



Affordable Care Act Projected to Shrink Workforce

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The desire to ensure all Americans access to affordable health insurance is a noble one. But the federal law that arose from that desire in 2010 has unfortunately followed the script of many government regulations—producing unintended consequences that hurt employers and employees alike. The Affordable Care Act (ACA) is Exhibit A for why government often does more harm than good.

A new report by the nonpartisan Congressional Budget Office (CBO) projects that the health care law will cost the United States the equivalent of 2 million full-time jobs by 2025. By “phasing out health insurance subsidies as people’s income rises,” the ACA forces people to choose between receiving large subsidies or working more hours—and gaining valuable on-the-job skills. This means that some

employees will opt to work less, leave the job market altogether, or remain unemployed for a longer time to qualify for cheaper health insurance—a choice between a rock and hard place.

As the economics blog *FiveThirtyEight* reported back in January, the ACA is “effectively giving a pay cut to some of the most vulnerable Americans” because it cuts into their timesheets.

But the law doesn’t only harm workers. As we’ve pointed out in the past, it also forces businesses with 50 or more full-time employees to provide expensive medical coverage to their employees or else pay a \$2,000-per-worker fine. This mandate leads employers to scrap hours as a way of avoiding unaffordable medical costs. And it has already given rise to a new part-time economy, where hardworking entry-level employees often can’t get enough

hours because their employers can’t pay for the associated health care costs.

By hurting employees and job creators, healthcare reform takes two swings at the economy—putting full-time work on the chopping block.

The problem with the ACA is not its original intent, but what it failed to do—rein in runaway healthcare costs. Now that we’ve seen the law’s negative impact, a better approach would be to focus on a patient-driven, market-based pricing system for health insurance.

For more information about the ACA, watch our video, “How does Health-care Reform Affect You.”

To find out more about the rise in part-time labor, watch “40-Hour Work Week.”