

The Employer Mandate: Who Pays the Cost and How?

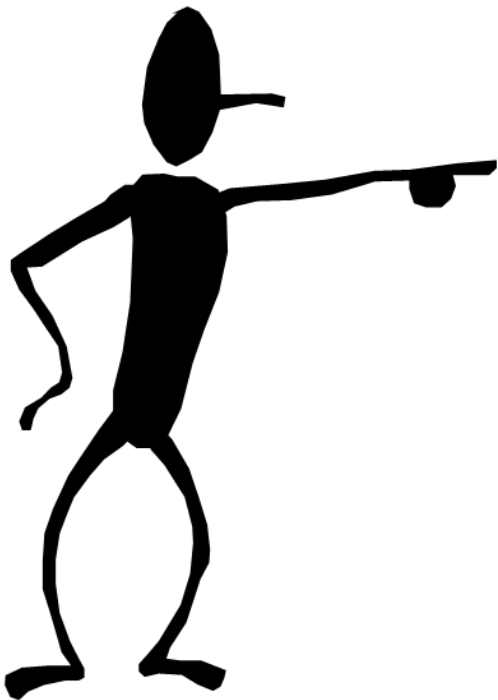
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Washington, May 2009

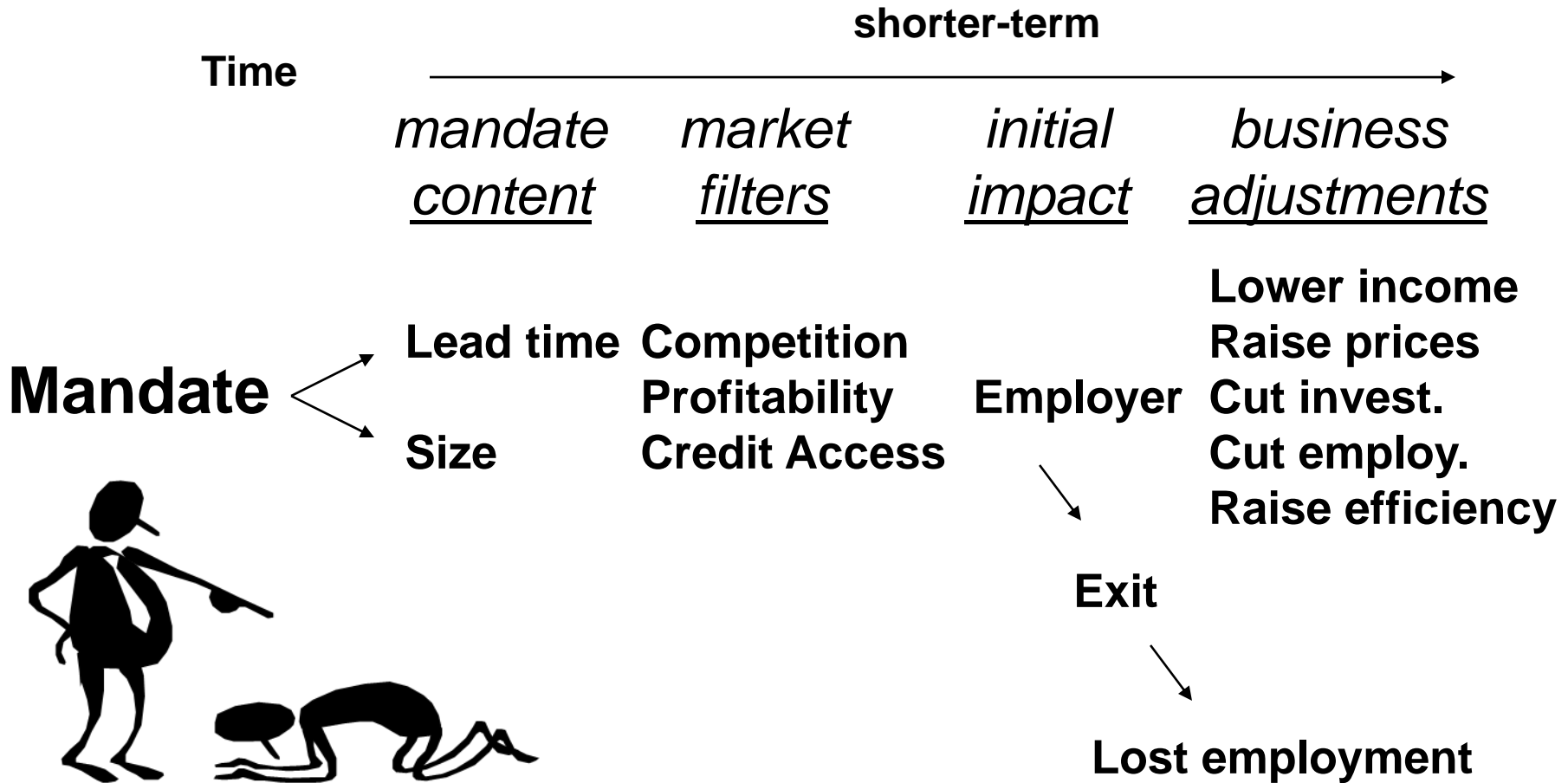
Small Business Opposed to the Employer Mandate. Why?

