

# Rehire America Workplace Recovery Act: An Economic Analysis



**July 2020**

**by Charles F. Beauchamp, PhD, CTP®**



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# Rehire America Workplace Recovery Act: An Economic Analysis

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## Executive Summary

Rooted in the conservative principles of limited government and private property rights, the *Rehire America Workplace Recovery Act* (RAWRA)<sup>1</sup> is a proposal that would provide relief to businesses for the cash losses they have sustained due to the COVID-19 business shutdowns and the subsequent government-induced economic crisis.<sup>2</sup> It seeks to provide this relief via cash injections to cover businesses operating cash losses with the goal of bringing *stability* to their operations and cash positions. These cash injections include funding for the retention of current employees and the rehiring of former ones. The cash injections, including their contribution to operating stability, should create the *confidence* needed for businesses to retain and rehire employees. Fulfilling its conservative promise, the proposed legislation is 100% temporary as it self-terminates on or before February 28, 2021.

The results of an economic analysis of the legislation are presented in this report. **Table 1** presents a summary of the study's findings. They show that the proposal's benefits far outweigh its costs. Impressive job numbers in May and June 2020 can be tailwinds for a quicker recovery of the U.S. economy than analysts are predicting. RAWRA can aid and

boost this recovery over the next year, putting more Americans back to work than would occur without the proposal.

## Introduction

On March 13, 2020, President Donald Trump declared a national emergency as the U.S. began an aggressive effort to mitigate the spread of SARS-CoV-2 or Coronavirus 2019 (COVID-19). Following the recommendations of the Centers for Disease Control and Prevention and the National Institute of Allergy and Infectious Diseases, state and local officials instituted a series of mandates to pursue the mitigation effort. These mandates were far-ranging with expansive reach across the country's social and economic systems. They resulted in severe negative consequences.

COVID-19 and the government response to it represent an exogenous shock to the U.S. economy. Its magnitude is unprecedented in both the size and estimated duration of the contraction. At the heart of this contraction is the "sudden stop" of the economy induced by state and local governments in March and April of 2020 ([Goldman Sachs, 2020](#)). The most crippling economic action of this sudden stop was the forced full and partial closures of businesses across every sector of the economy. These shutdowns caused a

chain reaction of economic hardship that passed directly from businesses to the broader economy via reductions in employment.

Though severe, the COVID-19 crisis is proving to be quite different from past crises, which have generally been complex in nature from a cause-and-effect perspective. The current economic crisis is one of relative simplicity. The forced shutdowns violated one of business's fundamental principles—"*Cash is king*." Operating cash flow for business originates with a firm's revenue, and the shutdowns completely shut off or reduced the revenue-generating capacity of

**Table 1**

*Summary of Findings with Weighted-Average Recovery Depending on Duration of RAWRA*

Cost-Benefit Metric	Lower Estimate: Until September 2020	Upper Estimate: Until February 2021
Total Cost	\$450 Billion	\$1.3 Trillion
GDP Contribution (%)	2.17%	6.08%
GDP Contribution (\$)	\$498.4 Billion	\$1.4 Trillion
Increased Jobs	1.8 Million	5.6 Million
Federal Tax Receipt Contribution (\$)	\$534 Billion	\$1.5 Trillion
Payback Period Via Federal Tax Revenue	Less than 6 years	Less than 6 years

1 On July 20, 2020, Congressmen Vela and Gooden filed [H.R. 7671 \(Small Business Comeback Act\)](#), which is in the spirit of the RAWRA proposal just prior to publication of this paper. It is our intent to assess and compare at a later time.

2 For the purposes of RAWRA, cash losses are defined as a negative result when measuring the difference between a business's revenue and its eligible operating costs.



businesses. Businesses almost immediately began suffering cash losses. The response from businesses was predictable and swift as they began massive cuts to operating costs, including employee costs (through furloughs, reduced pay and hours, and layoffs). There are several key factors concerning the economic condition of businesses that are directly relevant to the proposed legislation covered in this report:

- The cash losses incurred by businesses happened through *no fault* of their own.
- The government effectively took revenue (i.e., cash inflow) away from businesses by preventing them from operating, thus causing the cash losses. In other words, the government induced the cash losses of these businesses.
- The affected businesses are entitled to due process where the government should provide just compensation for induced cash losses, including the cost of retaining and hiring employees.

