

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-0515

Memorandum

To: Members, Committee on Small Business
From: Committee Staff
Date: September 11, 2018
Re: Hearing: "Now Hiring: How the Opioid Epidemic Affects Small Businesses"

On September 13, 2018 at 11:00 a.m., the Committee on Small Business will meet in Room 2360 of the Rayburn House Office Building for the purpose of examining the effects of the opioid crisis on small businesses. Specifically, the hearing will examine the decline in the labor force participation rate due to the epidemic and the challenges that small businesses experience in finding qualified workers as a result.

I. Background

Driven by the rise of opioid prescriptions and the outpour of illegal and dangerous opioid drugs into American homes and communities, drug addiction has grown rapidly in the United States in recent years. Last year alone, opioids claimed the lives of approximately 64,000 Americans – outnumbering both car accidents and gun-related deaths.¹ Opiate-related overdoses are now the leading cause of death for Americans under the age of 50.² From 2013 to 2016, annual opioid overdose deaths increased exponentially, from 8 percent to 14 percent, to 16 percent and finally 28 percent, respectively.³ For these reasons and many more, on October 26, 2017, President Trump declared the opioid crisis a public health emergency.⁴

The increased accessibility of opioids and prescription painkillers has highly contributed to this crisis. According to the Centers for Disease Control and Prevention, sales of prescription painkillers quadrupled in the United States between 1999 and 2010.⁵ Additionally, approximately 44 percent of Medicare recipients under the age of 65 were prescribed opioid

¹ Nicholas Wyman, *America's Workforce is Paying A Huge Price for the Opioid Epidemic*, FORBES (Dec. 12, 2017), <https://www.forbes.com/sites/nicholaswyman/2017/12/12/americas-workforce-is-paying-a-huge-price-for-the-opioid-epidemic/#64d685c371bd>.

² *Id.*

³ These statistics are based on deaths per 100,000 people. Ben Gitis & Isabel Soto, *The Labor Force and Output Consequences of the Opioid Crisis*, AM. ACTION FORUM (Mar. 27, 2018), <https://www.americanactionforum.org/research/labor-force-output-consequences-opioid-crisis/>.

⁴ PRESIDENT DONALD J. TRUMP IS TAKING ACTION ON DRUG ADDICTION AND THE OPIOID CRISIS (Oct. 26, 2017), <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-taking-action-drug-addiction-opioid-crisis/>.

⁵ Wyman, *supra* note 1.

medication of some kind in 2011.⁶ An estimated 80 percent of those who are currently addicted to opioids began their addiction with prescription pain medications.⁷ Still, despite the rapid rates at which opioid medications are being prescribed and dispersed, there is little evidence to show that opioid treatment is effective in reducing common pains.

II. Labor Force Participation

The opioid crisis has had significant effects on the United States labor market. The labor force participation rate⁸ in the United States peaked at 67.3 percent in early 2000, and has slowly been in decline ever since.⁹ In September 2015, the labor force participation rate reached a 40-year low of 62.4 percent.¹⁰ A driving force in the declining labor market is the consistent decrease in labor force participation from prime age workers (ages 25 to 54).¹¹ Additionally, the number of young workers (ages 16 to 24) who are neither employed nor looking for employment increased significantly from 1994 to 2016, from 29.7 percent to 43 percent, respectively.¹² These two age groups have a significant effect on the labor force, and therefore the overall economy.

Young workers and prime working-age men and women, as defined above, are also at the root of the opioid crisis. In 2016, the overdose rate from prescription opioids was highest among men and women ages 25 to 54.¹³ A recent study by the Brookings Institution found that nearly half of prime working-age men not in the labor force are taking prescription pain medication.¹⁴ Moreover, the survey found that, as a group, prime age men who are out of the labor force spend over half of their time feeling some pain.¹⁵ Research has also begun to show correlation between prescription rates and labor rates; predominantly, areas with higher prescription opioid rates tend to have lower participation force rates.¹⁶ By 2015, research shows that as many as 919,400 workers were out of the labor force due to opioids.¹⁷

⁶ Krueger, WHERE HAVE ALL THE WORKERS GONE? AN INQUIRY INTO THE DECLINE OF THE U.S. LABOR FORCE PARTICIPATION RATE, BROOKINGS INST. (Aug. 26, 2017), available at https://www.brookings.edu/wp-content/uploads/2017/09/1_krueger.pdf.

