



**To unleash the
economic recovery,
Congress must fix the
unemployment debacle**

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KEY FINDINGS

1

CONGRESS PASSED A TEMPORARY \$600 PER WEEK UNEMPLOYMENT BONUS DURING THE COVID-19 CRISIS.



2

UNEMPLOYMENT NOW PAYS MORE THAN WORK FOR MOST AMERICANS.



3

THE UNEMPLOYMENT BONUS DISCOURAGES WORK AND IS DELAYING RECOVERY.



4

THE UNEMPLOYMENT BONUS IS CRIPPLING SMALL BUSINESSES ACROSS THE COUNTRY.



5

THE HEROES ACT IS A VILLAIN FOR SMALL BUSINESS, DOUBLING DOWN ON FAILED POLICY.



BOTTOM LINE:

CONGRESS MUST LET THE UI BONUS EXPIRE IN JULY.

Overview

In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which made sweeping changes to the unemployment system.¹ This legislation and the Families First Coronavirus Response Act (FFCRA) expanded unemployment insurance (UI) eligibility to new groups of people who were previously ineligible, increased benefit duration past state maximums, and allowed suspension of job search requirements.²⁻³

The most significant change was adding a temporary \$600 per week unemployment bonus on top of existing benefits, set to expire in July.⁴ Congress had never passed a boost to unemployment benefits this large in the entire history of the program. In fact, **this UI bump is a whopping 24 times larger than the \$25 weekly boost given during the Great Recession.**⁵

In the aftermath of the COVID-19 pandemic and economic lockdowns, states' unemployment insurance trust funds are on the brink of insolvency. Unemployment claims have skyrocketed, topping 45 million since mid-March and wiping out nearly three decades of job growth.⁶ By mid-April, UI trust funds had dropped by nearly \$12 billion, with some states' funds falling by more than 50 percent.⁷

Worse yet, the UI bonus is discouraging work and slowing recovery. The pandemic boost nearly tripled unemployment benefits, with the average unemployed worker now collecting nearly \$1,000 per week—the equivalent of more than \$50,000 annually.⁸⁻⁹ For most unemployed Americans, sitting at home now pays better than returning to work.¹⁰⁻¹² This disincentive to work is devastating employers who are trying to reopen and save their businesses from bankruptcy or closure.

Extending the UI boost will harm businesses trying to fully reopen and launch the economy into quicksand, suffocating the potential transition to greatness. Employers are ready. Their stories of struggling to stay open and competing with unemployment are real. Economic recovery is at a crossroads and these business owners are looking to Congress for leadership during unprecedented times. America can once again show why they are a bastion for opportunity and provide a cure for this unemployment debacle.

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The unemployment bonus is crippling small businesses across the country

Nearly two-thirds of small business owners fear that their employees will not return to work because of the pandemic unemployment boost.¹³ More than 140,000 businesses have permanently shut their doors due to the COVID-19 pandemic and more closures could soon be on the way.¹⁴

Employers are now competing with unemployment benefits to find workers. At least 68 percent of people receiving unemployment benefits are paid more to remain unemployed than to return to work.¹⁵ In fact, one in five people are seeing double their previous wages.¹⁶ With the pandemic boost, the UI system and incentive structure has been flipped on its head, creating massive disincentives for people to return to work.

But these challenges are not just abstract or theoretical—these are real problems playing out for small businesses across the country. Stories from around the country are pouring in, highlighting the havoc the \$600 weekly pandemic UI boost is wreaking on employers desperately struggling to keep their businesses open.



INCREASED UNEMPLOYMENT BENEFITS LEAVE A BITTER TASTE FOR KENTUCKY COFFEE SHOP

“What is really going to kill businesses like ours is the Federal Pandemic Unemployment Compensation (FPUC) program.”

– Sky Marietta, Kentucky small business owner

Sky and Geoff Marietta opened Moonbow Tipple Coffee & Sweets just months before COVID-19 hit. Their main goal? “To create dignified, living-wage jobs” and “contribute to the fragile economy of an Appalachian community.”¹⁷ In fact, the coffee shop, located in Harlan, Kentucky had nearly 100 people apply for just a handful of openings in a town with a population of only 1,425.¹⁸⁻¹⁹ But due to COVID-19 and the subsequent lack of business, the Mariettas were forced to close up shop in mid-April.

Now, as the couple tries to reopen, they are facing an unfortunate problem: the very people they hired just months ago are now asking to be laid off. According to Sky, “[It’s] not because they did not like their jobs or because they did not want to work, but because it would cost them literally hundreds of dollars per week to be employed.” In her words, “we basically have this situation where it would be a logical choice for a lot of people to be unemployed.”²⁰



ENHANCED BENEFITS ARE SMOKING OUT OHIO BARBECUE RESTAURANT



"It's disheartening to have to compete with unemployment."

