

WASHINGTON **Examiner**

America can't go back to work yet because Congress made it pay more to stay home

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The current coronavirus crisis has been a unique one in that given the social distancing public health guidance, the federal government is actually trying to keep people home by design. So, it's not exactly surprising that Congress's \$2.2 trillion coronavirus relief bill, rushed through to "do something," has resulted in many workers getting paid more in unemployment benefits to stay home than they would normally be earning at their jobs. This was kind of the point.

But a few Republicans, such as Sens. Ben Sasse of Nebraska, Tim Scott of South Carolina, and Lindsey Graham of South Carolina, warned at the time that the CARES Act's sharp raise in unemployment benefits, to the tune of an additional \$600 a week, would create serious disincentives, discouraging those workers sidelined by the coronavirus from returning to the labor force so long as the generous benefits remained in place. Because the CARES Act senselessly extends these expansive benefits through July 31, it's making it nearly impossible to bring any workers back into the fold until that time.

In New York, as I previously reported, "a New Yorker who regularly earns a salary of \$36,000 is now eligible for weekly unemployment benefits of \$946. Annualized, that is equivalent to a roughly \$49,000 salary." This is just one example of a trend occurring across the country due to the poor structuring of the CARES Act's unemployment expansion.

Experts sounded the alarm when the bill was passed. For instance, Cato Institute economist Ryan Bourne told the *Washington Examiner* that "Overly generous unemployment insurance benefits, combined with the risks inherent in going out to work right now, really do produce a disincentive to reenter employment."

We're already starting to see this play out across our economy.

"After two weeks of getting the systems in place and understanding the challenges of a different business model, we realized that we needed to hire back some of our staff to help with the demand," restaurateur Kurt Huffman wrote in a *Wall Street Journal* opinion piece. "That proved harder than we expected. When we asked our employees to come back, almost all said, 'No thanks.' If they return to work, they'll have to take a pay cut."

So, too, some of the small businesses that have received loans under the CARES Act to retain their employees are actually struggling to do so because of ... well, the CARES Act.

The law demands that small business owners retain their payroll to qualify for “loan” forgiveness. (The Paycheck Protection Program is really more of a grant program than a loan program.) But one business owner, Jamie Black-Lewis, explained to reporters how, when she tried to rehire her employees after receiving a loan, they got mad at her.

“When Black-Lewis convened a virtual employee meeting to explain her good fortune, she expected jubilation and relief that paychecks would resume in full even though the staff — primarily hourly employees — couldn’t work,” CNBC reports. “She got a different reaction.”

“It was a firestorm of hatred about the situation,” Black-Lewis said. “I couldn’t believe it ... on what planet am I competing with unemployment?”

This is an inherent flaw with the CARES Act. It requires small businesses to retain employees on their payroll to get their loans forgiven but provides workers with a strong economic *disincentive* to stay attached to their employer. As the move to end the lockdown gathers steam, this could get worse.

There are already protests around the country clamoring to open up the economy and get America back to work. The state of Georgia even plans to start doing so on Friday. But this won't really even be possible so long as ultra-generous unemployment benefits are in place — and that actually could continue long beyond July 31.

There is going to be a strong political demand for Congress to extend these well-paying benefits beyond July 31, what with 26 million workers and counting having filed for unemployment in the last five weeks. Liberals will paint eliminating the extra \$600 a week as cruelty toward struggling workers, and, sadly, most of our policymakers aren't exactly known for sticking to smart policy principles over emotional appeals.

So, yes, we can keep having the public health versus economics debate over the best coronavirus policy. It's an important one. But so long as Congress leaves these expansive unemployment benefits in place, reopening the American economy isn't really possible anyway.