⁷ Christine Hancock, et al., TREATING THE RURAL OPIOID EPIDEMIC, NAT'L RURAL HEALTH ASSN., available at https://www.ruralhealthweb.org/NRHA/media/Emerge_NRHA/Advocacy/Policy%20documents/Treating-the-Rural-Opioid-Epidemic_Feb-2017_NRHA-Policy-Paper.pdf.

⁸ The labor force participation rate refers to the percentage of available workforce that is employed or actively seeking employment.

⁹ Krueger, *supra* note 6, at 2.

¹⁰ *Id.*

¹¹ Wyman, *supra* note 1.

¹² Krueger, *supra* note 6, at 12.

¹³ Samantha Raphelson, *How the Opioid Crisis is Depressing America's Labor Force*, WEST VIRGINIA PUBLIC BROADCASTING (Jun. 18, 2018), <http://www.wvpublic.org/post/how-opioid-crisis-depressing-americas-labor-force#stream/0>.

¹⁴ Krueger, *supra* note 6, at 3.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Gitis & Soto, *supra* note 3.

III. Effects on Small Businesses

A stifled labor market affects all sectors of the economy, but is particularly troublesome for small businesses. While larger businesses can compete with the rising healthcare costs and employ more resources to retain qualified staff, small businesses can often fall behind. According to a recent survey by the National Safety Council, when dealing with drugs in the workplace, employers' top concerns were the cost of benefits, the ability to hire qualified workers, and the cost of workers' compensation.¹⁸ It is critical for small business owners to recognize and be prepared to deal with the opioid crisis, as it has already begun to affect many small business employers and employees.

A. Finding Qualified Workers

While the current economy has triggered record highs of small business optimism, finding and retaining qualified applicants has become a top concern for many small firms.¹⁹ A recent survey by the National Federation of Independent Business found that while 59 percent of small businesses reported hiring or trying to hire, 88 percent of those firms reported few or no qualified applicants for the positions they were trying to fill.²⁰ Additionally, 23 percent of small business owners cited the difficulty of finding qualified workers as their single most important business problem.²¹

While there are undoubtedly a number of factors contributing to these small business concerns, the opioid crisis is surely one of them. According to a recent report by the National Safety Council (NSC), more than 70 percent of United States employers surveyed have been affected by an employee's prescription drug use, nearly 40 percent of employers have experienced workers being absent because of prescription drug use, and nearly 30 percent of employers report that some workers have experienced decreased job performance because of prescription drug use at work.²² A 2014 study published by the Workers' Compensation Research Institute found that, on average, 75 percent of injured workers received prescription opioids for pain relief after a workplace injury, but few received any training or resources on chronic opioid management.²³ While prescription opioids can temporarily ease certain types of short-term pain, there are serious risks to allowing them into the workplace. Opioids can

¹⁸ DRUGS AT WORK: WHAT EMPLOYERS NEED TO KNOW, NAT'L SAFETY COUNCIL, available at <https://www.nsc.org/work-safety/safety-topics/drugs-at-work>.

¹⁹ JULY 2018 REPORT: SMALL BUSINESS OPTIMISM INDEX, NAT'L FEDERATION OF INDEPENDENT BUS. (Aug, 2018), available at <https://www.nfib.com/surveys/small-business-economic-trends/>.

²⁰ *Id.*

²¹ *Id.*

²² THE PROACTIVE ROLE EMPLOYERS CAN TAKE: OPIOIDS IN THE WORKPLACE, NAT'L SAFETY COUNCIL, available at <https://www.nsc.org/Portals/0/Documents/RxDrugOverdoseDocuments/RxKit/The-Proactive-Role-Employers-Can-Take-Opioids-in-the-Workplace.pdf>.

