap

The last decade of austerity, along with the nation's continuing legacy of systemic racism, makes Black, Latinx, and Native American and tribal people most vulnerable to public cuts.<sup>38</sup> Labor market inequities, as well as formal and informal discrimination, have contributed to workers of color being overrepresented in industries with historically low wages.<sup>39</sup> As a result, many have been forced to rely on unemployment benefits or income assistance as a lifeline.<sup>40</sup> Further, policies that created the intergenerational racial wealth gap have meant that Black workers have less inherited money and assets to weather economic downturns. Years of economic and educational segregation broadened wealth inequity, which is especially acute between white and Black families today. The net worth of a white household in 2016 was around eight times higher than a Black household, as shown in Figure 2, a disparity that continues to have devastating consequences on people of color.<sup>41</sup>

**Figure 2: Racial Wealth and Employment Disparities**



Source: Federal Reserve Board, 2019 Survey of Consumer Finances, Bureau of Labor Statistics, September Employment Situation. Note: while the data we analyzed used “Hispanic” and “Foreign-Born,” we refer to this population throughout the paper as “Latinx” and “immigrant” respectively.

For example, Black borrowers graduate with the highest average student loan debt, at \$34,000. Facing several barriers to economic security, they also have higher default rates than their white counterparts.<sup>42</sup> Wealth and income inequities lead to Black students taking much longer to repay debts while struggling to cover current needs. They may also be forced to postpone major life decisions, like buying a house, or starting a family. Black families have still not recovered from losing wealth in the 2008 crisis.<sup>43</sup> The range of austerity measures put in place after the Great Recession hit Black students and workers the hardest.<sup>44</sup> If policymakers

return to choosing austerity over investment, it will harm Black workers and hamper their future economic prosperity.

### **Austerity measures strain public programs, most harming families of color struggling to make ends meet**

In the pandemic and subsequent recession, we've already seen an increased need for social services and public benefits across the board. For example, one in six workers have applied for unemployment insurance.<sup>45</sup> Applications for SNAP nutrition assistance have surged in the last three months. While schools are closed, nearly all states are now providing federally funded Pandemic-specific Electronic Benefit Transfer cards to feed students who usually receive free or reduced-price meals at school.<sup>46</sup> Nearly 14 million U.S. children are not getting enough to eat, with Black and Latinx families disproportionately affected.<sup>47</sup> In the absence of an adequate government response to workers' and families' needs, non-profits have been overwhelmed and are struggling to close the gap.

In addition to being gutted by past austerity schemes, public benefit programs have historically been structured to exclude and discriminate against workers of color. They have also perpetuated racist stereotypes.<sup>48</sup> This institutional racism persists, as many vital programs are not designed or implemented to meet the needs of workers of color. This blend of austerity and racism is showing up in families' daily struggle to survive the pandemic:

- Food banks are experiencing lines around the block.
- Stimulus checks largely went to rent and bills, rather than buying new goods and services to boost the economy.
- State unemployment systems are crashing or are severely backlogged.

The stress on the social safety net, including direct emergency service providers, is unsustainable. This dysfunction continues to excessively harm workers of color and their families. Federal and state leaders must continue to invest in these important programs to avoid further harming communities of color.

### **Due to racial bias, fees imposed to pay for spending cuts fall hardest on people of color**

When local and state policymakers start relying on extra fees to make up for diminished tax revenue, they often manifest as surcharges for activity throughout the criminal justice system. Due to decades of racist policies in policing and the growth of the prison-industrial complex, Black communities are disproportionately affected by the justice system. As a result, the cost of austerity measures most threaten the financial security of people of color.<sup>49</sup>

The U.S. Department of Justice (DOJ)'s investigation of the Ferguson, Missouri, police department offers one example of this harmful practice. DOJ discovered that the city government's budget planned for sizable increases in revenue through criminal and court fees each year. In 2015, these payments made up the city's second-highest source of revenue.<sup>50</sup> Given that Black people are imprisoned five times more than white people nationally, the financial burden of accrued fines continues to fall largely upon the Black community.<sup>51</sup>

## Policy Prescriptions to Support Workers and States

Averting austerity measures through robust federal support to states is the key to advancing economic recovery and racial equity. Congress must do all it can to support states so that states, in turn, can support workers and families. Now is the time to invest in workers rather than allow states to cut salaries, jobs, and public supports. We recommend three broad “anti-austerity” policies to support workers and states:

- state aid and stabilization
- investments in public programs like unemployment insurance, the Supplemental Nutrition Assistance Program (SNAP), and Medicaid
- paid leave policies

To be most effective, such policies need to include robust worker protections and aim for workplace and labor market equity. Workers should not only be heard and supported, but also able to take an active part in the decision-making and have an equal seat and stake as employers and corporations.<sup>52</sup> After all, workers are the foundation of any economic growth and recovery.

