



BUSINESS IS BOOMING:

# How small business creation is driving the American comeback

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# KEY FINDINGS

1

THE CARES ACT'S  
UNEMPLOYMENT BONUS  
WREAKED HAVOC ON THE  
ECONOMY.



2

SINCE THE BONUS EXPIRED,  
MILLIONS OF AMERICANS  
HAVE RETURNED TO WORK.



3

MORE THAN 1.7 MILLION  
NEW STARTUPS HAVE FORMED  
SINCE JUNE—A RECORD HIGH.



4

ANOTHER UNEMPLOYMENT  
BOOST WOULD SLAM THE  
BRAKES ON RECOVERY.



## BOTTOM LINE:

CONGRESS SHOULD NOT CREATE ANOTHER UNEMPLOYMENT BONUS  
THAT WOULD SLOW DOWN AMERICA'S ECONOMIC COMEBACK.

## Background

In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the Families First Coronavirus Response Act (FFCRA) to try and tackle the COVID-19 pandemic. Unfortunately, swift action does not always yield success. Sweeping changes to the unemployment system—including a \$600 weekly unemployment bonus—made sitting at home more profitable than working, forcing small businesses trying to rehire workers to compete against government benefits to fully reopen.<sup>1</sup>

Since the unemployment bonus expired in July, the economic recovery has kicked into overdrive. Millions of Americans have returned to work, and unemployment has plummeted. Now, entrepreneurs are creating new startups at a record pace.

But talks of creating another unemployment boost could slam the brakes on that recovery and derail America's comeback story.

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## The CARES Act's unemployment bonus wreaked havoc on the economy

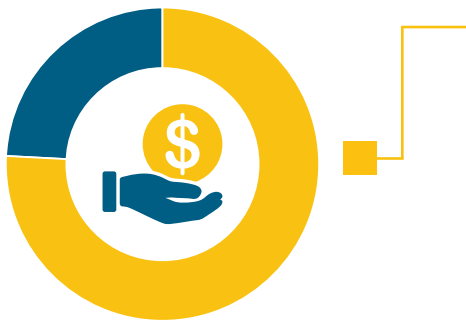
The CARES Act made sweeping changes to the unemployment system, including expanding eligibility, suspending work search requirements, extending how long people could collect benefits, and adding a weekly \$600 unemployment bonus.<sup>2</sup>

That unemployment bonus was 24 times larger than the bonus adopted during the Great Recession and raised the average unemployment benefit to nearly \$1,000 per week—the equivalent of \$50,000 per year.<sup>3</sup> As a result, a whopping 76 percent of unemployed workers were receiving more in unemployment benefits than they earned while working.<sup>4</sup> Indeed, the average low-wage worker collected nearly twice as much in benefits to stay home as they could earn returning to work.<sup>5</sup>

By late July, more than 28 million Americans were receiving unemployment benefits.<sup>6</sup> But fewer than 17 million Americans actually met the Department of Labor's definition of being unemployed—meaning that they were jobless, looking for work, and available to work.<sup>7-8</sup>

Millions of enrollees were collecting benefits despite not meeting these basic criteria. As unemployment claims skyrocketed, so did fraud—in the form of identity theft, rejection of suitable job offers, and more.<sup>9</sup> The Department of Labor estimated that improper payments related to the CARES Act alone would hit \$26 billion, a tenfold increase over improper spending in 2019.<sup>10</sup> Worse yet, more money will be lost to waste, fraud, and abuse as a result of the CARES Act alone than taxpayers spent to fund the entire unemployment system last year.<sup>11</sup>

But as lockdowns began to phase out, small business owners faced a new problem: finding the employees needed to reopen.<sup>12</sup> Two-thirds of small business owners reported that they were worried their employees would not return due to the unemployment boost.<sup>13</sup> Many struggled to reopen, and some were forced to close permanently.<sup>14</sup> Thankfully, the unemployment bonus expired in July, and small businesses are bouncing back.



