



Testimony

Submitted on behalf of the  
Pennsylvania Chamber of Business and Industry

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**Public Hearing on “The Economic Impact of the Workforce Shortage”**

Before the:  
**Pennsylvania Senate Committee on Community, Economic & Recreational  
Development**

Presented by:

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Chairman Yudichak, Chairwoman Cappelletti and members of the Committee, my name is Gene Barr, and I am President and CEO of the Pennsylvania Chamber of Business and Industry. The PA Chamber is the largest, broad-based business advocacy association in Pennsylvania. We represent nearly 10,000 employers of all sizes, from sole proprietors to Fortune 500 companies, crossing all industry sectors throughout the Commonwealth and representing around 50 percent of the private-sector workforce. Thank you for the opportunity to testify today regarding the economic impact of the current workforce shortage.

Many employers throughout the Commonwealth have experienced existential challenges due to the pandemic, economic fallout and restrictions on business. Pennsylvanians who had built successful companies, some operating profitably for decades, suddenly found themselves draining savings, declaring for bankruptcy, and, in some cases, closing permanently. Those businesses that survived until restrictions were generally lifted faced a grim outlook with potentially fewer customers and significant additional costs to comply with health and safety requirements.

Today the long-term outlook remains tenuous as new variants have emerged and vaccination rates have plateaued. That said, the availability of vaccines and easing restrictions on businesses have allowed for economic resurgence and an opportunity for employers to recover. Tragically, however, many employers cannot fully

participate in our economic recovery as they have been unable to fill open positions within their workforce.

A [May 2021 survey](#) conducted by the U.S. Chamber of Commerce demonstrated the extent of this national workforce crisis. Polling over 500 Americans between May 17-20, the following were among the key findings:

- Forty-nine percent of Americans who became unemployed during the pandemic say they are neither actively nor very actively looking for work; less than a third (32 percent) report that they are strongly active in their job search.
  
- Six in 10 respondents (61 percent) say they are in no hurry to return to work. Three in 10 (30 percent) say they do not expect to return to work this year, with nearly half of those (13 percent of the total) saying they never plan to return to work.
  
- Extrapolated to 9.3 million unemployed Americans, that's an estimated 2.8 million people who will remain on the sidelines this year, 1.2 million of whom expect not to return to work.

- One in eight (13 percent) who became unemployed during the pandemic and remain unemployed have turned down at least one job offer in the past year.
- One in six not actively seeking work (16 percent) say the amount of money they are receiving from unemployment benefits and government programs makes it “not worth looking” for work.

The U.S. Chamber poll, similar analyses of the labor market and anecdotal input from Pennsylvania employers have made it clear the current workforce shortage is not simply a problem for the business community – it is a full-blown crisis that has already slowed recovery and threatens to further harm the economy and employers.

While numerous factors have led to this crisis, and addressing workforce challenges will require a multi-pronged strategy, it is clear that policies related to unemployment benefits are a significant contributing factor.

Unemployment compensation has been a focus since the early days of the legislative response to the pandemic. It has been clear that federal and state lawmakers intended UC to be temporarily utilized more expansively than its traditional purpose. Most notably, the federal Coronavirus Aid, Relief and Economic Security (CARES) Act,

signed in March 2020, included significant additional federally-funded UC expansions including: eligibility for independent contractors, sole proprietors and others not typically eligible; extensions beyond the standard 26 weeks; and an additional \$600 per week to all recipients. While some concerns were raised, this was generally viewed as necessary at the time, given that businesses were prohibited from operating and individuals were instructed to stay home. It also made sense that lawmakers would seek to drive financial support to individuals through an existing system with established infrastructure, like unemployment compensation.

However, over a year later, the unintended consequences of the federally-funded weekly benefit enhancement are increasingly apparent, even as the benefit has been reduced to \$300. The fact is too many Americans are disincentivized from returning to work. We continually hear from our members that despite the availability of vaccines, Pennsylvania's high unemployment rate *and* employers significantly raising wages, they still have difficulty filling open positions. This has forced employers across a broad spectrum of industries – including restaurants, construction, manufacturing and supply chain/logistics firms – to reduce hours or even close operations. The data backs up this anecdotal observation. According to an analysis from earlier this year, [an estimated 40 percent](#) of workers in Pennsylvania could make more collecting unemployment benefits than they would by working.

It is important to remember that the \$300 enhancement is in addition to the regular state-funded unemployment benefit, which can be as high as \$583 per week.

Moreover, all claimants, from those receiving the maximum rate down to those working part-time and receiving partial benefits, are eligible for the federal enhancement. This injection of federal funding distorts the labor market, forcing struggling employers to compete with the federal government for workers. However, unlike the federal government, employers cannot print money without end.

Employers whose margins, cash flow or depleted savings prevent an extraordinary increase in wages, particularly small businesses, are losing this battle, forcing them to scale back operations, decline customers or close altogether. Employers with the ability are indeed raising wages significantly to attract talent; others are incorporating more automation into their workplace or considering other options for reducing labor costs. Eventually, once the federal enhancement expires, workers in need of these jobs will find the positions to which they wanted to return have been automated and are no longer available.

This policy is disruptive in the short term but will also have longer-term consequences. While the enhancement is federally funded, the base benefit is derived from Pennsylvania's Unemployment Compensation trust fund, which is currently

running a deficit and already billions of dollars in debt to the federal government. Federal law requires this debt to be repaid through increasingly higher taxes on employers.

Pennsylvania has the option to phase out participation in the federal benefit enhancement program, a step that most states have already taken. We continue to urge the administration to adopt this approach and re-embrace the nearly century-old principle that public policy should always encourage the unemployed to transition back to employment.

To be sure, unemployment compensation policies are just one of the numerous factors contributing to the workforce crisis. Similarly, workforce challenges existed well before the onset of the pandemic. As co-chair of Governor Wolf's Keystone Economic Development and Workforce Command Center, I have learned much about other barriers to gainful employment: lack of childcare, unreliable or insufficient transportation options and unique difficulties facing reentrants, the disabled and other marginalized populations, to name a few. Many of these challenges were exacerbated by the pandemic and mitigating these barriers should also be prioritized by lawmakers.

Even during these unusual and challenging times, certain fundamental qualities of the Commonwealth remain unchanged: Pennsylvania has abundant natural resources,

geographic advantages and first-rate education and training institutions. At the same time, we struggle to compete with other states and often find ourselves unacceptably low on national rankings of state business climates. Workforce development is critical to improving our business climate and we urge lawmakers to focus on these policies.

Thank you for the opportunity to testify. I would be happy to answer any questions.