The proposed *Rehire America Workplace Recovery Act* (RAWRA) would be legislation to provide economic relief by addressing these issues. This report provides an economic analysis of this proposal.

### Rehire America Workplace Recovery Act

The proposed RAWRA is a relief package based on conservative principles with the goal of reducing the negative economic consequences of the shutting down of society by government due to COVID-19. It does so by targeting government spending to businesses affected by these shutdowns. Specifically, it seeks to provide **stability** to the operating cash flow of these businesses by reimbursing them for their cash losses, and in doing so, it creates the **confidence** needed for these businesses to retain and rehire their current and former employees. The act follows conservative principles aimed at **only** resolving the economic crisis. To achieve this goal, the RAWRA is designed to self-terminate on or before February 28, 2021, preventing permanent growth of government.

RAWRA is based on a principle of free enterprise: private property rights. By enforcing shutdowns, the government effectively took cash inflow away from businesses, thus inducing cash losses for many businesses in the process. This lost cash was the private property of affected business owners. Based on general principles of due process under the Eminent Domain Clause in the Fifth Amendment of the U.S. Constitution, RAWRA proposes for the federal government to provide just compensation to businesses to cover **only** these cash losses. It is important to point out that it does not propose the repayment of lost profits or lost

operating cash flow. In addition to compensating for cash losses, under RAWRA, the federal government allocates part of the payments for retaining and rehiring former employees.

The RAWRA payments are prioritized based on the following:

- Businesses rehiring those displaced from the workforce and on unemployment,
- Small businesses (including restaurants and independently owned franchises),
- Businesses operating in rural or low-to-moderate-income communities,
- Businesses owned by women or minorities.

The RAWRA rules for business eligibility for payment are described below. For purposes of brevity, the rules are presented in condensed form:

- The beginning of the program's coverage period is the 1st day of the month of passage (assumed to be July 1, 2020, for this analysis) or thereafter on the 1st day of the month of initiation as determined by the applicant.
- The program terminates on February 28, 2021, for all current recipients at that time or once a recipient is no longer generating cash losses, whichever is earlier.
- The program pays eligible operating costs, including payroll costs and other cash expenses necessary to maintain a business's operational viability. These costs must be incurred during the covered period and the program will only cover those costs up to 90% of the historical average of the revenue of the applicant that corresponds to the covered period or \$25,000, whichever is greater. This latter provision is in place for RAWRA to capture the needs of underserved communities, including minority- and women-owned businesses.
- Covered payroll cost reimbursements focus on retaining current employees and rehiring former employees. The program covers 80% of current employee costs to the business, up to an annualized salary of \$50,000 and benefits of \$50,000 for a total compensation of \$100,000. For rehires, the program covers 120% of their costs, up to the same annualized amounts.

### Economic Effects of COVID-19

Before moving into the details and analysis of RAWRA, it is important to understand the effects the COVID-19 shutdowns have had on the broad economy and to establish the current condition of the economy as of this report (i.e., the

base case). As noted, the effects of the shutdowns caused a myriad of negative economic results.