The following policy recommendations would support workers and promote broad economic recovery from the ongoing pandemic and recession.

### 1. Federal Policymakers Must Prioritize State Aid and Stabilization

Federal support is one of the most important anti-austerity measures for states. Without federal aid, states will be forced to implement damaging policies such as budget cuts to education, social services, and public employment, among other key sectors. Since nearly all states are required to have a balanced budget and policymakers may not be able to raise taxes during a recession, states are highly likely to implement austerity measures.<sup>53</sup>

The CARES Act provided \$150 billion in a Coronavirus Relief Fund for state, local, and tribal governments. It also allocated \$30 billion to help states support their K-12 schools and higher education systems. While this was a necessary first step, it is far less than what states need. Since a new fiscal year began in July, states are facing a looming budget crisis without further support. Budget shortfalls for all 50 states, the District of Columbia, and Puerto Rico could reach up to \$615 billion over the next three fiscal years. This amount does not even include the investment necessary to fight COVID-19.<sup>54</sup>

To support those most harmed by the recession, federal support must be allocated to programs that support people with low incomes, and states must be held accountable to refrain from budget cuts that hurt those most impacted.

States need further funding to support education, child care, health, and unemployment systems. States will also need to invest in workforce training and development; many workers might not be able to get their original jobs back and will be entering a radically different job market. State cutbacks resulting from gaps in federal investment will leave workers of color and those who are paid low wages shouldering the most severe consequences. Already, 11

percent of the workforce is out of a job, with little chance of getting it back. Without state and federal support, this number will likely increase.<sup>55</sup> The federal government's failing to support and provide aid to states is irresponsible, unfair, and extremely damaging. By choosing not to provide further aid to states, federal policymakers will harm workers, their families, and the national recovery.

## 2. Federal and State Lawmakers Must Fund Paid Leave Policies

Paid leave protects and supports workers and the public, especially during economic downturns and public health crises. These leave policies include paid sick days for short-term illnesses and to obtain preventative care, as well as paid family and medical leave for longer-term care for serious illnesses or bonding with a new child. Workers without paid sick days are 3 times more likely to experience poverty, 1.4 times more likely to need income support, and 1.3 times more likely to receive SNAP.<sup>56</sup> Workers who must take an unpaid sick day also risk retaliation or job loss, putting them in an even more precarious position, as unemployment continues to rise in many sectors. This economic volatility, coupled with the serious and potentially life-threatening risk of COVID-19, puts workers in the impossible position of choosing between their livelihood or physical wellbeing.

Paid family and medical leave is also a powerful anti-poverty tool that increases workers' economic stability. It advances gender equity, boosting female attachment to the workforce.<sup>57</sup>

On December 31, 2020, the emergency Paid Family and Medical Leave and Paid Sick Leave provisions in the Families First Coronavirus Response Act (FFCRA) are set to expire. These provisions granted some private-sector workers access to federal paid leave benefits for the first time in American history. They were meant to help keep many workers and their families safe and contain the spread of the contagion.

However, due to exclusions built into the legislation and over-broad interpretation by the Department of Labor, more than 106 million workers nationwide have been excluded from these critical emergency protections. Many of the workers who have been left out are frontline and essential workers, such as grocery, delivery, and health care workers. Furthermore, workers are largely unaware of these rights. Nearly half of Americans have heard "very little or nothing" about the new emergency paid leave benefit.<sup>58</sup>

***This economic volatility, coupled with the life-threatening risk of COVID-19, puts workers in the impossible position of choosing between their livelihood or their health***

In order for employees to harness their full benefits, states must continue to invest in these paid leave programs.

If these provisions expire, many states and localities with existing paid sick days programs may become overwhelmed, especially as they also face potential budget cuts that will make it harder to enforce these critical labor standards. It would also mean that states without an existing program would have no national program or federal standard to fall back on. Despite the possibility that this emergency federal policy will sunset at the end of the year,

policymakers in states with existing paid sick days and paid family and medical leave programs should not cut critical outreach, education, and enforcement programs that ensure workers can access these vital programs, especially during this pandemic.

Federal lawmakers should extend the emergency benefits, fix the legislative language to ensure all workers can access these temporary benefits, and pass permanent national paid sick days and paid family and medical leave programs that are comprehensive and inclusive. Paid leave has never been more popular. More than 8 in 10 (84 percent) voters support a comprehensive, national paid family and medical leave policy that covers all working people.<sup>59</sup> We cannot achieve the poverty-reduction benefits of paid family and medical leave and paid sick days without a national program and standard. The economic and public health importance of these dual paid leave policies have never been more urgent.<sup>60</sup>

### 3. Federal Lawmakers Must Strengthen Public Benefit Programs

Public benefit programs are effective in providing economic relief and resources **directly** to workers and families."<sup>61</sup> Strong public benefit programs allow people to more easily afford meeting their basic needs and maintain economic and household stability.

