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Paycheck Recovery Act: A Simple Plan to Stop the Next Great Depression

Last Updated: June 30, 2020

Since March, unemployment rates have approached Great Depression levels, especially if you count the people who have simply dropped out of the labor force.¹ More than 17 states that had begun reopening have shut down and we could be facing an infection rate as high as 100,000 cases per day.² We are facing a second round of shut downs and a second devastating blow to our economy, and the crisis demands bold solutions to keep workers employed.

The Paycheck Recovery Act, proposed by Rep. Pramila Jayapal, would create a simple system to guarantee paychecks, stop mass layoffs, keep businesses stable until they can safely reopen, and facilitate a speedy recovery.

A Simple System to Provide Rapid Relief to Workers and Employers

- **How It Works:** The federal government will directly cover up to 100% of base payroll costs for businesses that are suffering a covid-19 related revenue loss or shutdown for three months, up to an annual salary for \$90,000 per worker. After the initial three months, the program automatically continues until consumer demand returns to pre-crisis levels.
- **Who Qualifies:** Businesses that are closed due to COVID-19 or only partially operational (like restaurants providing takeout), as well as businesses experiencing a COVID-19 related drop in demand, would be eligible. Public employers, self-employed individuals, and independent contractors would also be eligible. To incentivize rehiring, the program will also cover payroll for employees who are rehired after being furloughed or laid off after March 1, 2020.
- **Accountability:** Businesses would be subject to worker protection conditions including maintaining payroll throughout the pandemic and for three months after; a ban on stock buybacks, executive bonuses, and increased dividends; and protection of existing collective bargaining agreements. The Paycheck Guarantee Act also includes strong protections against employer fraud or abuse.
- **Ease:** A paycheck guarantee is the most efficient way to keep workers employed. Because the Treasury Department already has businesses' 2019 quarterly payroll tax returns, it can quickly verify employer payrolls and disburse wages, providing help immediately.

A Popular and Proven Way to Stop Mass Unemployment

¹ Kochhar, Rakesh, *Unemployment rose higher in three months of COVID-19 than it did in two years of the Great Recession*, Pew Research Fact Tank (Jun. 11 2020)
<https://www.pewresearch.org/fact-tank/2020/06/11/unemployment-rose-higher-in-three-months-of-covid-19-than-it-did-in-two-years-of-the-great-recession/>

² <https://news.yahoo.com/governors-quickly-reopened-backpedal-virus-034823632.html>

Mass unemployment would inevitably slow recovery, because employers would have to rehire and retrain workers once the pandemic ends. The Paycheck Guarantee Act solves this by keeping workers attached to jobs and their health insurance. It keeps businesses open by covering costs like rent and utilities. The Paycheck Guarantee is overwhelmingly popular: 81% of voters support it, including large majorities of Democrats, Republicans, and Independents.³

We already see this approach preventing mass unemployment in other countries:

- Germany's "Kurzarbeit" paycheck guarantee has dramatically limited mass layoffs, and unemployment is expected to rise somewhere between just 0.2 to 0.5 percentage points during the COVID-19 crisis.⁴ Germany's paycheck guarantee protection program is also widely credited for the country's swift recovery from the 2008 financial crisis.
- France's unemployment rate will only rise a projected 1.1 percent thanks to its paycheck guarantee program.⁵
- The UK and Denmark have quickly implemented new paycheck guarantee programs during the crisis.⁶

An Improvement on Existing COVID-19 Response Packages

Congress's first three COVID-19 response packages provided urgent, critical relief to workers and businesses, but the unprecedented scale of the crisis demands further action.

- **Better Protects Against Layoffs:** A Paycheck Guarantee will protect jobs better than corporate bailouts, which come with little to no retention requirements. Some companies have already laid off workers before seeking bailouts. The Payroll Guarantee Act is also significantly stronger than the CARES Act's Employee Retention Tax Credit, which is insufficient incentive to ensure that struggling companies maintain payroll.
- **Provides Paychecks Faster Than Existing Programs:** The SBA's Paycheck Protection Program (PPP) has proved too difficult to implement, shuts out Black-, and other minority-owned businesses,⁷ and money for the program is running out just weeks after it went into effect. By contrast, a paycheck guarantee prioritizes ease of administration and immediate relief — because workers and businesses need it now. Unlike the PPP, employers of all sizes would be covered by a Paycheck Guarantee.
- **Helps Workers Retain Benefits:** 35 million Americans who rely on employer-provided health insurance could lose it during the pandemic.⁸ This legislation prevents that.
- **Increases Financial Security.** The CARES Act's UI provisions are an essential lifeline for workers who have been laid off and will remain critical for workers in businesses that have already shuttered. But workers are more financially secure if they aren't laid off in

³ Lindsay Owens & Ethan Winter, *Voters Want Guaranteed Paychecks Through the Pandemic*, Data for Progress (Apr. 14, 2020), <https://www.dataforprogress.org/blog/4/14/voters-want-guaranteed-paychecks>.

⁴ Michael Birnbaum, *How Europe Manages to Keep a Lid on Coronavirus Unemployment While it Spikes in the U.S.*, Wash. Post (Apr. 11, 2020), https://www.washingtonpost.com/world/europe/how-europe-manages-to-keep-a-lid-on-coronavirus-unemployment-while-it-spikes-in-the-us/2020/04/11/29b23c90-7b4f-11ea-a311-adb1344719a9_story.html.

⁵ *Id.*

⁶ Emmanuel Saez & Gabriel Zucman, *Jobs Aren't Being Destroyed This Fast Elsewhere. Why Is That?*, N.Y. Times (Mar. 30, 2020), <https://www.nytimes.com/2020/03/30/opinion/coronavirus-economy-saez-zucman.html>.

⁷ Emily Flitter, *Black-Owned Businesses Could Face Hurdles in Federal Aid Program*, N.Y. Times (Apr. 10, 2020), <https://www.nytimes.com/2020/04/10/business/minority-business-coronavirus-loans.html>.

⁸ Health Mgmt., *Covid-19 Impact on Medicaid, Marketplace, and the Uninsured*, by State (2020), <https://www.healthmanagement.com/wp-content/uploads/HMA-Estimates-of-COVID-Impact-on-Coverage-public-version-for-April-3-830-CT.pdf>.

the first place and expanded unemployment benefits are set to end soon. Workers who lose their jobs will have a harder time returning to work when the shutdowns end.