REBUILDING THE PUBLIC SECTOR FOR ECONOMIC RECOVERY AND RESILIENCE

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Executive Summary

As the country crests the most devastating wave yet of the COVID-19 pandemic, there is growing optimism that the new administration will act quickly to stem the economic crisis: both by deploying the federal government's leadership to control the pandemic itself and by using the federal government's fiscal capacity to mitigate the economic damage caused by the public health crisis.

The Biden administration will need to turn around both of these failures quickly in order to prevent further catastrophe for millions of Americans and a sustained recession. But the disaster unfolding now is not just a result of policy failures over the past eleven months; it is the result of decades of disinvestment and austerity, accelerated during the Great Recession, which made us more vulnerable to this crisis. Local, state, and national austerity set the country up for a harsh, prolonged, and profoundly unequal recession. We face a pivotal moment now: we can repeat those mistakes, leaving us more vulnerable to future crises, or we can build back our public sector to make us more economically resilient.

It is certainly bad luck that the long-predicted[1] economic downturn was sparked by a pandemic, but our failure to meet this crisis with an effective public response is the outcome of years of deliberate policy choices. The austerity implemented after the Great Recession decimated both our ability to weather an economic downturn and our ability to handle any crisis requiring a strong public response. Long before COVID-19 emerged, many experts predicted that the next economic downturn would be unnecessarily long and harsh because of choices we failed to make in the wake of the Great Recession.[2] Insufficient financial regulation, continued tax breaks for the wealthy, public spending cuts, weakened labor protections and other policies have weakened our economy, exacerbated inequality, and increased economic instability, making us more prone to damaging recessions.

The unfolding of the pandemic recession has made three things clear:

1. **Structural inequalities are fueling a divided pandemic experience.** Race, ethnicity, and income are significant determinants of both health and economic consequences of COVID-19. Both job loss and workplace health risk are disproportionately concentrated among low-income workers and people of color. Pre-existing racial inequalities in health outcomes intersect with higher exposure to fuel disparities in illness and mortality rates. The impacts of the pandemic recession are deepening inequalities in income, wealth, and education. These inequalities inhibit economic growth and create both economic and political instability. Without government intervention, there will be lasting damage for low-income people and people of color because of labor market policies and austerity in the years leading up to 2020.

2. **Weakening the public sector over the past decades has led to greater vulnerability that will deepen and prolong the current recession.** Sustained state and local austerity after the Great Recession shrunk social programs, eliminated public jobs, and underinvested in vital infrastructure. This austerity made us more economically vulnerable heading into this recession and will exacerbate its consequences as we struggle to respond to the public health crisis and its ensuing impacts on education, childcare, public transportation, and other vital services.

3. **A robust public sector is central to economic resilience and recovery.** Public sector contraction and a limited federal stimulus contributed to an incomplete and prolonged recovery after the Great Recession. Programs that could have helped people rebound—such as foreclosure assistance and student loan forgiveness—failed to materialize. The recovery left many people worse off a decade later and heightened disparities between those at the very top and everyone else. The unfolding losses in income, wealth, and mobility cost the economy dearly in terms of lifetime earnings, shortened life expectancies, and lost productivity.

This legacy of austerity has already made the pandemic recession far worse than it needed to be:

- Decades of cuts left our public health infrastructure woefully underfunded. We lost vital time in the early weeks of the pandemic because there was no national stockpile or strategy for providing personal protective equipment (PPE) and we were very slow to get tests to local health departments. One year into the pandemic, the U.S. still lacks adequate PPE, lacks sufficient supplies to engage in surveillance testing or contact tracing that could curb community spread and allow economic activity to resume safely. These failures have left the pandemic to surge throughout the country, causing more illness and death and suppressing economic activity (with or without mandated closures and restrictions).
- Vital public and social infrastructure has collapsed. We have struggled to continue to safely provide childcare and public education as both systems were already operating at razor-thin margins, with limited ability to weather revenue losses or to adapt to public health criteria. Public transportation systems in several major American cities are overly reliant on user fees, leaving them unable to maintain service levels and jeopardizing the ability of essential workers to get to their jobs.

In the face of these failures, what our economy needs most is the political will to invest in the social infrastructure that makes communities and our country more resilient. Our ability to recover from the pandemic is inextricably linked to providing economic security for those who are most affected. We need to use local, state, and federal resources to shore up and expand access to the services and institutions that enable people to thrive now and in better times. Public health, education, and childcare are pillars of a functioning economy, and our underinvestment in those sectors is limiting our recovery.

