

Republican Themes

Hearing about Increasing Unemployment Taxes and Benefits September 19, 2007

1. This hearing is about Democrats' desire to increase unemployment taxes yet again.
 - a. What's worse, the tax increase Democrats propose is a tax on payroll and wages, which is really a tax on employment. Taxes on employment kill jobs.
 - b. The tax hike would total \$7 billion over 5 years, and would affect every worker in the U.S.
 - c. That's not the biggest tax workers and employers pay. But in the long run, this tax hike would require other tax hikes, since it's not enough to pay the benefit increases it would support over the short term.
2. As the hearing title suggests, this hearing is NOT about reducing barriers to reemployment, but rather about reducing barriers to collecting unemployment benefits.
 - a. Instead of simply paying more and longer unemployment benefits, Republicans want to do more to help people get back to work quickly.
 - b. For example, Rep. Weller has introduced legislation that would allow States to better promote rapid returns to work, including through wage insurance programs that reward workers for returning to work instead of collecting traditional unemployment benefits.
 - c. In contrast to the Democrat proposal, these efforts are designed to be cost-neutral – requiring no tax increase.
3. States can already adopt each of the unemployment benefit expansions proposed, and many have.
 - a. See CRS report on number of states that have adopted each set of eligibility expansions.
4. Recent research confirms that, especially for older workers, helping them get back to work quickly is the key to recovering their former level of earnings.
 - a. So promising more and longer unemployment benefit collection is actually a bad deal, especially for older workers.
 - b. See <http://www.upjohninst.org/publications/wp/07-133.pdf>
5. International studies have found perverse outcomes from expanding unemployment benefits to those seeking only part-time work, including increased incidence of part time work, which increases poverty.
 - a. One study comparing unemployment benefits in Maine versus much more generous benefits paid across the border in Canada found triple the rate of part-time work in Canada, whose “much more generous UI system accounts for about two thirds of this differential. Even greater effects are found among women and less-educated men.”
 - b. <http://ideas.repec.org/p/iza/izadps/dp1919.html>