

CARES Act to Provide Aid to Workers and Businesses Impacted by Health Crisis

Global health crisis causes shock to labor market. Restrictions on personal mobility due to the spread of COVID-19 have forced many businesses to temporarily close, contributing to 701,000 lost jobs in March. These same events forced consumers to shift spending more toward online storefronts and necessity retailers. Facing more demand, companies in these industries are hiring, which will help offset contractions in other sectors. Recently enacted fiscal stimulus will provide further aid.

Government measures bolster unemployment benefits. The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides cash injections, loans, tax credits, and grants to help individuals and companies weather the current economic storm. One key component of the act are direct payments to individuals of up to \$1,200 per person and \$500 per child under 17. These payments, which begin to phase out for those making more than \$75,000 per year, will help many people meet immediate financial obligations. The act also expands current unemployment benefits to include an additional \$600 per week until July 31 on top of state-sponsored payments. Independent contractors can also now apply for benefits, which may drive unemployment higher than it otherwise would have been under the original definition.

New program aims to shore up small businesses. Companies with fewer than 500 employees can also benefit from the CARES Act. The most notable resource is the Paycheck Protection Program (PPP), which facilitates loans equal to two months of payroll from 2019 plus an additional 25 percent, capped at \$10 million. These loans are forgivable if used within eight weeks, staff are retained or quickly rehired, and 75 percent of the money goes toward paying workers. The remaining 25 percent can be applied toward other expenses including lease obligations. Restaurants and hotels gain expanded eligibility, with employee size determined at the property level instead of for the company as a whole. Finer details of the PPP are still being determined, which may delay the delivery of these resources to businesses.

Developing Trends

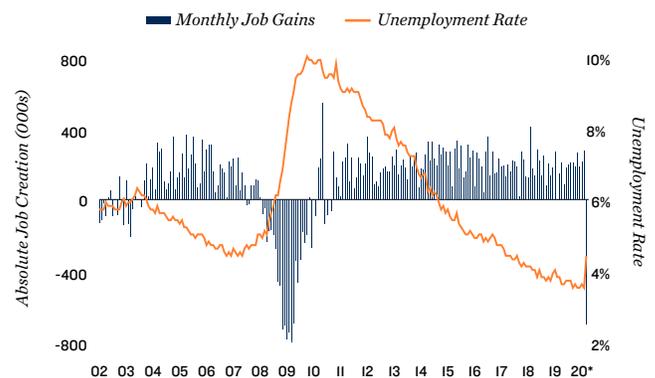
Unemployment rate advances as coverage grows. The unemployment rate rose 90 basis points to 4.4 percent in March, the largest single-month jump since January 1975. Weekly first-time jobless claims also surged past 6 million for two weeks in a row. Expanded unemployment eligibility and benefits, including an additional \$600 per week in federal aid, create strategic options for companies and contribute to higher joblessness.

Coronavirus forces spending changes, creates demand for jobs. Widespread stay-at-home orders and restrictions on gatherings have prevented consumers from spending money in ways they normally would. This shift has heavily impacted grocery stores, pharmacies, and direct-to-consumer delivery providers. These businesses, including Walmart, Amazon, and CVS, are adapting to new safety practices while meeting heightened demand, creating an immediate need for more labor. To fill hundreds of thousands of open positions, recruiters will turn to the recently unemployed.

701,000 Jobs Lost in March 2020

4.4% Unemployment Rate as of March 2020

— Coronavirus Ends Record Streak of Continuous Job Growth —



* Through March
Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics