Insight

The Labor Market and the ACA: 2.3 Million Part-Timers at Risk of Reduced Hours

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The Affordable Care Act's (ACA) employer mandate was intended to ensure that employers continued to offer health benefits rather than shifting their employees to federally subsidized exchanges. Evidently the law's crafters failed to appreciate that there remains strong incentives to stop offering employer sponsored insurance; the penalty for non-compliance is a fraction of the cost of insurance and the subsidized individual market remains a viable alternative. Beyond that, because the mandate only covers full-time workers, there is a clear incentive to shift more employees into part-time schedules, reducing their hours below a 30 per week average, the ACA's definition of full-time.

Prior to the ACA, employers made decisions about employee schedules based on a myriad of factors including desired staffing levels, employee preferences, and efficiency. Employees with jobs as diverse as construction, substitute teaching, bartending, retail, nursing, adjunct professorships and many others whose hours vary over the week, month or year work out their schedules with their employers and are paid for time worked. In the presence of ACA regulation, the mandated benefit shifts the incentives in the system.

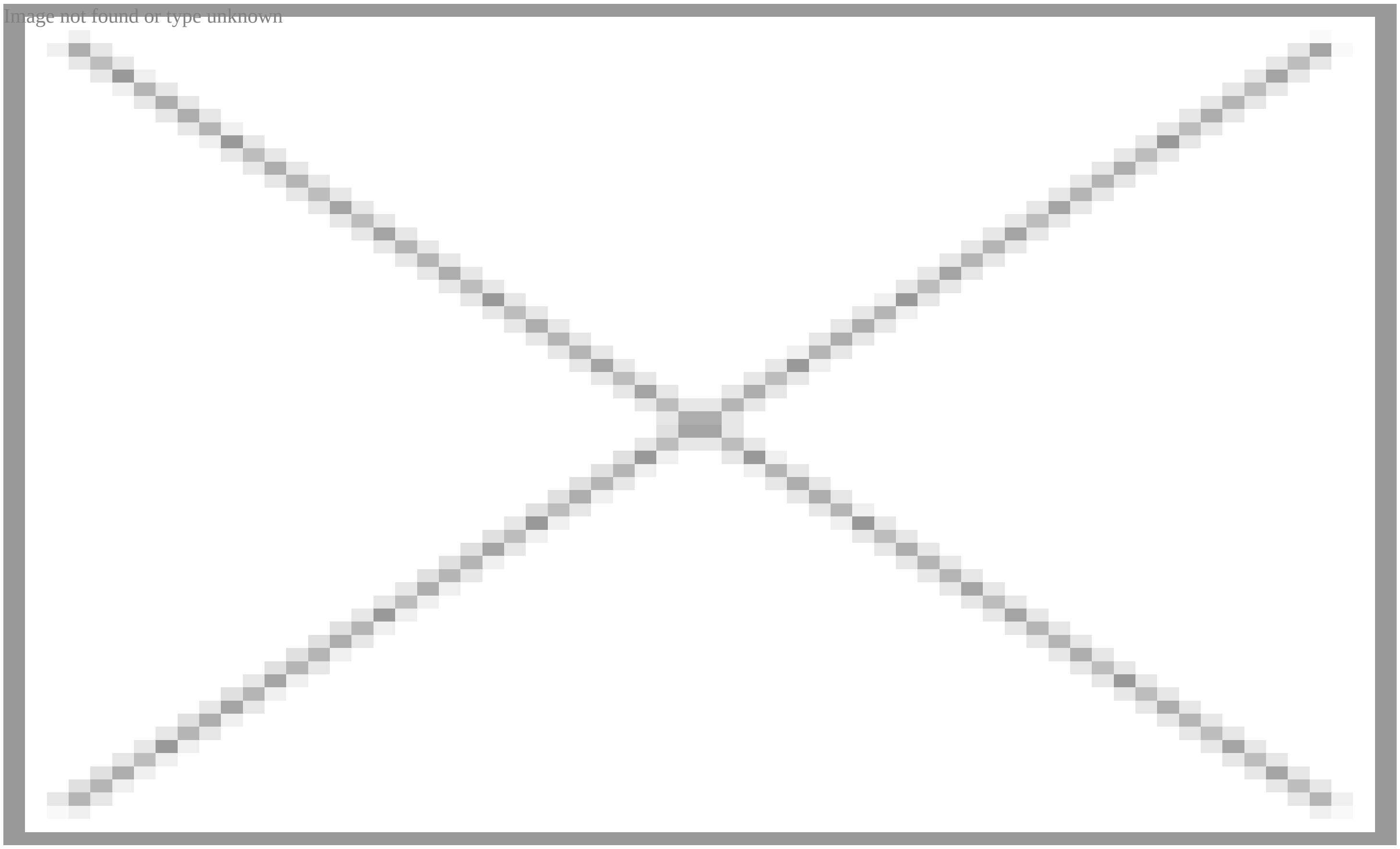
The negative impact on workers is immediately obvious. Fewer hours translates to lower pay and perhaps the necessity of adding a second, or third, part-time job. However, businesses are likely to become less efficient as well, having to hire and train additional part-time workers and prohibiting employees from picking up extra hours when needed.

But how many workers and firms will be affected?

UC-Berkeley's Labor Center studied work schedules at firms of over 100 people across multiple industries and analyzed their average hours worked and insurance status. They did so to gain a better insight into the percentage of employees in each industry at risk of having their hours reduced. To target effectively, the research population was narrowed down to those working 30-36 hours per week who did not already have employer-sponsored health insurance. Their study found that the restaurant industry has the largest percentage of employees at risk for reduced hours as a result of the ACA, with 16.3 percent of the workforce being vulnerable.[1] The accommodation (hotel) and retail industries also had large numbers of workers at risk for reduced hours, with 8.3 and 6.5 percent considered in danger of scheduling cuts. Table 1 below outlines their data.

Table 1

UC Berkeley's Labor Center Analysis: Hours of Workers in Firms with 100+ Employees[2]



The report concludes that the population of most vulnerable part-time employees equals 2.3 million workers.

These workers face a real threat as many employers are reported to be reducing part-time employee hours to below 30 per week. Common examples include school districts, local governments and both public and private universities. Large companies such as Staples,[3] Forever 21, SeaWorld[4], [5] David's Bridal[6], Dave and Busters[7], and Bucca Di Beppo[8] are reported to have taken such steps as well.

The impact of the employer mandate and 30 hour rule is just another example of the unintended consequences stemming from the ACA. For the workers impacted, this misguided legislative and regulatory overreach is not only impacting their health care, but their livelihood as well.

[1] http://laborcenter.berkeley.edu/healthcare/reduced_work_hours13.pdf