News Release

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STATEMENT OF VICE CHAIRMAN KEVIN BRADY

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Bolstering the Economy: Helping American Families by Reauthorizing the Payroll Tax Cut and UI Benefits

Washington, DC - Mr. Chairman, thank you for holding today's hearing. I agree with you that this committee must examine the whole picture – understanding both the benefits of extending the payroll tax cut and long-term unemployment benefits and their unintended consequences.

There is a strong bipartisan consensus in Congress to extend both of these expiring provisions through the end of this year. However, serious differences remain over how we should pay for these expensive extensions and whether we should reform the Unemployment Insurance program.

As popular as the payroll tax holiday may be, economists disagree about its effectiveness as an economic stimulus. However, economists agree that Social Security faces serious and growing cash-flow deficits. Diverting one-sixth of payroll tax revenue away from the Social Security revenue stream creates a significant sinkhole that exacerbates Social Security's cash-flow problems. Non-cash accounting transfers from the General Fund cannot alleviate these cash-flow problems. Last year, the U.S. government had to borrow \$142 billion from investors – including foreign countries like China – to pay Social Security benefits to our seniors.

Congress must fill this sinkhole to ensure that we will be able to pay promised Social Security benefits. That's why House Republicans are insisting that Congress must offset any loss of payroll tax revenue with actual cash savings in other areas of the government, not accounting gimmicks. House Republicans will protect this vital program from debilitating cash diversions with common sense savings that have had strong bipartisan support.

As for unemployment, clearly the economic policies of the Obama Administration did not produce the vigorous recovery, for which hardworking taxpayers hoped. Tens of millions of Americans are struggling to make ends meet. Millions can't find a full-time job, and millions more can't find any job at all. Even worse, other millions have simply given up and stopped looking for work, leaving us with the lowest workforce participation rate in nearly three decades.

Our economy grew at a rate of 2.8 percent in the fourth quarter of 2011. Given this sluggish pace, many Americans don't believe that the Great Recession is really over, or else they fear it may return. Last week, the non-partisan Congressional Budget Office forecast that economic growth would slow to 2.0 percent this year and 1.1 percent in 2013, while the unemployment rate would once again begin to rise all the way to 9.1 percent in the fourth quarter of 2013. And that's obviously the wrong direction.

Our priority must be to create a far stronger economy in which American businesses will have the confidence to make investments in new buildings, equipment, and software; expand production; and create millions of new well-paying jobs.

As to Unemployment Insurance, we should reform this program and refocus it on the common-sense goal of getting people back to work sooner rather than just paying benefits. House Republicans have passed legislation that would:

- 1. Renew long-term federal unemployment benefits for the rest of this year while gradually reducing the maximum duration of benefits to 59 weeks.
- 2. Require recipients to search actively for work from day one. The longer that people are unemployed, the harder it is for them to find new employment. Under existing law, beneficiaries may collect unemployment checks for a year and a half without really having to look for a job. In some states, they don't even have to search for a job at all. That's unacceptable.
- 3. Allow the States to adopt innovative programs to match beneficiaries with jobs.
- 4. Require those on unemployment without a high-school degree to work on earning a GED. Adults without high school diplomas have a hard time finding and keeping a job. They are often the last hired and the first fired.

5. End the federal prohibition against States testing applicants for illegal drug use. Drug-screening ensures that recipients will be able to take the jobs that they are offered.

As we will hear today, long-term unemployment benefits have clearly helped families in need, but there is a cost as well. Two recent studies found that extending the duration of benefits actually increases the unemployment rate:

- A study by the Federal Reserve Bank of San Francisco found the unemployment rate at the end of 2009 would have been nearly half a percentage point lower—9.6%, instead of 10%—if jobless benefits hadn't been extended beyond their usual 26 weeks to as much as 99 weeks.
- According to a Brookings Institute paper, the 2011 extension of long-term unemployment insurance raised the number of unemployed in January 2011, by between 0.2 and 0.6 percentage points. That translates into between 300,000 and 900,000 additional workers unemployed.

Repeated extensions of long-term benefits are also threatening the solvency of the entire unemployment system. The States have borrowed over \$38 billion from the federal government to cover their program shortfalls. Under current law, repaying federal loans and rebuilding state trust fund balances would require an unprecedented payroll tax increases in nearly every State. These higher taxes would punish the very job creators that we hope will add new jobs to hire the unemployed.

To conclude, we must move forward with a bipartisan agreement to extend the payroll tax holiday and long-term unemployment benefits. At the same time, we must also adopt common-sense reforms to make the Unemployment Insurance program work better and avoid adding to our unsustainable federal debt. I look forward to the testimony of our witnesses as we consider how best to achieve these goals.

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