Written by Brian Koenig on August 21, 2013

Businesses Cut Full-time Workers Because of ObamaCare

Concerns about President Obama's Affordable Care Act continue to grow, as more companies are implementing "loopholes" to avoid costly provisions of the law. One company now under the spotlight is popular clothing company Forever 21, which is cutting non-management employees' hours to just under the 30-hour minimum in which ObamaCare deems as "full-time" work.

"Companywide, Forever 21 recently audited its staffing levels, staffing needs and payroll in conjunction with reviewing its overall operating budget," reads a leaked memo by Forever 21's Associate Director of Human Resources. "As a result, we are reducing a number of full-time non-management positions. This includes full-time Stock Associates, Sales Associates, Store Maintenance Associates, Accessory Specialists and Cashiers."

If enrolled in any of the company's medical, dental, vision, or other health-benefit plans, the memo continues, coverage for employees who received the letter will end effective August 31. Moreover, they will be reduced to a work schedule not exceeding 29.5 hours per week, dipping below the 30-hour minimum that ObamaCare mandates for mid- and large-sized businesses to provide health benefits.

Many are protesting Forever 21's shift to part-time hours, as critics post disparaging messages on the company's Facebook page and rebuke the company on other social mediums. Other observers underscore the practical business reasons for the move — including the pricing impact on consumers — while noting the burdens of Obama's landmark healthcare law. Maggie O'Neill of PolicyMic.com explains:

> Although the ethical nature of Forever 21's decision is debatable, it is both rational and understandable. A company that boasts regularly low prices and frequent, sensational sales, Forever 21's competitive success is largely dependent upon its ability to maintain low manufacturing and operational costs. The ACA is an undeniable burden on this principle, and Forever 21's management has the prerogative to take any legal measures necessary to avoid raising the costs of its products.

While the decision may pose modest public-relations consequences for Forever 21, it is a practical judgment for any company seeking to drive profits — not to mention efforts to keep prices low for consumers. Minimizing costs is imperative when competing in the private sector, especially in highly-competitive markets, such as the clothing market. And the rising costs of healthcare, largely stemming from government rules and regulations, are significant impediments to minimizing these costs, says O'Neill:

> It is probable that in a perfect world, Forever 21's management would love to continue employing full-time workers, provide them with substantial health care benefits, and maintain low prices for its customers. But in a nation with uniquely high health care costs, an issue that the Affordable Care Act fails to address, this is a regrettably unrealistic business model.

Beyond the controversy over Forever 21's alleged motive to avoid ObamaCare regulations is a similar trend now developing throughout the private sector. Walmart, for instance, seems to have adopted a new hiring strategy that has led to fewer full-time workers and more temporary work, according to a June analysis by Reuters. A one-month survey of 52 Walmart stores across the country, including one in every U.S. state, found that 27 stores hired only temporary workers, 20 hired a combination of full-time, part-time, and temp workers, and five did not hire any employees at all. Based on interviews with managers and and human resource department employees, the survey indicated that the shift to part-time and temporary employment could be a consequence of looming healthcare reforms.

"Full-time people are getting slimmer and slimmer," said a manager at a Walmart store in North Carolina, adding that the five employees hired this year were all temps.

"Everybody who comes through the door I hire as a temporary associate," said a manager at a store in Alaska. "It's a company direction at the present time."

While U.S. employment is rising at a steady rate, three out of four of the nearly one million hires this year have been part-time, many of which are low-paying jobs. Fears that ObamaCare will boost business costs have made companies reluctant to take on full-time staff, as companies with 50-plus employees will have to subsidize the rapidly-rising costs of healthcare. "Us and other people are hiring part-time because we don't know what the costs are going to be to hire full-time," says Steven Raz, founder of Cornerstone Search Group, a staffing agency in New Jersey. "We are being cautious."

Due to ObamaCare's costly provisions, some businesses are keeping their payrolls below 50 employees while others are restricting employees' hours to fewer than 30 a week. These hiring strategies can be detrimental to American workers, economists note, and much of the blame lies with costly healthcare reforms.

"The difference between 30 and 40 hours can be the difference between being able to make ends meet month-to-month," says Heidi Shierholz, an at the Economic Policy Institute in Washington. "That contributes to reduced living standards for American families and translates into having less income to spend on goods and services, which holds back the economy."