

# Economic Analysis

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## The Impact Of Health Care Reform On Employees With Variable Hour Schedules

*Employers Will Have to Determine the Part-time/Full-time Status  
Of 6.0 Million Employees Who Work Variable Hours*

By D. Mark Wilson

The Patient Protection and Affordable Care Act (PPACA) defines a full-time employee for the purpose of determining the employer penalty as “an employee who is employed on average at least 30 hours of service per week.”<sup>1</sup> Although the statutory definition of “full-time employee” appears fairly easy to apply for employees who work consistent schedules such as a 40, 32, or 24 hour workweek, PPACA does not provide a way to determine the average hours of service for an employee who works a variable number of hours from week to week. Given the potential cost of the employer penalty for full-time employees, employers with large numbers of employees who work variable schedules are very interested in what method the Department of Treasury will propose (though regulation) they use for determining whether an employee has on average 30 hours or more of service per week.

This analysis provides data on who are the employees that report working variable hours and what industries they are in so as to better inform policymakers when it comes to writing regulations.

The latest available Census Bureau data shows that 6.0 million, or 5.6 percent, of private-sector adult/nonelderly employees report working variable hours (see Table 1).<sup>2</sup> Almost 3.3 million work for large and medium size employers (100 or more employees) who would be subject to PPACA’s employer penalty.<sup>3</sup>

**Table 1: Number of Adult/Nonelderly Employees Who Work Variable Hours**

(Thousands)

	Variable Hours		Regular Schedules		Total
<b>Large &amp; Medium Firms (100+ Employees)</b>	<b>3,267</b>	<b>5.2%</b>	59,398	94.8%	62,665
<b>Small Firms (&lt; 100 Employees)</b>	<b>2,758</b>	<b>6.1%</b>	42,549	93.9%	45,307
<b>Total</b>	<b>6,025</b>	<b>5.6%</b>	101,947	94.4%	107,972

Source: Applied Economic Strategies analysis of March 2010 Census data.

A significant number of employees who work variable hours have their own employer-provided health insurance. For example, 53.0 percent of adult-nonelderly employees in large and medium size employers who work variable hours, or 1.7 million, have their own employer-provided health insurance benefit (see Table 2). However, another 882,000, or 27.0 percent, either have no health insurance at all or have directly purchased insurance in the individual market.

Another 779,000 adult-nonelderly employees in *small* employers who work variable hours (28.2%) also have their own employer-provided health insurance benefit.

**Table 2: Health Insurance Coverage of Adult-Nonelderly Employees Who Work Variable Hours In Large and Medium Size Firms**

(Thousands)

	Variable Hours		Regular Schedules		Total	
<b>Own Coverage</b>	<b>1,733</b>	<b>53.0%</b>	37,404	63.0%	39,137	62.5%
<b>Dependent Coverage</b>	<b>480</b>	<b>14.7%</b>	8,166	13.7%	8,646	13.8%
<b>Medicaid/Medicare</b>	<b>126</b>	<b>3.9%</b>	2,329	3.9%	2,455	3.9%
<b>Military</b>	<b>46</b>	<b>1.4%</b>	521	0.9%	567	0.9%
<b>Direct Purchase /Other</b>	<b>159</b>	<b>4.9%</b>	2,083	3.5%	2,242	3.6%
<b>No Health Insurance</b>	<b>723</b>	<b>22.1%</b>	8,894	15.0%	9,617	15.3%
<b>Total</b>	<b>3,267</b>	<b>100.0%</b>	59,397	100.0%	62,664	100.0%

Note: Large and medium size firms are defined as having 100 or more employees.

Source: Applied Economic Strategies analysis of March 2010 Census data.

