

# The Affordable Care Act: A Hidden Jobs Killer?

## An Examination of Average Weekly Hours in 2013

By Helene Jorgensen and Dean Baker\*

It has become standard practice among opponents of the Affordable Care Act to refer to the bill as a “jobs killer.” The idea is that the sanctions applied to employers who do not provide insurance to their workers are so onerous, that they will change their hiring patterns to avoid them. There are two obvious ways to avoid the sanctions. First, firms can keep the total number of workers at a firm under 50, and in this way avoid being subject to sanctions. Second firms can reduce the number of hours that employees work so that they fall under the 30 hour a week average that would have them count towards the firm’s penalty under the ACA.

There are good reasons for questioning the extent to which the employer penalty provisions in the ACA would affect employment. Most importantly, the overwhelming majority of firms that employ more than 50 workers already provide health care coverage to their workers that would meet the standards of the ACA. According to a survey by the Kaiser Family Foundation more than 94 percent of firms that exceed the ACA’s 50 workers cutoff already provided coverage to their workers voluntarily.<sup>1</sup> Clearly these firms consider it a good practice to offer a valuable benefit to their workers or they would not do so. Since most firms in this category already provide coverage voluntarily, it is difficult to believe that requiring the remaining firms to provide coverage or pay a penalty would create such an onerous burden.



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Furthermore, the penalty for not providing insurance of \$2,000 per worker (excluding the first 30 workers), seems relatively modest. If the pay of full-time workers averaged just \$10 an hour, this would be an increase in annual compensation of less than 10 percent. A considerable amount of research has found no measureable employment impact from considerably larger increases in the minimum wage.<sup>2</sup>

For these reasons it seemed unlikely that the ACA would have a large negative impact on employment. However, there have been numerous accounts of employers claiming to reduce employment or adjust hours in order to avoid the obligations of the ACA. If this is the case, we should have first begun to see evidence of the impact of ACA in January of 2013, since under the original law employment in 2013 would serve as the basis for assessing penalties in 2014. (The Obama administration announced on July 2, 2013 that they would not enforce sanctions in 2014 based on 2013 employment,<sup>3</sup> but employers would not have known that sanctions would not be enforced prior to this date. Therefore we can assume that they would have behaved as though they expect to be subject to the sanctions and acted accordingly.)

Some employers claim to have reduced employment because of the provisions of the ACA as soon as its passage in 2010, and many have blamed the ACA for the slow pace of employment growth in the years from 2010-2012. This is not plausible. There is enormous churning in the labor market, with close to 3 percent of employees leaving their job every month (half voluntarily and half involuntarily).<sup>4</sup> If an employer felt the need to hire additional employees in 2010-2012 to meet the demand for labor they were seeing at the time, they would have no difficulty getting their employment. Just the normal churning in the labor market would bring a firm with 52 or 53 employees below the 50 employee threshold in a few months. Since employers generally have the option to dismiss workers at will (unless they have a union contract), there is no reason that they could not have added employees in the years prior to 2013 to meet their demand for labor and then reduce employment in 2013 to avoid the ACA penalties.

## The Evidence from 2013

It is too early to assess the claim that employers are staying just below the 50 employee limit since we do not yet have data available on employment by firm size in 2013. However as a practical matter it is implausible that the behavior of these firms could have any noticeable effect on employment growth. It is unlikely that more than 1 percent of potential employment growth would be in firms that are near this cutoff. Furthermore, most of these firms would already be providing health care insurance for their employees and therefore need not be concerned about the sanctions in the ACA. If some number of firms actually are limiting or reducing employment to stay below the 50 worker cutoff then the impact would be too small to be noticed in the economy as a whole.

The alternative course of evading ACA penalties, reducing average hours of work below 30 per week, could at least plausibly have an impact on employment patterns. In fact, several large employers have claimed that they would deliberately keep workers' hours below 30 hours per week in order to avoid having them count toward the number for whom they would have a \$2,000 penalty. Some surveys of small businesses also report that employers intend to reduce workers' hours to avoid the penalty, even they are not bound by the law.