- Gretchen Garofoli, Ohio small business owner

Marc and Gretchen Garofoli own Oak and Embers, a smokehouse located in Northeast Ohio. Navigating COVID-19 has been a challenge, but they have faced adversity before; a fire severely damaged the restaurant just after it opened back in 2014.²¹ After the fire, they struggled to reopen, but now they are struggling with a different type of challenge—convincing furloughed workers to come back to work. "Those that qualify for unemployment were worried if they'd make as much money working as they were getting unemployment, so we've had a few people who decided not to come back," said Gretchen Garofoli.²²



CHARLOTTE RESTAURANT CHAIN STUCK WITHOUT WORKERS

"Staff members do not want to come back to work because they can make more money by not working. This problem will accelerate once we are allowed to open for some dine-in business."

- Doug Bell, North Carolina small business operator

Doug Bell of RoCo Holding operates five restaurants in the Charlotte area; all of them closed dining rooms in March due to North Carolina's stay-at-home order.²³ Before the shutdown, the restaurants had a combined 125 employees. Regularly, full-time staffers earn \$15 an hour, and up to \$18 with tips.²⁴ "However, they can make the equivalent of \$23.75 an hour on unemployment," Bell said. "We are having a difficult time getting staff to come back to work."²⁵





ILLINOIS SUIT AND MASK MAKER STRUGGLES TO PATCH UP BUSINESS WITHOUT EMPLOYEES

“[Employees] not coming back to work would have meant that the company would have been in much worse shape.”

– Ken Ragland, Illinois small businessman

Ken Ragland, chief operating officer atop suit-maker Hart Schaffner & Marx, furloughed nearly 250 employees from their factory in Des Plaines, Illinois.²⁶ But in just under a month, these workers, whose jobs on average pay more than \$15 an hour, were called back to work to now produce face masks. Three-quarters of the factory workers expressed serious concerns about letting go of the extra money they were making on unemployment.²⁷



MILL WORKERS PICK AID OVER PAY IN ARKANSAS

“As soon as I saw that [\$600 CARES provision], I immediately knew it was going to be a major problem.”

– Steve Anthony, Arkansas small business operator

Steve Anthony runs Anthony Timberland, a pine mill company with locations in Malvern and Bearden, Arkansas. As of April, around 200 workers were set to be temporarily laid off—partly because the workers prefer their bigger unemployment check.²⁸ “This is a market problem. This is a virus problem. This is an unemployment problem,” Anthony said. “And all three are stacked on top of each other. It makes it difficult to run any kind of operation or business.” With the price of pine lumber dropping drastically in recent months, the company is facing a tough road ahead if employees do not return to work.²⁹



CARES ACT DOES NOT CATER TO CAROLINA RESTAURANT



“A couple (employees) have said they don’t want to come back because they’re making more collecting unemployment. The CARES Act ... is not beneficial to us.”

– Mital Naik, North Carolina business owner

Mital Naik is the owner of Brazz Carvery & Brazilian Steakhouse in uptown Charlotte, North Carolina. The employer plans to reopen the restaurant as soon as they are able, but according to Naik, it is a struggle to find workers.³⁰ Some of his part-time workers earn up to \$18 an hour for 25 hours a week—but they are earning more on unemployment. Although Naik received a Personal Paycheck Protection loan from the U.S. Small Business Administration, he notes that the loan will only be forgiven if all employees are kept on the payroll and must be back to full payroll by June 30.³¹ If he is unable to bring back all of his workers, how can he use the loan?



RETAILER’S EMPLOYEES WERE GONE IN A NEW YORK MINUTE

“I don’t blame them. It’s tricky. I don’t know how we’re going to bring people back. The extra \$600 is the killer.”

– Michael Theiss, New York business owner

Michael Theiss owns Manny’s, a 70-year-old retail store that sells Syracuse University merchandise, and University Sport Shop, both located in New York. He secured an emergency loan from the U.S. Small Business Administration, but he is afraid he won’t be able to bring back enough employees to his store to meet the terms of the forgivable loan.³² “I don’t want to call them back and make them lose their unemployment, it puts me in a bad spot,” said Theiss.



THE PAWFECT STORM FOR AN ILLINOIS DOG BOARDING FACILITY



“The majority of my employees are making more money than they’ve ever made by not working right now; that’s the reality of it.”