- Economists Argue –
 - Employees, particularly low-income employees, bear the cost of employer mandates in the form of fewer jobs, depressed wages, etc.
- Small Business Owners (and Legislators) Argue –
 - Employers bear the cost of employer mandates because they must provide a benefit that they otherwise would not provide

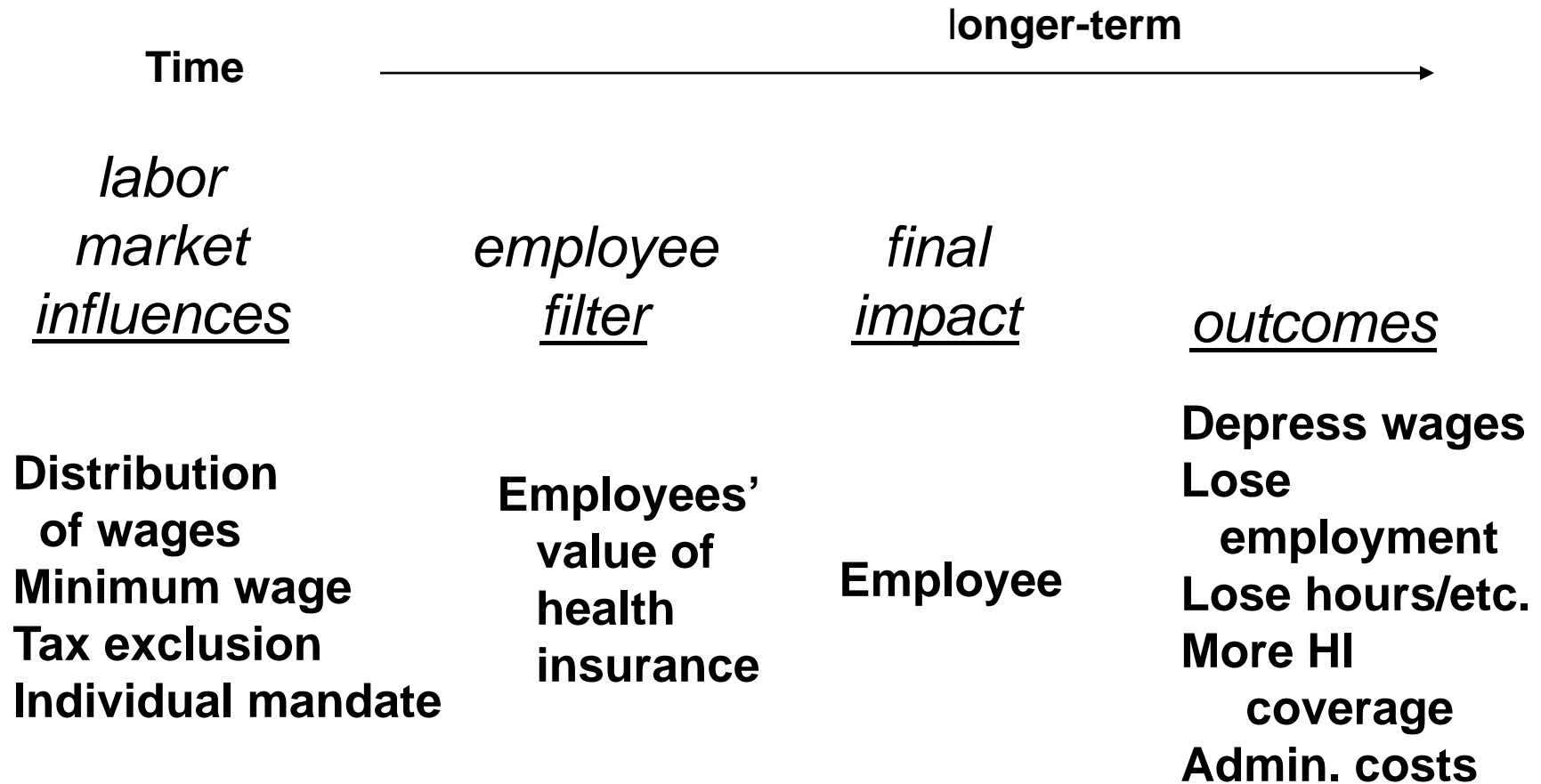
- I Argue –
 - Employers absorb a mandate's initial impact, adjust – except for those forced to exit – and pass most continuing costs to employees, particularly low income employees, in the form of depressed wages, lower employment, etc.