²³ Jennifer Callaway & Yubing Shi, *Ignorance Isn't Bliss. The Impact of Opioids on Manufacturing*, MAPI FOUNDATION (Feb. 22, 2018), <https://mapifoundation.org/economic/2018/2/22/ignorance-isnt-bliss-the-impact-of-opioids-on-manufacturing>.

increase the risks of workplace accidents, lead to more frequent errors, and cause higher rates of workplace injury.²⁴

The effect of opioids on small businesses differs by industry and region as well. Industries such as construction and manufacturing, which are major industries already dealing with workplace shortages for a myriad of reasons, have been hit the hardest by the opioid crisis.²⁵ In fact, spending on opioid prescriptions is consistently 5 to 10 percent higher in construction than any other industry.²⁶ The entertainment, recreation, and food service sectors have also been effected strongly, with approximately twice the national average of employees with substance abuse disorder.²⁷

The opioid crisis is particularly troublesome for rural communities that struggle to attract and retain both employers and employees for long periods of time, and also suffer from a shortage of medical resources. While only 20 percent of Americans live in rural areas, a disproportionate number of rural communities are struggling with prescription pain medication and opioid abuse.²⁸ All 50 states have reported recent upticks in opioid overdoses and fatalities, however the largest increases have come from heavily rural states such as Kentucky, West Virginia, Alaska, and Oklahoma.²⁹ In the United States, approximately 92 percent of substance use treatment facilities are located in urban areas.³⁰ Rural communities have long struggled to attract qualified workers for a variety of reasons, and the opioid crisis has continued to complicate these problems for rural small businesses.

B. Health Care Costs

Many small businesses are also crippled by the rising costs of providing health care to employees who suffer from prescription pain medication or opioid addiction. While recent data shows that large employers spent approximately \$2.6 billion to treat opioid addiction and overdoses in 2016, small businesses cannot keep up with these costs.³¹ The NSC study cited earlier in this memorandum found that the leading cause for missed workdays in the United States over the past year was “pain medication use disorder,” followed by “illicit drug use disorder.”³² While larger employers can often afford to pay for lost work time out of pocket, the costs associated with opioid addiction and abuse can be detrimental to a small business’ bottom line. The average cost per year of untreated substance use disorder ranges from \$2,600 for an

²⁴ OPIOID OVERDOSE EPIDEMIC, CENTERS FOR DISEASE CONTROL AND PREVENTION FOUNDATION (2018), available at <https://www.cdcfoundation.org/businesspulse/opioid-overdose-epidemic-infographic#intro>.

²⁵ Wyman, *supra* note 1.

²⁶ *Id.*

²⁷ NAT’L SAFETY COUNCIL, *supra* note 18.

²⁸ Jessica Seigel, *Opioid Crisis Legislative Update*, NAT’L RURAL HEALTH ASSN., available at <https://www.ruralhealthweb.org/blogs/ruralhealthvoices/april-2018/opioid-crisis-legislative-update>.

²⁹ Hancock, *supra* note 7, at 1.

³⁰ *Id.*, at 3.

³¹ *Opioid Addiction is at \$2.6 Billion Cost for Business*, CBS NEWS (Apr. 5, 2018), available at <https://www.cbsnews.com/news/opioid-addiction-2-6-billion-business-cost/>.

³² NAT’L SAFETY COUNCIL, *supra* note 18.

employee in agriculture to more than \$13,000 for an employee in information and communications.³³

The prescription opioid epidemic can also pose unique legal challenges for small business owners, particularly when the painkillers are prescribed by licensed doctors as a result of a workplace injury. In 2015, an estimated 25 percent of workers' compensation claims were related to opioid pain medications.³⁴ Many small businesses are forced to juggle the expense of replacing an employee, which can be extremely costly, especially when considering the loss of company knowledge and the cost of training a new employee.

IV. Conclusion

With the enactment of recent tax cuts and the rollback of many harmful regulations, small business optimism has soared to record highs. However, small business owners today are still struggling with the ability to find qualified workers. The opioid crisis is one of the many factors contributing to this issue for small businesses. This hearing will allow Members of the Committee the opportunity to learn more about how the opioid epidemic continues to impact small businesses.

³³ *Id.*

³⁴ CENTERS FOR DISEASE CONTROL AND PREVENTION FOUNDATION, *supra* note 24.