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Obamacare In The Workplace: Fewer Hours, Lower Incomes And Less Health Insurance

John Goodman

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Obamacare is having a large effect on the market for low-wage labor. How do l know that? I did something most economists never do. I asked. I'm not alone. A lot of enterprising reporters have asked as well.

For example, April Dembosky in *The New York Times* quotes employees as saying that most fast food restaurants in central valley Californian have reduced almost all workers (other than the managers) to fewer than 30 hour per week. The reason: to avoid the Obamacare mandate to provide expensive health insurance to full time employees.

Michael Cannon of the Cato Institute has produced a table showing that there are similar reports in newspapers in every state in the union.

Economists call this kind of evidence "anecdotal," and often insist that it is a poor substitute for numerical data showing statistical significance. But there is a problem with aggregate national statistics. We're coming out of a recession. That means all kinds of good things are happening in the labor market – most of them unpredictable — at the same time one bad thing (Obamacare) is happening. As Joe Antos and James Capretta explain in a recent *Health Affairs* post, with all that noise it's hard to separate the good from the bad in statistical tests.

Anecdotal evidence is still evidence, however. If a business tells a newspaper it reduced staff or reduced working hours that almost certainly is the truth. And for everyone who makes such an admission there are likely to be many more (including people I talk to) who refuse to talk to reporters at all. The reason? It's illegal to reduce hours of work in order to avoid the Obamacare mandate. Fast food franchisees who admit they have reduced work hours *for any reason* are inviting scrutiny from an Obama administration that already has a reputation for being vengeful.

Reducing all the employees to part time status is not a costless maneuver. As Dembosky reports, it's more difficult to manage a part-time staff. The employees tend to be less loyal, less skilled and less knowledgeable about the business. There is also more employee turnover. On the employee side, people have fewer hours and less income than they would like. So everybody loses.

As I reported in a previous post, things are not much better for many full time employees.

In theory, Obamacare is designed to force employers to provide costly insurance to otherwise uninsured employees. At one point I calculated that the Obama mandate translates into a healthcare minimum wage of $2.28 an hour (individual coverage) and $5.89 an hour (family coverage) for full time employees. And like the money minimum wage, the Democrats have provided no relief for the places of work that are supposed to create this new benefit.

However, the law allows employers (1) to offer employees a Bronze plan with a deductible of $6,850 for an individual plan and $13,700 for a family, (2) to charge the employee a premium equal to 9.5% of salary (more than 10% of take-home pay) for self-coverage and (3) to charge the employee the full premium for family coverage.

To young, healthy families with low incomes and few assets, this kind of plan is viewed as little better than having no health insurance at all. In separate *Wall Street Journal*editorials Andy Puzder (CEO of CKE restaurants) and Ireported that when given this offer, only 1 or 2 percent accept it.

Moreover, self-insured companies (more than half of all employer plans) are given very strange options that other insurers do not have. Until recently, they could fully meet the requirements of the Obama mandate without covering hospital care. Even now, they can avoid paying for outpatient surgery.

Prior to Obamacare, many employers of low-wage workers offered their employees a “mini med” plan, covering, say, the first $25,000 of expenses. The premiums were low, the benefits were modest. But remember the employees are basically healthy and do not expect to have many medical expenses. Those plans are now gone. And when employees turn down the employer’s offer of a bronze plan, not only are they completely uninsured, they and their families are ineligible for subsidies in the (ObamaCare exchanges).

Not only that, they are subject to fines every April 15th.