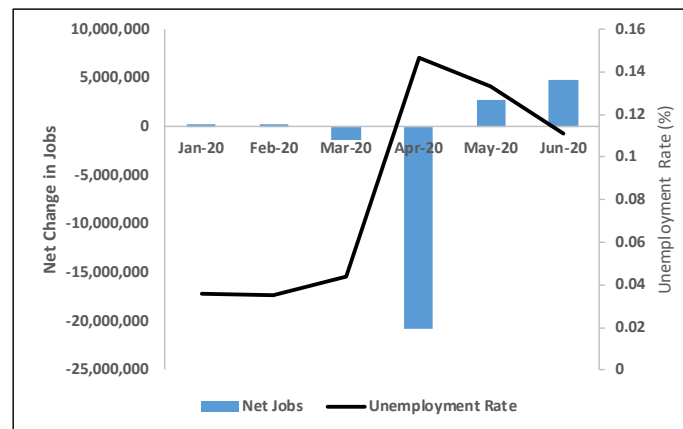
### Shutdown Economics

Beginning with California on March 19, states started issuing shutdown and stay-at-home orders. According to the *Wall Street Journal* ([Editorial Board, 2020](#)), 42 states instituted full or partial shutdowns. The economy was forced to adjust to this new reality in a matter of a few weeks. Almost immediately, consumers stopped spending on nonessential items. Businesses began accruing cash losses and making necessary cost reductions. The resulting economic contraction was one of the most severe in recorded history. Those effects on the macroeconomy needed to analyze RAWRA are summarized below.

The effects of the shutdowns on employment are illustrated in **Figure 1**. A decade of job growth ended in March as the initial effects of the shutdowns began to hit businesses. Even though job losses only occurred during March and April, the degree of loss proved to be quite deep, with the economy losing more than 20 million jobs in April alone. As expected, the unemployment rate increased and peaked in April at 14.7%.

Employment figures indicate that the employment pain was far from equitably distributed across demographic groups. **Table 2** illustrates that women experienced a 2.5-percentage points greater unemployment rate than men (15.5% and 13.0%, respectively). Further, African American and Hispanic unemployment levels were both greater than that of Whites, outpacing White unemployment by

**Figure 1**  
Net Job Change



Source: U.S. Department of Labor Employment Situation Table B, Seasonally Adjusted

**Table 2**  
Employment Situation

Category (in thousands)	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Employed	158,714	158,759	155,772	133,403	137,242	142,182
Unemployed	5,892	5,787	7,140	23,078	20,985	17,750
Civilian Labor Force	164,606	164,546	162,913	156,481	158,227	159,932
Not in Labor Force	94,896	95,082	96,845	103,415	101,820	100,273

Category (in %)	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Unemployment Rate (%)	3.6	3.5	4.4	14.7	13.3	11.1
Adult Men (20 years and over)	3.3	3.3	4.0	13.0	11.6	10.2
Adult Women (20 years and over)	3.2	3.1	4.0	15.5	13.9	11.2
Teenagers (16 to 19 years)	12.2	11.0	14.3	31.9	29.9	23.2
White	3.1	3.1	4.0	14.2	12.4	10.1
Black or African American	6.0	5.8	6.7	16.7	16.8	15.4
Asian	3.0	2.5	4.1	14.5	15.0	13.8
Hispanic or Latino Ethnicity	4.3	4.4	6.0	18.9	17.6	14.5

Source: U.S. Department of Labor Employment Situation Table A, Seasonally Adjusted

2.5-percentage points and 4.7-percentage points, respectively. It is essential for Congress to reverse the job market plight of Americans through targeted federal spending given governments forced them out of a job by shutting down society. RAWRA is uniquely structured to meet this need.

Similar to the effects on employment, the shutdowns greatly transformed sustained real GDP growth enjoyed by the U.S. economy since 2017. Specifically, **Table 3** illustrates the Congressional Budget Office's (CBO) analysis of real GDP for January 2020 and July 2020, pre- and post-shutdown. The difference is simply astounding. The U.S. economy enjoyed positive and recent 2%-plus growth of real GDP heading into the crisis. Even with March experiencing only 2 weeks of shutdowns, the positive trend in real GDP growth reversed, producing an actual annualized -5.0% rate in the 1st quarter of 2020. Even worse, the previous forecast of the 2nd quarter of 2020 decreased from 2.5% in January to -34.6% in July. Any federal programs seeking to reverse this trend should focus not only on jobs but also on the other operating cash losses induced by the shutdowns. RAWRA specifically addresses this concern by targeting fiscal spending directly to businesses.

The CBO has not updated its federal tax receipts forecasts since January. These figures are reported in **Table 4**. However, it is almost certain that those receipts will decrease along with employment and real GDP. The accompanying increase in the federal deficit is also a certainty. RAWRA's federal spending has the potential to reduce the expected decrease in tax receipts as it supports economic recovery.

