

Little Evidence of the ACA Increasing Part-Time Work So Far

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Timely Analysis of Immediate Health Policy Issues

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In-Brief

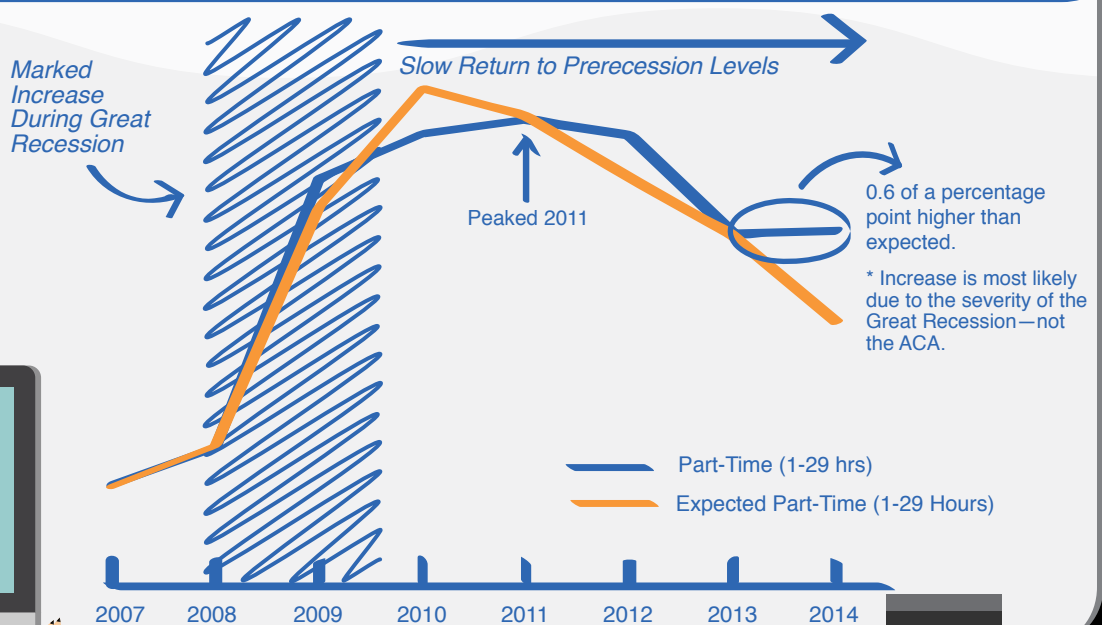
There has been considerable public policy debate and media attention over the employment effects of the Affordable Care Act (ACA), and one of the most contentious issues has been whether the ACA has, or will, increase part-time work at the expense of full-time employment. This brief provides new evidence on the question using the latest available data from the Current Population Survey (CPS).

We find no evidence that the ACA had already started increasing part-time work before 2014. We find a small increase in part-time work in 2014 beyond what would be expected at this point in the economic recovery based on prior experience since 2000. This increase in part-time work is fully attributable to an increase in involuntary part-time work. The increase in involuntary part-time work, however, is not specific to the category of part-time work defined by the ACA (i.e., less than 30 hours per week), but applies to part-time work more broadly (also between 30 and 34 hours per week). Moreover, transitions between full-time and part-time work in 2014 are in line with historic patterns. These findings suggest that the increase in part-time work in 2014 is not ACA related, but more likely due to a slower than normal recovery of full-time jobs following the Great Recession.

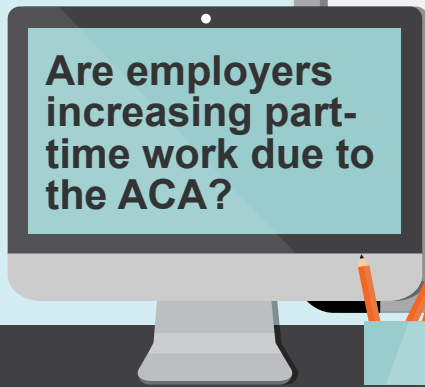
Part-Time Work by Year...

Looking at trends over time

Little Evidence That The ACA Affected Part-Time Employment



Are employers increasing part-time work due to the ACA?



