



ECONOMICS IN ONE VIRUS: CHAPTER 14

Why didn't my workers want to be rehired?

BY STACI GARBER

GRADE LEVEL: 6-8 (INTRODUCTORY)

TIME ESTIMATE: 45-60 MINUTES

Lesson Overview

Students will investigate unemployment trends related to the COVID-19 pandemic. After reading about public policy reactions to economic slowing, students will describe how people respond predictably to incentives. Students will explain how people sometimes react to incentives in predictable but suboptimal ways. Students will then place themselves in a stakeholder role to write a short statement from a particular perspective.



Objectives

- Students will be able to describe how people respond to incentives.
- Students will be able to explain how public policy affects the incentive structure of the economy.

Vocabulary

- Disincentive
- Financial disincentive
- Financial incentive
- Incentive
- Perverse incentive
- Time inconsistency

Materials

- Pictures of “No One Wants to Work” signs
- Graph of COVID-19 cases and unemployment
- Graphic organizer for images
- Vocabulary Preview Graphic Organizer
- Incentive graphic organizer
- Perverse incentives excerpts
- Perverse incentives graphic organizer
- Role, Audience, Format, and Topic (RAFT) strategy exit ticket

Pework (if applicable)

None

Warm-Up

- Students will view the photos “No One Wants to Work” signs.
- Students will answer the two questions associated with the two photos
 - What might cause the situation in the picture?
 - Students will come up with a variety of guesses. Some might include:
 - i. *Wages are low.*
 - ii. *Workers are unavailable.*
 - iii. *No one is offering benefits.*
 - iv. *People might have enough money without working.*
 - Encourage a range of responses.
 - What might encourage people to take these jobs?
 - Students will come up with a variety of guesses. Some might include:
 - i. *Higher wages*
 - ii. *Benefits*

iii. *If workers ran out of other money*

- Encourage a range of responses.
- Students might know the meme. Discuss this idea that people are unwilling to work. Why might they be unwilling? Might there be some other reasons people don't want these jobs?

Lesson Activities

• Image analysis

- Hand students the worksheet that includes the "No One Wants to Work" photos and the graph of COVID-19 cases and unemployment.
- Ask students to answer the questions:
 - What is the relationship between the two pictures?
 - a. Students will have a range of responses that might include:
 - i. *People don't want to work because they don't want to get COVID-19.*
 - ii. *People don't want to work because a lot of businesses are shut down.*
 - iii. *People don't want to work because they have government benefits.*
 - b. Encourage students to share responses.
 - Why might people have avoided going back to work?
 - a. Students will have a range of answers that might include:
 - i. *They were afraid of getting sick.*
 - ii. *Other members of their family were sick or vulnerable.*
 - iii. *They made more money being on unemployment than they would have working.*
 - b. Encourage students to share answers.
- Have students work in pairs to complete graphic organizers.
- Have the pairs team with another pair to compare responses.
- Have the quads report their best answers.

• Vocabulary activity

- Review the vocabulary words and definitions. Have students generate personal examples for each and draw a picture to remember each.
 - Incentive: a payoff or reward that encourages a particular behavior
 - Disincentive: a penalty or punishment that discourages a particular behavior
 - Financial incentive: a monetary reward to encourage a particular action
 - Financial disincentive: a monetary punishment to discourage a particular action
 - Perverse incentive: a reward meant to encourage a type of behavior that actually encourages a socially undesirable behavior

- Time inconsistency: instances in which incentives, policies, or behaviors that looked optimal at one time become suboptimal later and are therefore abandoned
- Have students share their favorite examples and provide feedback on accuracy.
- **Incentive analysis**
 - Divide students into pairs and distribute the incentive analysis graphic organizer.
 - Review the meaning of “incentive.” It may be helpful for students to understand that to access unemployment in the United States, an employee cannot be fired “for cause.” This will avoid answers that indicate that employees will behave badly to try to get fired.
 - Model the first example.
 - *A federal government loan from the Paycheck Protection Program allows a spa owner in Washington State to rehire employees that lost their jobs when COVID-19 closures closed the spas. (Economics in One Virus, p. 211)*
 - *The incentive for the employer is to keep people on staff.*
 - *The incentive for the employee is to stay in a current job or to return to a job lost due to pandemic closure.*
 - Review answers
 - States waive job-search requirements for unemployment benefits. (*Economics in One Virus*, p. 212)
 - i. *Employers reach out directly to prospective employees or improve outreach to fill positions.*
 - ii. *Employees will not look for a job or will turn down jobs that are offered unless they pay better than unemployment.*
 - States expand eligibility for unemployment to self-employed workers. (*Economics in One Virus*, p. 212)
 - i. *Employers and small businesses may close businesses until the economy recovers.*
 - ii. *In this case, the employer and employee are the same, but you may have a student argue that people who lose jobs for cause might claim to be self-employed to access unemployment benefits.*
 - Congress adds \$600 per week to state unemployment benefits for up to four months. (*Economics in One Virus*, p. 212)
 - i. *Employers may pay employees more to try to keep them, or they might lay them off and reduce production to avoid higher costs.*
 - ii. *Employees will favor being laid off as long as unemployment benefits are greater than what they can make while working.*
 - Most of the available jobs are in essential industries with higher risks of possible COVID-19 transmission (disincentive). (*Economics in One Virus*, p. 212)

