



Insight

New Report Says ACA May Hinder Indiana's Job Creation

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Researchers from Indiana University's Kelley School of Business released a [report](#) about the sources of job creation in Indiana entitled "Where the Jobs Are." The authors found that small businesses, which they define as fewer than 50 employees, are crucial in creating net job gains for the state. Many of these small "homegrown" businesses they studied grew beyond 50 employees but remain relatively small.

While seemingly unrelated to health policy, the size of the "job creators" in any state becomes critical in 2014 when the Affordable Care Act's employer mandate goes into effect. The mandate requires that firms with over 50 employees either offer affordable health insurance coverage or pay a penalty for each employee. Therefore, hiring that 50th worker suddenly becomes very expensive.

The researchers estimated that if the Affordable Care Act had been in effect during the study period, 12,700 of the jobs created would have been at risk. The authors [commented on the report saying](#), "Most firms that crossed the threshold did not grow significantly past the 50-employee mark. Given the high additional cost of hiring the last few workers compared to the 49th worker, it is quite likely that most of those jobs would have not been created." While 12,700 may not seem significant when compared to the vast number of unemployed Americans, it represents a staggering 15 percent of Indiana's employment growth within the study period from 2003-2008.

The individual mandate may be getting more attention, but in a time of persistently high unemployment there needs to be just as much concern about the employer mandate. While these results are specific to Indiana, there are likely other states where small and mid-size businesses are responsible for a significant portion of the job growth. Reforming healthcare need not compromise jobs and small businesses, but unfortunately the Affordable Care Act will do just that.