REFUSING TO WORK:

Handling employee work rejections in light of expanded unemployment benefits

JUNE 24, 2020

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KEY FINDINGS

1

STATES' UNEMPLOYMENT TRUST FUNDS ARE HEADED FOR INSOLVENCY.

2

CONGRESS DRAMATICALLY EXPANDED UNEMPLOYMENT BENEFITS.

3

INDIVIDUALS CAN NOW COLLECT MORE ON UNEMPLOYMENT THAN THEY WOULD EARN IF THEY RETURNED TO WORK.

4

EMPLOYERS ARE STRUGGLING TO REHIRE EMPLOYEES AND REOPEN.

5

POLICYMAKERS CAN MAKE IT EASY TO REPORT INDIVIDUALS WHO REFUSE TO WORK.

BOTTOM LINE:

POLICYMAKERS SHOULD USE AVAILABLE OPTIONS TO GET PEOPLE BACK TO WORK AND REOPEN AMERICA.

Overview

Just a few months ago, employers faced an immense challenge: more job openings than people to fill them with more than seven million open jobs and the unemployment rate at a 50-year low.[1] Now, employers are faced with an entirely different set of challenges: mandatory closures, decreased revenues, and difficulty enticing their employees to return to work.

The process of re-opening the economy will be stunted by dramatically expanded unemployment insurance (UI) benefits, including a $600 weekly unemployment bonus on top of regular benefits. This has created a trap for workers who can now make more on unemployment than they can through work. As states reopen their economies, the UI boost is now a hindrance to getting people back to work with businesses now competing with unemployment benefits.

Congress and the Trump administration must ensure that the $600 weekly unemployment boost expires as scheduled at the end of July. Keeping the bonus will hurt businesses trying to hire back workers—stalling the economic recovery. States can help get people back to work by making it easy to report those fraudulently receiving UI benefits, including refusals to work.

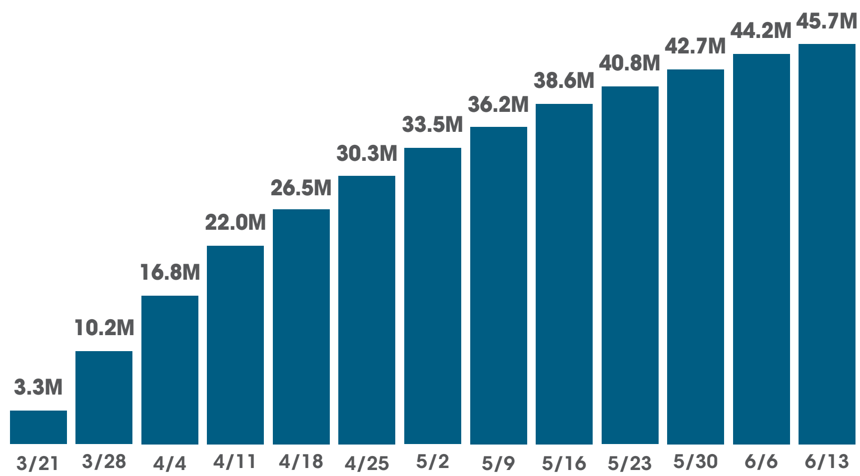
> "The $600 weekly unemployment bonus has created a trap for workers who can now make more on unemployment than they can through work."

States' unemployment trust funds are headed for insolvency

In the wake of the COVID-19 pandemic and economic lockdowns, states' UI trust funds are on the brink of insolvency. The Federal Reserve Bank of Atlanta estimates that economic activity has plummeted more than 45 percent, while unemployment has reached record highs.[2-3] Since mid-March, nearly 46 million people have filed for unemployment benefits, wiping out all job growth since 1988.[4-7]

NEARLY 43 MILLION AMERICANS HAVE FILED FOR UNEMPLOYMENT BENEFITS SINCE MID-MARCH

Cumulative initial UI claims filed since March 15, 2020



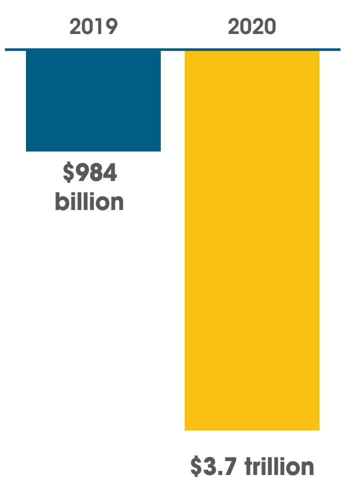
Source: U.S. Department of Labor

By mid-April, states' UI trust funds had dropped by nearly $12 billion, with some states' trust fund balances plummeting by more than 50 percent in that short window.[8] The financial condition of states' unemployment systems have only worsened since, with states already drawing down more than $27 billion in federal loans by June 17.[9]

At the same time, states are facing projected general revenue shortfalls of 20 percent on average in the coming months.[10] Federal deficit spending for 2020 is now projected to reach $3.7 trillion, nearly four times as high as before the COVID-19 pandemic.[11]

Keeping the economy locked down will only make these unemployment and budget numbers worse. Instead, states must immediately remove barriers to work and safely reopen their economies.

