

THE LAST WORD

Why I Am Not Hiring



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With unemployment just under 10% and companies sitting on their cash, you would think that sooner or later job growth would take off. I think it's going to be later—much later. Here's why.

Meet Sally (not her real name; details changed to preserve privacy). Sally is a terrific employee, and she happens to be the median person in terms of base pay among the 83 people at my little company in New Jersey, where we provide audio systems for use in educational, commercial and industrial settings. She's been with us for over 15 years. She's a high school graduate with some specialized training. She makes \$59,000 a year—on paper. In reality, she makes only \$44,000 a year because \$15,000 is taken from her thanks to various deductions and taxes, all of which form the steep, sad slope between gross and net pay.

Before that money hits her bank, it is reduced by the \$2,376 she pays as her share of the medical and dental insurance that my company provides. And then the government takes its due. She pays \$126 for state unemployment insurance, \$149 for disability insurance and \$856 for Medicare. That's the small stuff. New Jersey takes \$1,893 in income taxes. The federal government gets \$3,661 for Social Security and another \$6,250 for income tax withholding. The roughly \$13,000 taken from her by various government entities means that some 22% of her gross pay goes to Washington or Trenton. She's lucky she doesn't live in New York City, where the toll would be even higher.

Employing Sally costs plenty too. My company has to write checks for \$74,000 so

Sally can receive her nominal \$59,000 in base pay. Health insurance is a big, added cost: While Sally pays nearly \$2,400 for coverage, my company pays the rest—\$9,561 for employee/spouse medical and dental. We also provide company-paid life and other insurance premiums amounting to \$153. Altogether, company-paid benefits add \$9,714 to the cost of employing Sally.

Then the federal and state governments want a little something extra. They take \$56 for federal unemployment coverage, \$149 for disability insurance, \$300 for workers' comp and \$505 for state unemployment insurance. Finally, the feds make me pay \$856 for Sally's Medicare and \$3,661 for her Social Security.

When you add it all up, it costs \$74,000 to put \$44,000 in Sally's pocket and to give her \$12,000 in benefits. Bottom line: Governments impose a 33% surtax on Sally's job each year.

Because my company has been conscripted by the government and forced to serve as a tax collector, we have lost control of a big chunk of our cost structure. Tax increases, whether cloaked as changes in unemployment or disability insurance, Medicare increases or in any other form can dramatically alter our financial situation. With government spending and deficits growing as fast as they have been, you know that more tax increases are coming—for my company, and even for Sally too.

Companies have also been pressed into serving as providers of health insurance. In a saner world, health insurance would be something that individuals buy for them-

selves and their families, just as they do with auto insurance. Now, adding to the insanity, there is ObamaCare.

Every year, we negotiate a renewal to our health coverage. This year, our provider demanded a 28% increase in premiums—for a lesser plan. This is in part a tax increase that the federal government has co-opted insurance providers to collect. We had never faced an increase anywhere near this large; in each of the last two years, the increase was under 10%.

To offset tax increases and steepening rises in health-insurance premiums, my company needs sustainably higher profits and sales—something unlikely in this "summer of recovery." We can't pass the additional costs onto our customers, because the market is too tight and we'd lose sales. Only governments can raise prices repeatedly and pretend there will be no consequences.

And even if the economic outlook were more encouraging, increasing revenues is always uncertain and expensive. As much as I might want to hire new salespeople, engineers and marketing staff in an effort to grow, I would be increasing my company's vulnerability to government decisions to raise taxes, to policies that make health insurance more expensive, and to the difficulties of this economic environment.

A life in business is filled with uncertainties, but I can be quite sure that every time I hire someone my obligations to the government go up. From where I sit, the government's message is unmistakable: Creating a new job carries a punishing price.