Fortunately, it is possible to test whether employers are actually reducing hours below the 30-hour threshold. The Current Population Survey (CPS) provides monthly data on workers usual weekly hours. We used the CPS to compare the first four months of 2013 with the first four months of 2012. We looked at the numbers and percent of workers who reported working 26-29 hours a week. We considered this range a reasonable cutoff for an ACA effect. Presumably if an employer would have a worker put in more than 30 hours a week in the absence of ACA penalties, they would require a worker to put in close to, but less than, 30 hours in order to avoid the penalties.

**Table 1** shows the results. There are two points that are striking. First a very small share of the workforce falls into this group. Well under 1 million workers, roughly 0.6 percent of the labor force, typically work between 26-29 hours a week. It is also important to remember that many of these workers choose to work less than a full-time job. More than two-thirds of the workers who report working less than full-time jobs say that they are doing so by choice. If this ratio also applies to the workers who usually work between 26-29 hours it would mean that less than 300,000 workers, or roughly 0.2 percent of the workforce, are working this number of hours as a result of their employer's decision.

**TABLE 1**

**Number of employees usually working 26-29 hours per week in primary job**

	Number of Employees		Percent of Employees	
	Working 26-29 hours/week		Working 26-29 hours/week	
	2012	2013	2012	2013
January	881,903	791,946	0.63%	0.56%
February	837,345	854,661	0.59%	0.60%
March	876,780	835,543	0.62%	0.58%
April	816,468	927,034	0.57%	0.64%
Unweighted Monthly Average	853,124	852,296	0.6037%	0.5968%

Source: Authors' analysis of the Current Population Survey

Notes: Analysis of the Current Population Survey, Monthly Basic Data, Jan-Apr 2012 and Jan-Apr 2013.

Looks at everyone who reported usually working, including 'hours varied' and '0 hours'

The other striking aspect to the data in Table 1 is that the number and percentage of workers putting in between 26-29 hours per week was slightly lower in 2013 than in 2012. The average percentage of workers in this category for 2013 was 0.597 percent. That is

down from 0.604 percent in 2012. While this drop is not close to being statistically significant, the change is in the wrong direction for the ACA as job-killer story.

While there may certainly be instances of individual employers carrying through with threats to reduce their employees' hours to below 30 to avoid the sanctions in the ACA, the numbers are too small to show up in the data. It appears that in setting worker hours employers are responding to business considerations in much the same way as they did before the ACA took effect. While the sanctions in the ACA may provide some marginal incentive to reduce worker hours below the 30-hour cutoff, other considerations in setting worker hours appear to be far more important.

## Conclusion

Opponents of the ACA have labeled the health care bill a jobs killer. It is unclear that the bill could be expected to have much impact on employment except among the relatively small number of firms that are near the 50-worker cutoff. However the bill does provide a clear incentive to reduce workers' hours below 30 per week and many employers claim to be making such reductions in hours.

An analysis of data from the Current Population Survey shows that only a small number (0.6 percent of the workforce) of workers report working just below the 30 hour cutoff in the range of 26-29 hours per week. Furthermore, the number of workers who fall in this category was actually lower in 2013 than in 2012, the year before the sanctions would have applied. This suggests that employers do not appear to be changing hours in large numbers in response to the sanctions in the ACA.

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- 1 The Kaiser Family Foundation and Health Research & Educational Trust. 2012. "Section 2: Health Benefit Offer Rates" in *2012 Employer Health Benefits Survey*, 33-46. Menlo Park, CA: The Kaiser Family Foundation. <http://kff.org/report-section/ehbs-2012-section-2/>
  - 2 Schmitt, John. 2013. "Why Does the Minimum Wage Have No Discernible Effect on Employment?" Washington, DC: Center for Economic and Policy Research. <http://www.cepr.net/index.php/publications/reports/why-does-the-minimum-wage-have-no-discernible-effect-on-employment>
  - 3 Jarrett, Valerie. 2013. "We're Listening to Businesses about the Health Care Law." The White House Blog. Whitehouse.gov. (July 2). Accessed July 23, 2013. <http://www.whitehouse.gov/blog/2013/07/02/we-re-listening-businesses-about-health-care-law>
  - 4 Bureau of Labor Statistics. Job Openings and Labor Turnover Survey. <http://www.bls.gov/news.release/jolts.toc.htm>