

Prepared Opening Statement by U.S. Senator Chuck Grassley of Iowa
Chairman, Senate Finance Committee
Hearing on Unemployment Insurance During COVID-19: The CARES Act and the Role of
Unemployment Insurance During the Pandemic
Tuesday, June 9, 2020

Welcome to today's hearing.

Before we start, I think it's important again to note what's going on all around us, and that is the acknowledgement of racial injustice that has gone on for far too long in this country.

I certainly support those who are speaking out and making their voices heard in a peaceful manner to bring about change.

While change does not always come easily, I want to remind those watching this hearing today that change is possible.

In December of 2018, the First Step Act—which I introduced—became law. This law is the most significant criminal justice reform law in a generation.

A lot of people didn't think it was possible. But we did it by working together—it was a bipartisan effort.

We're also working together in other ways to address racial disparities, such as in health care.

The CARES Act and other COVID response efforts aim to help all, but especially minority populations that have been hit hardest by the virus.

We've knocked down financial barriers to receiving care during the pandemic and provided support to our frontline providers to ensure access.

We continue to focus attention on the devastating effect COVID has had on nursing homes and the need to do better for residents and staff.

The Trump Administration has also announced a number of efforts to address the disparate impact of COVID-19 on African Americans and others.

I ask unanimous consent to insert a document describing those efforts into the record.

We are also taking action beyond COVID.

We're working on a bipartisan effort to tackle the tragic issue of maternal mortality and the need to improve outcomes for moms and babies.

All Americans want lower prescription drug costs, but our efforts are especially important as minorities suffer from high rates of common diseases such as diabetes and hypertension.

We're exploring improvements for those with kidney disease, patients in need of organ transplants, and more.

We're also in the middle of a transformation of our child welfare system.

We know that too many children end up in foster care, and that black children are overrepresented in this system.

Thanks to our bipartisan efforts, states are now transforming the way they operate to keep more kids safely at home instead of placing them in foster care.

There is obviously much more to be done, and I look forward to working with my colleagues on both sides of the aisle to continue these efforts.

Now I'd like to shift my remarks to focus on the topic of our hearing today.

As a result of COVID-19 and related stay-at-home orders, millions of Americans across the country have lost work.

Congress passed the CARES Act to provide help to those affected in many different ways, including by temporarily expanding unemployment insurance, or UI.

These increased UI benefits have played an important role in helping those who lost a job or who couldn't work as a result of the pandemic.

Given the need to act quickly to reduce the spread of COVID-19, providing extra help through the unemployment system made sense as a way to reduce the economic impact of stay-at-home orders.

But now we're facing a much different situation than we were in mid-March.

States are reopening, employment recently turned positive, and we need to shift our focus to helping people safely return to work, making sure businesses are able to come back quickly and put the country back on a path to economic growth.

We've also learned a few things since the CARES Act became law.

The CARES Act provides an additional \$600 per week to those receiving UI—representing the gap between the U.S. average weekly wage and the average weekly UI benefit.

One thing we've learned is how poorly targeted the additional \$600 per week payments are, as it appears most recipients are being paid more on UI than they were when working.

This discourages people from returning to work or taking a new job, delaying the recovery.

Recent research published by the University of Chicago estimates more than two-thirds of UI recipients may receive benefits that exceed lost earnings, with more than 20 percent potentially getting double what they used to earn—as long as they don't work. Some will say this is just an academic paper, and that these extra payments aren't really an issue today.

Those folks haven't been reading the many letters I get from Iowans each day, and I'm sure every member on this Committee is hearing from businesses having a hard time bringing people back to work, or from hard-working constituents earning less than others they know who are getting unemployment.

Let me share a few stories from the letters I've received:

Letter 1

My daughter went back to work voluntarily because she wanted to help ensure the company would still be around after Covid 19.

Many of her co-workers chose to stay home and, due to the \$600 extra per week, are making more than she is. This isn't right.

Letter 2

Senator Grassley, I am a small business owner who is in desperate need for additional employees yet I receive very few applications when I post jobs.

The issue is the additional unemployment. With the additional \$600 per week my potential employees make more on unemployment than they would working.

Letter 3

We are trying to hire back laid-off Covid-19 related employees (or anyone else too) for \$15/hr. and we find that they are receiving the equivalent of \$20/hr in unemployment benefits.

Suddenly the government became our competitor. How could that happen?

These letters represent a small sample of those who write in daily with concerns about the additional \$600 payment.

Based on these letters and others I'm sure we've all received, you'd think everyone would agree we need to find a better way to help those who have lost income. But you'd be wrong.

Despite mounting evidence of the problems these extra payments are causing, the House passed a bill recently to extend them—not just for a month or two, but for another six months, through January 2021.

Given this, I asked the Congressional Budget Office what impact these additional payments might have if continued. Here's what they said:

Roughly five of every six recipients would receive benefits that exceeded the weekly amounts they could expect to earn from work during those six months.

Employment would probably be *lower* in the second half of 2020 than it would be if the increase was not extended; in calendar year 2021, employment would be *lower* than it would be without the extension.

That doesn't sound like a recipe for economic growth. Especially given last week's jobs report, which shows people are returning to their jobs and that millions more expect to return soon.

I know everyone is focused on these extra \$600 checks. But let me remind everyone of the other CARES Act policies that continue past July.

First, the CARES Act allows those out of work as a direct result of COVID-19 to get UI benefits through December.

This includes people who are infected or caring for someone infected, those who can't go to work because their workplace is closed due to COVID-19, and those who rely on day care that's not available as a result of the pandemic.

Second, individuals will get an additional 13 weeks of unemployment benefits if they're still unemployed after state benefits run out.

And in states where unemployment rates remain high, further weeks of benefits will also be available.

And most importantly, the CARES Act provides funding for what are called "work sharing" programs.

Under these programs, instead of laying off employees, businesses with reduced hours can pay employees a partial UI check to offset lost income. States can also use it to bring back workers on a part-time basis if they can't fully reopen yet.

And don't forget, UI isn't the only game in town here.

The CARES Act included many policies to help those affected by the pandemic, including the employee retention tax credit, the Paycheck Protection Program, direct payments to individuals, and other policies designed to help businesses reopen and people to return to work.

The UI system will continue to play an important role in addressing the impacts of the pandemic.

However, our efforts must be coordinated to help workers and businesses in a way that is most productive.

I look forward to hearing from our witnesses today to learn what's worked, what hasn't, and discuss how we can make sure our efforts in Congress can best support a strong economic recovery.

I now recognize Ranking Member Wyden for his opening statement.