Why the ACA Could Affect Part-Time Work

There are two main channels through which the ACA could increase part-time work. First, employers with 50 or more employees will face financial penalties if they do not offer adequate and affordable coverage, and at least one of their full-time employees receives a subsidy for the purchase of individual coverage in a health insurance Marketplace. These penalties, often referred to as the “employer mandate” or the “employer responsibility requirement,” encourage employers to provide or maintain health insurance coverage, thus limiting the cost of subsidies (tax credits) to assist individuals with incomes below 400 percent of the federal poverty level in purchasing insurance coverage independently.¹

For the purpose of the ACA, a full-time worker is defined as one who works 30 or more hours in a typical week. An employer could reduce or avoid the risk of penalties by replacing full-time workers with more part-time workers or reducing part-time workers’ hours below 30 per week.² If employers restrict the number of hours employees can work or increase hiring of people into part-time positions who were looking for full-time work, the amount of involuntary part-time work would increase.

Second, some people may have been working full time largely to obtain access to health insurance coverage through an employer because many employers do not offer health insurance benefits to part-time workers.³ Availability of individual health insurance coverage through Medicaid or the Marketplaces, with subsidies available for workers with family incomes under 400 percent of the federal poverty level, could create incentives for some full-time workers to voluntarily scale back their hours to part-time. Thus, the ACA could increase voluntary part-time work by reducing the need for employer-sponsored coverage.⁴ The Congressional Budget Office (CBO) and others have suggested that the potential effect of the ACA on voluntary part-time work could be larger than the

potential effects on involuntary part-time work that have been the main focus of media attention.⁵

Widespread Reports of Employers Reducing Worker Hours as Early as 2013 Did Not Materialize in Economic Data

The Obama administration twice delayed the employer requirements—first in July 2013 and again in February this year. At this point, the employer penalties are delayed until 2016 for employers with 50 to 99 workers and until 2015 for larger employers (with softer requirements for larger employers that first year). Even though employer penalties have yet to take effect, it is possible that they have already affected part-time work because of anticipatory actions by employers, perhaps even as early as 2013, before the first delay of the mandate. This is because determining whether a worker counts as a full-time employee may be made by averaging past hours over a “look-back” period of 3 to 12 months.⁶

Widespread media reports suggest many employers have already reduced work hours in response to the ACA, and that even more plan to do so.⁷ A Mercer survey conducted in 2012 found that 51 percent of employers that did not currently offer coverage to all employees working 30 hours or more per week said they would likely change workforce strategy so that fewer employees worked 30 or more hours per week.⁸ A CNBC feature suggested that 27 percent of franchised businesses had replaced full-time workers with part-time workers and 31 percent reduced work hours in response to the ACA, stating “this is happening now, with more than a year before the mandate goes into effect; and undoubtedly, the number will rise as we approach next July’s ‘look back’ period for tabulating workers’ hours.”⁹ In February of this year, the *New York Times* reported several instances of local government entities (e.g., cities, counties, and community colleges) limiting or reducing work hours of part-time employees to keep workers under the threshold of 30 hours per week.¹⁰ A *Wall Street Journal* op-ed suggested that

a rise in part-time work from January 2013 to July 2013 was unprecedented and attributed the rise to the ACA.¹¹

Are Media Reports Correct?