The Biden Administration's $1.9 trillion stimulus proposal is an important step, but it appears that many policymakers did not learn the cautionary lessons from the Great Recession. Conservative policymakers have stymied efforts to provide enough federal stimulus to avoid an economic catastrophe, despite dire warnings from their own party's Chairman of the Federal Reserve.[3] One of the most vital resources for keeping households and local economies afloat, Unemployment Insurance (UI),[4] nearly expired for millions of people at the end of December and is still slated to expire March 14, 2021. The short-lived $600 unemployment supplement could have provided an important lifeline to the economy and households if it had been sustained; the $300 UI supplement passed in December, and the $600 stimulus payments, do not go nearly far enough toward stimulating consumption, particularly given the slowdown in hiring and economic activity.

Our Weakened Public Sector Makes Us Vulnerable to Crises

Not only does public spending provide important countercyclical balance during downturns, strong public infrastructure mitigates the worst impacts of economic recessions and provides a foundation for economic growth and productivity. Since 2000, there has been sustained disinvestment at all levels of government, which weakens our capacity to manage economic downturns. The combination of a recession with a public health crisis has left us doubly disadvantaged.

WE HAVE UNDERINVESTED IN SERVICES CRITICAL TO CRISIS RESPONSE

Demand on public services increases during recessions; an effective public sector response requires not just funding but efficient delivery systems that can scale up distribution of benefits and services during periods of high demand. Investing in public services means investing in systems and staffing needed to quickly help people.

Safety net programs

Safety net programs have struggled to mobilize crisis assistance, such as housing and transportation subsidies, cash support, and scaled up food distribution.[5] The block granting and work requirements tied to many aspects of the safety net inhibits their effectiveness in promoting recovery by quickly getting cash to those who will spend it. Ongoing efforts by conservatives to add work requirements to Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP) and other entitlement programs have meant eligible households are unable to access resources that would provide much-needed economic security and consumer spending. Many of our social service systems are designed with a fixation on preventing fraud and restricting benefits, creating administrative and procedural barriers to access that discourage and exclude eligible beneficiaries.

The pandemic has found our unemployment insurance system—one of the most important tools for preventing severe recession—sorely lacking. Across the country, state unemployment insurance (UI) systems have struggled to quickly distribute benefits, due to outdated computer systems and application barriers, delaying the important infusion of funds into the economy. In addition to these administrative challenges, UI wage contribution caps have left the system underfunded. Employer misclassification and the proliferation of independent contracting leaves many workers uncovered. By setting arbitrary dates for the expiration of UI extensions, rather than economic criteria for their expiration, legislators must reauthorize any extensions or supplemental payments, which led to the impending cliff in UI benefit loss for tens of millions of people at the end of 2020.[6]

The pandemic has illustrated the importance of public institutions to communities in crisis: school districts have distributed millions of free meals funded by the United States Department of Agriculture (USDA), sometimes using school buses to deliver food, coursework, and even wireless internet to families. County health departments have been indispensable in educating residents about protective measures and providing vaccinations. Librarians have been redeployed to do contact tracing and community outreach. Economic recovery requires effective public institutions to serve as a safety net.

Public health infrastructure

Our most conspicuous national failure was to prepare for the inevitable pandemic that medical experts had warned about.[7] The federal government in the past few years allowed national stockpiles to deteriorate and reduced staffing in key areas of pandemic preparation and response. In 2019 the National Association of County and City Health Officials (NACCHO) warned Congressional leaders that the local health department workforce had shrunk by 23% since 2008, and that the expiration of critical pandemic preparation funding put the nation in jeopardy.[8]

Shrinking healthcare infrastructure—both public and private—has hampered our ability to absorb surges of demand for medical care associated with the pandemic. California, the wealthiest state in the country, has only 1.8 hospital beds per 1,000 people, ranking 48th in the country as a result of private capacity cuts intended to shorten hospital stays.[9] Staffing shortages in hospitals are more acute in communities of color. The U.S. has only 2.9 hospital beds per 1,000, compared to 4.6 in comparable countries, despite our high expenditures on healthcare and relatively high-risk population.[10] These capacity limitations are not only jeopardizing care for COVID-19 patients, but also reducing healthcare for everyone else. When states were focused on preserving hospital capacity in the initial months of the pandemic, many hospitals and medical facilities canceled elective surgeries and other routine care—such as prenatal appointments, medical scans, and immunizations—which impacted both health and the economy, cutting revenues for hospitals and other medical employers. We are likely to feel the impacts of that reduction in preventive healthcare for years.

