

HOW TO CREATE JOB OPPORTUNITY AT SCALE

The most basic and far-reaching choice economies make is between people and things -- how they price utilizing labor vs. consuming energy, natural resources and land. Payroll taxation artificially distorts the relative price relationship between the two, penalizing hiring and effectively subsidizing consumption. But imagine what would happen if we corrected the distortion and shifted the relationship by 30%.

Phasing out payroll taxes would cut tax-inflated hiring costs by a 17%. Coupling that with non-labor taxes on resource consumption, waste and pollution totaling 13% would widen the relative price shift between hiring and consumption to 30%.

That would send a giant price signal shouting HIRE! Offsetting tax revenue loss with non-labor taxes makes payroll tax cuts budget-neutral, and stimulates job creation much more powerfully than cutting payroll taxes alone. Instead of 17%, it shifts the relative prices of hiring vs. consumption 30%, and boosts hiring incentive accordingly.

This strategy is known as payroll tax shifting. Dollar for dollar, it's the most effective thing the government can do to create jobs -- much more effective than infrastructure spending. We estimate it would result in tens of millions of new, permanent, full-time equivalent jobs. It's a fiscally responsible, market-driven employment policy. It shifts the tax burden instead of increasing it. It doesn't raise the deficit. It creates no bureaucracies, picks no winners or losers, and ends tax distortions in market pricing. That's why it has supporters across the political spectrum.

Smart people in both parties increasingly recognize payroll taxation has become an unsustainable drag on the economy. In the mid-1930s, it accounted for 1 -- 2% of federal revenue. Today, it raises 35% of federal revenue -- about \$1.2 trillion a year. It is by far the largest tax most Americans pay, as well as the most regressive. Yet we have continually raised payroll tax rates as well as the cap on earnings subject to them. The FICA tax cap has risen over 48% since 2006 (including a \$4800 increase in 2020). Over time, runaway growth in payroll taxation has discouraged employment, encouraged aggressive exploitation of natural resources, and caused deep structural imbalances in our economy that are overdue for correction.

In its 2017 tax reform package, Congress declined to address payroll taxes, but since then there have been more proposals from both parties to cut them. An OECD tax policy study found that cutting payroll taxes reduces hiring costs and increases labor demand, which is why other industrialized countries have cut them to create jobs.

We can, too. GAW! analyzed over 20 possible federal non-labor taxes and tax expenditure reductions. We found that at modest rates, various combinations of them could easily generate the \$1.2 trillion payroll taxes raise today. Making that shift would also strengthen Social Security and Medicare by aligning their financing with stimulating job growth rather than undercutting it. Payroll tax shifting can unleash labor demand in the U.S., bring tens of millions of sidelined Americans back into the labor force, and spread prosperity beyond the 20% wealthiest zip codes. At a time when the U.S. federal deficit has zoomed past a trillion dollars, it can do this without raising deficits or net taxes, while boosting economic growth, slashing government dependency costs, growing the tax base and promoting fiscal health. In fact, it's the only tax reform proposal that can.



“The payroll tax is, after all, a tax on work. Cutting it would encourage more people to join the labor force; it would also motivate those who are already working to increase the number of hours they work. Cut the tax, and the supply of labor will increase.”

— James C. Capretta, Milton Friedman Chair, American Enterprise Institute



“The revenue from a carbon tax could be used to offset a portion of the Social Security payroll tax, providing a pro-growth measure that reduces the cost of labor to employers and increases the returns for employees... A revenue-neutral carbon tax where the proceeds are used to reduce the payroll tax is pro-growth, pro-work and pro-family. It would also be a progressive tax cut for millions of Americans.”

— Jason Fichtner, Senior Lecturer at Johns Hopkins School of International Studies, former senior economist for the Social Security Administration and for Congress' Joint Economic Committee, writing in a report for the Alliance for Market Solutions



“A potential windfall of human and social capital already exists in the accumulated population of chronically under- and unemployed groups, including older people, younger people, individuals of color, people with disabilities, and immigrants. **Get America Working!** is at work transforming this vast potential into a much-needed reality. There could be no better time for their essential work!”

— Marc Freedman, Founder/CEO, Encore.org, and author, *How to Live Forever*



“**Get America Working!** addresses the millions [of] part-timers and those discouraged and dropped from the official US unemployment count and the shrinking labor force participation rate hovering in the 60% range. This non-partisan group points out how the official...unemployment figure masks the truth, and that over 100 million working-age Americans are not working -- some by choice but the overwhelming majority for lack of job opportunities.”

— Hazel Henderson, internationally syndicated columnist and author, founder of *Ethical Markets Media*, writing in *CSRWire*



“**Get America Working!** estimated that [tax shifting] could generate up to 45 million full-time equivalent jobs... Millions of Americans want to go back to work. Here's a way for Washington to open the door: Eliminate the payroll tax, and replace the revenue with non-labor taxes.”

— Eugene Ludwig, former U.S. Comptroller of the Currency, Founder and CEO of *Promontory Financial Group*, writing in *Newsweek*