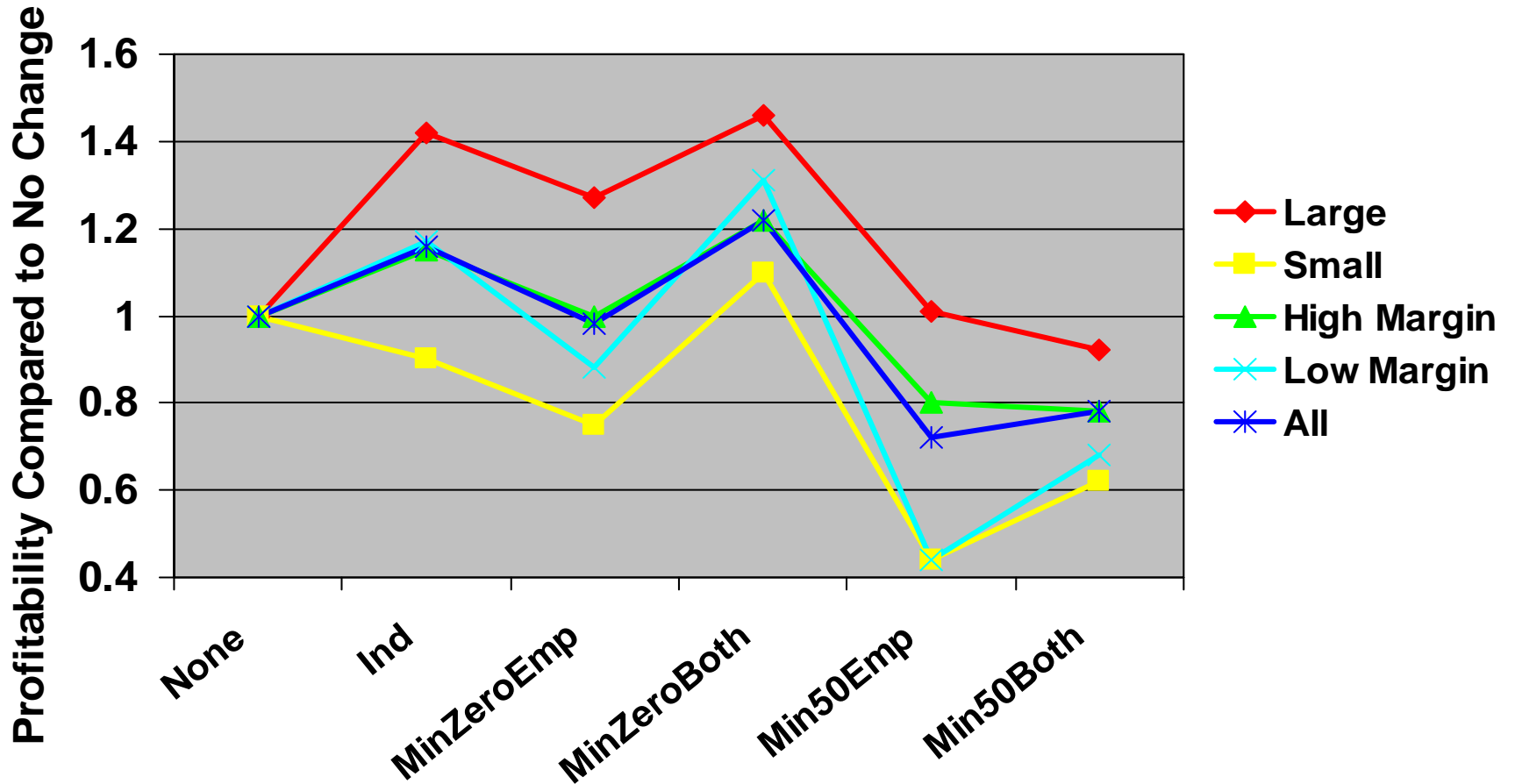
A Portrait of the Employer Mandate I



A Portrait of the Employer Mandate II

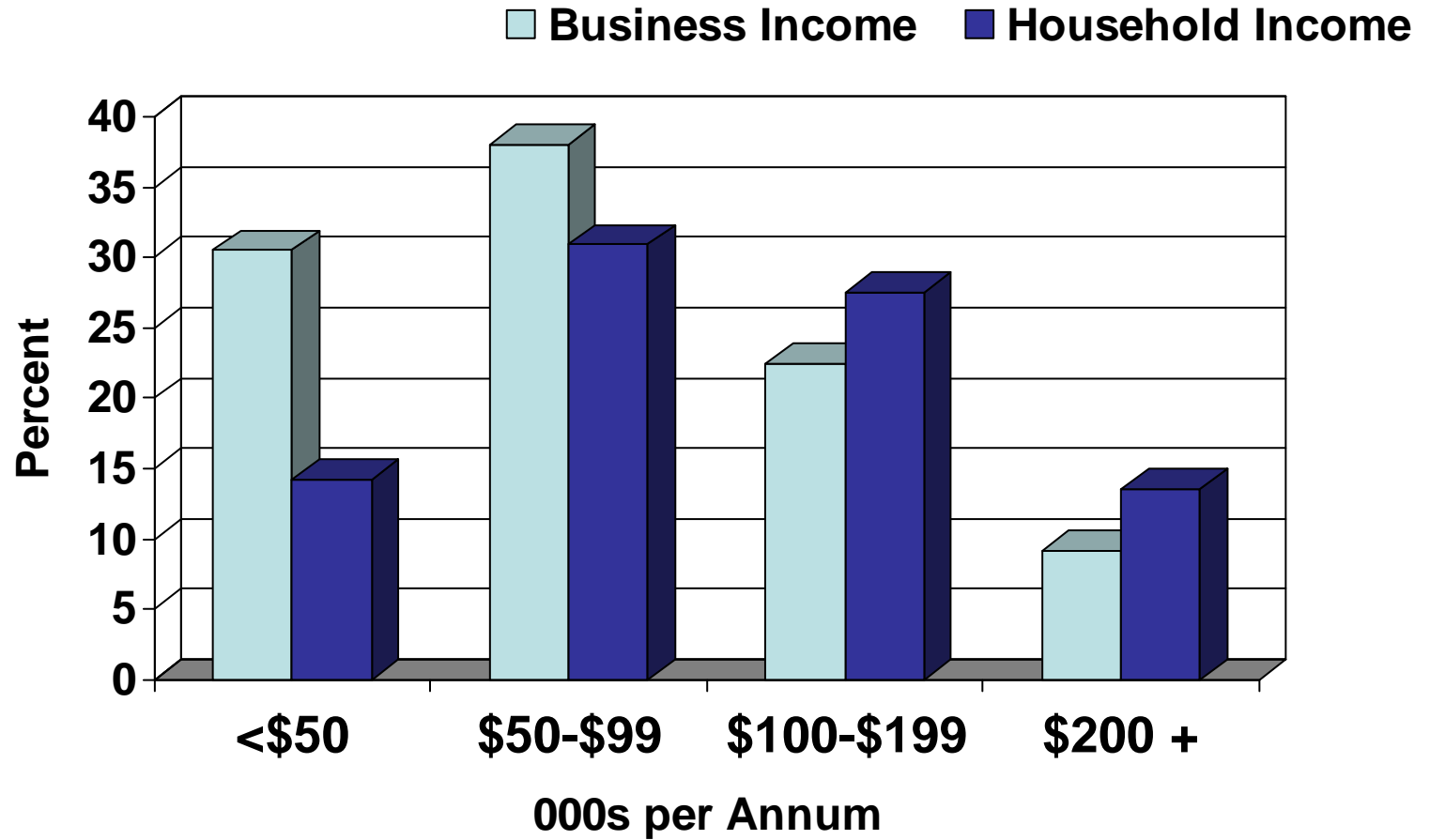


Mandate Regimen by Firm Type



Adopted from Rassenti and Johnston, *Health Insurance Reform in an Experimental Market*

Small Business Owner Income



Data - NFIB

A Point Not to Miss

Owner income from a small business is directly tied to level of wages paid, the sponsorship of a pension plan and the provision of employee health insurance.

Dennis, *Small Business Economics*, Dec. 2000

A Blunt Instrument Creates Inequity

Earner A @ \$75,000	Earner B @ \$35,000	Earner C P/T @ \$25,000	
\$75,000	\$35,000	\$25,000	income
<u>-\$5,000</u>	<u>-\$5,000</u>	<u>-\$0,000</u>	empl'er's share
\$70,000	\$30,000	\$25,000	
<u>-\$5,000</u>	<u>-\$5,000</u>	<u>-\$0,000</u>	empl'ee's share
\$65,000	\$25,000	\$25,000	
<u>+\$2,000</u>	<u>+\$4,000</u>	<u>+\$0,000</u>	subsidy
\$67,000	\$29,000	\$25,000	income
\$8,000	\$6,000	\$0,000	earner cost
\$3,000	\$1,000	\$0,000	out-of-pocket; visible

Small Business Problems

- Initial cost
 - Insurance cost
 - Administrative cost
- Cash flow
- Managerial disruption
- No margin for error
- Equity issue



Doesn't Address the Problem



COSTS!