

U.S. DEPARTMENT OF THE TREASURY

Press Center



Statement of Assistant Secretary Alan Krueger at a HIRE Act Event in Albany, New York

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Thank you, Senator Schumer and Congressman Tonko for inviting me to participate in this event at the Albany Medical Center. It is great to go from one capital region in Washington to another here in Albany. Senator Schumer, I want to particularly thank you for all the great work that you have accomplished in the Senate, especially for your strong support of the Hiring Incentive to Restore Employment Act – better known as the HIRE Act. Without your work in developing this legislation and skillfully guiding it through the legislative process, and without the strong support of Congressman Tonko and others in the New York delegation, we would not be here today. Your support is clearly rooted in your deep understanding of what can be done to help your constituents in New York, as well as what can help rescue and rebuild our economy and our nation.

I also want to thank James Barba for his commitment to this medical center, to the capital region and more broadly to reinvigorating our nation's economy. You must be doing quite a bit right if the medical complex has already hired over 400 new workers this year, including 155 who were previously unemployed and eligible under the HIRE Act tax relief.

Finally, I want to thank the employees here at the hospital. It is your hard work and dedication to the people of this city and the region that is leading our nation back into a period of economic growth. As a labor economist, I have spent much of my career studying the effects of unemployment on individuals and families. I understand the problems and ramifications associated with periods of unemployment. That is why it is so important that employers like the Albany Medical Center are giving people the opportunity to go back to work. The benefits of more employment here will not only positively affect all those that come through this hospital complex, but will also continue to help those workers and their families at home.

It is with great pleasure that I am here at the Albany Medical Center to release the Treasury Department's August report on the number of newly hired employees eligible for the HIRE Act tax exemption so far. Before summarizing the highlights of the report, I want to briefly describe how we came to this policy. In a speech at the Brookings Institution on December 8, 2008 President Obama said, "I believe it's worthwhile to create a tax incentive to encourage small businesses to add and keep employees, and I'm going to work with Congress to pass one." The President proposed this targeted incentive to confront the most important problem we face in our economy: the need to create more jobs. Three months later, through the work and leadership of Senator Schumer and others, Congress responded with the HIRE Act of 2010. I know three months might seem a little slow to folks here in Albany, but I can tell you, it is mach speed in Washington, and a credit to Senator Schumer's skill as a legislator.

The HIRE Act provides employers with an incentive to hire workers who have been unemployed for 60 days – or about 8 weeks--or longer by exempting wages paid to these workers from the employer's 6.2 percent share of Social Security payroll taxes for the remainder of the year. In addition to exempting employers from payroll taxes, the HIRE Act allows employers to claim a tax credit of up to \$1,000 for each newly hired qualifying worker who is retained for one year. If, for example, an employer hires an unemployed worker and pays that worker \$40,000 in salary this year, the HIRE Act tax emption would reduce the employer's taxes by \$2,480. And if the employer retains that worker for 52 weeks, the employer will receive an additional \$1,000 tax credit, bringing the total tax savings to about \$3,500 for that new worker. The average worker who is unemployed for eight weeks or longer is unemployed for about 10 months, so the HIRE Act is indeed targeted at a group of long-term unemployed workers who have struggled in the job market.

Our analysis found that from February to June of 2010, here in New York, approximately 340,000 New Yorkers who had been unemployed for eight weeks or longer were hired by employers who are eligible for the HIRE Act payroll tax exemption. Nationally, our analysis shows that an estimated 5.6 million workers who were HIRE Act eligible have found new jobs. The fact that 5.6 million job seekers who were out of work for two months or longer -- about one in eight -- found jobs in the past four months shows the dynamism of the American job market even at a time when unemployment is high. Although the rate of job creation is not as high as we would like, private sector jobs have increased for the last six months in a row. For the first time in a while, there is hope for those who lose their jobs. Clearly, more needs to be done, but the private sector is creating jobs and the government is playing a constructive role through the HIRE Act and other targeted policies.

If the 5.6 million newly hired employees who are eligible for the HIRE Act tax credit are employed for the rest of the year, their employers would be eligible for an estimated \$6.2 billion in payroll tax savings as a result of the Act. And these savings are only for the first four months – the numbers will continue to grow throughout the year. Furthermore, if three quarters of the workers remain employed for 52 weeks or more, which is roughly consistent with historical turnover data for new hires, then their employers would receive another \$4.2 billion in tax credits. This would bring the total potential tax savings to businesses to \$10.4 billion nationally— as I said earlier, these incentives really add up. And the HIRE Act is in place for another five months, so the tax savings will grow.

The HIRE Act tax exemption is available for the remainder of 2010 to employers who hire long-term unemployed workers – and long-term means two months or longer. I hope that more employers take advantage of the HIRE Act as the Act provides the greatest incentive for employers to hire now, since under the law, the amount of the tax savings declines as the year moves forward. This is because the HIRE Act is an example of a targeted, temporary policy that promotes job growth and helps reduce unemployment. The Administration is working with businesses to have the government serve as an effective partner with the private sector to set the conditions that will help businesses create jobs and expand our economy. In order to ensure our nation's economic recovery we need more employers to follow the example set by Albany Medical Center. We need more employers to expand their companies and hire those who lost their job during this very severe recession.

The Obama Administration is taking steps to address the key problems our economy faces through targeted and timely programs that promote economic growth and job creation. We have cut taxes for 95% of all working Americans. We have worked to invest in infrastructure to create jobs. We have provided aid to state and local governments so that teachers, firefighters and police officers would not be laid off as a result of this recession.

I want to mention one additional set of measures we are seeking to strengthen the economy and speed job creation. The President has proposed legislation to help small businesses. Small businesses were hardest hit during the recession and have faced greater difficulty expanding and creating jobs during this burgeoning recovery. The legislation includes several key Administration initiatives – including the Small Business Lending Fund (SBLF), extension and expansion of key SBA loan programs, and small business tax cuts including zero capital gains for key small business investments. Many of these proposals were laid out in the same speech that President Obama gave at the Brookings Institution late last year that I alluded to earlier. The House of Representatives, with the support of Rep. Tonko and others, passed legislation that would help small businesses to access credit, create jobs and grow on June 17, 2010, and we are hopeful that Congress will quickly pass the full legislation.

The Administration proposals in this package have received broad support from organizations representing small businesses and community banks. The Independent Community Bankers of America and 29 state banking associations have urged "prompt enactment of the Small Business Jobs Act with the SBLF," calling the SBLF "a bold, fresh proposal." The National Small Business Association has argued that "The *Small Business Jobs Act*, if passed in its entirety, would provide much-needed access to capital for small businesses." In praising the Small Business Jobs Act as good for small business, the National Federation of Independent Business specifically said of the SBLF: "[T]he lending fund has the potential to help credit-worthy small businesses that have had difficulties obtaining credit."

Senator Schumer and other leaders in the Senate have given their support to this important legislation and I hope that it will be enacted soon.

In conclusion, I want to once again thank Senator Schumer and Congressman Tonko for inviting me to Albany to release this report. I want to commend the leadership of the Albany Medical Center for their business savvy in using the HIRE Act so effectively. Thank you very much.

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