#### **Bolstering Unemployment Support**

In response to the 2008 crisis, state policymakers gutted their unemployment insurance (UI) and Temporary Assistance for Needy Families (TANF) programs, which were austerity efforts that hurt individuals and families. Today, federal leaders can ensure states aren't pushed down this path again. Yet the unemployment measures created by the FFCRA and CARES Act expired at the end of July. Some states are implementing the Trump Administration's executive action to supplement unemployment insurance, but some (or many?) of these states are facing implementation challenges. Moreover, the enhanced benefit through the executive action will be smaller than it was through the CARES Act.<sup>62</sup> Congress must pass relief legislation to support and expand UI eligibility and extend the \$600 weekly Federal Pandemic Unemployment Compensation (FPUC) benefits, which expired at the end of July and have supported workers during these difficult months. Lawmakers must also provide individuals and families with direct financial relief, like that allowed by the Pandemic TANF Assistance Act, by allocating federal support to states to continue this vital support.

The unemployment provisions included in the CARES Act were some of the most effective protections to keep workers from falling into deep poverty, defined as half of the federal poverty line (just over \$12,000 annually for a family of four in 2016).<sup>63</sup> Since the beginning of the recession, more than 44 million Americans have applied for unemployment, and its weekly benefits provide crucial household support. Expanded unemployment provisions, like the Pandemic Unemployment Compensation policy, kept many Black and brown households from newly falling into poverty.<sup>64</sup> A recent report by the Economic Policy Institute found that the extra \$600 in weekly unemployment insurance boosted incomes and made up nearly 15 percent of total wage and salary income—far greater than the pre-coronavirus high of 2.5 percent.<sup>65</sup> That UI benefits make up nearly 15 percent of household budgets clearly shows that such funds are essential for people to weather this crisis. The report also found that

extending UI benefits through 2021 would boost the nation's gross domestic product (GDP) by 3.7 percent and increase employment up to 5 million workers.

Despite the effectiveness of direct government support, however, millions of immigrant workers have been left out of programs and relief aid. Policymakers also excluded some tax-paying immigrant families from receiving the \$1,200 stimulus checks provided in the CARES Act. Their children are also left out of receiving these financial supports. Immigrant workers are key members of our workforce. Millions risked their lives as essential workers in hazardous conditions, often with few workplace protections. Congress must specifically include immigrant families in future legislation packages.

### **Extending Unemployment Support is Key to Advance Racial Equity**

Extending unemployment insurance is also directly connected to racial equity.<sup>66</sup> Black, Latinx, and immigrant workers are facing unemployment rates far above their white counterparts and the national average.<sup>67</sup> Black and Latinx workers are also more likely to be susceptible to COVID-19; more likely to work in jobs impacted by the virus and recession; and are concentrated in states that have slashed UI the most.

However, some policymakers and others have sought to limit this financial support by claiming it would disincentivize workers from returning to their jobs. Such arguments are not only wildly inaccurate, but also grounded in racist, classist stereotypes.<sup>68</sup> These assertions stigmatize people of color, immigrants, and the working poor, framing them as people who are lazy or not hardworking.<sup>69</sup> In reality, workers of color have always upheld the American economy. They continue to do so as frontline and essential workers amid the most challenging crisis of the 21<sup>st</sup> century. The federal government and states must support the workers who are risking their lives to support their families and keep the economy open. One effective way to do that is by supporting UI. Direct federal fiscal support to states will then allow states to expand and strengthen their UI systems, which will both help workers and aid in a national recovery.

### **Increasing Investment in SNAP Nutrition Assistance and Medicaid Coverage**

Similarly, Congress should continue to support critical health and nutrition programs like Medicaid and SNAP. A recent report found that 12 million Americans have likely lost their employer-sponsored health insurance during the pandemic.<sup>70</sup> Experts estimate that if the

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pandemic worsens and unemployment rises, Medicaid enrollment could increase by millions.<sup>71</sup> Like unemployment insurance, Medicaid is a shared state/federal partnership. Congress must increase the federal government's share of Medicaid costs, known as FMAP. While one of the coronavirus relief bills, the FFCRA, included

some expanded funding for Medicaid, the amount is not nearly enough. Congress risks repeating the pattern it used after the 2008 recession: an anemic crisis response followed by austerity.