– Catherine Crews, Illinois small business owner

Catherine Crews owns Canine Crews, a dog day care and boarding facility with locations in the Humboldt Park and River West suburbs of Chicago. She pays her hourly staff \$14 to \$17 an hour. Due to COVID-19, Crews was forced to lay off 27 workers. But when she started to reopen in late May, only five were willing to return.³³ “I can’t force them to come back. I’m not going to create a hostile environment.”³⁴



BRINGING BACK EMPLOYEES IS A REAL LIFT FOR TENNESSEE FURNITURE STORE OWNER

“I think the federal government set us up to fail with the [CARES] legislation.”

– David Berggren, Tennessee small business owner

David Berggren, owner of Furniture Connection in Clarksville, Tennessee, has opened his store back up—but he cannot get his workers back.³⁵ He says it is impossible to compete with what the federal government is paying his employees on unemployment. After contacting various members of the federal Tennessee delegation to address this problem, he was told to fill out “refusal to work” paperwork and send it in to a swamped Tennessee unemployment division.³⁶ In all, Berggren thinks that the government is creating more work and red tape for him to work around in an already trying time for his business and employees.³⁷



VERMONT ELASTIC AND MEDICAL SUPPLY PRODUCER CAN'T SNAP BACK WITHOUT WORKERS



“With some of the layoffs in the area, we were expecting that we would be flooded with applications, but they are trickling in.”

– Don Venice, Vermont businessman

Don Venice is the vice president of operations of Fulflex, an elastic and medical goods production company located in Brattleboro, Vermont. The company has been trying to hire more workers to increase elastic production to match the influx of demand to create masks, but he is not receiving many applications.³⁸ In April, Venice tried to hire 30 new workers to increase production capacity.³⁹ But sadly, he has only been able to hire eight—even though positions pay from \$16 to \$23 per hour.⁴⁰



GREEK RESTAURANT OWNER FACES EMPLOYEE WOES IN NEW YORK

“It’s easy to see why people would not come back right away. You have people, especially in the New York service and hospitality industry, who are making more than they ever have.”

– Symeon Tsoupelis Jr., New York business owner

Symeon’s Greek Restaurant in Utica, New York has been fighting to remain open since shutdown. The owner, Symeon Tsoupelis Jr. worries that when he is able to reopen the restaurant’s dining room, he will not have enough employees to fill needed positions.⁴¹ Although he has kept 25 workers on staff for carry-out service, many of the 55 employees who were furloughed are reluctant to come back to work because of bonus unemployment funds.⁴²



The HEROES Act is a villain for small business, doubling down on failed policy

House Democrats recently pushed the HEROES Act, which would extend the \$600 weekly pandemic UI boost until at least 2021 and cost taxpayers more than \$3 trillion.⁴³ Senate Republicans have declared this progressive wish list legislative package “dead on arrival” in the U.S. Senate, but additional COVID-19 action is still on the table.⁴⁴ This proposed legislation is truly a villain for small businesses and getting people back to work.

Indeed, the Congressional Budget Office **estimates five in six workers would continue making more on UI benefits than they would by returning to work**, undermining the potential for a quick transition to greatness and grand reopening of America.⁴⁵ Extending the bonus would further damage the economy, with lower employment in 2021.⁴⁶

Small businesses are trying to restart the economy, especially in states that have reopened. In Florida, for example, two-thirds of small businesses were closed in mid-April.⁴⁷ By early June, three-quarters of businesses were back open.⁴⁸ However, that bounce back has since stagnated as employers struggle to rehire workers on unemployment still receiving the UI boost.⁴⁹

While the HEROES Act promises extended “relief” for individuals wishing to stay unemployed, in reality it would ensure long-term disaster for employers—closing businesses and leaving workers sidelined indefinitely. Washington should reject the extension of the pandemic UI boost.

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Congress must let the UI bonus expire in July

Instead of extending the UI boost into at least next year, Congress must let the UI bonus expire in July. If Congress extends these bonuses, some businesses may never recover, closing their doors for good because they could not compete with an unemployment system that pays more than work.

Keeping people out of work will push income and payroll tax revenues lower—at a time when states are already struggling with budget problems. States are facing general revenue shortfalls of up to 20 percent on average in the coming months.⁵⁰ With state and local bailout requests flowing in, Congress should provide the ultimate fiscal relief for states by getting people back to work and fully reopening the economy.

Letting the UI boost expire will further encourage states to safely and fully reopen their economies and jumpstart recovery. UI bonus extensions would be an anchor sinking employers and drowning the legacies built by family businesses and community leaders around the country. The faces of competing with unemployment and struggle are real. Their economic ruin and bankruptcy can be avoided with a return to a booming economy felt just months ago.

For the sake of small businesses, state budgets, and the entire U.S. economy, Congress cannot and should not expand the pandemic UI boost.

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