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The Unemployment Pandemic: Addressing America's Jobs Crisis

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In my testimony today, I would like to discuss the status of the labor market since the coronavirus pandemic; look at how existing federal unemployment supports are both helping and hurting workers, employers, and the recovery; address the merits of existing proposals to alter or extend federal unemployment insurance supports; and propose policies that will foster flexibility and work opportunities for all Americans.

With over 44 million Americans—more than one in four workers—having filed unemployment insurance claims over the past three months, many businesses struggling to stay afloat, and workers and employers alike requiring more flexibility than ever before, it is essential that policymakers not only consider ways to provide targeted unemployment support to workers without job opportunities but that they focus primarily on fostering flexibility and work opportunities so that fewer Americans need unemployment benefits.

The Labor Market

The U.S. entered the COVID-19 global health pandemic with a 50-year record-low unemployment rate and an incredibly strong labor market that had resulted in the strongest income gains for the lowest-income workers. The actions taken to combat the health pandemic resulted in a spike in unemployment unlike anything America has ever experienced. Even as the shutdowns lasted much longer than anticipated, the labor market has already experienced significant improvement since parts of society began reopening in May.

Initial Unemployment Data. Weekly initial claims for unemployment insurance increased

32-fold from averages of about 215,000 per week in January and February to a peak of 6,897,000 the week of March 28. These spikes led to a significant delay in individuals being able to register for and receive unemployment benefits, for which the stimulus payments to households helped serve as a bridge.

Total ongoing claims peaked at about 31 million the week of May 9. Initial unemployment claims have been declining for about 2.5 months and total ongoing claims have been declining for a little over a month.

Official Unemployment Rate. The unemployment rate jumped from a 50-year low of 3.5 percent in February to 14.7 percent in April, and then unexpectedly declined to 13.3 percent in May as the economy added 7.5 million jobs. As of May, about 21 million Americans were unemployed.

"Misclassification Errors." Beginning in March, the Bureau of Labor Statistics changed the way that it directed surveyors to classify individuals who report that they are "employed but absent from work." Usually, these workers are counted as "employed," but starting in March, they were supposed to be counted as "unemployed." Conjecturally, the reasoning may have been that workers who are not performing work (for reasons other than planned absences) are more like the unemployed than the employed. On the other hand, employed but absent workers are most likely receiving regular paychecks, characteristic of employed but not unemployed workers.

In any event, many surveyors did not properly make this change, which has caused "misclassification errors" by which the unemployment reports note that topline unemployment figure has been lower than it would be under the new classification. According to the Bureau of Labor Statistics reports, the unemployment rate would have been about one percentage point higher in March (5.4 percent instead of 4.4 percent), almost five percentage points higher in April (19.7 percent instead of 14.7 percent), and about three percentage points higher in May (16.3 percent instead of 13.3 percent).

It is likely that many of the individuals who reported being "employed but absent from work" were recipients of federal governmental supports aimed at keeping workers formally employed (even if they are not actually working). The support may have been from newly available government-mandated paid family and sick leave benefits or the Paycheck Protection Program.

The fact that the alternative classification of unemployment fell more than the traditional unemployment classification in May (3.1 percentage points compared to 1.4 percentage points) suggests that people have started to wean off federal employment supports. This is a good sign.

To the extent that policymakers consider changes or extensions in unemployment benefits, or extensions in the number of weeks individuals can collect them, they should focus on the number of individuals who are unemployed in the traditional sense of being without paychecks, which is closer to the 13.3 percent figure reported for May.

While more work is still ahead and the labor market will not rebound as quickly as it declined, the May job figures—including both measures of unemployment—represent significant improvement due to loosening economic restrictions and the willingness of Americans to reengage in their communities and employment.