- i. *Employers might take steps to prevent the spread of COVID-19 in the workplace to keep employees safe and healthy.*
- ii. *Employees might choose to remain unemployed rather than risk COVID-19 infection.*
- Employers are required to save jobs to have loans forgiven. (*Economics in One Virus*, pp. 213–214) (*There should be some confusion about this one. Pretend you have lost the key and let students argue about whether this is an incentive for employees or if it will change the behavior of the employers and make them offer higher wages or extra benefits.*)
 - i. *Employers will try to hire people to return to pre-pandemic staffing numbers as soon as possible. (This may be an interesting point to talk about long-run incentives, which may be to lay off workers again and reduce production after the prescribed period has passed if economic slowing is negatively affecting demand for the product.)*
 - ii. *Employees may want to return to jobs they appreciated and enjoyed and that pay well, but this may work against incentives created by the expansion of unemployment benefits. (This is another good place to bring in the discussion of short-term versus long-term incentives.)*
- Additional unemployment benefits are set to expire next month. (*Economics in One Virus*, p. 217) (*Hopefully there is more argumentation and confusion about this one. If there is not, just question each side. Regardless of what the students offer, ask if their responses speak to the present or to the future. Is it an incentive to work right now or a month from now? If students have a project due next month, are they going to work on it now or next month?*)
 - i. *Employers may hold off trying to hire people in the short run because they will have to offer better wages or benefits to workers while the extra unemployment benefits are active.*
 - ii. *Employees may hold off looking for jobs in the short run and wait until after the benefits run out to return to work or to seek a new job.*
 - iii. *This is an excellent example of time inconsistency.*

- **Perverse incentives excerpts**

- Split the class into five relatively equal groups by handing them number and letter assignments (e.g., 1a, 2a, 3a, 4a, 5a, 1b, 2b, 3b, 4b, 5b, 1c). Students will attend their letter groups first.
- Have each group read the excerpt that corresponds to the letter assigned and fill out their row in the graphic organizer.
- Check for understanding with each group.
- Have number groups meet to complete Have students read the excerpt and respond to the questions:
 - Excerpt A

- i. *Intent: protect families of workers from economic disaster*
- ii. *Perverse incentive: workers did not return to work, preferring to stay on unemployment*
- Excerpt B
 - i. *Intent: allow workers to continue to make ends meet even on unemployment benefits*
 - ii. *Perverse incentives: encourage workers to prefer unemployment to work*
- Excerpt C
 - i. *Intent: get people to start looking for work*
 - ii. *Perverse incentive: workers waited until the last minute to accept job offers*
- Excerpt D
 - i. *Intent: collect plasma with antibodies to treat COVID-19 patients*
 - ii. *Perverse incentives: people getting COVID-19 on purpose to financially benefit from selling plasma*
- Excerpt E
 - i. *Intent: encourage people to socially distance by sitting down at tables to eat (students might need help with this one)*
 - ii. *Perverse incentive: bars selling ridiculously small portions of food for which no one would have to sit down*
- **RAFT strategy**
 - Hand out the RAFT strategy instructions.
 - Have students choose a perspective and write a brief statement that follows the directions.

Why didn't my workers want to be rehired?

Warm-Up

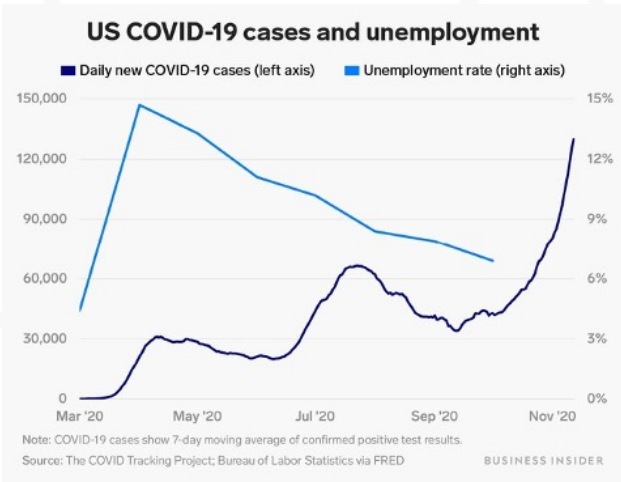


Signs in Virginia (left) and New York. Courtesy of Kevin Greenlee

- What might cause the situation in the picture?
- What might encourage people to take these jobs?

