

Obamacare - making not working pay

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Taking a better-paying job with health insurance might not be worth it at all. We thought we had squeezed such punishments for hard work and diligence out of our welfare system two decades ago. Now Obamacare has expanded them to the middle class.

This classic perverse incentive, CBO believes, will lead workers to reduce their own hours so that the labour equivalent of 2.5 million full-time jobs simply disappear from the economy by 2024.

White House spokesman Jay Carney downplayed the CBO report, arguing that “CBO does not take into account positive impacts on worker productivity due to the ACA's role in improving workers health, including reduced absenteeism.” But there is no worker as unproductive or as absent as the one who works less on purpose because a small increase in pay could suddenly deprive him or her of a large Obamacare subsidy.

One White House adviser tried to defend this as creating new “options” for workers, but this is an ad hoc defence, forced on Obama as an unintended and unwelcome consequence of his health care law. Obamacare's disincentive to work directly contradicts Obama's consistent philosophy of work - something he began articulating as long as a decade ago and which he has restated as recently as last week's State of the Union address.

Obama's philosophy is an orthodox liberal one, but it starts with premises most conservatives would embrace. In his 2006 memoir *The Audacity of Hope*, he extolled the virtues of “self-reliance,” “self-improvement,” “
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drive," " discipline," " temperance," " hard work," " thrift" and " personal responsibility." Then he added the punch line: " The legitimacy of our government and our economy depend on the degree to which these values are rewarded."

In a passage that specifically criticizes the perverse incentives of the welfare state, Obama wrote that " Americans believe in work — not just as a means of supporting themselves but as a means of giving their lives purpose and direction, order and dignity ... Americans also believe that if we work full-time, we should be able to support ourselves and our kids. For many people on the bottom rungs of the economy — mainly low-skilled workers in the rapidly growing service sector — this basic premise isn't being fulfilled."

In short, Obama appeals to the work ethic as something government and all employers have a societal obligation to reward. This echoes in the argument Obama made in his State of the Union address last week regarding the minimum wage: No one who puts in his eight-hour day should have to raise a family in poverty.

True to this spirit, early in his administration, Obama proposed and signed into law something called the Making Work Pay Tax Credit. It refunded a portion of low-income workers taxes, helping them enjoy a greater benefit from their own work and participate more in the economy as consumers.

Now it turns out Obamacare is directly undermining this earlier effort at stimulus by literally undoing what that earlier tax break did for many workers
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in the middle-to-lower income range.

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