Federal Unemployment Policies are Helping and Hurting

In response to the COVID-19 health pandemic and widespread business closures, Congress established a series of temporary federal unemployment insurance provisions through the CARES Act. Those included: extending eligibility for unemployment benefits to self-employed and other individuals who do not usually qualify for unemployment insurance; broadly expanding the qualifications for individuals to receive unemployment benefits (adding 11 qualifications other than being laid off); reducing and eliminating certification standards to expedite the delivery of benefits; extending traditional unemployment insurance benefits by 13 weeks (to a total of 39 weeks through December 2020), and providing an additional $600 per week in federal benefits on top of state-level benefits[1] through July 31, 2020.[2]

Boosting Incomes. The expansion in unemployment benefit eligibility and benefit levels provided a huge boost to incomes. The $600 bonus benefit created a situation in which a majority of unemployed workers are receiving more from unemployment benefits than from their usual paychecks. An analysis from a group of professors at the University of Chicago estimated that 68 percent of unemployed workers are earning more from unemployment than their previous wages; the bottom 20 percent of earners are receiving at least two-times their previous wages, and the median benefit equals 134 percent of workers' previous wages.[3] A JP Morgan analysis, which estimated that between 65 percent and 75 percent of workers are receiving more from unemployment benefits, said that the significant increase in benefit levels could lead to "a remarkable 0.5% *increase* in personal disposable income" in 2020.[4]

The unprecedented level of unemployment benefits will also have positive effects on state and local government revenues through increased income and sales tax collections.

It should be noted that despite significant income gains from high unemployment benefits, workers do not pay Social Security, Medicare, or unemployment insurance taxes on unemployment benefits, so the decline in employment will weaken the solvency of these entitlement program trust funds.

Notwithstanding significant delays and frustrations workers faced in applying for unemployment benefits, the massive expansion in unemployment benefit eligibility and the increase in benefit payments has absolutely helped prevent a downward spiral and deep economic decline that could have resulted from widespread income losses. While federal unemployment insurance supports made sense, particularly in light of the temporary nature of the crisis and forced shutdowns, these benefits have significantly increased costs for future taxpayers.

Excessive $600 Bonus Benefit Incentivizing Unemployment. There is some evidence that the unprecedented level of unemployment benefits along with expanded eligibility criteria contributed to some businesses laying off workers that they otherwise might have kept employed, and contributed to some workers

[1]State unemployment benefits typically average about 40 percent of workers' previous wages, with replacement rates tending to be larger for low-wage workers and smaller for higher-wage workers.
[2]CARES Act, Section 2102(a).
[3]Peter Ganong, Pascal Noel, and Joseph Vavra, "US Unemployment Insurance Replacement Rates During the Pandemic," University of Chicago, Becker Friedman Institute *Working Paper* No. 2020-62, May 2020, https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_202062-1.pdf (accessed June 17, 2020).
[4]Michael Cembalest, "Topics: The latest news; COVID impact on unfunded obligations of US states, and the Chapter 9 debate; COVID, food/energy supplies and the Electoral College," Eye on the Market, J.P. Morgan, May 4, 2020, https://www.jpmorgan.com/jpmpdf/1320748504211.pdf (accessed June 16, 2020).

quitting their jobs or expressing a desire to be furloughed even as employers wanted them to remain working. Yet, the overwhelming majority of workers who filed for unemployment benefits initially did so because their places of employment closed or had to scale back significantly and could not keep workers employed.

As most parts of the country have started reopening, however, the $600 unemployment bonus has caused some businesses to have a hard time getting their workers to come back. This is particularly true in lower-wage industries that have often been hardest hit by the pandemic, such as restaurants, hotels, and retail. Moreover, the inability to compete with high unemployment benefits has likely contributed to some permanent small business closures.

Unemployment has physical and mental consequences for individuals, and longer durations of unemployment reduce workers' future incomes and earnings. Thus, it is not helpful to incentivize workers to remain unemployed.

It is also not equitable for unemployed workers to receive significantly higher incomes than individuals—many of them front-line workers—who have remained on the job.