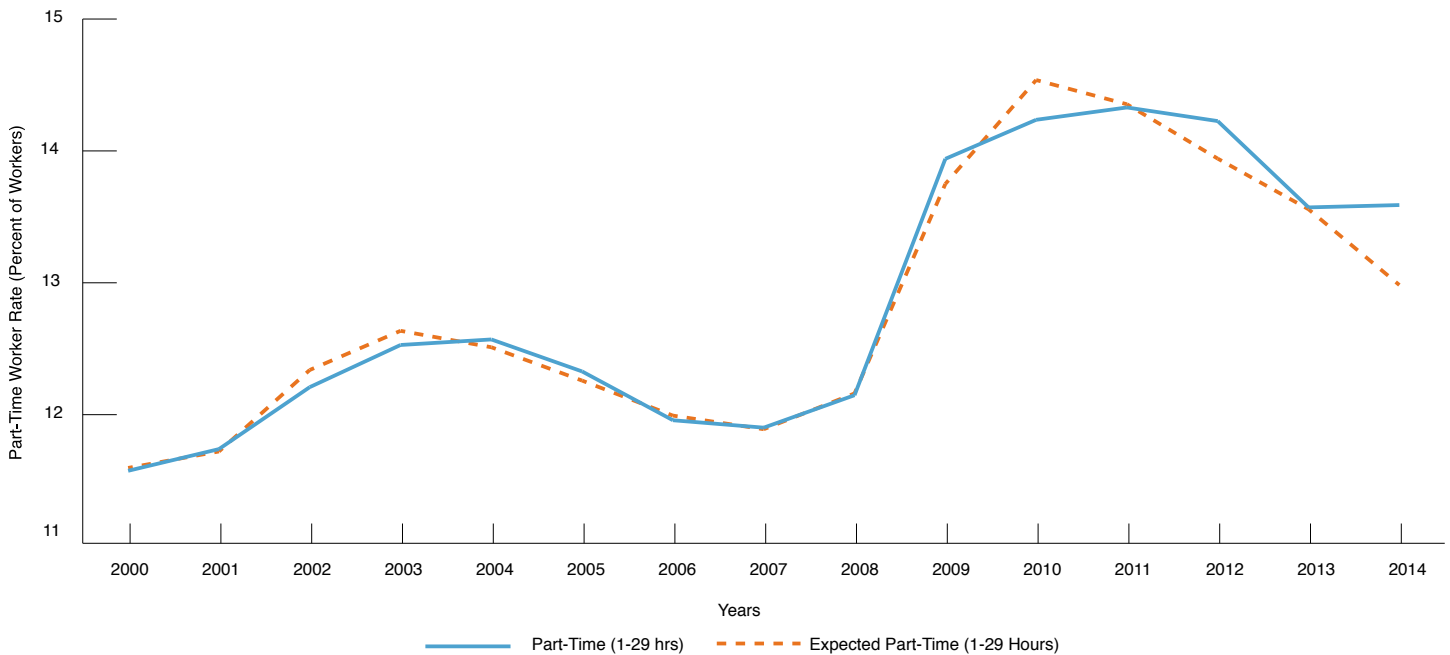
The CBO addressed the issue directly by undertaking a systematic analysis of the evidence, announcing in February of this year that: “In CBO’s judgment, there is no compelling evidence that part-time work has increased as a result of the ACA.” The CBO also acknowledged that the “current lack of direct evidence may not be very informative about the ultimate effects of the ACA.”¹²

Similarly, previous studies have found little evidence of a shift toward part-time work in aggregate data. A study from the Federal Reserve Bank of San Francisco examined CPS data since 1976 and showed that the recent trend in part-time work and its current level are not unusual relative to past experience.¹³ The study concluded that the effect of the ACA on part-time work (up to June 2013) had been small and would likely remain small in the future.¹⁴

Though it holds limited applicability to the entire United States, a study of labor market trends in Hawaii after it implemented employer mandate legislation in the 1970s may provide a relevant data point. Compared with the rest of the United States, the study found only a small increase on part-time work in Hawaii.¹⁵ Under Hawaii’s mandate, part-time employees working less than 20 hours per week are exempted.¹⁶ The study found no detectable effect on either the likelihood of being employed or on wages, but it did find evidence of an increase on the rate of part-time work (less than 20 hours per week).¹⁷ Over a period of about 23 years, the change in the rate of part-time work in Hawaii was a modest 1.4 percentage points higher than the change for the rest of the United States.

Recent Evidence on Trends in Part-Time Work

In the remainder of this brief, we update the findings of previous studies on

Figure 1. Part-Time Work (1-29 Hours) by Year

Source: Authors' analysis of Current Population Survey data from 2000-2014.

Notes: Part-time work defined as working 1-29 hours per week. Calculations for previous years use data from January – July to be consistent with available 2014 data. Expected rates are from a regression using the unemployment rate and its one-year lag as predictors.

potential effects of the ACA on part-time work by examining CPS data up to July 2014. We report trends separately for all part-time work and involuntary part-time work below the ACA threshold of 30 hours per week. We extend the previous research on trends in part-time work in two ways. First, we examine trends in the rate of work between 30 and 34 hours per week, which we would expect to fall if employers are reducing the hours of traditional part-time workers below the ACA threshold of 30 hours per week. Second, we examine actual transitions between full-time and part-time work. We compare year-to-year transitions in recent years, which could be affected by the ACA, to average transition rates from earlier years before the ACA's major provisions would have any effect. By examining transition patterns, we can better distinguish whether the recent trend in part-time work is related to the ACA rather than broader employment trends. Higher rates of transition from full-time work to part-time work than in previous years would be consistent with anticipatory actions by employers to reduce the number of full-time workers who may trigger penalties.

