



Written by [Michael Tennant](#) on June 23, 2013

Small Businesses Cutting Jobs, Hours to Save Themselves From ObamaCare

ObamaCare, Americans were assured, would [create millions of jobs](#) and be a [boon to small businesses](#). But according to a [recent survey](#), as full implementation of the healthcare law rapidly approaches, small-business owners, rather than rejoicing at their good fortune, are slashing jobs, work hours, and expansion plans.



The Gallup poll, commissioned by the law firm Littler Mendelson, found that because of ObamaCare, 41 percent of small businesses have instituted a hiring freeze, 19 percent have shrunk their workforces, and 18 percent have “reduced the hours of employees to part-time.” Nearly four in 10 small businesses — 38 percent — told pollsters they “have pulled back on their plans to grow their business” in anticipation of the law’s implementation.

“We were startled because we know that employers were concerned about the Affordable Care Act and the effects it would have on their business, but we didn’t realize the extent they were concerned, or that the businesses were being proactive to make sure the effects of the ACA actually were minimized,” Littler Mendelson attorney Steven Friedman told CNBC.

“To think that [nearly] 20 percent of small businesses have already reduced the numbers they have in their business because they’re concerned about the medical coverage is significant, and a bit troubling,” he said.

These businesses, however, have good reason to take such measures. ObamaCare’s employer mandate requires businesses with 50 or more full-time employees either to offer “affordable” health insurance to their full-timers or to pay a \$2,000 fine for each employee obtaining subsidized insurance on an exchange. What’s more, the law defines a full-time employee as one who works at least 30 hours per week on average. Employers thus have a strong incentive to keep their head counts below 50 and their employees’ weekly work hours under 30 — something that major [restaurant](#) and [theater](#) chains and some state and local governments have already begun to do. And since expanding a business entails hiring new employees, which in turn could trigger the employer mandate, owners now have a disincentive to grow their businesses, retarding economic growth and forestalling job opportunities.

This may explain why even though the economy has been adding jobs in recent months, [nearly half those jobs have been part-time, and the average work week has been shrinking](#). Forced to choose between subjecting themselves to the employer mandate — which means either increasingly expensive health insurance or hefty fines — and staying in business, employers are quite rationally opting for the



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latter.

It doesn't help matters that the one piece of ObamaCare that was specifically designed to help small businesses afford coverage — an insurance exchange of their own — has been [delayed a year](#).

"Lots of small businesses struggle with providing insurance for their workers so this was supposed to facilitate it and make it easier for small business to do this," Jim Capretta of the Ethics and Public Policy Center told [Fox News](#). "It was a huge portion of the sale job. When they passed the law in 2010 there were many senators and members of Congress who were saying 'I am doing this because it's going to help small businesses.'"

Between this and the manifold uncertainties surrounding ObamaCare's ever-changing rules and regulations — "requirements of the health care law are now the biggest concern for small businesses," the U.S. Chamber of Commerce found in its first-quarter survey — it's no wonder that small employers have a highly negative view of the law. Gallup found that 48 percent of small-business owners think the law will hurt them, while just nine percent think it will help them. (Another 39 percent expected "no impact.") Fifty-five percent of owners believe the law will make healthcare more costly, while a mere five percent think it will cut costs. And 52 percent think ObamaCare will reduce the quality of care, as opposed to 13 percent who expect an improvement.

"I can't say that the fears appear overstated, because the potential for big problems seems rather large," Friedman told CNBC, echoing the concerns of Sen. Max Baucus (D-Mont.), who warned that implementation of ObamaCare could be a ["huge train wreck."](#)

"We don't know until 2014 and beyond what the impact of the ACA will be on businesses," added Friedman, whose firm recently formed a healthcare-reform consulting group. "There is tremendous fear that the premiums will be much higher, for small businesses especially. At this point we can't look a client straight in the eye and say, 'Don't worry about it. Everything will be fine.'"

Indeed, all indications are that everything *won't* be fine. Besides the delay of the small-business exchange, the state exchanges are behind schedule and over budget, and another ObamaCare program, the Basic Health Plan, has also been pushed back a year. According to the American Action Forum, the Obama administration has missed 29 of the ACA's regulatory deadlines, adding to the uncertainty surrounding the law; and those rules it has managed to issue have vastly increased the paperwork and financial burdens on businesses. Then there are the new taxes, some of which have already [cost jobs](#), and the [steeply rising health-insurance premiums](#). Only the uninformed (and Democrat loyalists) would claim that everything with ObamaCare is going swimmingly.

Of course, there are those who argue that the problem is not that the law's implementation is going badly but that the public simply needs to be educated about its vast (alleged) benefits. One such group, the Small Business Majority, "said the findings reflect misconceptions about [ObamaCare's] true effects as well as the need for continued outreach by reform advocates to the small business community," writes CNBC.

This is also the Obama administration's tack. The problem, as far as the administration is concerned, lies not in the law itself but in its advocates' public-relations campaigns.

Yet the more facts — as opposed to administration spin — Americans learn about the law, the less attractive it becomes. And as this latest poll shows, small-business owners, whose very livelihood is threatened by ObamaCare, may be the most aware of its impending terrible consequences.



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