Insight

The American Rescue Plan's Labor Provisions

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Executive summary

- Several proposals in the Biden Administration's American Rescue Plan being considered under budget reconciliation aim to provide support for workers and families.
- The House Committee on Education and Labor has reviewed several labor-related provisions including increasing the federal minimum wage to $15 by 2025, allocating $150 million toward worker protection, and providing COVID-19 related workers' compensation to federal and postal employees as well as maritime workers.
- The House Committee on Ways and Means is also considering a labor-related provisions that would extend existing emergency unemployment benefits, which could mean nearly 50 percent of workers could make more on unemployment than at work, and extend COVID-19 related paid leave, which would cost between $132 and $154.6 billion.

Introduction

Congress is using the budget reconciliation process to implement much of the Biden Administration's American Rescue Plan. The plan would extend, and in some cases expand, many of the labor-related provisions included in previous COVID-19 legislation. Measures such as increasing the minimum wage and the federal unemployment supplement could ultimately harm workers and the recovery through negative employment effects.

Minimum Wage

One of the more contentious provisions included in the American Rescue Plan would raise

the federal minimum wage to $15 by 2025 and phase out subminimum programs that make it easier for young workers and workers with disabilities to get a job. A Congressional Budget Office (CBO) estimate found that 1.4 million jobs could be lost by 2025 as a result of raising the minimum wage to $15. The measure would also gradually eliminate the subminimum wage for tipped workers (also called tipped wage), which would drive up costs for businesses that rely on tipped workers.

Many industries that rely on low-wage and tipped workers have been hit hard by the pandemic. The leisure and hospitality industry, for example, saw its workforce reduced by nearly 40 percent at one point. Imposing additional administrative and cost burdens on affected industries, especially small businesses in those industries, may lead to additional layoffs, a reduction in work hours, and permanent business closures. Labor data indicate that there are millions of unemployed workers who are low skilled and have lower educational attainment. These workers would likely remain disconnected from work as a result of a $15 minimum wage. An increase to a $15 minimum wage would not only slow recovery but would likely hurt many of the very workers it is intended to help.

This particular measure could run into procedural issues by not meeting the requirements of the Byrd rule, meaning it could be removed from the budget reconciliation legislation.

Pandemic Unemployment Extensions

Current unemployment compensation includes regular state benefits in addition to a weekly $300 federal supplement (Federal Pandemic Unemployment Compensation, or FPUC), extensions for those whose regular unemployment benefits have been exhausted (Pandemic Emergency Unemployment Compensation), and benefits to independent workers (Pandemic Unemployment Assistance). Created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, these emergency unemployment benefits and are set to fully expire in April.

The American Rescue Plan would extend emergency unemployment to September and increase the FPUC benefit to $400. American Action Forum (AAF) research found that this increase means that 50 percent of workers in the United States could make more on unemployment than in their jobs. The level of the federal supplement has been debated at length, with proponents of a higher supplement claiming the weekly supplement keeps individuals and families financially stable, while critics cite concerns about the federal supplement creating a work disincentive. New research suggests that the $600 federal supplement earlier in the pandemic had a minimal effect on job searching, but the economic and public-health situations are different now than they were in March.

Paid Leave

President Biden's COVID-19 paid-leave proposal would extend existing provisions while also removing exceptions and expanding eligibility. AAF research estimates the paid-leave provision included in the American Rescue Plan could cost between $132.0 billion and $154.6 billion. Large employers, who would be required to provide benefits at their own expense, could face additional costs of between $72.3 billion and $124.6 billion.

The Families First Coronavirus Response Act (FFCRA), passed in March, created a paid-leave program that provided workers with up to 2 weeks of fully paid sick leave for those ill, quarantining, or taking preventive measure related to COVID-19. FFCRA also provided 12 weeks of emergency child care leave to care for children whose school or care center closed as a result of the pandemic or to care for family members who have been diagnosed with COVID-19. President Biden's proposal would extend these provisions to the end of September, provide a maximum benefit of $1,400 a week for eligible workers, and expand eligibility to include federal workers and business with greater than 500 workers and fewer than 50 workers.

Workplace Protections

To protect workers from the risk of contracting COVID-19, a provision would provide $150 million for the Secretary of Labor to implement COVID-19 worker protections. $75 million of the total funds are allocated to the Occupational Safety and Health Administration (OSHA) to be used for enforcement of COVID-19 safety protocols in high-risk sectors.

Workers Compensation

Federal, postal, and maritime workers who were or will be diagnosed with COVID-19 between January 2020 and January 2023 will be eligible for wage-loss compensation. It will be presumed that these workers will have contracted COVID-19 as an on-the-job related illness. A preliminary CBO estimate finds a $129 million cost over the 10-year budget window to provide workers' compensation for federal and postal employees through the Federal Employee Compensation Act. CBO estimates the compensation for maritime workers at $212 million over 10-years.

Conclusion

The American Rescue Plan extends paid leave and unemployment programs created under previous coronavirus-related legislation. It would also allocate funding to provide workers' compensation for certain frontline workers and increase OSHA enforcement. The plan also proposes to increase the minimum wage to $15 by 2025, which could cost the economy 1.4

million jobs and could exacerbate the negative effects of the COVID-19 economic fallout.