We first examine whether the share of those employed who worked part-time changed noticeably in 2014 relative to previous years. Data for the analysis come from the CPS, which is the primary source for labor force statistics in the United States. We use data from the January through July monthly surveys of the CPS for each year from 2000 to 2014. We chose January through July of each year because these are the months available for 2014 at this point in time, and we wanted to define a consistent period in each year to eliminate any seasonality differences. The sample is limited to those who report usual weekly hours of work and earnings, which is approximately 25 percent of the total monthly CPS sample. In addition, the sample is limited to adults age 18 to 64.

Figure 1 presents the share of those employed who worked part-time, which is defined as less than 30 hours per week (the ACA definition of part-time), from 2000 to 2014 (solid blue line). The figure also shows the share of workers that we should expect to work part-time given the unemployment rate. We use a simple regression model to obtain the expected

amount of part-time work. Specifically, we estimate the relationship between part-time work and the unemployment rate and plot the predicted (expected) levels of part-time work (dashed orange line). We include the expected level to assess whether there is a noticeable deviation in the rate of part-time work from what we would expect to see in the absence of any potential effect because of the ACA.¹⁹

The first point to note about Figure 1 is the cyclicity of part-time work in the United States. There was a marked increase in part-time work during the Great Recession (which officially ran from December 2007 to June 2009). The return to prerecession levels of part-time work has been slow and incomplete as of 2014. In absolute terms, Figure 1 shows that the rate of part-time work peaked in 2011, declined from 2012 to 2013, and held steady from 2013 to 2014.

More importantly for the research question we focus on, for 2013, the rate of part-time work was exactly what we would expect it to have been given unemployment rate trends up to that

point. Thus, we see no evidence of an ACA effect on part-time work as of 2013.

There was a small, but statistically significant, increase in part-time work in 2014 relative to what we would expect given the economic recovery and associated recent declines in overall unemployment. The rate of part-time work is 0.6 of a percentage point higher than expected (based on historical patterns) for the first seven months of 2014. The gap of 0.6 of a percentage point is small relative to the high degree of variability in part-time work observed over the past 8 years, which ranged from a low of 11.9 percent to a high of 14.3 percent.

Figure 2 provides a similar analysis, but focuses on involuntary part-time work (e.g., due to slack work or inability to find a full-time job). Involuntary part-time work is useful to examine because it is this outcome that should be affected if employers are reducing workers' hours to avoid employer mandate penalties. The solid and dashed lines at the top of Figure 2 show the rates of actual and

expected involuntary part-time work of 1 to 29 hours per week over time. The solid and dashed lines at the bottom show the rates of actual and expected involuntary part-time work (as traditionally defined) of 30 to 34 hours per week. If employers were reducing workers' hours from above the 30-hour threshold to below, we should see the amount of part-time work of 30 to 34 hours per week fall below its expected value, while the amount of part-time work below 30 hours per week rises above its expected value.

