Federal Reserve: Obamacare hurts business growth

By Brady Cremeens

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A new study reveals Affordable Care Act may be detrimental to business growth across the country.

In a survey conducted by the Federal Reserve Bank of Philadelphia, more than 18 percent of businesses responded they have cut down on employees and reduced hiring due to expenses incurred by the law, also known as Obamacare.

The study asked hundreds of businesses across the U.S. about the effects of Obamacare on their hiring practices, benefits packages and compensation rates.

Three percent responded they had increased their payroll as a result of the ACA.

“The problem is really two fold,” said Josh Archambault, senior fellow at the Foundation for Government Accountability, based in Florida. “It hurts small-business employers because it de-incentivizes expansion and growth and it hurts employees because employers are forced to shift higher insurance costs onto them.”

Small businesses reluctant to expand

Archambault said many businesses may decide against attempting to grow and hire new employees because it’s now too costly.

“Especially those employers who are nearing the 50-employee mark,” he said. “If they break 50, they get a bunch of new costs and requirements thrust onto them. Many will decide to just stay where they are, which is bad for job growth and the economy in general.”

Businesses who employ fewer than 50 full-time-equivalent employees have access to the Small Business Health Operations Program, SHOP, under the ACA. Companies with more than 50 full-time-equivalent employees have other regulations they must meet.

Eighteen percent of businesses indicated they had reduced workers’ hours by decreasing the number of full-time employees and increasing the number of part-time employees.

“A lot of the stagnant economic growth and reduction in hiring is a result of this law,” Archamault said. “It puts too heavy a burden on employers, and the average working man is paying, both figuratively and out of his own pocket.”

Employers share stories of hour, employment cuts

The study by the Federal Reserve Bank of Philadelphia is only the latest piece of evidence that the employer mandate and other requirements of the Affordable Care Act is forcing employers to scale back hiring and reduce hours for employees.

A survey in April 2013 by the Society for Human Resource Management found 41 percent of small businesses had put off hiring new employees, while 20 percent had cut hours and reduced payroll.

These studies come after several announcements by business owners that they would be forced to cut employee hours as a result of the Affordable Care Act.

In October of 2012 Darden Restaurants, which operates Olive Garden and other restaurant chains, announced it would be experimenting with cutting employee hours to below the 30-hour per week threshold that would require them to offer health benefits. The move draw intense criticism and Darden later said it would not be cutting employee hours.

Several other restaurant franchisees also announced they would have to cut employee hours. In an August 14, 2013 report by NBC News, several other small business owners shared they too would be cutting hours in response to the employer mandate.

“To tell somebody that you've got to decrease their hours because of a law passed in Washington is very frustrating to me," Loren Goodridge, who owns 21 Subway franchises, told NBC News.

Cutting employment and keeping quiet

Small businesses that have spoken publicly have faced an intense backlash among supporters of the law. Darden faced a firestorm of criticism after its announcement, and owners of Denny’s, Papa Johns, and Applebee’s franchises also endured negative attacks based on their business decisions to consider cutting hours.

In light of that backlash, health policy experts say employers who have to cut employee hours or jobs will simply keep quiet. “Given the way Obamacare supporters publicly criticized employers who announced that they were cutting back hours in response to the health care law, it would not surprise me if many employers are still doing so but not telling anyone about it,” said Michael Cannon, director of health policy studies at the free-market Cato Institute.