

# Recent trends in employer-sponsored health insurance coverage: are bad jobs getting worse?

Henry S. Farber<sup>a</sup>, Helen Levy<sup>b,\*</sup>

<sup>a</sup> Princeton University, USA

<sup>b</sup> 140 Warren Hall, RWJF Program, University of California at Berkeley, Berkeley, CA 94720-7360, USA

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## Abstract

We examine whether the decline in the availability of employer-provided health insurance is a phenomenon common to all jobs or is concentrated only on certain jobs. We find that declines in own-employer insurance coverage over the 1988–1997 period are driven primarily by declines in takeup for long-term full-time workers and declines in eligibility for new and part-time workers. We also look at trends by workers' education level, and see how much of the decline in is offset by an increase in coverage through a spouse's policy. © 2000 Elsevier Science B.V. All rights reserved.

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## 1. Introduction

In the midst of one of the longest economic expansions in US history, an increasing number of Americans — 43.4 million in 1997 — lack health insurance coverage (Bennefield, 1998). Rates of coverage by employer-sponsored insurance are dropping at the same time that the gap in wages between high and low-wage workers is widening. Motivated both by concern about declining availability of employer-sponsored health insurance and by more general concern about declining

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\* Corresponding author. Tel.: +1-510-643-0790; fax: +1-510-643-8614; e-mail: hlevy@econ.berkeley.edu

job quality in the United States, we are interested in understanding what is driving the decline in coverage and which workers have been affected. The central goal of this study is therefore to investigate the decline in the availability of employer-provided health insurance in the context of an examination of the quality of jobs.<sup>1</sup>

In order to shed some light on these issues, we examine whether the decline in the availability of employer-provided health insurance is a phenomenon common to all jobs or is concentrated only on certain jobs. In particular, we investigate the extent to which employers have continued to provide health insurance on what we term “core” jobs while reducing the availability of health insurance on “peripheral” jobs. We operationalize the concept of core and peripheral jobs using information about job tenure and usual weekly hours of work, classifying jobs as either old or new (defined for our purposes as jobs that have started within the previous 12 months) and part-time or full-time (based on whether usual hours of work are greater than 35 per week).<sup>2</sup> Old full-time jobs are what we consider “core” jobs; all others are “peripheral” according to our definition. Using data from the Current Population Survey (CPS) for 1988 through 1997, we examine three intermediate measures of access to health insurance for these different groups of workers: (1) the fraction of workers who are in firms that offer health insurance to at least some workers (the offer rate); (2) the fraction of workers who are eligible for health insurance, conditional on being in a firm where it is offered (the eligibility rate); and (3) the fraction of workers who enroll in health insurance when they are eligible for it (the takeup rate).

This analysis reveals that, for both core and peripheral workers, health insurance offering by employers actually increased over this period and therefore explains none of the decline in coverage. The coverage decline is instead attributable to declines in eligibility and takeup. Moreover, the factors driving the declines in coverage for core workers are quite different from those affecting peripheral workers. Among core workers, a decline in takeup accounts for nearly all of the decline in coverage, while for part-time workers on old or new jobs all of the decline in coverage is due to a decline in eligibility. The difference between core and peripheral workers persists when we incorporate coverage as a dependent on a spouse’s policy into the analysis; we find that an increase in the rate of spousal coverage offsets approximately one-third of the decline in own-job

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<sup>1</sup> Important contributors to the literature on changes in job quality include Bluestone and Harrison (1986; 1988), Kosters and Ross (1988), Costrell (1990), and Houseman (1995). See Cutler and Gruber (1996), Fronstin and Snider (1996/97), Shore-Sheppard (1996) Krueger and Levy (1997), Cooper and Schone (1997), and Levy (1998) for evidence of a gradual decline in rates of coverage by employer-sponsored health insurance throughout the 1980s and 1990s.

<sup>2</sup> The rationale for this definition of new jobs is discussed in detail in Farber (1997). While there is not a perfect correspondence between jobs with low tenure and jobs that are destined to be short-term (after all, long-term jobs have to start somewhere) it is clear that workers in short-term jobs, and therefore peripheral workers, are overrepresented among workers with less tenure.

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