

Zanetti Monday Missive 2021.11.08 Take This Job And...

Hello Everyone,

"It is not the man who has too little, but the man who craves more, that is poor." — **Seneca**

That may be true, but there is no virtue in poverty either.

Today's missive looks at how so many working-class Americans have slipped into poverty over the past few decades. It is not an easy subject and "pure capitalist" acolytes will likely disparage some of my obvious sympathies.

So, without further ado (who says that anymore?) let's get to it.

A couple of weeks ago, I was talking to a small business owner. He relayed his frustrations about his inability to find people to work. I gave my usual answer of, *"We are paying people to stay home, order pizza, smoke weed, and play video games."* And while that is partially true, it is not the whole story.

He deserved a better answer. So, let's dig deeper.

Over the past several months, there has been a tectonic shift in labor-management relations. After decades of corporations having the upper hand, the tide has turned back to labor.

Many analysts and economists are predicting a *"Take This Job and Shove It"* recession. A recession driven by labor. And while no one wants a recession (or worse), I believe many are more aware (and sympathetic) to labor's plight.

Purchasing power for blue-collar America began declining in the 1970's. And when President Clinton allowed China into the World Trade Organization (WTO) in the 90's, the labor-rout was on. High paying manufacturing and tech jobs went east.

Since then, by any reasonable metric, wages stagnated or fell. The “Regular Joe’s” paycheck lost ground when compared against increases in rent, education, healthcare, childcare, utilities, and insurance costs. Purchasing power eroded and no one cared.

But it wasn’t just the money.

Corporations stopped thinking of workers as people--- but rather as “human resources.” To the bean-counters in corporate accounting offices, human resources were little different from natural resources. Just commodities. Easily changeable and replicable.

Corporate PR departments would occasionally send out notices exclaiming how much mega-Corp loved them. But workers knew better.

They knew they weren’t valued. Finding dignity in work? Being respected for your knowledge and having some say in how things could be improved? What a joke. Those intangibles come from personal relationships----not human resources.

When confronted, management’s response was, *“We’re paying you. Just do your job. And if you demand too much, we’ll just relocate to Mexico, or China, or Viet Nam.”* The corporate terms for this were “labor arbitrage” and “offshoring.”

Offshoring made for rapidly rising corporate profits, but at the expense of the social fabric...which is now shredding at an accelerated rate.

Then politicians saw the “*injustices*” and decided to “*do something about it!*” So, about 10 years ago, Congress passed a series of laws to “protect the workers.” But as is the case with most government interventions, the good intentions backfired.

The new rules applied only to full-time workers working over 36-40 hours a week.

So, employers hired employees for 32 hours a week. That meant they did not have to offer benefits. And forget about overtime pay. That led to the “gig” economy where workers had to find two (or three) part-time jobs just to keep up. And they quietly fretted over not having insurance or any type of retirement plan.

As Wall Street cheered, stress levels for millions of Americans rose dramatically.

Then Covid hit.

Not only did workers get paid to stay home, but they also had time to reflect. *“Why am I doing this?”*, they asked. *“My life is frittering away and all I am doing is making billionaires richer.”*

Even highly paid white-collar-technocrats started walking away from their 80-hour work weeks. *“Is it worth my life to try to get my year-end bonus in hope of escaping the treadmill.”* YOLO (You Only Live Once) became the quiet rallying cry for those chained to a cubicle.

During this reflection time, old “truths” were called into question. *“Why go into debt to pay for college? Upon graduation, all I can get is an entry level job. And then I’ll end up moving back in with my parents.”* (Greg note---Yes, I know many chose “party schools” and graduated with questionable “gender studies” degrees.)

Nonetheless, many felt betrayed.

What was the point of following the rules if upward mobility was no longer possible?

Then the post-Covid consequences hit.

Those who went back to work were confronted by an increasingly unhinged public. Flight attendants were attacked. Restaurant hosts were cussed at, shoved, and spat upon if they asked patrons to wear a mask. Or vice versa. If a patron did not wear a mask, wait staff was abused for not enforcing the mandates. And all for a lousy \$12/hour.

That same \$12 that was being eaten alive by inflation.

I could go on, but you get the point.

Anyway, I wonder if historians will look back and say, *“When billionaires went into space and expected praise and adulation from the masses who could barely make ends meet, that was the turning point.”*

And things have turned.

Supply chain problems, idiotic government policies, rising costs, and international tensions have made local labor suddenly very dear. The tide has turned ---and labor knows it.

The danger to the American economy isn't so much a labor rebellion (although old-fashioned strikes are coming back), it is people just quietly opting out. Workers walking away without fanfare. And an extra \$2.00/hour plus a free I-Phone isn't bringing them back. They want “catch up” provisions and some long-term guarantees.

These are the basics of the *“Take This Job and Shove It”* recession that many see coming.

And with it comes inflation.

Corporate America will automate as much as possible, but people are still needed. American people. And those higher wages will

be passed on to consumers. There is nothing “transitory” about this.

Signed, Your How-Did-Demands-For-Free-Health-Care-And-Free-College-Become-\$450,000-Per-Illegal-Immigrant? Financial Advisor,

Greg

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