Proposals to Extend or Alter Federal Unemployment Supports

Recognizing both the problems within the current COVID-19 federal unemployment assistance programs as well as the high levels of unemployment that are likely to remain for some period after the bonus $600 benefits expire on July 31, federal policymakers are exploring numerous changes to and extensions in unemployment insurance assistance. The massive increase in federal spending and unsustainably high level of federal debt along with the individual and societal consequences of prolonged unemployment necessitate that congress focus on fostering employment opportunities and providing targeted unemployment assistance to individuals for whom work is not available, including those with elevated health risks. In no instance should policymakers incentivize unemployment by paying unemployment benefits that exceed wages, and any federal taxpayer support must be directed to individuals who do not have job opportunities as opposed to paying workers to accept job offers.

Expanding $600 Bonus Unemployment Benefits into 2021 Costs Jobs and Reduces Output. House Democrats passed the Health and Economic Omnibus Emergency Solutions Act (HEROES Act) including a six-month extension in the $600 per week bonus unemployment benefit through January 31, 2021, with additional extensions through March 31. This could bring maximum eligibility to a full year of benefits, meaning unemployed workers could receive up to $31,200 in bonus benefits regardless of their previous income levels, and a worker who usually makes $30,000 a year would receive roughly $43,200 from unemployment benefits. This massive unemployment incentive would hurt, instead of help, individuals and the economy.

The Congressional Budget Office (CBO) analyzed the impact of this proposal to extend the $600 bonus benefit into 2021 and found that it would reduce employment in 2020 and 2021, and after resulting in a short-term boost in output at the end of 2020 (because of the additional cash sent to and spent by unemployed households), it would cause output to decline in 2021 as the negative impact of lower employment would outweigh the substantial boost to incomes. The CBO estimated a disproportionate impact on lower-income workers, as five out of six workers who remained unemployed beyond July 31 would receive more from unemployment benefits than from their usual wages.[5]

As many small businesses are struggling to survive, the fact that some are having to compete with excessive unemployment benefits to get their workers to come back is making it even harder for them to stay afloat and recover.[6] As the CBO letter noted, extending the $600 unemployment benefit would make it more expensive for businesses to produce goods and services. That would cause some businesses to close, some to increase wages (primarily for higher-income earners who would be first to be re-employed), and some to reduce output and raise prices, with a potential shift to using less labor and more machines in the future. Moreover, unemployment has both short- and long-term consequences for individuals, including a decline in physical and mental well-being, fewer opportunities, and lower incomes.

Continue to Pay $600 Unemployment Bonus After People Go Back to Work. In an effort to overcome the unemployment incentive created by the $600 bonus, the Jump-Start the American Economy Act proposes to give states the flexibility to allow workers to continue to receive the federal $600 unemployment bonus even after they go back to work.[7] Workers would be eligible for up to six weeks ($3,600) of additional benefits through July 31. A similar idea has been talked about by Senator Rob Portman (R–OH), but with individuals who return to work receiving $450 per week instead of $600.[8]

While it is understandable that the flawed program Congress passed in the CARES Act by allowing a majority of individuals to receive more income from unemployment than if they were working is hurting businesses and the recovery, but the solution is not to layer on another problematic benefit. It is irrational to consider paying individuals $600 per week to accept a job when the extremely high level of unemployment is such that Americans should be clamoring jobs. It is also unfair to have individuals who were unemployed and who return to work make $600 more than the workers—many of them working day-in and day-out on the front lines—who remained in their jobs during the crisis.

Moreover, this could introduce another layer of misuse and abuse. For example, employers and workers could game the system by laying off workers for one week and then rehiring them—perhaps at a temporarily lower, agreed-upon wage to also benefit the business—so that workers could receive the additional $600 bonus.

Pay Workers a One-Time Bonus to Return to Work. Related to the proposal to continue to pay workers unemployment benefits when they are no longer unemployed, Representative Brady's (R–TX) Reopening America by

[5]The CBO report's five-out-of-six figure translated to 83 percent of unemployed workers beyond July 31 receiving more from unemployment than from their usual wages. Compared to the roughly 70 percent of unemployed workers who are currently receiving higher unemployment benefits, this means that lower-income workers will be less likely to find and accept jobs under the CBO's analysis of extending the $600 bonus unemployment benefits.

