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THOUGHT LEADERS

JOHN C. GOODMAN – CAPITAL FLOWS

THE CRUEL THINGS OBAMA IS DOING TO THE LABOR MARKET

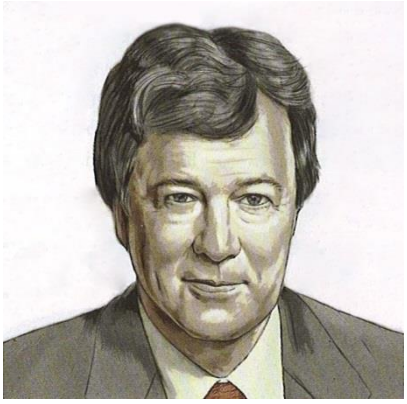
President Obama's proposal to increase the minimum wage, combined with existing ObamaCare mandates, will destroy job opportunities for young, unskilled workers in cities and towns across the country.

The minimum wage could jump to $9 an hour. ObamaCare is already the law of the land, and its effects are being felt right now, even though the employer mandate doesn't go into effect until next January.

With respect to the new health law, the Congressional Budget Office estimates the cost of the minimum benefit package that everyone will be required to have will be $4,750 for individuals and $12,250 for families. That translates into a minimum health benefit of $2.28 an hour for full-time single workers and about $3 an hour for someone working 30 hours a week. For family coverage the cost is $5.89 an hour for a 40-hour-a-week employee and $7.85 an hour for a 30-hour-a-week employee.

These are not small changes, and in some instances they can double the cost of labor. The law does not specify how much of the premium must be paid by the employer versus the employee, but the economic effects are the same, regardless of who writes the checks.

Employers have four ways to reduce this burden: 1) the mandate doesn't apply to firms with fewer than 50 workers; 2) the mandate doesn't apply to employees who work fewer than 30 hours; 3) the employer doesn't have to offer or subsidize family



coverage; and 4) rather than provide health insurance, the employer can pay a $2,000 per (full-time) worker fine.

There are going to be lots of firms that fail to grow beyond 49 employees. But be warned: If an individual owns, say, two or three fast-food franchises, the IRS has signaled that it will treat their combined operations as a single business. Also, in calculating the number of full-time workers, the IRS is going to count "full-time equivalents." That means that two workers, each working 15 hours a week, will count as the equivalent of one full-time (30-hour) worker.

EMPLOYMENT OPPORTUNITIES ARE BEING CURTAILED BY THE IMPOSITION OF OBAMACARE

As noted, employers are already reacting to ObamaCare. In fact, there was a huge shift to part-time employment in the fast-food industry beginning in January. The reason: ObamaCare will employ a 12-month "look back." That is, in deciding whether a worker is full-time or part-time next January (when the mandate becomes effective) the government will look at the average weekly hours worked in the previous year.

One fast-food restaurant owner I talked with (owning 100 franchises) told me that the average workweek for their employees has been reduced to 25 hours this year–compared with 38 last year.

Employees may be able to work part-time at two different restaurants–both of which avoid the mandate by switching to part-time labor. On the other hand, they may choose to work fewer hours because as their income rises their marginal tax rate will increase and public assistance subsidies and Health Insurance Exchange subsidies will go down.

As a Wall Street Journal editorial calculated recently, letting part-time workers work more hours can be expensive. If a 29-hour-a-week employee works one more hour for 50 weeks, that will trigger a $2,000 fine. Dividing the fine by the additional hours of work, that works out to a $40-an-hour penalty.

Bottom line: Employment opportunities are being curtailed by the imposition of ObamaCare. Things will be even worse if a 24% increase in the cash minimum wage is heaped on top of it.

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