> *The only way to build a resilient and flourishing economy is through public spending.*

Our failure to offer a comprehensive public healthcare option is also haunting us, as millions still lack health insurance or bear high levels of medical debt. Allowing states to bypass Medicaid expansion—rejecting federal healthcare funds—has kept millions of people uninsured and unable to access healthcare, and many states are now contemplating cuts to Medicaid in response to rising enrollment levels.[11] The pandemic has made clear that healthcare is a vital part of our economy, and that ensuring surge capacity and access to healthcare must be a priority for the federal government.

Our Fiscal Policy Responses Are Hurting the Economy

The only way to build a resilient and flourishing economy is through public spending. Without significant federal spending, the damage from this recession will be catastrophic, not just for the millions of households facing hunger and displacement, but for our entire economy. The Congressional Budget Office forecasts it will take until 2024 before we have as many Americans employed as before the pandemic, even assuming a successful vaccine rollout and GDP recovery by mid-2021.[12]

AGGRESSIVE FEDERAL STIMULUS SPENDING IS CENTRAL TO ALL ECONOMIC RECOVERIES

Only the federal government can run significant deficits to pursue expansionary fiscal policy during economic crises. State and local governments can only engage in countercyclical spending to the extent they draw on reserves or adopt revenue measures during downturns. There is broad agreement among economists that the federal government can and should spend significantly more to prevent further economic damage. An analysis in December 2020 suggests that $3.5-4 trillion in additional Congressional spending is needed in the short-term, nearly twice as much as currently proposed by the Biden administration.[13] Building a progressive federal revenue structure that reduces economic inequality, supports low-income people, and reverses the concentration of wealth by both individuals and corporations is important. But unlike state and local governments, our federal government can spend what it needs to do for immediate recovery today, as many economists have urged.

Early in the pandemic, several lawmakers proposed ambitious stimulus payments after just a few weeks.[14] Several economists and policymakers suggested we model our response on many countries in Europe, where national governments acted as the payer of last resort, keeping workers attached to employment and keeping businesses afloat—not by a misguided effort at lending[15] and haphazard reopenings, but by paying people in effect to stay home.[16] The failure to provide adequate support has no doubt led to pressure on policymakers to reopen restaurants and other businesses long before we had the virus under control, and in most cases before we could safely open schools. The lack of adequate stimulus has thus prolonged the pandemic and its most damaging effects.

STATE AND LOCAL REVENUE LIMITATIONS ARE HAMPERING CRISIS RESPONSE

Federal stimulus spending is central to economic recovery, but state and local governments employ vastly more people than the federal government, and those workers are responsible for running most aspects of our public sector, from buses to schools. During the current crisis, when wealth gains have continued to accrue to the very top, states must be able to capture this growth as a counterweight to the hit at the bottom of the labor market. Significant revenue losses by state and local governments caused by lost incomes and reduced consumption have been much steeper than in previous recessions, concentrated in gas taxes, tourism-related taxes, sales taxes, and fees for impacted services such as public transportation. These losses come after a decade of decline in revenues. State tax revenues in 44 states had only recovered to pre-recession levels by 2019, when accounting for inflation, but have never recovered when accounting for population growth.

A robust public sector requires a diverse revenue structure that provides adequate funding for services during downturns and that distributes the responsibility according to ability to pay. Unfortunately, many states have adopted fiscal policies that drive state and local governments to make deeper spending cuts during downturns.[17] Throughout the summer, state and local governments implemented program cuts, furloughs, and layoffs and delayed infrastructure projects as they adjusted revenue projections downward in anticipation of a bleak fiscal year. State balanced budget requirements make it difficult for states and localities to engage in countercyclical spending by building reserves during periods of economic expansion and drawing down during recessions.[18] Nearly all states impose some legislative or constitutional requirements for balancing the general fund each year. Although the majority of states had higher levels of rainy-day reserves going into the recession, those reserves represented about 10-15% of state operating budgets, and several states had only recently begun to replenish funds.[19] Policies governing state rainy day funds vary widely, and few states are well-positioned to set targets for fund levels, rules for accessing funds, and allowing them to grow sufficiently to weather a severe downturn.[20]

