

Getting Back to Normal After a Pandemic

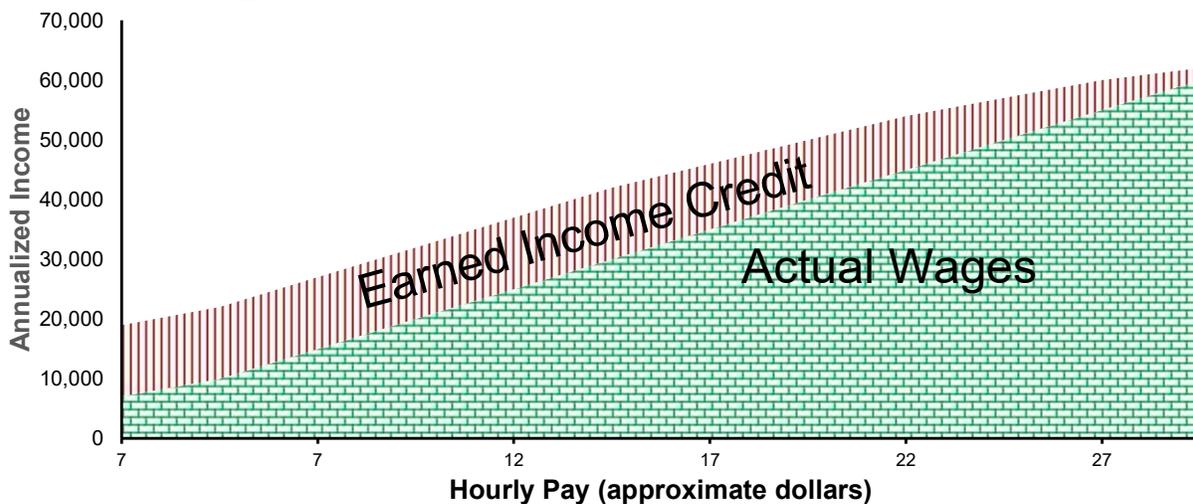
A critical factor for people, government and business is to return to normal. For America, normal is a return to full employment including opportunities for growth for workers and their employers. One major issue is how to deal with employment of lower-income workers. Many have lost their jobs. Some jobs will return, but many of those workers were employed in small businesses that will not exist in the future, especially small businesses such as restaurants and service companies. Others worked in larger companies that have been forced to downsize or consolidate with others.

Enhanced unemployment provides a safety net during a transition period. However, unemployment is not an ideal solution for those workers whose jobs will never return. Working with others in America has become a major part of building a social life for most people. Regardless of whatever job is involved, working provides psychic rewards that no amount of money can replace.

The government can provide expanded unemployment benefits to those workers who cannot afford a lower paid job, but that can continue indefinitely. In the long run that will not benefit those unemployed workers, their families, or fill open positions created in new small businesses. America needs to take an approach that benefits unemployed workers and their families, businesses, especially small businesses, and society.

One approach is to create a generous “refundable Earned Income Credit (EIC)” to workers who receive lesser pay combined with a lower minimum wage that encourages entrepreneurs to hire trainee workers. One concept of an expanded EIC is shown in the chart below. The lower cost of workers enabled by this EIC allows entrepreneurs to start businesses with lesser capital and achieve a higher probability of long-term success. Workers who have no experience in a particular type of business can build skills and achieve a sense of personal growth, while receiving income to maintain their family.

Wages and Earned Income Credit for Families



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Small Businesses with Limited Capital Need Employees

Small businesses have always been undercapitalized, especially newly formed businesses. Banks have always been reluctant to provide capital to small businesses. Given the economic fallout of the pandemic, banks are much less likely to extend loans or any credit to small businesses. Most banks will turn away new small businesses. New small businesses have been the main source of employment growth in America. Unfortunately, most new small businesses cannot afford to pay high wages and benefits to trainee workers for their first year or so. Many of newly unemployed workers have families and financial obligations based on better wages in their former jobs.

America is a country built upon entrepreneurs. Regardless of this pandemic, there will be hundreds of thousands of would-be entrepreneurs wanting to start a small business. Many will be traditional businesses such as restaurants and home services. Some may be new types of businesses that are possible based on the lessons of surviving a pandemic with on-line activities and new types of services for certain home-bound residents. Each of those businesses will need to hire new employees and there will be a shortage of candidates with suitable skills. Many employees can start as trainees and grow into their jobs as they learn new skills while receiving sufficient income. Some workers will find a rewarding lifetime career. Meanwhile, the federal government can provide an enhanced EIC similar to the current EIC program.

An expanded Earned Income Credit program can create an environment that enables America to return to full employment while improving the quality of life for most Americans.