FEDERAL DEFICIT SPENDING FOR 2020 IS PROJECTED TO **BE FOUR TIMES AS HIGH** AS BEFORE THE COVID-19 PANDEMIC



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Congress dramatically expanded unemployment benefits

In response to the COVID-19 pandemic, Congress passed a series of new laws—costing taxpayers more than $2.2 trillion—including the Coronavirus Aid, Relief, and Economic Security (CARES) Act.[12] This legislation expanded eligibility to previously ineligible people and increased benefit durations past state maximums.[13] The law also dramatically expanded UI benefits and boosted weekly payments by $600—24 times higher than the boost in the Great Recession.[14]

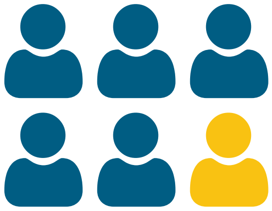
This pandemic UI bonus nearly tripled unemployment benefits, with the average unemployed worker now collecting nearly $1,000 per week—the equivalent of more than $50,000 annually.[15-16] The practical effect is that Congress has now made it more lucrative for workers to stay home rather than return to work.

Individuals can now collect more on unemployment than they would earn if they returned to work

Typically, UI benefits cover roughly half of unemployed workers' lost wages.[17] By nearly tripling unemployment benefits, Congress has created a situation where unemployment now pays better than work for most Americans.

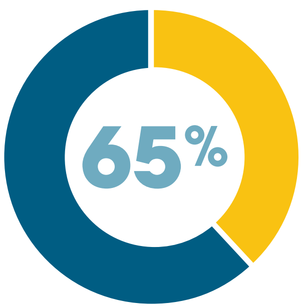
At least 68 percent of unemployed workers now fall into this category.[18] One in five are receiving more than double their previous wages, with those working in low-wage jobs seeing UI benefits nearly triple their earnings from employment.[19] In some states, individuals can collect more on unemployment than they would earn if they returned to a job making $30 per hour.[20] If the pandemic UI bonus is extended, the situation could get even worse. The Congressional Budget Office, for example, expects as many as five in six unemployed workers to collect more in unemployment than their potential earnings for returning to work.[21] As states begin to reopen, this UI bonus discourages work and slows down recovery as employers desperately struggle to re-hire their employees.

ONE IN FIVE UNEMPLOYED WORKERS ARE RECEIVING MORE THAN DOUBLE THEIR PREVIOUS WAGES



FIVE IN SIX WORKERS WILL COLLECT MORE ON UNEMPLOYMENT THAN RETURNING TO WORK IF THE UNEMPLOYMENT BOOST IS EXTENDED

Employers are struggling to rehire employees and reopen



65 PERCENT OF SMALL BUSINESS OWNERS ARE WORRIED THEIR EMPLOYEES WILL NOT RETURN

Lucrative unemployment naturally leads to employers across the country struggling to rehire employees. It creates an unlevel playing field with business owners competing with welfare programs.[22-23] Some companies have even implemented mass layoffs specifically so their employees could collect these larger unemployment checks during the pandemic shutdowns.[24] In other cases, employees asked to be laid off so their stay-at-home pay could be bigger than their take-home pay."[25] Even businesses who received loans to keep up with payroll are seeing their workers choose unemployment over working.[26-27]

More than 140,000 small businesses have already closed permanently and this is likely just the beginning.[28-30] Roughly two-thirds of small business owners are worried that their employees will not return, making it far more difficult to reopen while these unemployment benefits are still in play.[31] Unfortunately, the pandemic UI bonus undercuts the entire purpose of the unemployment system: to cover a portion of lost wages temporarily until the worker can quickly find work.

But states can take several options to help employers rehire laid off workers and get the economy growing again.

Policymakers should make it easy to report individuals who refuse to work

Individuals can only qualify for unemployment benefits so long as they are able to work, available to work, and actively seeking work.[32] Individuals who do not meet these eligibility conditions or who refuse suitable job opportunities are disqualified from the program.[33-34] Employees who refuse to return to work when called back are rejecting suitable work and ineligible for the program.

But individuals and employers are not always aware of their rights and responsibilities under the UI system. Unfortunately, this can lead to individuals believing they are entitled to benefits when they are not, businesses thinking they have no options, and state unemployment agencies left to potentially sort through more illegitimate claims.