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## Since the bonus expired, millions of Americans have returned to work

At the height of states' economic lockdowns, as many as two-thirds of small businesses were closed and 75 percent fewer workers were on the job.<sup>15</sup> In some states, as many as 84 percent of small businesses were reported closed and the number of employees working at small businesses had fallen by more than 90 percent.<sup>16</sup>

As lockdowns began to phase out, small business owners struggled to rehire laid-off employees who could collect more in government benefits than they earned while working. But since the bonus expired, millions of Americans have returned to work, and small businesses are bouncing back.

Nearly 90 percent of small businesses recently report being open in some capacity, with most reporting full operations.<sup>17</sup> As more firms reopened, millions of Americans have returned to work. More than 14 million Americans have gone back to work since the bottom of the recession—with almost 3.8 million returning to work in August alone.<sup>18</sup> Businesses have created and restored more jobs in four months than they created over the course of more than five years in the aftermath of the Great Recession.<sup>19-21</sup> The unemployment rate has been nearly cut in half—even as millions of Americans have rejoined the labor force to search for work—and is now lower than it was more than three years after the Great Recession ended.<sup>22-23</sup>

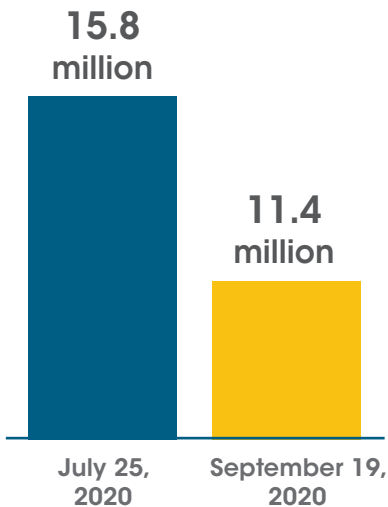
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## MORE THAN 4.4 MILLION AMERICANS HAVE MOVED OFF UNEMPLOYMENT SINCE JULY

Continuing unemployment claims, by week



Source: U.S. Department of Labor

The number of individuals on unemployment has also dropped to the lowest levels since the pandemic hit. More than 4.4 million Americans have moved off the program since late July when the bonus expired.<sup>24</sup> Likewise, new unemployment claims have plummeted by more than a third—hitting their lowest levels since mid-March.<sup>25-26</sup> In some states, new claims have fallen by more than 76 percent.<sup>27</sup>

Several other indicators also suggest the American comeback story is well underway. The Federal Reserve Bank of Atlanta's real-time estimate of GDP growth has nearly tripled since July 31.<sup>28</sup> Despite economists predicting an increase of less than three percent, residential construction starts skyrocketed nearly 23 percent—far above levels during the same time last year.<sup>29</sup> Retail and foodservice sales have bounced back and are posting higher sales numbers than this time last year.<sup>30</sup> Measures of manufacturing and services activity recently hit an 18-month high, with both sectors showing significant expansions.<sup>31</sup> Online job postings are up nearly 35 percent since April, with job postings now exceeding 2019 levels.<sup>32</sup> Better still, entrepreneurs are creating new business startups at an unprecedented pace.

## More than 1.7 million businesses have been created since June

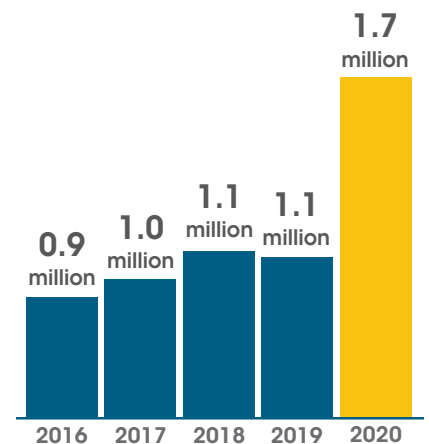
While the pandemic disrupted a booming economy, the American recovery is now in full swing. Since June, more than 1.7 million new businesses have been created—an average of more than 100,000 new startups each week.<sup>33</sup> Entrepreneurs are starting new companies 60 percent faster than ever before, with new startups created between June and September hitting the highest level ever recorded.<sup>34</sup> In some states, the growth in new startups is nearly 150 percent higher than last year.<sup>35</sup>

While the economic bounce-back was imminent, this start-up growth is truly unprecedented and reflects the country's resilient, entrepreneurial spirit.

