

AUGUST 16, 2021



The Under-Told Story of America's Labor Crisis

Alli Fick

Senior Research Fellow

Nic Horton

Research Director

KEY FINDINGS



UNEMPLOYMENT NOW
PAYS BETTER THAN WORK.



LONG-TERM FEDERAL HANDOUTS DISCOURAGE
WORK, TRAPPING PEOPLE IN GOVERNMENT
DEPENDENCY AND HURTING BUSINESSES.



EMPLOYERS NOW HAVE TO COMPETE WITH
UNEMPLOYMENT BENEFITS—RATHER THAN
OTHER BUSINESSES—FOR WORKERS.



THE LABOR SHORTAGE IS AFFECTING BUSINESSES
ACROSS THE COUNTRY, RESULTING IN REDUCED
OPERATING HOURS, INCREASED COSTS, AND MORE.



LAWMAKERS CAN JUMPSTART
ECONOMIC RECOVERY AND HELP GET
AMERICANS OFF THE SIDELINES.

THE BOTTOM LINE:

CONGRESS SHOULD END THE DESTRUCTIVE UNEMPLOYMENT
BONUS THAT IS CRUSHING SMALL BUSINESSES.

Businesses are struggling to fully reopen

Most states have lifted COVID-19-related restrictions and reopened their economies. But businesses are struggling to fully reopen because they cannot find workers. This is due in large part to federal changes to the unemployment program that discourage work.

Over the last year and a half, Congress has morphed the unemployment system into a new welfare program. They have methodically extended the amount of time someone can stay on unemployment, expanded program eligibility, and provided a weekly \$300 bonus on top of state-paid benefits.¹ To make matters worse, Congress initially suspended the work search requirement of the unemployment program, meaning individuals did not have to look for work to receive benefits.²

Now, staying home is more lucrative than returning to work. An individual could earn more than \$44,000 per year after state-paid unemployment, the federal bonus, and other welfare benefits.³ This means that employers are now having to compete with unemployment benefits—rather than other businesses—for workers.



AN INDIVIDUAL COULD EARN **MORE THAN \$44,000 PER YEAR** AFTER STATE-PAID UNEMPLOYMENT, THE FEDERAL BONUS, AND OTHER WELFARE BENEFITS.

The labor crisis is not an isolated, regional problem

Congress's destructive unemployment policies have disincentivized work and trapped people in government dependency. This is well documented. But an under-told story is how the bonus has devastated American small businesses and created an unprecedented labor shortage across the country.

As of early August 2021, there are more than 10 million open jobs that employers are desperately trying to fill, with the labor shortage impacting businesses of all sizes.⁴ But small businesses in particular—which make up 99 percent of all businesses in the United States—are really struggling to fill open positions.⁵⁻⁶



AS OF EARLY AUGUST 2021, THERE ARE **MORE THAN 10 MILLION OPEN JOBS** THAT EMPLOYERS ARE DESPERATELY TRYING TO FILL.

The Pennsylvania Director of the National Federation of Independent Business (NFIB) explained that “staffing is a huge issue, across the board. I don’t think there are many industries that say, ‘We have absolutely no problems with staffing at this time.’”⁷

The crisis has also plagued Americans who are showing up to work, making a difficult situation even tougher.

Instead of tending to five tables, a local waitress now must cover an entire dining room—and wash the dishes at the end of the night—because her coworkers are still drawing unemployment.

Instead of just managing operations, a local farmer has to go into the field and work the soil himself, because his staff will not come back to work.

Instead of tending to sick pets, a local veterinarian has to answer phones, clean up exam rooms, and manage scheduling—all because her former employees refuse to return.

Instead of spending more time with her patients, a mental health therapist has to shorten sessions so she can spend time on payroll, job recruitment, and even cleaning her clinic because she cannot find help.

And these challenges are being faced in every corner of the country—from Anchorage to Atlanta.⁸



BUSINESS OWNER IN VERMONT HOPES THE INTEREST IN WORK PERKS UP

The owner of the Williston Coffee Shop in Vermont was forced to close for a holiday weekend due to insufficient staffing.⁹ To attract workers, the shop owner offered \$16 per hour plus tips.¹⁰ Describing his experience, he said, *“I don’t have a single person with me that was with me pre-pandemic. None of them wanted to go back to their jobs. They were happy getting their extended benefits and I had to move on from that.”*¹¹ The owner has even had problems with employees quitting their jobs without providing notice.¹²