Businesses of all sizes were affected by the shutdowns to varying degrees. A *Business Roundtable* survey of CEOs from early June indicates that 27% of CEOs expect their firm's recovery to extend past 2021 ([Business Roundtable, 2020](#)). Further survey evidence from Facebook suggests that

small businesses were greatly affected by the consequences of shutdowns by governments. Conducted in May, the survey found that 31% of small businesses were not operating. This figure increased to 52% of "personal businesses," of which 55% were owned by women. Twenty-eight percent of small businesses viewed cash flow issues as their biggest challenge to weathering the COVID-19 downturn, while another 20% believe the top challenge was lack of demand, that is, reduced revenue ([Facebook, 2020](#)). RAWRA addresses these concerns by targeting federal spending to cover business cash losses for a limited period.

### Government Actions to Date

To date, the federal government, in conjunction with the Federal Reserve, has taken numerous steps to mitigate the effects of the COVID-19 shutdowns. A brief summary of those applicable to the current analysis is provided below:

- The Federal Reserve efforts focus on supporting capital markets accessed by medium and large businesses.
- The **Coronavirus Aid, Relief, and Economic Security Act (CARES Act)** is a \$2.3-trillion economic aid package that includes business tax relief, emergency appropriations, state and local government assistance, enhanced unemployment benefits, and small business assistance.
  - ♦ **Paycheck Protection Plan (PPP)** was designed to provide bridge financing for small business payroll costs through loans that are forgivable under certain conditions.
  - ♦ **SBA Economic Injury Disaster Loans** is a program providing grants of \$10,000 and loans of up to \$2 million at favorable interest rates to small businesses to cover operating expenses.
  - ♦ **Pandemic Unemployment Assistance (PUA)** is a program targeting nonemployer business owners

**Table 3**  
*Pre & Post-Shutdown Real GDP*

	Performance & Forecast Periods							
	2019:Q1	2019:Q2	2019:Q3	2019:Q4	2020:Q1	2020:Q2	2020:Q3	2020:Q4
<b>January Forecast</b>	3.1	2.0	2.1	2.3	2.0	2.5	2.2	2.2
<b>July Forecast</b>	3.1	2.0	2.1	2.1	-5.0	-34.6	17.0	7.9

Note. Real annualized GDP reported in percentages. Shaded figures represent forecasts.

Source: U.S. Congressional Budget Office Quarterly Forecasts

**Table 4**  
*Federal Tax Receipts Forecast*

	2020	2021	2022	2023	2024	2025
Tax Revenue	3,632	3,816	4,001	4,206	4,382	4,562

Note. Tax receipts reported in billions of dollars. Shaded figures represent forecasts.

Source: U.S. Congressional Budget Office Budget Projections

who were not eligible for PPP or SBA disaster loans.

- **Unemployment Assistance Boost** was designed to give each recipient a \$600 weekly boost over their normal state unemployment benefits. It is set to expire on July 31, 2020.

In summary, these programs were designed for *temporary* relief for business losses and payroll protection from the shutdowns.<sup>3</sup> RAWRA is focused on *permanent* compensation for business cash losses and maintaining or rehiring employees affected by the shutdown until a specific date.

### Current Economic Situation (Base Case)

In analyzing RAWRA, it is important to establish the base case. RAWRA is written with an effective date of July 1, 2020; therefore, the base metrics are established using the most recent data to July and post-CARES act.

- *Employment* – The downward employment trend reversed in May and June, with the economy adding 2.7 million and 4.8 million jobs, respectively. The unemployment rate fell to 11.1% at the end of June (see **Figure 1** and **Table 2**).
- *GDP* – the last available actual real GDP is -5.0% for the 1st quarter of 2020 with a forecast of -34.6% for the 2nd quarter, followed by positive growth in the second half of the year (see **Table 3**).

These findings highlight that business stability and job recovery remain fragile. In fact, the 17% GDP growth forecasted in the 3rd quarter of 2020 suggests that the economy will likely enter a recovery during that period but that recovery would not be enough to erase the -34.6% decrease in GDP expected in the 2nd quarter. Businesses are likely foregoing rehiring due to uncertainty of cash flow and demand. If implemented, RAWRA will target business stability and provide the confidence needed for businesses to rehire.