All signs point toward the American recovery being in full swing. But renewing the unemployment bonus could derail the progress that has been made thus far.

## ENTREPRENEURS ARE CREATING BUSINESSES 60 PERCENT FASTER THAN EVER BEFORE

Number of new business filings between June and September, by year



Source: U.S. Department of Commerce

## NEW BUSINESS STARTUPS ARE FORMING NEARLY 150 PERCENT FASTER THAN LAST YEAR IN SOME STATES

Number of new business filings between June and September, by state and year

STATE	2019	2020	CHANGE
Alabama	12,420	24,520	97%
Alaska	2,440	2,820	16%
Arizona	24,570	35,040	43%
Arkansas	7,740	13,030	68%
California	112,340	166,090	48%
Colorado	26,580	33,510	26%
Connecticut	9,950	13,890	40%
Delaware	7,690	11,850	54%
District of Columbia	3,970	5,910	49%
Florida	122,750	199,250	62%
Georgia	53,260	119,100	124%
Hawaii	4,340	5,680	31%
Idaho	6,400	7,360	15%
Illinois	35,720	80,200	125%
Indiana	16,550	28,130	70%
Iowa	6,440	8,270	28%
Kansas	6,740	8,690	29%
Kentucky	10,120	13,810	36%
Louisiana	16,790	39,350	134%
Maine	2,910	3,680	26%
Maryland	23,350	39,690	70%
Massachusetts	17,670	22,340	26%
Michigan	28,440	56,590	99%
Minnesota	14,190	19,800	40%
Mississippi	9,500	23,630	149%
Missouri	18,780	26,670	42%



STATE	2019	2020	CHANGE
Montana	4,180	5,090	22%
Nebraska	4,390	5,430	24%
Nevada	12,610	20,600	63%
New Hampshire	3,270	4,140	27%
New Jersey	35,570	53,130	49%
New Mexico	5,510	6,560	19%
New York	71,750	98,790	38%
North Carolina	32,600	53,340	64%
North Dakota	1,910	2,120	11%
Ohio	29,270	51,470	76%
Oklahoma	12,720	16,210	27%
Oregon	11,440	13,390	17%
Pennsylvania	32,010	50,740	59%
Rhode Island	2,420	3,530	46%
South Carolina	16,200	29,670	83%
South Dakota	2,190	2,550	16%
Tennessee	17,700	31,540	78%
Texas	96,610	155,650	61%
Utah	15,960	17,750	11%
Vermont	1,640	2,070	26%
Virginia	27,500	41,470	51%
Washington	22,850	26,710	17%
West Virginia	3,090	3,930	27%
Wisconsin	13,180	20,090	52%
Wyoming	5,700	8,560	50%
<b>TOTAL</b>	<b>1,083,920</b>	<b>1,733,430</b>	<b>60%</b>

Source: U.S. Department of Commerce

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## **Another unemployment boost would slam the brakes on recovery**

The economy is strongly rebounding, unemployment is falling, employers are rehiring and expanding, entrepreneurs are starting new businesses at a record pace, and millions of Americans are leaving the unemployment rolls to return to work. But despite this economic comeback story, liberals in Congress continue to put forward legislation that would create a new \$600 unemployment bonus lasting into at least 2021.<sup>36</sup>

Creating another unemployment bonus at this time would only slam the brakes on the recovery, discourage work, and shrink the economy. The Congressional Budget Office estimated that extending the unemployment bonus would mean five in six enrollees would collect more on unemployment than they would earn if they returned to work.<sup>37</sup> That would mean fewer workers in the labor force and slower economic growth.<sup>38</sup>

## **Congress should not create another unemployment bonus that would slow down America's economic comeback**

With the economic recovery well underway, creating a new unemployment bonus would throw the brakes on recovery and roll back the progress made since July. Millions of new businesses have opened across the country, and small businesses are desperately trying to rehire workers and fully reopen. Now more than ever, Americans need work. Congress must reject new unemployment bonuses and keep the economic comeback strong.

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