Half of all states impose tax and expenditure limits that restrict either spending or revenues, making it challenging to build rainy day funds.[21] All but two states restrict local governments' ability to levy property taxes, which has pushed local governments to greater reliance on regressive and volatile taxes, including sales taxes and fees. The growing reliance on fines and fees has shifted more of the state and local tax burden onto lower-income taxpayers and people of color.[22] Local governments, who bear the primary burden for our nation's infrastructure, are hampered in their ability to adequately fund infrastructure projects necessary for sustained economic growth.[23]

We also need to examine how funding structures leave specific public services more vulnerable to recession. Some public services are tied to revenue sources that are particularly volatile or unequally distributed, such as the funding of school districts using local property taxes,[24] and the funding of public transportation through user fees. Reliance on fees for services like public transportation—rather than taxes—have left those systems in dire straits during the pandemic; transit systems have been forced to cut services, making it harder for low-income people to get to work. For example, in the Bay Area, a vital light-rail system that is central to Silicon Valley's economic resilience may be shut down forever because it lacks a dedicated revenue source. Washington D.C.'s metro system has proposed the elimination of weekend rail service and 50% of its bus service.[25] These reductions in vital infrastructure are counterproductive for economic growth; without an alternative revenue approach or significant federal aid, cities will continue to erode their economic base in times of crisis.

The Great Recession Recovery Showed That Austerity Doesn't Work

While economic cycles are inevitable, the amount of damage caused by a downturn is not an inevitability: actions taken to mitigate the long-term consequences of job loss are vital not just for reducing suffering but for preventing future vulnerability. We can't afford to have each recession leave us worse off than the one before. The Great Recession and recovery were more economically damaging than previous recessions in several ways: it took longer than previous recessions for employment to recover, and several measures of the labor market continued to lag almost until the pandemic's beginning.

- The employment-to-population ratio (the percentage of the working-age population employed) had still not recovered by 2019.[26] Long-term unemployment for many workers, especially those without a college degree, will dampen earnings for decades.[27]
- Underemployment—workers who are discouraged or marginally attached to the labor market, as measured by the Bureau of Labor Statistics (BLS)—did not recover nationally until after 2017.[28]
- Those workers who could find work were increasingly likely to have unstable schedules, part-time hours, no paid leave, and fewer worker protections, meaning greater economic insecurity and vulnerability to future recessions.[29]
- The wealth gap widened, reversing years of progress. Black and Latino households lost wealth; foreclosures and home value decline were disproportionately concentrated among Black households. Foreclosure assistance programs and borrower protections failed to produce any meaningful relief, despite widespread agreement about the consequences of predatory lending on historically marginalized communities.
- Inflation-adjusted wages and household incomes stagnated throughout the recovery, the longest period of economic growth in U.S. history. This was particularly true for the middle of the wage distribution, as the bottom wage earners were boosted by state and local increases in the minimum wage.[30]

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- The unemployment scarring from the Great Recession also led economists to conclude that short-term labor markets have a stronger impact on long-term outcomes than previously understood.[31] People graduating college during the recession were found to face measurable long-term earnings loss.[32]

The consequences for the public sector were even more stark when compared to previous recessions. Most states and local governments pushed austerity in the decade following the recession, and federal transfers fell after the 2009-2011 stimulus spending receded. Total public sector employment in the United States—federal, state, and local—did not recover its 2008 peak until 2019. State and local government employment only reached pre-recession levels in 2016 (state) and 2019 (local). Over that same time period, the U.S. population grew by nearly 9%, from 301.2 million in 2007 to 328.2 million in 2019, and private sector employment grew by 12%. As of February 2020, local education employment in the U.S. had still not recovered to its peak in July 2008.

We are positioned to repeat this catastrophic recovery unless we see significant federal stimulus—and anti-austerity measures in the states—in the next few months.

THE PANDEMIC RECESSION HAS BEEN DEVASTATING

The impacts of the COVID-19 pandemic have been swift and disparate. As public health orders forced many businesses to cease activity, layoffs rippled through the economy, and state and local government revenues dropped sharply. At the same time, demand for public services escalated, not only for public health equipment and services but for social supports: cash benefits, unemployment insurance benefits, and food assistance.

The federal government's response has been shockingly inadequate. In the absence of clear federal public health guidance or resource coordination, state and local governments have implemented a patchwork of public health efforts that have failed to effectively curb community spread. The absence of federal guidance and federal stimulus has put pressure on local officials to permit reopenings to avoid mass business closures.

