Client Alert: Labor Conditions Tied To CARES Act Loans To Employers With 500 to 10,0000 Employees

BY CESIRA NEWCOMB • APRIL 5, 2020

Title IV of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") authorizes the Secretary of the Treasury to create a loan program for employers (including non-profits) that employ between 500 and 10,000 employees ("mid-size employers").

Mid-size Employers considering whether to apply for a direct loan under this program should be aware that they will have to agree to labor conditions that may materially affect business operations. Among other things, employers must certify that they:

1. Will not outsource or offshore jobs for the term of the loan and for two years after completing repayment;
2. Will not abrogate existing collective bargaining agreements for the term of the loan and for two years after completing repayment; and
3. Will remain neutral in any union organizing effort for the term of the loan.

CLIENT TIP

The statute does not define what it means to "abrogate" a collective bargaining agreement, nor does it specify what restrictions the "neutrality" condition will place on non-unionized employers or how these provisions will be enforced. We expect that forthcoming guidance from the Secretary of the Treasury will supplement these provisions.

However, for now, it is clear that these conditions will require mid-size employers to weigh the relative costs and benefits of receiving a loan under this program. For example, the "neutrality" condition will limit a non-union employer's response to union organizing efforts, and the prohibition on outsourcing or offshoring jobs may have a long-term effect on operations.

©2026 Bowditch & Dewey LLP. All Rights Reserved.