

CHAMBER OF COMMERCE  
OF THE  
UNITED STATES OF AMERICA

NEIL L. BRADLEY  
EXECUTIVE VICE PRESIDENT &  
CHIEF POLICY OFFICER

1615 H STREET, NW  
WASHINGTON, DC 20062  
(202) 463-5310

July 31, 2020

The President  
The White House  
Washington, DC 20500

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. President, Leader McConnell and Speaker Pelosi:

While the U.S. Chamber of Commerce is pleased to see bipartisan agreement that simply ending federal supplemental unemployment benefits would be a mistake, we are deeply concerned over the discussions of a multiple month extension of the current \$600 unemployment insurance (UI) benefit. Extending the \$600 benefit would harm the economy and result in additional tax increases on small businesses. There is a better, bipartisan approach to aiding the unemployed.

The flat \$600 supplemental weekly unemployment benefit violates the basic principle that an individual shouldn't make more from government programs for not working than they did working. A recent [study](#) found that two-thirds of beneficiaries earn more on unemployment than they made while working. One-fifth earn at least double what they earned working, and the median replacement rate is 134%. The Congressional Budget Office has [said](#) that if this additional funding is extended for another six months, then five out of six beneficiaries would receive more from unemployment than what they could expect to earn working.

Even during the midst of the Great Recession, President Obama and the Congress maintained this critical principle, providing only a \$25 flat weekly supplement.

The additional \$600 is also causing significant distortions in the labor market and hurting the economic recovery. We routinely hear from our employer members who report that individuals are declining to return to work because they can take home more money on unemployment. This was confirmed in the July edition of the Federal Reserve's Beige Book, which reports the economic conditions in each of the Federal Reserve system's 12 districts based on surveys of businesses in those districts: 9 of 12 districts explicitly reported that expanded unemployment insurance benefits were a hindrance to hiring.

Since continuation of the \$600 supplement would mean more people will continue receiving UI, it will quickly result in higher per-employee taxes for those who are working. The

longer a person is on unemployment the more they draw down from state unemployment funds. As these funds are depleted, they must be restored by raising per employee state unemployment taxes. This is especially harmful to small businesses struggling to recover and would be yet another drag on the economy.

At the same time, given the elevated levels of unemployment and that regular state unemployment benefits replace, on average, about 45% of an individual's prior earnings, completely withdrawing the \$600 risks significant individual hardship as well as a drop in consumption that holds back economic recovery.

The Chamber has urged a middle-ground approach along the lines recently [suggested](#) by former economic advisors for Presidents Obama and Bush, namely:

- Provide a variable supplement to state unemployment benefits designed to replace 80 to 90 percent of individual's prior covered wages (after taking into account that payroll taxes are not collected on UI benefits) up to a maximum federal benefit of an additional \$400 per week;
- For states unable to initially adjust their computer systems to calculate a replacement rate, provide a flat amount equal to half the maximum benefit (e.g., \$200) per week for up to three months to provide time for computer system upgrades; and
- Phase down the additional benefit based on a state's unemployment, providing the maximum benefit (\$400) for unemployment rates above 15 percent and eliminating the bonus when unemployment falls below 7 percent.

Congress could also adjust the flat supplement on a state by state basis based on their current replacement rate, to achieve in each state an average replacement rate closer to but not exceeding 100 percent.

Please find attached data prepared by the Chamber that compares the resulting state level benefit based on diverse approaches.

While Congress should act expeditiously to support unemployed Americans, it is critical that it act responsibly in a way that also supports continued economic recovery.

Sincerely,



Neil L. Bradley

cc: Members of the United States Congress