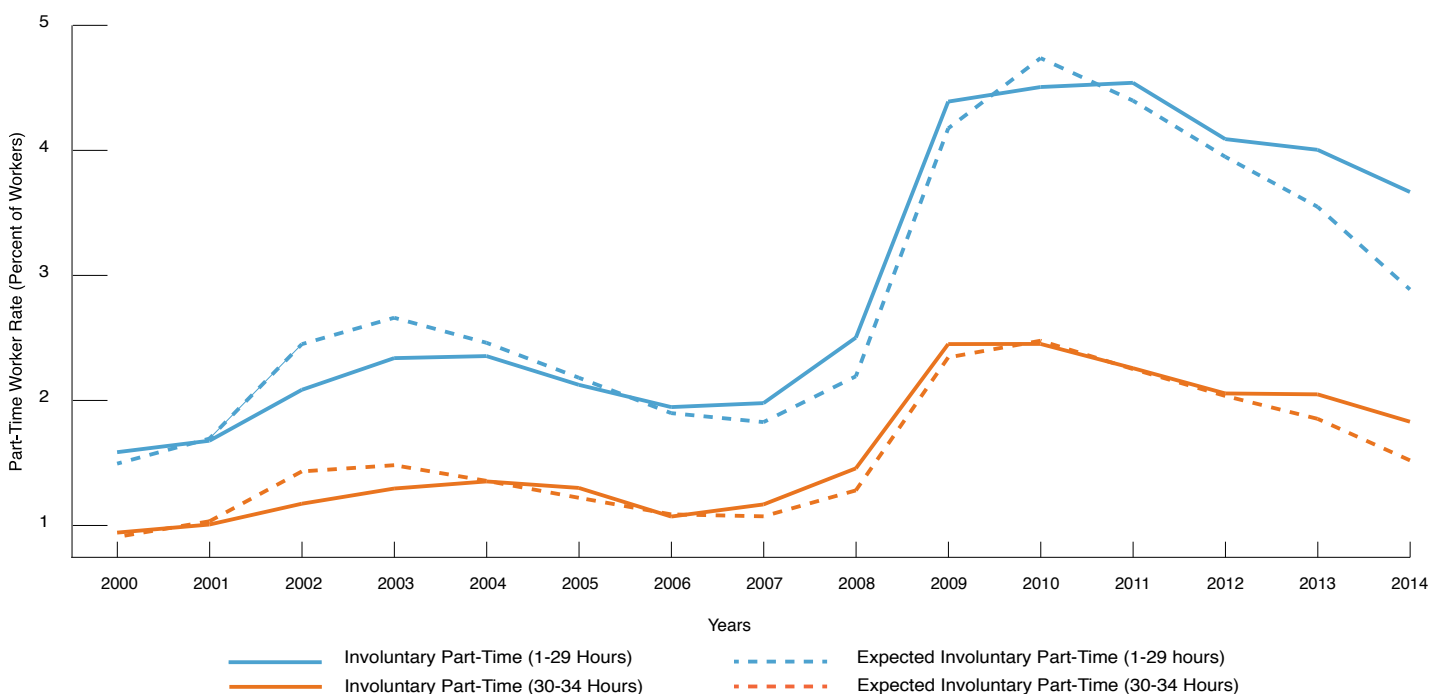
Figure 2 shows that involuntary part-time work of 1 to 29 hours per week peaked in 2011, and has declined in absolute terms in every year since—consistent with economic recovery—and continued to decline from 2013 to 2014. In the last two years, however, the rate of involuntary part-time work has fallen by less than would be expected given declining rates of unemployment. For 2014, the rate of involuntary part-time work (1 to 29 hours per week) is 0.8 percentage points higher than expected. This indicates that the gap between actual and expected part-time work of 0.6 of percentage point

shown in Figure 1 is fully accounted for by the gap in involuntary part-time work relative to what is expected.

Is the gap in involuntary part-time work in 2014 attributable to employers reducing workers' hours because of the ACA? Or does it reflect a sluggish recovery of full-time jobs following an unusually deep recession? In the bottom two lines in Figure 2, we find evidence more consistent with the second explanation. If employers were reducing workers' hours from above the 30-hour threshold to below, we should see the amount of involuntary part-time work of 30 to 34 hours per week lie below its expected value in 2014. Instead, we find the share of employees working 30 to 34 hours per week involuntarily is also higher than expected in 2014.²⁰ This suggests the excess part-time work of 1 to 29 hours relative to expectation is part of a broader trend that also leads to more involuntary part-time work of 30 to 34 hours per week.²¹