## Economic Analysis

To estimate the net fiscal impact of RAWRA, a cost-benefit framework was employed. The total cost estimate was developed using a model via sector analysis as described by Misuraca (2014). A statistical model that establishes statistical relationships from historical data between a program's cost drivers (i.e., explanatory variables) and its cost (i.e., dependent variable) is normally preferred in most cost-benefit analyses. However, the lack of historical or detailed data on private businesses makes this impossible. The total cost estimate represents a fiscal response in that RAWRA increases the federal budget deficit for fiscal year 2020 by

100% of its cost. Further, given that this response occurs as the economy has ample idle resources due to the aftermath of the shutdowns, the application of macroeconomic multipliers allows for the measurement of how the response affects economic output. Output is measured by GDP in the current analysis. Finally, the effect of GDP is then translated into job creation and federal tax receipt estimates. This process is based on the methods presented in Bivens (2010).

### Cost Estimate

The total cost estimate is the result of the sum of the individual cost estimates for each business category of eligible applicants under RAWRA. The category estimates are based on recent labor market activity, historical business activity, and assumptions of participation applied to the administration rules of RAWRA. These estimates focus on the following three business categories:

- *Small Businesses* or SBAs are defined as any business with 1 to 500 employees and meeting Small Business Administration criteria. Prior to the shutdowns, there were approximately 5.9 million of these businesses operating in the U.S. ([Small Business Administration, 2020](#)). However, numerous experts believe that a sizable number of these businesses will fail due to the current economic environment.
- *Nonemployer Businesses* or NEBs are defined by the U.S. Census Bureau as a business “that has no paid employees, has annual receipts of \$1,000 or more ... and is subject to federal income taxes. Most [NEBs] are self-employed individuals operating very small unincorporated businesses, which may or may not be the owner's principal source of income” ([U.S. Census, n.d.-a](#)). Prior to the shutdowns, there were approximately 26 million of these businesses active in the U.S. ([Small Business Administration, 2020](#)).
- *Medium and Large Businesses* are defined as any business with more than 500 employees and not meeting Small Business Administration criteria. Prior to the shutdowns, there were approximately 20,000 of these businesses operating in the U.S. ([U.S. Census, 2020, “U.S. & states, totals” table](#)).

To estimate the monthly total costs of RAWRA for the period of July 2020 through February 2021, the model follows a process designed to estimate the number of businesses across each category likely to participate in RAWRA each month and their total cost of participation. This total cost measure includes three components for the SBA and the medium and large business categories: 120% of the cost of rehiring employees laid off because of the pandemic,

3 Grant Thornton has an excellent review of these programs (see Shea et al., 2020).



80% of the cost of retaining current employees, and other expenses necessary to keep a firm operationally viable. The employee costs are capped at a maximum of an annual rate equal to \$50,000 for salaries and wages and \$50,000 for benefits for a total of \$100,000 of eligible cost per employee. Of course, applicants are only eligible if they are accruing cash losses during the applied-for period. A cash loss is defined as a negative result when measuring the difference between a business's revenue and its eligible operating costs. The total cost of RAWRA participation is more straightforward for NEBs. Because these businesses have no employees, they are only eligible for operating costs. Finally, total costs for all three categories are capped at 90% of the applicant business's 2019 revenue over the same time as the application period in 2020 or \$25,000, whichever is greater.

As previously stated, the data available on private businesses is limited. The U.S. Census Bureau provides aggregated data on employee businesses, both SBAs and medium and large businesses. Specifically, its *Statistics of U.S. Business (SUSB)* tables provide the number of businesses aggregated by the number of employees in ranges (e.g., 1-5 employees) for the population of two-digit NAICS code sectors. The appendix files to the SUSB data allow for the development of a distribution of these data. For the current study, the 2017 SUSB tables are utilized as the basis for the estimate of employee businesses participating in RAWRA. The 2017 tables were chosen because they had aggregated receipts data that provide a revenue estimate for the businesses. They contain aggregated payroll data for the businesses as well. These latter two data points were adjusted to 2019 values before any further cost estimates were made using the consumer price index (CPI) data provided by the Bureau of Labor Statistics ([n.d.-a](#)).

