

Opinion: Wrong thinking on jobless benefits

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The fight in Congress over whether to extend the temporary payroll tax cut has focused in part on the unrelated issues that House Republicans have tied to the measure – most notably the proposed Keystone XL pipeline – and in part on how to make up for the lost revenue. Democrats want to cover the estimated \$121-billion tab mainly by raising taxes on the wealthy; Republicans want to cut spending, mainly by reducing federal workers and freezing the pay of those who remain. In a nod to the Democrats' populism, however, the House GOP has also proposed to claw back the unemployment benefits paid to people with income of \$1 million or more. It might sound like common sense, but it's bad policy.

Unemployment insurance is financed primarily by taxes that employers pay, the cost of which is typically passed on to workers in the form of lower salaries. States determine how much to pay laid-off workers (the average is a little less than half their previous weekly wage, up to a cap of \$450 a week in California) and how long to provide benefits (26 weeks is the norm). The federal government offers extra weeks of benefits during periods of high unemployment. If the demand for benefits outstrips the supply of tax dollars, Washington kicks in money from the general fund.

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