Employers with large numbers of employees who work variable schedules are particularly interested in what method the Department of Treasury will propose though regulation for determining whether an employee who works variable hours has *on average* 30 hours or more of service per week. Specifically, what kind of “look back” period will Treasury propose; a one week “look back” period, a one-month look back period, a three month look back period, or some other method?<sup>4</sup>

Over 1.9 million, or 58.6 percent, of adult-nonelderly employees in large and medium size employers who work variable hours report working 35 or more hours in the previous week (see Table 3); another 271,000 report working 30 to 34 hours in the previous week.<sup>5</sup> Within these 2 groups of employees, 386,000 have no health insurance and another 144,000 have directly purchased insurance in the individual market.

**Table 3: Number of Adult-Nonelderly Employees In Large and Medium Size Firms Who Work Variable Hours And Report Working Full-time the Previous Week**

(Thousands)

	Variable Hours		Regular Schedules		Total	
<b>Not at Work</b>	<b>112</b>	<b>3.4%</b>	8,413	14.2%	8,525	13.6%
<b>Less than 30 hours</b>	<b>968</b>	<b>29.6%</b>	6,621	11.1%	7,589	12.1%
<b>30 to 34 hours</b>	<b>271</b>	<b>8.3%</b>	3,665	6.2%	3,936	6.3%
<b>35 or more hours</b>	<b>1,916</b>	<b>58.6%</b>	40,698	68.5%	42,614	68.0%
<b>Total</b>	<b>3,267</b>	<b>100.0%</b>	59,397	100.0%	62,664	100.0%

Note: Large and medium size firms are defined as having 100 or more employees.

Source: Applied Economic Strategies analysis of March 2010 Census data.

Another 1.1 million adult-nonelderly employees who work variable hours either did not work or reported working less 30 hours (see Table 3). Almost 293,000 of these employees report having employer-provided health insurance and could be considered part-time employees depending on what look back period Treasury proposes employers use for determining whether or not an employee works *on average* 30 hours or more of service per week.

While it is not known how many hours employees worked in the previous month or three-month periods, 416,000 variable schedule employees who worked less than 30 hours in the previous week also reported usually working more than 35 hours per week *in the previous year*. This data suggests that in order to accurately capture the average number of hours of service that variable hour employees work the Treasury Department should propose at least a three month look back period.

The industries with the most variable hour employees are: Retail Trade (574,000), Food Service and Drinking Places (358,000), Transportation and Warehousing (242,000), Hospitals (194,000), and Health Services (192,000) (see Table 4). Together the top 9 industries account for almost two-thirds of the variable hour employees.

**Table 4: Industries With the Largest Number of Adult-Nonelderly Variable Schedule Employees In Large and Medium Size Firms**

	<b>Percentage of Variable Hour Employees</b>
<b>Retail Trade</b>	17.6%
<b>Food Services &amp; Drinking Places</b>	10.9%
<b>Transportation &amp; Warehousing</b>	7.4%
<b>Hospitals</b>	5.9%
<b>Health Care Services</b>	5.9%
<b>Construction</b>	4.5%
<b>Education Services</b>	4.5%
<b>Administrative &amp; Support Services</b>	4.4%
<b>Professional &amp; Technical Services</b>	4.3%
<b>Sum</b>	65.4%

Note: Large and medium size firms are defined as having 100 or more employees.

Source: Applied Economic Strategies analysis of March 2010 Census data.

Finally, variable hour employees are not that different from employees with regular schedules. They are slightly more male (56.5% vs. 51.8%) and single (36.2% vs. 31.6%). Otherwise they are nearly the same demographically.

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<sup>1</sup> Internal Revenue Code § 4980H(c)(4)(B).

<sup>2</sup> Employers are most interested in adult-nonelderly employees because employees who are over 64 years old are eligible for Medicare and there are very few teenagers who have their own employer-provided coverage.

<sup>3</sup> This is likely a small underestimate of the number of employees because employers with 50 or more full-time equivalent employees are subject to the employer penalty.

<sup>4</sup> A “look back” period is the period of time an employer must use to calculate an employees average weekly hours of service.

<sup>5</sup> The March Current Population Survey asks respondents three main questions about their hours of work: 1) How many hours do you usually work per week (variable hours is one possible response); 2) How many hours did you work last week; and 3) how many hours did you usually work per week *last year*.