The importance of having revenue data is that it is the basis of most cost calculations. First, it allows for the estimate of total operating expenses for each NAICS code sector. To do so for SBAs, estimates were made of operating cost as a percent of revenue using historical benchmarks provided in the Risk Management Association's Annual Statement Studies ([n.d.](#)) for the 2019 year. These estimates were applied to the revenue data in the SUSB NAICS categories to estimate 2019 operating costs. For medium and large businesses, a similar approach was taken, except the source of the historical data was calculated from an analysis of publicly traded businesses' income statements from 2019 sorted by NAICS code. Importantly, these cost estimates include payroll and benefits costs, which are addressed below.

The next step in the process was to estimate the 2019 payroll and benefits costs separate from the operating cost described above. These data are used as the basis for

calculating the 80% cost of retaining an employee as specified by RAWRA. Payroll and benefits data were estimated separately on a per-business basis using data from the Bureau of Labor Statistics. Specifically, the *Industries at a Glance* series provides weekly wages and benefits data, which were used to generate monthly payroll and benefits estimates. These estimates do not consider seasonality across labor markets. The assumption is made that total costs accrue and are paid evenly across all 12 months of the year. Finally, these employee cost estimates were subtracted separately from the operational expense estimates described above, which is necessary to estimate total cost of RAWRA. This is due to the program's targeted 80% employee retention compensation.

The last estimate required is the cost of rehiring employees who have been terminated since March 2020. To do so, the net number of jobs losses per NAICS code, wage, and benefit data was extracted from the Bureau of Labor Statistics monthly Current Employment Statistics ([n.d.-b](#)). These data are necessary to estimate the 120% RAWRA compensation to businesses rehiring former employees.

Only one estimate is required for the NEBs, that of operating expenses. Again, the U.S. Census Bureau ([n.d.-b](#)) provides the base data for this calculation in its 2017 Nonemployer Statistics data. Specifically, it provides the number of businesses and their aggregated revenues, which were adjusted for inflation. As with the SBAs and medium and large business data, NEB data have an appendix file that allows for the development of a revenue distribution. It is important to note that over 70% of NEBs have revenue of under \$100,000. The same process used for estimating operating costs for the SBAs above was used for the NEB estimates.

The cost estimates described above allow for the estimate of the total monthly cost of RAWRA for each of the business categories. To do so, a participation rate of businesses to the program was developed for each business category. This was done using survey data because there are no prior models on which to base it. For SBAs and NEBs, the initial participation rate in July is set at 42%. This was determined using results of the NFIB Small Business Surveys ([2020](#)) conducted monthly. Since March 2020, the results consistently indicated that around 42% of small businesses were concerned about their cash position. Though this is not a cash loss estimate, it is used as a proxy for one. The initial participation rate for medium and large businesses is set at 22.5% and based on a CFO.com ([2020](#)) survey of chief financial officers. The same reasoning was used to develop this rate as was used for the other two categories. This rate is



lower because these larger businesses have more flexibility in their balance sheets to avoid losses.

The total monthly costs of RAWRA are equal to the estimated cash losses of applicant firms. To estimate these losses, the total costs are set equal to the sum of operating costs, the retained employee costs (80%), and the cost of rehiring (120%). Monthly rehiring estimates are based on V-shaped and U-shaped recovery estimates provided by the Federal Reserve (2020). Based on a Congressional Research Service finding, 40% of the rehires are allocated to SBAs, and the remaining 60% are allocated to medium and large businesses (Dilger, 2020). Finally, the participation rate reduces each month by the rate of improvement of GDP estimated under either the V-shaped or U-shaped recovery

estimates. The results of these cost estimates are presented in **Table 5**. The range of cost estimates depend on the duration of RAWRA and the shape of the recovery. This provides results for a weighted assumption based on only the shape of the recovery from a low of \$453 billion to a high of \$1.27 trillion.