From February to April 2020, more than 22 million people lost their jobs. As of January 2021, 26.8 million workers are out of work or have had their hours and pay reduced.[33] Hundreds of thousands more have lost income from gig work or small businesses, and an estimated 6 million workers had lost their employer-provided health insurance by August. More than 40 million people have filed for unemployment at least once.[34] These lost jobs and income mean less consumer spending, further eroding both the economy and the revenue base.

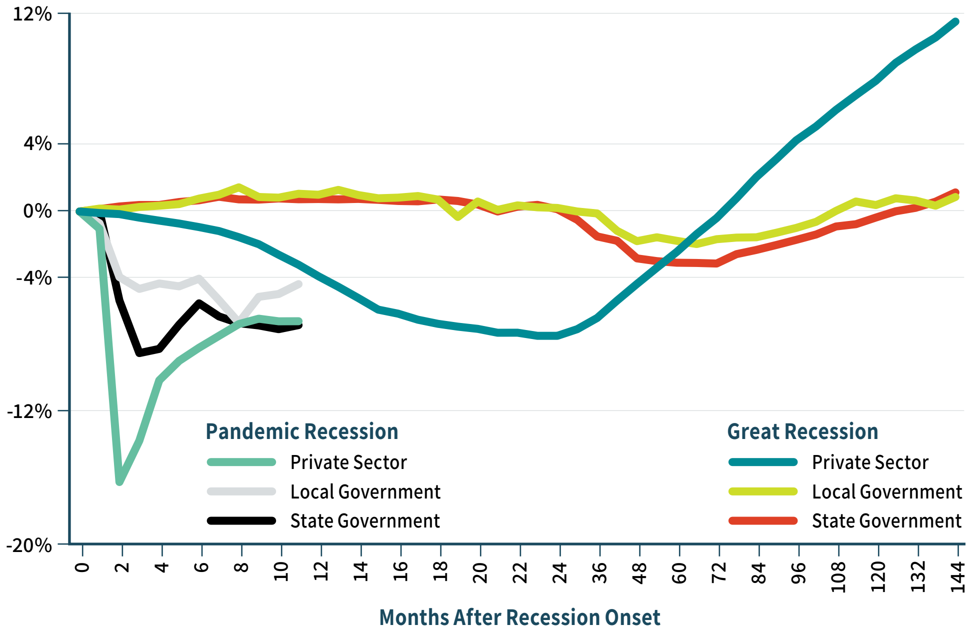
The weakness of the U.S. safety net means that after even a short period of unemployment, households start to fall behind on rent, mortgage payments, student loans, car payments, and other obligations. Expanded unemployment insurance, one-time federal stimulus payments, small business assistance, suspension of student loan and mortgage payments, and eviction moratoriums have temporarily staved off some of the impacts of income loss. But we need them to be continued. American households are facing a cliff that will ripple through the economy.

Most troubling, the only federal aid for state and local governments to date has been the $150 billion CARES Act allocation for COVID-19 related expenditures. There has been no federal direct aid to state and local governments despite an outcry from Democratic legislators. In 2009, the federal government directed almost $275 billion of direct federal aid to state and local governments in the American Recovery and Reinvestment Act (ARRA), a stimulus that was widely seen as insufficient. The nation's governors and several experts have estimated that between $500 billion and $1 trillion is needed to avoid dire cuts to state and local budgets over the next two to three years.[35] The Health and Economic Recovery Omnibus Emergency Solutions Act (HEROES) Act passed by the House of Representatives in May included $1 trillion in such aid, but it was left dormant by the Senate.[36] President Biden's $1.9 trillion proposal includes $350 billion for state, local, and territorial governments, an important step to preserving vital services.[37]

Faced with this lack of federal support, state and local governments passed austerity budgets in June 2020, cutting expenditures in anticipation of significant revenue losses. While federal government employment has been temporarily boosted by Census hiring, state and local governments shed 1,385,000 jobs from February to December in response to falling revenue projections. That includes 678,900 in local education jobs, and 352,900 in state education.

If the patterns of past recessions hold, we can expect revenue losses to continue for several years unless the economy rebounds sharply; during the Great Recession, public sector job losses peaked several years after the recession's onset (see figure). Without federal assistance, we will continue to see job losses and spending cuts, deepening the downward economic spiral. The slowdown in private sector job recovery since fall suggests we are experiencing the beginnings of a deep recession.