[6]Rachel Greszler, "As Unemployment Keeps Rising, Congress Needs to Fix What It Broke," The Daily Signal, May 21, 2020, https://www.dailysignal.com/2020/05/21/as-unemployment-keeps-rising-congress-needs-to-fix-what-it-broke/ (accessed June 17, 2020).

[7]The Jump-Start the American Economy Act, 116th Congress, introduced on May 11, 2020, by Representative Dan Crenshaw of Texas, https://crenshaw.house.gov/uploadedfiles/crentx_040_xml.pdf (accessed June 15, 2020).

[8]"Wall Street Journal Highlights Portman's Return to Work Incentive Proposal to Invigorate U.S. Economy," Senator Rob Portman website, May 26, 2020, https://www.portman.senate.gov/newsroom/portman-difference/wall-street-journal-highlights-portmans-return-work-incentive-proposal (accessed June 15, 2020).

Supporting Workers and Businesses Act of 2020 would provide one-time $1,200 bonuses to unemployed workers who go back to work before July 31 when the $600 bonus benefit expires.

This would include the same problems of continuing to provide weekly $600 benefits, but at a potentially lower total cost since the bonus would be no more than $1,200. It would also be unfair to individuals who remained on the job throughout (perhaps even taking pay cuts) and who would not receive similar bonuses and unfair to taxpayers who will have to finance such bonus benefits for the employed. While individuals returning to work will help small businesses and the recovery, individuals should not have to be incentivized to do what is good for their long-run well-being. Just as doctors and insurance companies do not pay individuals to take their medicine, policymakers should not pay people to accept jobs.

A one-time bonus could also be subject to abuse and misuse as individuals and employers could game the system by firing workers shortly before passage of the bill and then rehiring them right after. Moreover, individuals who went back to work the last week in July would lose only one week of $600 benefits and gain the $1,200 back to work bonus.

Pay Employers Who Rehire Workers. Some organizations have discussed the idea of providing what would amount to a wage or rehiring subsidy to employers who rehire workers. While this could help some struggling businesses to regain their footing and offer more employees jobs, it would likely provide only marginal benefit at significant cost. A short-term subsidy, lasting only a month or so, is unlikely to cause employers to rehire workers who they cannot keep on their payrolls long term. Moreover, such employer subsidies would provide significant windfall benefits to companies that would already be hiring workers. Without any rehiring subsidies, the economy already added 2.5 million jobs in May, and large gains are expected in June and July. It is not an effective use of taxpayer money to provide windfall benefits to employers who would have rehired workers anyway.

Such employer subsidies would also be subject to fraud and abuse. For example, employers may fire and then rehire the same workers, or fire existing workers and rehire new ones. Other policies, such as limiting liability for businesses and workers who follow CDC guidance in good faith is a better solution to reducing barriers to reopening society and providing work opportunities.

Immediately Cap Unemployment Benefits at No More than Workers' Previous Wages. To end the unemployment incentive, the Getting Americans Back to Work Act—introduced by Representatives Ted Budd (R–NC) and Ken Buck (R–CO)—would immediately cap unemployment benefits at no more than 100 percent of workers' previous wages.[9] This would not impose undue hardship on unemployed workers as they would still receive as much or close to their previous earnings, even if they remain unemployed. By addressing the root of the problem, this option would reduce unemployment incentives, help struggling businesses get back on their feet, expand the economic recovery, and minimize the physical, mental, and financial consequences for individuals of long-term unemployment.

A Partial Federal Match to State Unemployment Benefits. If Congress decides to provide additional unemployment insurance

[9] The Getting Americans Back to Work Act, 116th Congress, introduced on May 12, 2020, by Representatives Ted Budd of North Carolina and Ken Buck of Colorado, https://budd.house.gov/uploadedfiles/getting_americans_back_to_work_act.pdf (accessed June 15, 2020).

support beyond that established in the CARES Act, lawmakers should consider providing a partial federal match to boost state-provided benefits, including for states that have "short-time" compensation programs which provide partial unemployment benefits to workers who are rehired but with reduced hours and incomes.