### Benefits Estimate

The next step in the analysis is to translate the fiscal impact of the costs outlined in **Table 5** to output gains, specifically GDP. In order to do so, this analysis makes use of a fiscal multiplier equal to 1.1. This multiplier is based on CBO and Moody's Analytics' economic multipliers for new jobs tax credit programs. Though RAWRA is not a tax program, its mechanics are similar in that the money is basically a grant

**Table 5**  
*Cost Estimates*

Program Duration	Business Category	V-Shaped Recovery Assumption	U-Shaped Recovery Assumption	Weighted Assumption
<b>February 2021 Termination</b>	Small Businesses	\$473,147,855	\$516,421,590	\$507,766,843
	Nonemployer Businesses	165,846,950	195,935,752	189,917,992
	Medium & Large Businesses	538,891,406	581,161,226	572,707,262
	<b>Total Cost</b>	<b>1,177,886,212</b>	<b>1,293,518,568</b>	<b>1,270,392,097</b>
<b>December 2020 Termination</b>	Small Businesses	337,009,449	388,884,181	378,509,234
	Nonemployer Businesses	127,864,910	147,546,725	143,610,362
	Medium & Large Businesses	372,188,079	437,635,473	424,545,995
	<b>Total Cost</b>	<b>837,062,438</b>	<b>974,066,379</b>	<b>946,665,591</b>
<b>September 2020 Termination</b>	Small Businesses	177,997,329	193,530,815	190,424,118
	Nonemployer Businesses	67,534,048	73,427,615	72,248,902
	Medium & Large Businesses	177,997,329	193,530,815	190,424,118
	<b>Total Cost</b>	<b>\$423,528,707</b>	<b>\$460,489,246</b>	<b>\$453,097,138</b>

Note. Figures in thousands of dollars. The weighted assumption recovery is a weighted average of the V-shaped (20%) and U-shaped (80%) recoveries.

**Table 6**  
*GDP Benefits Estimates*

Program Duration Scenario	Total Federal Cost (in billions of dollars)	GDP Contribution (in billions of dollars)	GDP Contribution %
<b>February 2021 Termination</b>	1,270.4	1,397.4	6.08
<b>December 2020 Termination</b>	946.7	1,041.3	4.53
<b>September 2020 Termination</b>	453.1	498.4	2.17

or cash credit toward retaining and rehiring employees plus covering other nonemployee cash losses. The CBO estimate for this multiplier is 0.9, while Moody's Analytics' estimate is 1.3. Giving each equal weighting provides the 1.1 estimate above. Applying this multiplier to GDP over the next year provides GDP estimates over the cost of the program. These are presented in **Table 6**. Under the full program expiring in February 2021, the \$1.27 trillion cost generates GDP over and above the current CBO estimates by \$1.397 trillion or 6.08%. In other words, the implementation of RAWRA increases GDP by \$1.397 trillion higher than it would have been without the program.

Next, the GDP estimate is converted into the overall employment contribution of RAWRA. To do so, it is assumed that a 1% increase in GDP is associated with a 1% increase in labor hours. However, according to the Bureau of Labor Statistics, average weekly hours are down 5.6% in the 1st quarter of 2020. Annualizing this decline indicates that work hours will be reduced by 24.35% over the next year. In addition, labor productivity fell by 6.5% in the same quarter or at an annualized rate of 28.65%. Therefore, it is estimated that a 1% increase in GDP will yield a 0.53% increase in employment. As illustrated in **Table 7**, it is estimated that the full implementation of RAWRA through February 2021 will add 5.6 million more jobs over the next year than otherwise.

**Table 7**  
*Employment Benefits Estimates*

Program Duration Scenario	GDP Contribution %	Employment Contribution %	Increased Jobs
<b>February 2021 Termination</b>	6.08	0.53	5.6 Million
<b>December 2020 Termination</b>	4.53	0.53	3.8 Million
<b>September 2020 Termination</b>	2.17	0.53	1.8 Million

**Table 8**  
*Federal Tax Receipt Benefit Estimates*

Program Duration Scenario	2020-2025 Tax Contribution (in trillions of dollars)
<b>February 2021 Termination</b>	1.495
<b>December 2020 Termination</b>	1.114
<b>September 2020 Termination</b>	0.534