Why didn't my workers want to be rehired?

Image Analysis Graphic Organizer



- How are the images above related?
- Why might people have avoided going back to work?

Group	Reasons this situation is a problem	Ways for the group to fix the problem
Employers		
Employees		
Government		

Why didn't my workers want to be rehired?

Vocabulary Preview Graphic Organizer

Word	Definition	Example from my own life	Picture to remind me
Incentive	A payoff or reward that encourages a particular behavior		
Disincentive	A penalty or punishment that discourages a particular behavior		
Financial incentive	A monetary reward to encourage a particular action		
Financial disincentive	A monetary punishment to discourage a particular action		
Perverse incentive	A reward meant to encourage a type of behavior that actually encourages a socially undesirable behavior		
Time inconsistency	Instances where incentives, policies, or behaviors that looked optimal at one time become suboptimal later and are therefore abandoned		

Why didn't my workers want to be rehired?

Incentive Analysis

Situation	Incentive for Businesses	Incentive for Workers
A federal government loan from the Paycheck Protection Program allows a spa owner in Washington State to rehire employees that lost their jobs when COVID-19 closures closed the spas.	Hire back employees and reopen business to save jobs	Stay at your current job or go back to work
States waive job-search requirements for unemployment benefits.		
States expand eligibility for unemployment to self-employed workers.		
Congress adds \$600 per week to state unemployment benefits for up to four months.		

Most of the available jobs are in essential industries with higher risks of possible COVID-19 transmission.

Employers are required to save jobs to have loans forgiven.

Additional unemployment benefits are set to expire next month.

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Perverse Incentive Excerpts

Excerpt A

"Some of her employees had realized that they would be financially better off, at least in the short term, receiving emergency pandemic-related unemployment insurance payments rather than remaining on her company's payroll. Perversely, they were disappointed that her business obtaining the PPP loans meant that they would keep their jobs."

—*Economics in One Virus*, p. 211

Excerpt B

"A low-income worker in Massachusetts previously earning \$535 per week faced a pre-pandemic replacement rate of unemployment insurance benefits to earnings of 48 percent (\$257). Yet during this period of pandemic unemployment insurance, the same worker would obtain benefits worth 160 percent of their pre-recession earnings (\$857).

—*Economics in One Virus*, p. 213

Excerpt C

"Many of those unemployed would have been aware that benefits were set to expire on July 31. . . . One worker told me that he simply ignored his employers' calls by turning his phone off for several weeks in May and June, such was the uplift in his income on pandemic-related unemployment insurance benefits. He ultimately decided to take up the offer to return after this time because he recognized the threat that the expanded benefits might expire."

—*Economics in One Virus*, p. 217

Excerpt D

"You probably missed the story about Brigham Young University–Idaho. There, administrators had to threaten students with suspension from school if they deliberately contracted COVID-19, after evidence that some students were seeking infection so that, having recovered, they could be paid for their plasma, which would contain COVID-19 antibodies that could be used as a treatment."

—*Economics in One Virus*, pp. 222-223

Excerpt E

“Governor Andrew Cuomo banned bars from opening unless they sold food alongside any drinks sold. Faced with the risk of forgone drinks revenue if customers were deterred by this regulation, bars got innovative. Many introduced menus with tiny food portions, including The Lafayette in Buffalo, which offered ‘A Piece of Meat,’ the ‘Smallest Piece of Cheesecake in Buffalo,’ and ‘Nine French Fries’ all for \$1 each.”

—*Economics in One Virus*, p. 223

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Incentive Excerpts Graphic Organizer

Excerpt	Policy	Intent	Perverse Incentive
A	Additional pandemic-related unemployment benefits		
B	Extra \$600 per week in unemployment for all eligible workers		
C	Extra unemployment benefits expired on July 31		
D	Plasma donation sites can pay for plasma with COVID-19 antibodies to treat patients		
E	Bars can only open if they are operating as restaurants and serving food		

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Incentive Excerpts Graphic Organizer

Directions: Use the chart below to frame a short, written statement. Choose a role and write your statement for the assigned audience in the format given and on the topic stated. For example, if you are a senator, you would write a tweet to your constituents explaining how you are writing policies to protect the economy during the COVID-19 pandemic.

Role	Audience	Format	Topic
Senator	People of your state	Tweet	Public policy efforts to protect the economy during the COVID-19 pandemic
Television reporter	People who watch the news	Brief statement	How people are responding to employment policies during the COVID-19 pandemic
Small business owner	Employee that you laid off last month	Email	You've received a loan from the federal government and need your employees back
Employee	Current employer	Text message	You could make more money on unemployment if the employer laid you off