A partial match could begin in August with the federal government providing an additional 40 percent of what state-level benefits provide, with the match percent declining 10 percent each month thereafter and ending in December.

This should be easy for states to implement. After calculating individuals' state-based benefits as they already do, they would simply multiply those benefits by a factor of 1.4 (and by a smaller factor over time).

Instead of a one-size-fits-all benefit, a partial federal match would give states more autonomy to meet the unique needs of their populations as they see fit.

Balancing the Benefits and Consequences of Unemployment Extensions and Expansions

When a recession—or in this case, a global health pandemic—results in widespread unemployment, a so-called automatic stabilizer such as unemployment insurance can help to reduce the breadth and depth of a downturn by providing a cushion for individual and family finances. Historically, the federal government has financed extended periods of unemployment insurance benefits during recessions to help accommodate for the high number of people seeking a small number of available jobs.

While unemployment benefit extensions provide valuable income support to individuals and families who face limited or no job opportunities, they also lead to longer durations of unemployment and reduced economic output. In part, this is because individuals are more likely to accept job offers—even subpar ones—in the weeks right before their unemployment benefits are set to expire. Researchers at the New York Federal Reserve[10] estimated that the unprecedented expansion in the duration of unemployment benefits (up to 99 weeks) during the Great Recession reduced employment by 4.6 million jobs in 2010 and by 3.3 million in 2011.[11]

While the federal government has never increased the level of unemployment benefits in the past, the short-term nature (particularly as it was considered at the outset) of COVID-19 shutdowns contributed to policymakers' decision to provide larger unemployment benefits as a way to bridge what they expected to be a short-term gap. Higher unemployment benefits have certainly alleviated individual and family hardships and prevented a deeper and more prolonged downturn, but they have also almost certainly contributed to higher unemployment levels and increased unemployment durations. Evidence from other countries that have altered unemployment benefit levels find that higher benefits lead to more unemployment claims [12] and longer

[10]Marcus Hagedorn et al., "Unemployment Benefits and Unemployment in the Great Recession: The Role of Equilibrium Effects," The Federal Reserve Bank of New York *Staff Report* No. 646, revised September 2019, https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr646.pdf (accessed April 13, 2020).

[11]Author's calculations based on unemployment and labor force data from 2010 and 2011. See Bureau of Labor Statistics, "Databases, Tables & Calculators by Subject," https://www.bls.gov/data/ (accessed April 13, 2020).

[12]Patricia M. Anderson and Bruce D. Meyer, "Unemployment Insurance Benefits and Takeup Rates," National Bureau of Economic Research *Working Paper* No. 4787, June 1994, https://www.nber.org/papers/w4787.pdf (accessed April 16, 2020). This study also provides a review of other studies which, using slightly different methods and

durations of unemployment.[13] These studies suggest that the $600 bonus benefit could increase the number of initial unemployment claims by 69 percent to 117 percent and increase the average duration of benefits by 97.5 percent, from 21.3 weeks to 42.1 weeks.[14]

Additional unemployment benefits are also costly and the U.S. debt and fiscal outlook was already more precarious, pre-COVID-19, than at the height of World War II and following a decade of economic depression. Now, the federal responses to COVID-19 have added more debt in a shorter period of time than ever before in history. This makes it all the more important that policymakers focus on creating employment opportunities and providing only temporary and targeted unemployment supports.

With limited resources to produce and deploy a COVID-19 vaccine, health officials and policymakers would not pay reticent people to receive the vaccine because that would mean fewer vaccines would be available for people who want it. Similarly, policymakers should not pay people who have job offers to return to work because that will take away resources from people who do not have job offers, as well as from future taxpayers.

Policies to Foster Flexibility and Employment Opportunities for All Workers

Unemployment insurance benefits can alleviate the symptoms of unemployment but job opportunities provide the cure. Thus, it is crucial that lawmakers enact policies that attract and enable work opportunities for all Americans.