Finally, RAWRA's contribution to federal tax receipts is estimated based on the percent change contribution of RAWRA to GDP and on CBO tax receipt estimates as a percentage of GDP. The figures in **Table 8** indicate that RAWRA after being fully implemented supports increased federal tax receipts of \$1.495 trillion through February of 2021, thereby funding the cost of the program in just under 6 years. It is important to point out that RAWRA carries additional fiscal benefits to federal, state, and local governments unquantified in this report. Those include increased tax receipts to state and local governments, reductions in unemployment insurance claims, reduction in welfare spending, and the reduction of the risk that, without RAWRA, more federal funding will be required to support state and local governments.

Overall, the conclusion of the cost-benefit analysis of RAWRA is that its economic benefits clearly outweigh its costs, paying for itself via incremental increases in federal tax receipts, not including the many benefits of decreased welfare spending at all levels of government and increased tax receipts by state and local governments that will result from its implementation.

## Discussion of Risk

As the economy continues to progress through recovery, aided by the *Rehire America Workplace Recovery Act*, it does face several risks. These risks are summarized below.

- Extension of the COVID-19 Unemployment Program**
  - a provision of the CARES Act was to boost unemployment payments by \$600 weekly. The effect was that this boosted many recipients above their pre-COVID-19 take-home pay. It is set to expire on July 31, 2020. Democrats in both the House and the Senate are pushing to extend this payment until December 31, 2020. Doing so provides an incentive for unemployed workers to choose to remain unemployed due to receiving more in unemployment payments—the extra \$600—than they would earn returning to work. An extension of this provision represents a major risk to the recovering economy and would likely decrease the success of RAWRA.
- COVID-19 Outlook** - The evolution of COVID-19 has been difficult to predict. The greatest risk moving forward is a second full, unpredictable outbreak whereby governments decide to shut down society again. This scenario seems unlikely at the time of this writing. However, also at the time of this writing, several states across the Sun Belt, such as Texas, have had an uptick

in positive cases and hospitalizations. State and local officials in these states are beginning to implement additional mitigation mandates, including the shuttering of some businesses, such as bars. The goal of these mandates is to slow these recent outbreaks prior to their overwhelming hospitals, without full shutdowns. If this strategy is successful and the inroads in virus treatments made by the medical community happen soon, then there is a substantially lowered risk of another sustained, government-mandated shutdown. However, even the short, targeted mitigation mandates present risks, such as increased uncertainty, to the recovering economy and could decrease the success of RAWRA.

- **School Disruptions** – One of the most severe consequences of the original mandates in March and April was the shuttering of schools. At the time of this writing, the path forward of school reopenings is very unclear. Several large school systems, including in Los Angeles, have already announced plans to begin the 2020-21 school year in a virtual setting. This is also true for many schools in Texas. From an economic standpoint, the major risk is full or partial disruption of preschools and primary schools. The students of these schools require full-time adult supervision, so any disruption will damper the economic recovery as parents are forced to choose between work or business ownership and caring for their children. This is in addition to the effect this has on students' learning

and development of human capital for their earnings potential later, along with the taxes paid to schools by families who may not get the anticipated return on these expenditures.

- **Risk of Doing Nothing or Creating Bad Policy** – The current political risk in the U.S. is high due to the 2020 election cycle. The Democrat-controlled House and Republican-controlled Senate both have proposals for another phase of fiscal aid. The two proposals are vastly different in their approach. As the situation moves closer to the November election, the risk of doing nothing due to gridlock increases. A failure to provide the *proper* fiscal program that is temporary and focuses on jobs would drastically hamper the economic recovery. Though this risk has the potential to become a major threat, it is unlikely to materialize, as neither side wants to be seen as the party that stopped the recovery. Instead of a combination of proposals being discussed currently, the RAWRA would be a better approach to help businesses operate again and get people hired. In other words, the RAWRA would be a better use of taxpayer money to fund the recovery of lives and livelihoods taken by government through shutting down society due to COVID-19 instead of tax rebates, increased unemployment insurance, refundable business loans, and bailouts to state and local governments. ★

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