

Good afternoon, Chairman Grassley, Senator Wyden, and the other distinguished members of the Senate Finance Committee.

It is an honor and a privilege for me to represent small business owners across our great country, and to express my experiences regarding the extra \$600 per week pandemic unemployment compensation enacted as part of the CARES Act. I know I am not alone as countless other small business owners have had similar experiences. My name is Les Neilly, President and controlling owner of Neilly Canvas Goods Company, a fourth-generation family business that manufactures tarpaulins (tarps) for trucking and industrial use and we also make, install, and service commercial and residential awnings in the fabled Strip District in Pittsburgh, Pennsylvania.

I got thrown into the business at the age of 20 upon the sudden and untimely death of my father, Harry Neilly, at the age of 47 on May 11, 1976. I helped my mother, Faye Neilly Renz (later remarried) run the business until her retirement in 2013 at age 81 after she had a minor stroke which caused her to lose her peripheral vision to the left in both eyes. She failed the mandatory eye test required by the State of Pennsylvania that all stroke victims must take, lost her driver's license, and immediately declared, "I retire."

My brother, Drew, and I have been running the business ever since and became the owners when our mother signed the business over to us effective January 1, 2019. We have nine full-time employees and two part-time employees between our two locations. We have one full-time employee in our satellite location in Dundalk, Maryland outside of Baltimore.

We offer our employees medical coverage. We pay about 60% of the premium and the employees pay the remaining 40%. We provide vision coverage for all our employees, and we offer dental insurance as an option the employees can take as a payroll deduction. We also offer AFLAC insurance products as a payroll deduction.

We provide three paid personal days per year and paid vacation of one to three weeks earned depending on the amount of seniority. We pay the six standard holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, and Christmas.

We also offer a Simple IRA Retirement Plan for all who would like to participate. The employees can contribute any amount they choose up to the maximum limit as legislated. Neilly Canvas matches up to 3% of the amount the employee puts into the Simple IRA Plan.

Our employees make between \$14.00 and \$21.25 per hour, in addition to the benefits described above. We also pay time and one-half for all hours worked over 40 hours per week. With the passage of the CARES Act, the extra \$600 per week of unemployment compensation

amounts to \$15.00 per hour based on a 40 hour work week. The pandemic unemployment compensation alone pays our lowest-paid employee more than they make working a 40 hour work week, and all they had to do was sit at home and do nothing.

Pennsylvania Governor Wolf announced the shutdown of all non-essential businesses on Thursday, March 19, effective immediately. Since we make tarps for the trucking industry, which is an essential industry, we were able to continue to operate. However, due to the lack of orders from our customers, we laid everyone off effective Monday, March 23, announced at the end of the day on Friday, March 20. Drew and I went to work every day to answer the phones and make the small orders that came in.

By the end of the second week of the employees being laid off, we had enough orders to call two people back to work for Monday, April 6. We received some additional orders that week and called two more people back starting on Thursday, April 9. We continued to operate with four employees in Pittsburgh and the one employee in Dundalk, Maryland for the next three weeks.

On the third week back to work, Friday, April 24 was payday. We pay our employees bi-weekly, with a one week lag from the end of the pay period until the employees get paid for the previous two weeks worked on the following Friday.

Just before noon on April 24, one of the employees completed an order and brought it up to my office. They asked to see their pay stub, as all of our employees have direct deposit. I handed it to them, and they opened the envelope and looked at it, then started complaining to me and asked me why they were working and the employees at home were not. They then stated that their co-workers who were still at home laid off were making more money than those employees who were working, and that wasn't fair. They told me that they and their spouse were going back on unemployment, which I missed hearing during our conversation, and they didn't show up for work on Monday, April 27, or Tuesday, April 28.

Immediately after the first employee left, a second employee came into my office with the same complaint, saying they were missing out on a lot of money by working and not being laid off. They asked if it was possible to have a rotating schedule with the employees who were still laid off so everyone could participate in getting the extra \$600 per week instead of their co-workers who were laid off the entire time. They stated they knew I was trying to run a business, and understood that I had to make tough decisions, but they were missing out on the extra \$600 per week the federal government mandated for the laid-off workers every week, and they wanted to share in the "pot of gold."

We applied for the Paycheck Protection Program loan through a small community bank that we had worked with previously. We received immediate approval and the money was deposited in our payroll account about a week later, on Tuesday, April 28.

Once the PPP money hit our account, I called all the employees who were laid off and told them to report to work on Wednesday, April 29, because we received the PPP money. The remaining laid-off employees reported for work on Wednesday, April 29, including the married couple who declared on Friday, April 24, they were going back on unemployment.

When the married couple checked into getting paid for a partial week of unemployment, they discovered they were ineligible for two days of unemployment and a partial payment of the extra \$600. Since Congress legislated the extra \$600 per week in unemployment compensation, the married couple figured they could just put themselves back on unemployment. It cost them two days of wages. That was another negative ramification of this provision.

I held a meeting with all employees first thing on Wednesday, April 29. I explained the PPP loan and our requirements as an employer. We are responsible for getting everyone back to work who was employed previously, and the company must use at least 75% of the PPP money for payroll and medical benefits, and 25% of the PPP money for a few other expenses to be eligible for loan forgiveness. We also instituted paying every employee a \$20.00 per day bonus for each day they worked through the end of June, retroactive to when we called back the first two employees. We did this as an attempt to ease the resentment of the people who worked versus the laid-off employees. Since everyone was called back to work, everything now seems to be OK regarding employee attitudes and morale.

May I suggest, as a business owner and someone who, like many other small business owners who have experienced similar situations as I did regarding employees who were working being resentful that they were not receiving the extra \$600 per week unemployment compensation like their co-workers who continued to be laid off, DO NOT pay someone more money than they make in a 40 hour work week. Pay the laid-off workers the full amount they earn in a 40 hour work week to make them whole, but nothing extra. Paying someone laid off more than they make in a week for unemployment compensation is rewarding them for being laid off and penalizing an employee who is helping the company survive and move forward because they are working.

Owning a small business, or any size business, is hard enough on a daily basis without having to deal with situations created by Congress that put business owners in a position to mitigate resentments between employees. Employees who are working to help keep the business afloat

feel frustrated and angry that their laid-off co-workers are reaping “rewards” bestowed upon them by elected representatives, many of which have never owned a business to understand the ramifications of policy decisions and the potential precarious situation it puts business owners in.

Further, I am concerned that small business owners who survive this historic downturn will be saddled with high unemployment taxes as a result of this policy. I worry that this \$600 per week incentive will entice employees to remain on an already overburdened unemployment system rather than return to work.

Thank you for allowing me to express my experiences regarding the extra \$600 per week federal pandemic unemployment compensation. I appreciate the opportunity to appear in front of the Senate Finance Committee representing small business owners, and I hope you consider my testimony when contemplating future legislation to extend the CARES Act unemployment compensation and the amount paid to laid-off workers on a weekly basis.