U.S. EMPLOYMENT CHANGE AFTER RECESSION START



THE PANDEMIC RECESSION IS FUELING INEQUALITY

The persistent and structural inequality of the U.S. economy—where wealth is concentrated at the top, wage growth has been nearly zero for the bottom of the labor market, many jobs entail uncertain scheduling and minimal benefits, and opportunities for economic mobility are shrinking—has made the consequences of economic downturns uneven. The unequal distribution of wealth means those at the bottom have little capacity to weather a downturn. Access to savings, assets, health insurance, and capital all serve to insulate people from the consequences of income loss. A majority of people in the U.S. live close to financial disaster even in good times: 65% lack enough liquid savings to weather six weeks of income loss, 25% have no retirement savings; the bottom 25% of households have a net worth of just over $12,000.[38] While those with vast amounts of wealth often contribute little to the economy during a downturn, the inability of those at the bottom to pay for basic goods adds an additional drag on the economy, driving further job losses.

The nature of the pandemic recession has created additional disparities:

- Job losses have been concentrated at the bottom wage tiers of the labor market: from February to December, the economy lost 11% of low-wage jobs, 5% of medium-wage and 3% of high wage jobs.[39] The job losses have been so skewed to the bottom that average wages have actually risen as higher-paid workers are more likely to stay employed. Job loss during recessions is typically higher for non-college-educated workers, who are also more likely to be unemployed for long periods of time.

- Job losses have been concentrated in industries and occupations with high shares of low-wage workers of color: leisure and hospitality, travel services, homecare, landscaping, building services, household work, and personal care.[40] These losses are on top of the low wages and lack of benefits that workers of color are more likely to experience than White workers.[41]
- Job gains have been in sectors notorious for low pay and precarious working conditions, like the rapid growth in grocery delivery and takeout delivery.[42]
- Students of color and first-generation students, particularly first-year students at two-year public institutions, have withdrawn from college in large numbers.[43]
- Women have departed from the workforce in unprecedented proportion, in sharp contrast to previous recessions.[44] This has been driven at least partly by the closure of schools and childcare programs, and by the concentration of women in service occupations impacted by public health orders.
- People working in occupations with high levels of potential exposure to COVID-19—the nation's essential workers—are disproportionately people of color earning low wages.[45] These workers are less likely to have health insurance and paid sick leave, which means they may go to work sick and put off testing and necessary healthcare, endangering themselves and others.[46] Higher-income people are more likely to have jobs they can perform at home, allowing them to stay safe and preserving their jobs and care for children who are out of school.
- Death and illness rates differ sharply by race and ethnicity, reflecting differences in exposure risk, access to healthcare, and structural health inequities. As of March 1, more than 500,000 people have died, and more than 28 million Americans have contracted the virus. Black Americans are twice as likely to die from COVID-19 as White Americans.[47] Adjusted for age, Black and Latinx Americans are more than three times as likely to die from COVID-19 as White people.[48]
- An estimated 10 to 30 million people could lose employer-provided health insurance, further exacerbating the health crisis and financial precarity.[49] The decision of many states to decline Medicaid expansion has prevented the expansion of the healthcare safety net during this crisis.[50]

A Robust Public Sector Is Central to Economic Resilience and Recovery

A weakened public sector has made it challenging to respond quickly to this downturn. At all levels of government, revenue and spending policies have directed funds to the already wealthy and built even more power for corporations, at the expense of economic resilience.

PUBLIC SECTOR SPENDING DRIVES ECONOMIC RECOVERY

Public spending doesn't just directly employ people, it also circulates through the economy as transfer payments (e.g., Medicaid benefits, SNAP, and TANF), grants, and contracts. Nearly a third of direct state spending supports jobs in the private sector. Most public sector infrastructure projects are performed by private firms, which contract with the government and in turn hire subcontractors. Governments are significant purchasers of goods and services provided by the private sector. When public workers lose their jobs, they have less money to spend across the economy. The Economic Policy Institute (EPI) reported in 2009 that for each dollar of budget cuts, more than 50% of the jobs and economic activity lost will be in the private sector.[51] An analysis of job recovery in 50 states from 2008-2013 found that states that cut their public sector workforce had deeper job losses overall and in the private sector.[52]