Given that food insecurity has skyrocketed, Congress must also substantially increase funding for SNAP benefits. Current benefits only average \$43 per person per week. This amount is much less than what children and families need. Fighting hunger is especially critical as COVID-19 has caused many adults to lose jobs and income, and school closures have kept kids at home.<sup>72</sup> For many children in families with low incomes, schools were a key source of regular, nutritious meals.

### **Lifting Administrative Barriers in Public Programs**

The pandemic has also underscored the administrative burden of many public benefit programs, which are straining to support the surge of workers and people in need. Red tape hurdles not only impede staff and administrators from implementing programs, but also harm families as their support is delayed. Waivers to remove these barriers would allow these already-strained programs to function more smoothly and better address people's needs.

### **Stabilizing Public Supports for Workers and Families**

It's also worth implementing "automatic stabilizers."<sup>73</sup> Automatic stabilizers tie benefits to economic conditions, so crucial programs continue without the need for Congress to pass legislation each time. For example, if the UI provisions in the CARES Act included automatic stabilizers, they would stay in place until unemployment fell to a certain level, rather than ending at the arbitrary date set in the CARES Act. These stabilizers can help to ensure that the economy is in a significantly better position before ending or phasing out provisions that communities depend on.

These measures would provide crucial support to workers facing a health and economic crisis. They would also boost economic growth. With this federal support, states would not need to implement austerity measures or cut spending so harshly. As an indirect benefit, families would have more money to spend, increasing state revenue from sales taxes and other economic activity.

***By not passing further relief packages that provide funding to states, federal policymakers have failed to adequately support workers during the steepest economic crisis in a lifetime.***

### Fighting Austerity is Necessary to Support the Economy and Workers

Policymakers who oppose further federal aid to states argue that such spending is unaffordable, costly, and will raise the deficit. Austerity measures are then an unavoidable reality. However, after the 2008 crisis and in the current recession, it is clear that federal spending is the key to economic recovery and household financial security.

The argument that federal support to states is too expensive and will raise the debt is also based on inaccurate assumptions. **Personal/household debt is very different from the debt systems of the federal government.** Governments are *not* like households. Household debt cripples in the short and long run and must be repaid with strict deadlines. Meanwhile, government debt that's properly disbursed can create a stimulus effect and boost household income and consumption. Governments can also pay off debt in later years when the economy has recovered. During recessions and downturns when workers are already hurting, it is essential for governments to spend, not cut. Workers are already being battered by health and economic forces beyond anyone's control. They should not be further harmed by harsh austerity measures imposed by the government.

***To promote an equitable recovery, governments must spend, not cut***

The issue is priorities. When policymakers prioritize and invest in workers and people economically struggling due to historic and systemic inequities, governments can seed real economic recovery for communities, states, and the nation.

## Conclusion

Understanding the dangers of austerity measures is essential for promoting economic and racial justice. The debates around austerity are not just abstract concepts waged in academic journals and the floor of Congress. They have real and catastrophic consequences for people and communities nationwide. These harsh measures work to support the false narrative that social programs are ineffective. In reality, it is the austerity measures themselves, the cuts and layoffs and disinvestment, that have hobbled these vital programs over the decades.

Austerity measures have deep, lasting effects on states and the people they've failed. Such policies never revive consumer spending, and households remain financially insecure for years to come. Similarly, complex crises and recessions can have long-term "scarring effects," such as high long-term unemployment and more permanent disconnection from the labor force for many workers.<sup>74</sup>

Federal policymakers still have time to change the trajectory of today's economic crisis. With sustained fiscal support to states, we can mitigate the harm of some of these long-term scars. By not passing further relief packages with state funding, federal policymakers have failed to adequately support workers of color during the steepest economic crisis in a lifetime. U.S. leaders owe it to workers of color to keep them from suffering through a second Great

Depression. Austerity measures take away the government's ability to support workers and build strong, equitable communities. In this moment, it is more important than ever for policymakers to implement robust protections and benefit programs to ensure all people are economically secure—especially workers of color, who have been hit hardest by today's health and economic crises.

The consequences of austerity on workers of color are clear: mass unemployment, with little assistance to meet their families' basic needs. The United States traveled down this path after the 2008 recession and faced disastrous consequences.

If the federal government does not send further fiscal support to states so they can continue to fund vital programs and investments, the resulting economic misery will be a direct result of that decision. The federal government would be extremely irresponsible to force states to face high unemployment, hunger, and poverty when it can legislate differently. The overall health of the economy depends on working people, particularly workers of color. Advancing austerity would only harm them, deepen racial inequities, and further devastate the economy. Federal and state policymakers can instead respond to the COVID-19 recession with measures that protect workers' livelihoods, move racial equity forward, and promote economic recovery for all of our communities.

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