Congress should:

Provide a Safe Harbor Liability Protection for Businesses and Workers that Follow CDC Guidance in Good Faith. A safe harbor would provide much-needed confidence and stability that encourages business owners to reopen and re-employ workers.

Clarify and Harmonize the Government's Multiple Definitions of "Employee" Versus Contractor. Different tests and rules to determine who is, and is not, an employee of a company make it needlessly difficult for employers and workers to differentiate between employees and contractors. This increases costs and decreases work flexibility for the growing number of independent workers. Policymakers should consistently apply the "common law" test, based on how much control an employer exerts over a worker, throughout tax and employment law.

Codify the Direct-Control Definition of a Joint Employer.[15] Uncertainty over the future classification of nearly 8 million employees could threaten the future of the 750,000 individual franchise operations in which they work. Without certainty that a

data, find elasticities ranging between about 0.2 and 0.6.

[13]David Card et al., "The Impact of Unemployment Benefits on the Duration of Unemployment Insurance Receipt: New Evidence from a Regression Kink Design in Missouri, 2003–2013," NBER *Working Paper* No. 20869, January 2015, https://www.nber.org/papers/w20869.pdf (accessed April 23, 2020)

[14]Drew Gonshorowski and Rachel Greszler, "The Impact of Additional Unemployment Insurance Benefits on Employment and Economic Recovery: How the $600-per-Week Bonus Could Backfire," Heritage Foundation *Center for Data Analysis Backgrounder* No. 3490, April 29, 2020, https://www.heritage.org/sites/default/files/2020-04/BG3490_0.pdf.

[15]U.S. Department of Labor, "Wage and Hour Division—Final Rule: Joint Employer Part 791," January 12, 2020, https://www.dol.gov/agencies/whd/flsa/2020-joint-employment (accessed May 12, 2020).

future Administration will not revert to the previous standard that was estimated to have cost franchise businesses as much as $33.3 billion annually, reduced employment by 376,000 jobs, and caused a 93 percent spike in lawsuits against franchises, the franchise model will be less likely to survive or expand in the future.[16]

Repeal Work Restrictions, Such as California's AB5 Law. By changing the definition of an employee versus a contractor to effectively outlaw most freelancing, contracting, and gig-economy jobs, AB5 has taken away many individuals' and families' livelihoods and autonomy to be their own bosses. More than ever before, COVID-19 has increased the need for flexibility and income opportunities. Even before this health pandemic, 46 percent of workers who freelance said they were unable to work for a traditional employer because of personal circumstances, such as health conditions and family situations.[17] And 76 percent of workers who do not freelance said that they would consider freelancing in a recession.[18]

Not Drive Up the Cost of Employment. With small businesses and lower-wage workers already among the hardest hit by the economic impacts of COVID-19, setting artificially high minimum wages could drive more companies out of business and disproportionately eliminate jobs for less-advantaged workers.

Give Workers the Choice to Join a Union. With the high cost of union dues—about $600 per year for someone making $50,000,[19] and equal to what the average household spends on food in a month[20]—Congress should give all workers the freedom to choose to pay union dues or not, and simultaneously free unions from having to represent workers who do not pay union dues.

Make Full Expensing Permanent. Starting in 2020, businesses will no longer be able to fully deduct investments in equipment, tools, and structures, which will reduce valuable investments that make workers more productive and which increase incomes.

Enact a "Physical Presence" Standard. Small businesses selling online are now subject to the more than 10,000 different taxing jurisdictions, each with their own tax rates and rules. A physical presence standard would provide tax relief and eliminate burdensome administrative costs for small businesses, many of which are struggling to survive.

Repeal the Davis–Bacon Act. The Davis–Bacon Act artificially drives up the cost of construction projects that receive federal funds by applying a deeply flawed wage calculation. Not only should this act be repealed to save taxpayers up to $1.4 billion annually (according to the CBO), but it should not apply to any additional federal funds as proposed in the HEROES Act for contract tracers and other workers receiving funding under the act.