Also, because the excess gap in overall part-time work is fully explained by

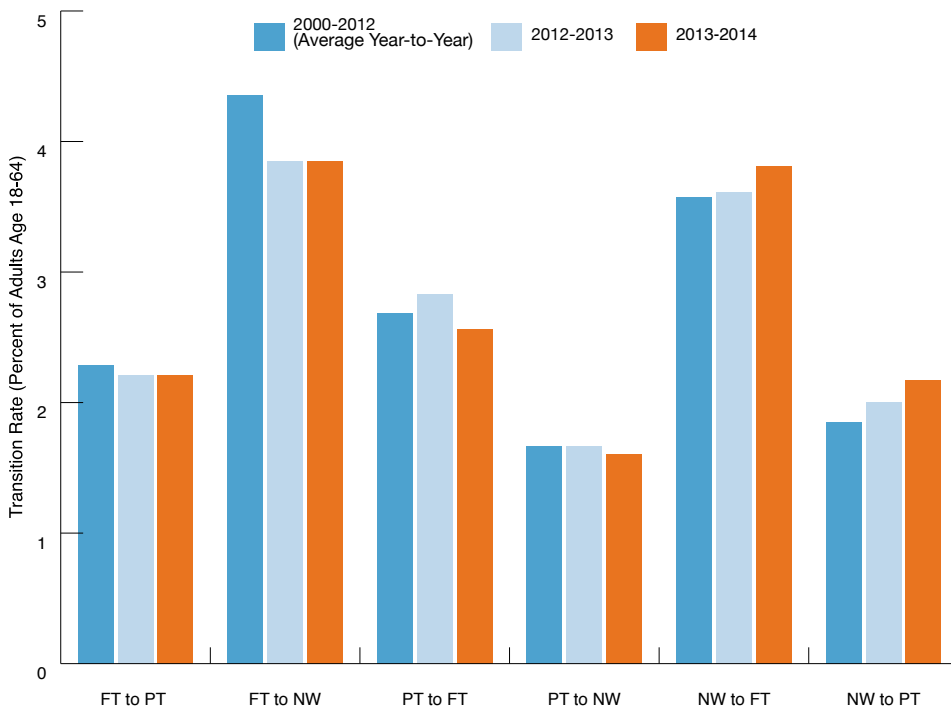
Figure 2. Involuntary Part-Time Work by Year



Source: Authors' analysis of Current Population Survey data from 2000-2014.

Notes: Calculations for previous years use data from January–July to be consistent with available 2014 data. Expected rates are from regressions using the unemployment rate and its one-year lag as predictors.

Figure 3. Transitions Among Full-Time Work, Part-Time Work, and Not Working, by Time Period



Source: Authors' analysis of Current Population Survey data from 2000-2014.

Notes: FT refers to full-time work status (working 30 or more hours per week). PT refers to part-time work status (working 1-29 hours per week). NW refers to not working. FT to PT, for example, indicates transitions from full-time to part-time status.

the rise in involuntary part-time work, there seems to be no evidence to date that people have voluntarily reduced their hours of work in response to the availability of health insurance and subsidies for that insurance in the health insurance Marketplaces.

Year-to-Year Transitions Show No Recent Shifts from Full-Time Work to Part-Time Work above What Would Be Expected from Prior Years

The increase in part-time work in 2014 relative to expectation, revealed by Figure 1, is most likely attributable to greater entry of people into the workforce as employment picks up with economic recovery, but not enough to absorb all who want to work full time. To further test whether the relative increase in part-time work is related to the ACA, we examined actual work status transitions of workers between two consecutive years. We used the same data as in

Figure 1, but for a subsample of persons that we could follow over two years.²² For each pair of years between 2000 and 2014, we calculated transition rates (the share of individuals changing work-status category) between full-time work, part-time work, and non-work. We collapsed the year-to-year transitions observed over the period from 2000 to 2012 into one to serve as a comparison for transitions that occurred from 2012 to 2013 and from 2013 to 2014.

Figure 3 presents the transition rates. There is very little change in transition rates between full-time and part-time work between the long-term average (2000 to 2012, which spans two business cycles) and the recent years after ACA enactment. This pattern is inconsistent with anticipatory efforts by employers to reduce the number of full-time workers to avoid penalties under the ACA. If the ACA were causing the relative increase in part-time work, we would expect transitions from full-time to part-time to

increase and transitions from part-time to full-time to decrease. Instead, as noted, we see little change in transition rates between these categories.²³ The largest changes in transitions are between non-work and work (in both directions). Transitions from non-work to part-time work are consistent with the growth in involuntary part-time work as people enter the labor force seeking full-time work, but have to settle for part-time work because of inadequate employer demand for workers.

Conclusion

Based on our analysis, we find no evidence that the ACA affected part-time employment in 2013 before the implementation of the major ACA provisions. There were no apparent anticipatory effects of the ACA's employer mandate provisions on this measure. However, data indicate that among all workers, there has been a small, statistically significant, increase in part-time work in 2014 (relative to what would be expected given the decline in the unemployment rate). The increase is entirely due to an increase in involuntary part-time work—workers preferring to work full-time but who cannot find such employment. However, similar growth in involuntary part-time work at and above the ACA threshold of 30 hours per week, and evidence of transitions between full-time and part-time work that are in line with historic patterns, suggest the increase in involuntary part-time work is most likely due to the severity and depth of the Great Recession—not the ACA.²⁴ Although we find little evidence consistent with anticipatory effects of the ACA's employer mandate on part-time work to date, our analysis does not rule out the possibility of effects in the future if the mandate goes into effect in 2015 as scheduled and as other ACA provisions are more fully implemented. We will continue monitoring the consequences of the ACA on part-time work and other labor market outcomes as more data become available.

