



The Daily Dish

The ACA and Job Lock

DOUGLAS HOLTZ-EAKIN | FEBRUARY 6, 2014

The [Washington Free Beacon](#) writes this morning on a [new study from AAF](#) which finds “that just 1.6 percent of American workers make at or below the federal minimum wage and argues raising the rate would do little to help the working poor.”

The Free Beacon continues on the new study: “President Barack Obama is pushing for an increase in the federal minimum wage to \$10.10 an hour. However, AAF insists that the Earned Income Tax Credit (EITC) does far more to alleviate poverty. AAF found that raising the minimum wage would fail to directly assist over 98 percent of all Americans in poverty, according to an analysis released Wednesday.”

The new study by AAF Policy Analyst [Ben Gitis](#) concludes: “While the EITC is precise and targeted in its ability to combat poverty, the minimum wage is inexact and mainly benefits non-poor families. Meanwhile, the EITC also more effectively promotes employment by increasing the relative value of working without forcing employers to pay the cost. In order to help those in poverty, policymakers should zero in on improving and expanding the EITC, which already has a great track record of success.”

Eakinomics: Job Lock

New Year’s eve 1990, I had a rather elaborate surgery. During my recovery hospital stay, I read a New York Times article that asserted something like half of Americans did not change jobs for fear of losing their health insurance. I started to wonder if it was true and if I would be a Syracuse University professor forever. The notion that fear of losing health insurance was freezing the labor market became known as “job lock”. If true, it suggested that the efficiency of the U.S. labor market in matching workers’ skills to firm’s needs was impaired — costing the nation productivity and families their standard of living.

Testing for job lock became an active area of [research](#). My investigations suggested little evidence that employer-sponsored insurance stopped individuals from pursuing more valuable labor market opportunities, whether they be other jobs or starting entrepreneurial ventures, while others identified greater effects. In the end, the research battle was inconclusive. However, even as the research continued, the world changed. The U.S. first passed [HIPAA](#) and then the Affordable Care Act, each of which was advertised as “solving” the problem of pre-existing conditions and eliminating the fear of losing health insurance if one changed jobs.

With this background, I found it amusing that administration allies trotted out my research and policy [history](#) to defend itself against the Congressional Budget Office’s (CBO’s) projection that the equivalent of 2.5 million jobs would be lost due to the adverse labor market incentives in ObamaCare. On the face of it, the finding is unsurprising; if one provides over \$1 trillion (over 10 years) in benefits whether the recipient works or not, it is not shocking that this produces an incentive to not work. (It gets more complicated; see the [CBO](#)) Moreover, it raises the wages needed to lure those recipients from their homes to the workplace — ObamaCare makes those 2.5 million jobs too expensive to be profitable and effectively kills them off.

The administration and its allies [response](#) has been to shout “ObamaCare eliminates job lock and conservatives should be happy.” This may be effective rhetoric, but it has nothing to do with the movement of workers from

job to job and the overall [efficiency](#) of the labor market. It's not job lock. It is jobs, production, and incomes that are gone and the administration wants to argue that this is a good thing.