Among the most important recession responses are the income supplements provided through UI, TANF, and other income support programs, which help keep money circulating in the economy when employment income falls. The stimulus effects of SNAP and other cash-like assistance programs are clear.[53] Anti-poverty programs also have a high rate of return; research on Head Start, Earned Income Tax Credit (EITC) and SNAP shows that participants (children) grow up to be more productive and have higher lifetime earnings, important drivers of economic stability. These programs also serve as automatic stabilizers during recessions, as long as they are allowed to expand during downturns.[54] Block granting these programs has cut off this important aspect of social spending, constraining them right when the economy needs them the most.[55]

PUBLIC SECTOR JOBS PROTECT COMMUNITIES DURING CRISES

A robust public sector helps insulate communities against crises, by delivering services and goods that preserve household health and stability in the face of income loss. But that's not the only role public sector jobs play in community resilience: public sector jobs set standards for wages, benefits, workplace rules such as overtime and paid leave, job security, and equal opportunity hiring.

Public sector jobs and unionization

Unions play a critical role in advocating for worker protections, protecting workers at worksites from illegal labor practices, bargaining health and safety standards, equal opportunity hiring, and fair pay. These policies have elevated the living standards of low- and moderate-income workers throughout the economy. Declining unionization in the United States has been the driving factor in widening income inequality, wage stagnation, and rising levels of precarity.[56] By 2019, 33.6% of public sector workers belonged to a union, compared to only 6.2% in the private sector.[57] One of the most significant potential blows to public sector unionization was the Supreme Court's decision in *Janus v. AFSCME*, holding that public sector workers could not be required to pay dues or union fees, even if they are protected by a union.

Public sector workers have also been effective advocates for preserving funding for vital public services, in particular for K-12 education. Teacher strikes in several states over the past few years have focused on increasing funding for education, smaller class sizes, and more school resources such as nurses and counselors. Public sector union members have been strong advocates for progressive policies such as revenue measures (e.g., Proposition 15 in California to eliminate the commercial property tax loophole), climate mitigation funding, and protections for gig workers.

Unions also play a critical role in setting workplace safety standards, a particularly important role during the pandemic. Occupational Safety and Health Administration (OSHA), the federal agency charged with enforcing safety, has failed to enforce COVID-19 safety protocols at workplaces following a decade of staff cuts and increasing deference to employers.[58] Many health and safety protocols have also been driven by workplace organizing and policy advocacy by labor unions and worker organizations. The most severe COVID-19 workplace outbreaks have been in sectors with low rates of worker power: nursing homes, meatpacking, and food processing. Recent data on COVID-19 transmission suggests that private schools, which were quicker to reopen, are more likely to have outbreaks. Healthcare unions and retail worker organizations have been instrumental in exposing the role of workplace protections in fueling community spread. Better enforcement of workplace safety standards, and of the ability of workers to negotiate such standards, could have prevented thousands of cases of COVID-19.

Public sector job cuts hurt Black communities

The public sector is also an important source of middle-class employment for Black workers,[59] who are more likely to work for the government than other workers (18% versus 15%), in part because of significant discrimination in the private sector. Black workers have historically benefited from the middle-class wages and job security of government employment, particularly in federal jobs like the postal service. Public sector cuts can be especially devastating to Black communities; during the Great Recession, Black women were more likely than other public sector workers to lose their jobs. Centuries of oppression and inequality mean that Black households hold only a fraction of the wealth of White households, making them much more vulnerable during periods of unemployment.[60] From December 2019-2020, 5% of Black government workers lost their jobs, compared to 4% of all government workers and 9% of Black private sector workers.[61] During the pandemic, almost 85% of Black workers have filed for unemployment at least once. Public sector employment and government safety nets are an especially important buffer for Black households and communities.

We Can Survive This Crisis by Preparing for the Next One

We cannot afford another weak recovery; our public institutions must emerge from the pandemic recession with stronger funding and the capacity to provide necessary infrastructure and services for the next crisis. Inadequate federal stimulus will doom us to repeat the weak recovery from the Great Recession and place us in an even more precarious place for the next recession.