States should also provide employers a way to protect themselves from massive payroll tax hikes for individuals refusing to return to work. States should set up simple, easy-to-use processes by which employers can report employees who have refused an offer of suitable work. Doing this will help maintain the solvency of unemployment trust funds, help restart the economy, and reserve benefits for those who truly cannot return to work.

Some states are already leading on this issue. Ohio and South Carolina both set up a process to report unemployment fraud such as refusing suitable work while still collecting benefits.[35-36] States including Tennessee, Vermont, Oklahoma, and Montana have followed suit, providing outlets for businesses trying to safely reopen to make sure their offers of employment are not simply being ignored.[37-40]

States should also issue clear guidance to unemployed workers and employers informing them of their rights and responsibilities under the UI system. As Iowa Governor Kim Reynolds said about her state's unemployment laws in April, "If you're an employer and you offer to bring your employee back to work and they decide not to, that's a voluntary quit."[41] This message appears to be working, as Iowa's economic and unemployment numbers are showing marked improvement.[42] Some governors, like Reynolds, have taken a lead on this, educating their populations on the potential benefit disqualifications for refusing to accept work while enumerating limited exceptions to eliminate confusion.[43–46] These notices should also inform employers of the potential tax consequences of having unemployment claims charged to their accounts.

"If you're an employer and you offer to bring your employee back to work and they decide not to, that's a voluntary quit."

—GOVERNOR KIM REYNOLDS

> The Trump administration should continue to hold states accountable to ensure their unemployment agencies follow the law and do everything they can to get Americans back to work as quickly and safely as possible.

The top priority should be getting Americans back to work

In May 2020, the U.S. Department of Labor issued guidance to state unemployment agencies reminding them of their responsibilities to protect program integrity, particularly in scenarios where enrollees refuse suitable work.[47] Treasury Secretary Steve Mnuchin—who oversees states' UI trust fund accounts and the Paycheck Protection Program—recently made it clear this was the policy that employers and states should follow.[48] The Trump administration should continue to hold states accountable to ensure their unemployment agencies follow the law and do everything they can to get Americans back to work as quickly and safely as possible. Allowing the expiration of the $600 unemployment bonus should also be a top priority to level the playing field for employers to hire back workers.

States must act quickly to preserve their UI trust funds for those who are actually eligible for benefits, encourage unemployed workers to return to their jobs, and protect employers from skyrocketing payroll tax hikes. Cooperation between the Trump administration and state policymakers will ensure a quick transition back to greatness. But the first step is getting Americans back to work.

APPENDIX

THE PANDEMIC UI BONUS NEARLY TRIPLED AVERAGE UNEMPLOYMENT BENEFITS

Average unemployment benefits, by state

STATE	MARCH 2020 AVERAGE UI BENEFIT	ESTIMATED UI BENEFIT AFTER PANDEMIC BONUS
Alabama	$249	$849
Alaska	$273	$873
Arizona	$234	$834
Arkansas	$271	$871
California	$337	$937
Colorado	$456	$1,056
Connecticut	$422	$1,022
Delaware	$293	$893
District of Columbia	$366	$966
Florida	$255	$855
Georgia	$298	$898
Hawaii	$543	$1,143
Idaho	$344	$944
Illinois	$419	$1,019
Indiana	$297	$897
Iowa	$418	$1,018
Kansas	$393	$993
Kentucky	$388	$988
Louisiana	$211	$811
Maine	$350	$950
Maryland	$353	$953
Massachusetts	$557	$1,157
Michigan	$326	$926
Minnesota	$452	$1,052
Mississippi	$212	$812

APPENDIX CONTINUED

STATE	MARCH 2020 AVERAGE UI BENEFIT	ESTIMATED UI BENEFIT AFTER PANDEMIC BONUS
Missouri	$269	$869
Montana	$389	$989
Nebraska	$353	$953
Nevada	$371	$971
New Hampshire	$307	$907
New Jersey	$461	$1,061
New Mexico	$345	$945
New York	$383	$983
North Carolina	$268	$868
North Dakota	$481	$1,081
Ohio	$379	$979
Oklahoma	$390	$990
Oregon	$417	$1,017
Pennsylvania	$410	$1,010
Rhode Island	$352	$952
South Carolina	$264	$864
South Dakota	$362	$962
Tennessee	$242	$842
Texas	$427	$1,027
Utah	$426	$1,026
Vermont	$397	$997
Virginia	$301	$901
Washington	$465	$1,065
West Virginia	$325	$925
Wisconsin	$327	$927
Wyoming	$414	$1,014
NATIONAL AVERAGE	**$378**	**$978**

Source: U.S. Department of Labor

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