EXECUTIVE OFFICE OF THE PRESIDENT
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# Response to the Claim that the Employer Responsibility Provisions Will Cost 4.7 Million Jobs

As noted in the June 2009 CEA report, "The Economic Case for Health Care Reform," reform legislation will most likely have a positive impact on job growth, economic efficiency, standards of living, and the budget deficit. (See http://www.whitehouse.gov/administration/eop/cea/TheEconomicCaseforHealthCareReform/)

**The claim that the employer responsibility provisions of health reform legislation will cost millions of jobs is completely erroneous and based on a misapplication of the Romer and Romer methodology.**

1. First, the erroneous calculation focuses on only one feature of health reform legislation.

- Any legislation potentially affects jobs by affecting aggregate demand. To a first approximation, the effect of the legislation on aggregate demand depends on the net fiscal impact.
- Because the House bill is roughly budget-neutral in the ten-year window, it would be expected to have little effect via aggregate demand.

2. Second, the calculation does not apply the Romer and Romer/ Romer and Bernstein methodology correctly.

- The calculation essentially assumes there is a permanent revenue increase from the employer responsibility provisions of $300 billion per year. In fact, the House bill has an effect of these provisions of $135 billion over ten years, or approximately $13.5 billion per year.
- A revenue increase of this size, even if not countered by spending increases as it is in the House legislation, would have little impact on employment.

3. Third, the legislation contains many features that will have a positive impact on job creation in both the short run and the long run.

- By lowering the growth rate of health care costs, the legislation could act as a beneficial supply shock. This would allow greater job growth without generating inflation.
- The House reform bill also has many features that could improve the long-run efficiency of the labor market, such as a reduction in job lock, improvements in workplace productivity, and lower rates of disability.