ALASKA ROOFING COMPANY CAN’T PLUG STAFFING ISSUES

Rain Proof Roofing in Anchorage typically has around 100 applicants for a few dozen open jobs.¹³ But recently, the business has experienced a substantial decrease in applications.¹⁴ The owner said of the lack of available hires, *“Why get up and go to work on a cold morning when you can hang out with your kids, go camping, and still pay your bills?”*¹⁵ Rain Proof Roofing does not plan to turn business away, but the owner is concerned about the added strain on its loyal employees.¹⁶





GROWING A RESTAURANT BUSINESS IN THIS ECONOMY? FAH-GETTA-BOUT-IT

The owner of Bull & Bear Roadhouse in New York said that he has been directly competing with unemployment benefits.¹⁷ In order to do so, the restaurant increased staff pay to match what people earn on unemployment, costing the business nearly \$100,000.¹⁸ The owner said of the raises, *"I've never been one to get behind something like this so I'm trying to get out ahead of it...I know that people want to have fun. They want service. We have to figure out how we're going to do that and how we are going to reward the people to come [work] rather than stay home."*¹⁹

UNEMPLOYMENT BONUS IS TURNING STALE FOR A GEORGIA RESTAURANT

The owner of MetroFresh in Atlanta, Georgia, is feeling the effects of the nationwide labor shortage as he is struggling to hire a cook for his restaurant.²⁰ On trying to hire, the owner said, *"I have posted on several platforms, I'll get limited interest with even fewer qualified people...I'll make appointments for people to come in for an interview and 90 percent of the time they don't even show up. It's super frustrating and ultimately may lead to shorter hours for the restaurant if I can't fill the position soon."*²¹



NO NEWS IS BAD NEWS FOR KENTUCKY NEWSPAPER

After covering stories of the pandemic, shutdowns, and struggles of local businesses, the Courier Journal, a newspaper in Louisville, Kentucky, stated that they are also struggling with a lack of workers.²² To incentivize applicants, the paper offered signing bonuses and raised wages.²³ Despite providing financial incentives, the newspaper still struggled to hire workers, negatively impacting newspaper deliveries.²⁴

PENNSYLVANIA WATER PARK STRUGGLES TO STAY AFLOAT

Unfortunately, the labor shortage extends far beyond the food service industry. Dorney Park, an amusement park in Allentown, Pennsylvania, was forced to eliminate two full days of park operations per week to combat significant hiring issues.²⁵ The company released a statement saying, *"We want to be sure we are delivering a fun and memorable experience...As we're seeing across a wide range of industries, the availability of labor continues to be a challenge, and our park is no exception. While we are aggressively recruiting and adding new staff daily, we must adjust our operating calendar based on workforce availability."*²⁶



TEXAS RESTAURANT GETTING SMOKED BY GENEROUS UNEMPLOYMENT BONUS

Some businesses have had to involuntarily reduce operating hours to avoid closing altogether. In Austin, Texas, a local barbeque restaurant, Branch BBQ & Catering, went months without being able to hire a single new employee.²⁷ And then, despite finally hiring their first new employee, they still only had enough staff to open just four days a week.²⁸

BOTTOM LINE: It is time to end the destructive unemployment bonus and help American small businesses fully recover.

Labor shortages have harmed local economies and businesses. Thankfully, lawmakers are stepping up to help move people from welfare to work by rejecting the federal unemployment bonus. To date, 26 states have opted out of the federal bonus, moving people toward work.²⁹ Arkansas, one of the first states to reject the federal bonus, saw work search activity immediately increase after opting out, filling thousands of previously open jobs.³⁰⁻³¹

But Congress also has a role to play by allowing the unemployment extensions to expire as scheduled in September. Moreover, Congress should reject any efforts to make these program changes permanent.

Simply put, the federal unemployment programs are discouraging work and harming local communities. It is time for lawmakers to help American small businesses solve the labor crisis and truly reopen the economy.