Roll Back the Recent Increases in the Overtime Rule Threshold. Economists widely agree that employers will pass cost increases from overtime rules back to workers through lower pay or lower benefits—that is especially true now as businesses face more narrow margins. The overtime threshold also

[16]Ben Gitis, "The Joint Employer Standard and the Supply Chain," American Action Forum, November 26, 2018, https://www.americanactionforum.org/research/jointemployer-standard-and-supply-chain/ (accessed May 12, 2020).
[17]UpWork, "Freelancing in American, 2019," https://www.upwork.com/i/freelancing-in-america/ (accessed June 11, 2020).
[18]Ibid.
[19]Typical union dues equal two work hours per month. At $50,000 per year, or about $25 per hour, this amounts to $600 in annual union dues.
[20]Trent Hamm, "Lessons from the Average American's Food Expense," The Simple Dollar, April 13, 2020, https://www.thesimpledollar.com/save-money/lessons-from-the-average-americans-food-expense/ (accessed May 18, 2020).

causes employers to more closely monitor employees' work, including taking away flexibility and remote work that have been crucial in the wake of COVID-19. Rolling back the recently enacted higher threshold will give employers and workers the flexibility they need to keep more people employed.[21]

Allow Hourly Workers to Choose Paid Time Off. The coronavirus health crisis and many of the containment measures—children home from school and day care, and temporary shutdowns and slowdowns—have highlighted the value of paid time off, yet private employers are prohibited from allowing their workers to choose "comp time" instead of overtime pay. The Working Families Flexibility Act would eliminate this prohibition so that, both during and beyond this health pandemic, lower-wage hourly workers would have the same right as state and local workers to choose between paid time off and cash pay.[22]

In addition to these steps that Congress can take, state and local lawmakers should eliminate burdensome licensing requirements; end "Certificate of Need" laws; reduce barriers to accessible and affordable childcare; treat pandemic-caused remote work as office work for tax purposes; and remove barriers to home-based businesses.

Summary

Unemployment is likely to remain high for some time as some businesses have closed and ongoing health concerns will prevent certain sectors of the economy from returning to pre-COVID-19 operations until a vaccine is developed and sufficiently distributed. Meanwhile, the U.S. debt and fiscal outlook is more dire than ever before. While the optimal policy responses do not depend on the level of U.S. debt, the precarious fiscal situation of the federal government increases the risks of using future taxpayer dollars for counterproductive or ineffective purposes, such as incentivizing unemployment or paying individuals to accept job offers.

The most important step to addressing unemployment does not require any additional federal funds, but rather involves replacing rigidity with flexibility, and opening doors to income and work opportunities for all Americans. Policymakers can reduce barriers to employment by allowing safe reopenings of society, providing limiting liability for workers and businesses that follow CDC guidance, respecting individuals' right to work, repealing wage restrictions that reduce jobs, and ending restrictions that limit workplace flexibility. These are the types of policies that led to a 50-year record low-unemployment rate and they are the same policies that will help America return there.

Congress should immediately stop paying unemployment benefits that exceed workers' previous wages. Any additional funds that Congress provides should be temporary and targeted to individuals who do not have job options and to those who have substantially reduced hours and incomes. This could include allowing states some flexibility, via partial federal matches of state-based benefits, to more effectively address their unique unemployment situations without undue administrative burdens.

[21]Rachel Greszler, "3 Ways Obama's New Overtime Rule Will Hurt Employees," The Daily Signal, August 26, 2016, https://www.dailysignal.com/2016/08/26/3-ways-obamas-new-overtime-rule-will-hurt-employees/.
[22]Rachel Greszler, "A Simple Way to Help Workers and Employers Hurt by Coronavirus," Heritage Foundation *Commentary*, March 15, 2020, https://www.heritage.org/jobs-and-labor/commentary/simple-way-help-workers-and-employers-hurt-coronavirus.

By coupling employment opportunities and flexibility with temporary and targeted unemployment supports, federal, as well as state and local policymakers can help limit the economic damage and personal hardships of COVID-19 and set the stage for a solid economic and labor market recovery.

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