So, what can we do now to ensure that in the next recession, we don't find ourselves lamenting again all of the failures in our preparation? We can start by thinking about how the same strategies that drive recovery will prepare us for the next crisis. After a decade of sustained austerity, we need to reimagine the public sector not as an arena of scarcity but as central to economic growth and prosperity. Here are some guiding principles:

- **Rebuild the safety net:** We know what works to foster resilience for individual workers and for those not in the labor force: Stronger UI programs, minimum wage laws, a basic income for those unable to work, affordable and quality healthcare that is not tied to employment, and secure retirement. Workers need the right to organize for such protections in the workplace.
- **Rebuild public and social infrastructure**:
    - *Public administration:* Effective government policies require investment in effective administration. The economy has been hurt by delayed stimulus and UI payments and costly inefficiencies in distributing resources. We need to ensure that our social programs are designed to scale up quickly during crises. This includes enforcement entities such as OSHA and the IRS, which have been steadily underfunded, leaving workers vulnerable and allowing the wealthy to evade taxes.
    - *Public health:* We can reverse a decades-long trajectory of shrinking investment in health by spending on both infrastructure and healthcare staff. The inadequacy of our current infrastructure demonstrates that the private sector will not build in resilience itself; we need public hospitals and clinics. We also need greater public oversight over vulnerable populations, including long term care residents and staff. Being prepared for the next pandemic can also improve health outcomes, ensure that health care spending goes toward real patient care, and reversing disease and mortality trends that cost our economy billions every year.
    - *Education:* The vast majority of the nation's public K-12 schools have been closed for most or all of the past 11 months, leaving millions of families scrambling. School closures have been especially challenging for women in the workforce and likely exacerbate existing inequities in educational outcomes. The challenges of reopening schools are tied

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to decades of disinvestment that resulted in crowded schools, large class sizes, and deteriorating buildings. Public investment in education has clear economic benefits, both for individual lifetime earnings and national productivity.[62] Investments in summer learning institutes, facilities improvements, and the teaching workforce will all help the economy and mitigate some of the inequities of the pandemic. We also need to ensure that students who disenrolled from higher education during the pandemic—disproportionately low-income students at 2-year colleges—return to pursue their degrees and help grow the economy.

    - *Green infrastructure:* 2020 was a disastrous year for climate-related disasters: historic Western fire and Atlantic hurricane seasons have caused billions of dollars in damage. It is past time for a publicly-funded jobs program that speeds our transition away from fossil fuels and helps mitigate the consequences of climate change while creating quality jobs for the thousands of people being displaced from other industries. Without such a program, the rising climate emergency will result in a devastating loss of jobs and irreversible economic damage. This includes better funding for public transportation systems, clean energy infrastructure, and relocating people from vulnerable areas.

- **Rebuild our revenue base:** We need to rebuild our state and local revenue bases and enact federal tax reform that reverses the windfall given to the wealthiest taxpayers in 2017, curbs their power, and effectively captures the vast wealth that has continued to balloon during the pandemic.

The public sector plays a critical role in providing opportunity for individuals, sustaining spending during downturns, and providing necessary social infrastructure. There are other vital pieces of any strategy for building economic resilience: minimum wage standards, laws that protect the right to organize, a comprehensive public strategy for affordable housing, anti-monopoly regulations, and other policies that level the playing field. All of these strategies also require a functioning public sector for administration and enforcement.

The research is clear that putting money in the hands of the lowest earners and our state and local governments generate the most benefits for the economy and for the people who suffer most during downturns.

The research is clear that putting money in the hands of the lowest earners and our state and local governments generates the most benefits for the economy and for the people who suffer most during downturns. Calls for austerity almost always apply only to programs that benefit low-income households, while tax cuts for the wealthy and regressive spending are left intact (or even expanded) in the name of economic growth. We continue to spend significant sums of money on programs that primarily benefit the wealthy: e.g. the employer health insurance subsidy and the mortgage interest tax credit, which represent the most significant federal spending on health care and housing, respectively.[63]

Poll after poll demonstrates that there is strong public support for government spending that will make the economy work for everyone, and there is ample evidence that such an economy will be more productive and more resilient.[64] The consequences of underinvesting in healthcare, education, and social services, and of ignoring the consequences of inequality, are reflected in the mortality rates and suffering over the past year. We have the opportunity to build an economy that makes us stronger, while the lessons from COVID-19 are still fresh.

About the Author

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About Groundwork

Groundwork Collaborative is a research and policy advocacy organization working to advance a coherent and persuasive progressive economic worldview capable of delivering meaningful opportunity and prosperity for everyone. Groundwork envisions an economic system that produces strong, broadly shared prosperity and power for all people, not just the White, wealthy few. Groundwork works in deep collaboration with economic policy experts, progressive movement leaders, labor leaders, and activists on the frontlines of progressive causes in communities across the country.

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