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Bowen Garrett is a senior fellow at the Urban Institute's Health Policy Center. Robert Kaestner is a professor in the Institute of Government and Public Affairs of the University of Illinois and a professor in the Department of Economics of the University of Illinois at Chicago. The authors thank Anuj Gangopadhyaya for excellent research assistance and Linda Blumberg, Genevieve Kenney, John Holahan, and Robert Valletta for helpful comments and suggestions. The authors are grateful to the Robert Wood Johnson Foundation for supporting this research.

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Notes

- 1 Employees that are offered employer coverage are only eligible for subsidized coverage in the health insurance Marketplaces if the employee's share of the lowest-cost option provided by their employer for single (worker only) coverage exceeds 9.5 percent of the employee's income or if, on average, the plan reimburses less than 60 percent of covered expenses—conditions designed to protect most employers offering coverage from facing any penalties.
- 2 For an employer that does not offer coverage, if at least one full-time employee receives a subsidy in a Marketplace, the employer is subject to a penalty of \$2,000 per full-time worker minus the first 30 workers. For an employer that does offer coverage, if a full-time employee receives a subsidy in a Marketplace, the employer is subject to a penalty equivalent to the lesser of \$3,000 for each full-time subsidized employee or \$2,000 per full-time worker minus the first 30 workers.
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- 14 Also see Graham-Squire D and Jacobs K. *Which Workers Are Most at Risk of Reduced Work Hours under the Affordable Care Act?* Berkeley: University of California at Berkeley Labor Center, 2013, http://laborcenter.berkeley.edu/healthcare/reduced_work_hours13.pdf (accessed August 2014); and Bernstein J, "The Affordable Care Act and Part-Time Work," *Economix*, August 22, 2013, http://economix.blogs.nytimes.com/2013/08/22/the-affordable-care-act-and-part-time-work/?_php=true&_type=blogs&_r=0 (accessed August 2014).
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- ¹⁶ Unlike the ACA, small employers are not exempted under Hawaii’s mandate. A business that does not comply with the mandate within 30 days may be closed until it comes into compliance. Employee premium contributions are limited to 1.5 percent of an employee’s wages, and as such are stronger than the ACA’s requirement limiting contributions to 9.5 percent of an employee’s wages.
- ¹⁷ The effect on part-time work was statistically significant at the 10 percent level, but not at the 5 percent level.
- ¹⁸ The expected rate of part-time work was estimated using a regression analysis to predict the share of part-time work using the average monthly unemployment rate (January-July, not seasonally adjusted) of the current year and the previous year as explanatory variables. We only use data before 2013 to compute the expected values; as such, they do not reflect potential effects of the ACA in 2013 or 2014.
- ¹⁹ This approach only considers the association between part-time work and unemployment, and does not include other factors that may affect part-time work, which is a limitation of this analysis we will address in future work. However, our simple model fits the data closely with the unemployment rate explaining 98 percent of the variability in part-time work over this period.
- ²⁰ We also find that the share of all part-time work from 30 to 34 hours per week is higher than expected in 2014 (not shown in figure).
- ²¹ A fraction of workers who are considered full-time because they work 35 or more hours per week overall may actually hold multiple part-time jobs. We will examine trends in multiple jobholding among full-time workers in future work.
- ²² The overlap sample may not be representative of the general population as it may underrepresent people who move over the period, possibly due to unstable job situations, which would underestimate the full extent of work status transitions.
- ²³ Transition rates between full-time and part-time work (in both directions) in the 2012-2013 and 2013-2014 periods are very similar to those in the most recent prior periods (e.g., 2009–2010, 2010–2011, and 2011–2012) as well the average rates over the years prior to the Great Recession (2000–2007) (not shown in table).
- ²⁴ Cajner T, Mawhirter D, Nekarda C and Ratner D. “Why is Involuntarily Part-Time Work Elevated?” Washington: Board of Governors of the Federal Reserve System, 2014, <http://www.federalreserve.gov/econresdata/notes/feds-notes/2014/why-is-involuntary-part-time-work-elevated-20140414.html> (accessed August 2014).