REFERENCES

1. Jonathan Ingram, et al., "Three key signs opting out of the unemployment bonus is working," Foundation for Government Accountability (2021), <https://thefga.org/wp-content/uploads/2021/07/opting-out-unemployment-bonus-is-working.pdf>.
2. Jonathan Ingram & Hayden Dublois, "There has never been a better time to get Americans back to work," Foundation for Government Accountability (2021), <https://thefga.org/paper/americans-back-to-work/>.
3. Hayden Dublois & Jonathan Ingram, "Paid to stay home: How the \$300 weekly unemployment bonus and other benefits are stifling the economic recovery," Foundation for Government Accountability (2021), <https://thefga.org/wp-content/uploads/2021/05/Unemployment-Benefits-Are-Paying-Better-Than-Work.pdf>.
4. Bureau of Labor Statistics, "Job openings and labor turnover survey news release," U.S. Department of Labor (2021), <https://www.bls.gov/news.release/jolts.htm>.
5. JP Morgan Chase, "Small businesses are an anchor of the US economy," JP Morgan Chase (2021), <https://www.jpmorganchase.com/institute/research/small-business/small-business-dashboard/economic-activity>.
6. Hayden Dublois & Jonathan Ingram, "Paid to stay home: How the \$300 weekly unemployment bonus and other benefits are stifling the economic recovery," Foundation for Government Accountability (2021), <https://thefga.org/wp-content/uploads/2021/05/Unemployment-Benefits-Are-Paying-Better-Than-Work.pdf>.
7. Dave Fidlin, "Pennsylvania small businesses' need for workers 'a huge issue,' industry representative says," The Center Square (2021), https://www.thecentersquare.com/pennsylvania/pennsylvania-small-businesses-need-for-workers-a-huge-issue-industry-representative-says/article_547ec7d6-b190-11eb-a733-b70da4c8faa4.html.
8. Victoria Eardley, et al., "To unleash the economic recovery, Congress must fix the unemployment debacle," Foundation for Government Accountability (2020), <https://thefga.org/paper/fix-unemployment-extension/>.
9. Jolie Sherman, "It's frustrating: Williston coffee shop owner says he can't find workers," My Champlain Valley (2021), <https://www.mychamplainvalley.com/news/local-news/its-frustrating-coffee-shop-owner-affected-by-states-staffing-shortage/>.
10. Ibid.
11. Ibid.
12. Ibid.
13. Alex DeMarban, "Anchorage employers have jobs, but few applicants, as the economy picks up. Where have workers gone?," Anchorage Daily News (2021), <https://www.adn.com/business-economy/2021/05/04/anchorage-employers-have-jobs-available-but-few-applicants-as-the-economy-picks-up-where-have-workers-gone/>.
14. Ibid.
15. Ibid.
16. Ibid.
17. News Staff, "Facing staffing crisis, local restaurant owner raises wages to compete with amount offered by unemployment," LocalSYR (2021), <https://www.localsyr.com/news/local-news/facing-staffing-crisis-local-restaurant-owner-raises-wages-to-compete-with-amount-offered-by-unemployment/>.
18. Ibid.
19. Ibid.
20. Amy Wenk & Collin Kelley, "Restaurants grapple with worker shortage," Reporter Newspapers (2021), <https://reporternewspapers.net/2021/07/15/where-is-everybody-restaurants-grapple-with-worker-shortage/>.
21. Ibid.
22. News Staff, "Worker shortage affects your Courier Journal newspaper delivery," The Courier Journal (2021), <https://www.courier-journal.com/story/news/2021/05/27/courier-journal-seeks-newspaper-carriers-as-shortage-impacts-delivery/5169771001/>.
23. Ibid.
24. Ibid.
25. Jon Harris, "Struggling to find workers, Dorney Park lightens operating schedule. 'I don't think this is a problem that frankly goes away overnight,' expert says," The Morning Call (2021), <https://www.mcall.com/business/mc-biz-dorney-park-adjusts-hours-due-to-labor-constraints-20210616-6vqod5f62jdnplknqp7ill6ui4-story.html>.
26. Ibid.
27. Jenni Lee, "North Austin restaurant owner struggling to find workers," KVUE (2021), <https://www.kvue.com/article/money/north-austin-bbq-restaurant-owner-having-a-hard-time-hiring-staff/269-4b25c3e5-821f-4207-a5eb-89c691a8995d>.
28. Ibid.
29. Foundation for Government Accountability, "Federal pandemic unemployment bonus opt-out tracker," Foundation for Government Accountability (2021), <https://thefga.org/unemployment-opt-out/>.
30. Hayden Dublois, et al., "Opting out: Arkansas's economy is booming since ending the destructive unemployment expansions," Foundation for Government Accountability (2021), <https://thefga.org/wp-content/uploads/2021/08/Arkansas-Economy-Booming-Since-Ending-Unemployment-Expansions.pdf>.
31. Trevor Carlsen, "Ending the \$600 welfare bonus boosted the economy. Ending the \$300 bonus will do the same.," Foundation for Government Accountability (2021), <https://thefga.org/paper/ending-welfare-bonus/>.



15275 Collier Boulevard | Suite 201-279
Naples, Florida 34119
(239) 244-8808

TheFGA.org | [@TheFGA](https://twitter.com/TheFGA) | [@TheFGA](https://www.instagram.com/TheFGA) | [f TheFGA](https://www.facebook.com/TheFGA)