

Report | Macroeconomic Performance

New jobs bill would save or create well over a million jobs

By **Ross Eisenbrey** | May 25, 2010

The House and Senate are about to debate the American Jobs and Closing Tax Loopholes Act (H.R. 4213), which would provide desperately needed help for a U.S. economy that is still recovering from the worst recession in 70 years and for millions of American families who will benefit from new jobs, unemployment compensation, and lower taxes. Failure to enact it could have serious consequences for an economy that is just now turning the corner from job loss to job creation. Without the added demand that the Act will generate, the economy risks sliding back into a weakened state and repeating the cycle of consumer retrenchment, lost business, layoffs, and further erosion of consumer confidence that has characterized most of the last two-and-a-half years.

This jobs bill has a host of provisions of varying importance, including:

- A \$7 billion package of loan guarantees for small business, and bonding authority for state and municipal infrastructure investment;
- Renewal of the \$6.6 billion research and development tax credit;
- A \$2.3 billion tax credit for capital investment in the United States in 2010;
- Funding relief to keep employers from having to cut operations and lay off workers to meet the stringent, poorly conceived rules of the Pension Protection Act of 2006;
- \$24 billion in additional funding to help states pay for Medicaid, without which there will be significant layoffs in state governments across the nation;
- \$5 billion to renew individual tax cuts;
- \$2.6 billion for a one-year extension of the TANF emergency jobs fund, which has created almost 200,000 jobs; and
- \$1 billion to create 300,000 jobs for young people this summer.

Together, these provisions in H.R. 4213 will help save or create well over a million critically needed jobs, and there are other worthwhile provisions in the bill, as well. But nothing is more urgently needed or more important to the ongoing recovery than the bill's extension of eligibility for unemployment insurance benefits and COBRA tax credits through the end of 2010, which together will cost \$55 billion.

The extension of these programs is obviously a huge concern for the nearly ten million Americans who have lost their jobs and are receiving unemployment compensation while they look for work. Many families have no other source of income, and millions would fall into poverty without unemployment insurance. In normal times, jobless workers can expect no more than 26 weeks of unemployment compensation while they seek new jobs. But because of the severity of this recession, in recognition of the 9.9% unemployment rate and the fact that there are 5.6 job seekers for every available job, Congress has enacted additional, emergency benefits that permit a maximum of 99 weeks of compensation.

Those emergency benefits will expire next week if Congress does not act to renew them. By the end of the year, 5 million people will have their benefits cut off, at great cost to them and to the economy.

The COBRA tax credits, which allow jobless workers to continue their health insurance at only 35% of the normal cost, will also expire next week if the program is not renewed.

In addition to sustaining some of the neediest families, safety-net spending in the form of unemployment insurance and health insurance subsidies helps the economy as a whole by circulating cash into local communities and helping businesses avert further job cuts. Each \$1 billion of unemployment compensation generates an estimated \$1.63 billion to \$2.15 billion of additional gross domestic product (GDP). If the unemployed did not receive insurance benefits, then their reduced consumption would be a serious drag on the economy, reducing demand for businesses' goods and services, in turn leading businesses to reduce investments and lay off additional workers. Simply put, allowing unemployment benefits to expire would set off another round of disastrous payroll losses and imperil the entire recovery.

We estimate that these benefit extensions will increase nationwide employment by about 460,000 jobs. The \$55 billion of additional income for jobless workers will be spent on goods and services in their local economies, generating an additional 0.65% of GDP.

While H.R. 4213 should be enacted just for the enormous good it will do in terms of economic growth and job creation, the bill also closes a host of tax loopholes that have allowed many of the wealthiest Americans to pay a lower income tax rate than the average steel worker, encouraged businesses to move their operations overseas to escape U.S. taxes, and allowed some professionals to forego paying their share of Medicare and Social Security taxes. These provisions will raise well over \$40 billion, helping to pay for the bill's job creation provisions and to make the tax code much fairer.

All in all, the American Jobs and Closing Tax Loopholes Act deserves swift passage. It is without question one of the most important bills Congress will consider this year.

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