

ISSUE BRIEF

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Job Creation: Policies to Boost Employment and Economic Growth

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Nearly five years since the official end of the great recession in June 2009, 10.5 million Americans are unemployed, and the labor force participation rate remains near a 35-year low.¹ The weak labor market exists despite trillions of dollars in fiscal and monetary stimulus aimed at boosting employment and economic growth.

Rather than increase the size of the federal debt in a fruitless attempt to spur job creation, the House Republican Study Committee has introduced a jobs proposal that would do just the opposite: reduce the size of the federal government without adding to its debt. The Jumpstarting Opportunities with Bold Solutions (JOBS) Act would boost economic growth and employment by freeing up the labor market, reducing unnecessary and harmful regulations, and unleashing federal lands for productive use.²

Reduce Labor Restrictions. In an attempt to “set an example” for private employers, President Obama has applied his power of the pen to raise the minimum wage to \$10.10 per hour for federal contractors. Unlike the federal government, private employers have to compete in an increasingly global economy; they cannot pull out unlimited credit cards or tap the incomes of their customers to pay

for higher costs. Subjecting private employers to a \$10.10 minimum wage would reduce the number of jobs available and could restrict the opportunities and incomes that exist within those jobs.³

Instead of raising the costs of employment, lawmakers should look to solutions that reduce firms’ employment costs. The JOBS Act would do this in part through repeal of the Davis–Bacon Act, which requires the federal government to pay construction workers “prevailing wages” that are, on average, 22 percent higher than market wages.⁴

According to earlier work by The Heritage Foundation, Davis–Bacon added \$11.4 billion to federal construction costs in 2010.⁵ Repealing Davis–Bacon would free up federal resources that could be used to employ more workers, build more infrastructure, and reduce the deficit.

Cut Back Costly Regulations. Over its first five years in office, the Obama Administration has overseen 157 major new rules amounting to \$73 billion annually in added costs to Americans.⁶ The massive increase in regulatory burdens through provisions such as Dodd–Frank and Obamacare has likely muted any possible short-term benefits from the trillions of dollars in federal stimulus spending.

The mountain of often unnecessary and sometimes harmful regulations that exists today continues to weigh down—and sometimes completely prevent—business growth and entrepreneurship. According to the most recent survey from the National Federation of Independent Business’s “Small Business Economic Trends” report, the single most important problem cited by businesses is regulation (government requirements and red tape).⁷ Since 2008, the percentage of businesses citing regulation

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as their single most important problem has doubled from less than 10 percent to 21 percent.⁸

The problem with today's labor market is not that too many people are being laid off but that too few people are being hired. The rate of layoffs over the three years prior to the recession (2005–2007) was actually 5 percent higher than it has been over the past three years (2011–2013).⁹ Rather, today's labor market is plagued with a lack of new job creation.¹⁰ In the three years prior to the recession, the rate of new hires was 19 percent higher than it has been over the past three years.

The JOBS Act would cut back costly regulations that have been weighing down the U.S. labor market. Reducing the regulatory burdens that limit business growth and entrepreneurship is critical to increasing jobs and overall employment in this lethargic labor market.

Use Environmental Resources. Just as the rise in regulatory burdens has hampered new job creation, so too have unnecessary environmental restrictions. The United States has a wide array of natural resources that are currently sitting idle. The JOBS Act would free up some of these resources for productive, job-creating use.

Prior research shows that construction of the Keystone XL Pipeline, a provision contained in the JOBS Act, would create tens of thousands of jobs, add billions of dollars in new economic output, and substantially increase state and local tax revenues.¹¹ In addition to the economic benefits of freeing up environmental resources, Keystone XL and other environmental provisions contained in the JOBS Act would further strengthen North America's position as an energy powerhouse.

Switch Strategies. Perhaps more than any other time since World War II, the past five years has been witness to tremendous growth in federal spending, debt, regulations, and unnecessary resource restrictions. Accompanying all of these attempts at top-down governing has been the poorest labor market recovery since the Great Depression.

Washington should step back and let the private sector take the mound. The JOBS Act offers such an approach by increasing the freedom of American individuals and businesses rather than the size, scope, and debt of the federal government.

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