Black/White Disparities in Employer-Sponsored Health Insurance

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Background

• Decades of research on black/white differences in wages and earnings

• Much less attention to non-wage compensation

• Health insurance is single largest fringe benefit

Note: Legally required benefits (payroll taxes, UI, Workers’ Compensation) are excluded. These benefits are 8% of total compensation at the median.
Black/White Gaps in Own-Employer Health Insurance

• Trends in coverage among workers, 1988 – 2017
  • What about education?
    • Building blocks of coverage: offering, eligibility, takeup

• Implications

• Remaining questions
Data: Current Population Survey (CPS) from Census Bureau

• CPS Annual Social and Economic Supplement, 1988 – 2017
  • Does the worker have health insurance from their job?
  • Do they have coverage from any source?

• CPS Benefits and Contingent Work Supplements
  • Does the worker have health insurance from their job?
  • If no: does firm offer insurance at all and is worker eligible?

• Keep wage & salary workers, ages 25 – 54, non-Hispanic, black or white race
Own Employer Health Insurance, Black vs. White Workers Ages 25-54
CPS ASEC, 1988 through 2017

Note: Vertical line segments show 95% confidence intervals.
Own Employer Health Insurance, Black vs. White Workers Ages 25-54
CPS ASEC, 1988 through 2017

**Female workers**

**Male workers**

- **White, non-Hispanic**
- **Black, non-Hispanic**

Note: Vertical line segments show 95% confidence intervals.
What is going on, Part 1: Covariates

• Both sets of gaps persist after controlling for education
  
  • Role of covariates here is complex: education, firm size, sector
  
  • What *should* we control for? (return to this later)
What is going on, Part 2: Offering, eligibility, takeup

• Coverage depends on three steps: offering, eligibility, and take-up

\[
\text{Pr(covered)} = \text{Pr(EHI offered)} \cdot \text{Pr(eligible | offered)} \cdot \text{Pr(enroll | eligible)}
\]

• Difference in coverage between two groups:

\[
\Delta C = \Delta O \cdot E \cdot T + \Delta E \cdot O \cdot T + \Delta T \cdot O \cdot E + i
\]

Differences due to offering, eligibility, and takeup

interaction term (very small)
Health Insurance Offering, Women, Black vs. White Workers Ages 25-54
CPS Benefits and Contingent Work supplements, 1988 through 2017

Coverage

Offering

Eligibility

Takeup

Note: Vertical line segments show 95% confidence intervals.
Own Employer Health Insurance, Men, Black vs. White Workers Ages 25-54
CPS Benefits and Contingent Work supplements, 1988 through 2017

Coverage

Offering

Eligibility

Takeup

White, non-Hispanic
Black, non-Hispanic

Note: Vertical line segments show 95% confidence intervals.
Are black/white coverage differences due to offering, eligibility, or takeup?

• **FOR MEN:** Lower health insurance offering is the main reason why coverage is lower for black male workers than white male workers.

• **FOR WOMEN:** Higher take-up, with an assist from higher eligibility, is the main reason why coverage is higher for black female workers than white female workers.
Implications

• Adding the value of health insurance to wages in order to get a measure of compensation inequality would reduce measured inequality, but not by much.

• Pooling men and women when analyzing racial differences in labor market outcomes is unwise.
  • Many studies of earnings/wages simply don’t look at women
Remaining questions (1)

• Why is health insurance less unequally distributed than wages?

  • Large pool beneficial for spreading risk
  • Non-discrimination rules under ERISA
  • Firm size and sector
Remaining questions (2)

• What individual and/or firm characteristics do we want to control for?

“One difficulty with the present formulation of the wage equation is that it controls for what many would consider to be major sources of discrimination. By controlling for broadly defined occupation, we eliminate some of the effects of occupational barriers as sources of discrimination. As a result, we are likely to underestimate the effects of discrimination.”

Depends what we want to know:

• If we want to see whether black and white workers are being treated differently conditional on observable characteristics, control for those characteristics

• If we want to measure differences in outcomes for blacks versus whites, including the effects of historical and ongoing systemic racism, then don’t control for (eg) education or occupation
What about health insurance from *any* source?

- Other sources of coverage: spousal coverage; private non-group, public coverage
- Substantial B/W gaps for both men and women
- Differences in marriage are an important part of the bigger picture
Extra slides start here
Analytic sample size in each year: Wage & salary workers, ages 25-54, black non-Hispanic and white non-Hispanic CPS, ASEC and benefits/contingent work supplements

ASEC sample expansion, March 2002
Black-White Gap in Employer-Sponsored Health Insurance
Workers Ages 25-54, CPS ASEC, 1988 - 2017

Unadjusted gap

Adjusted gap
Black-White Gap in Employer-Sponsored Health Insurance
Male Workers Ages 25-54, CPS ASEC, 1988 -2017

Unadjusted gap
Adjusted gap
Black Economic Progress: After Myrdal

By James P. Smith
The RAND Corporation
Finis R. Welch
Morrio, Los Angeles, and Unicoen

The Role of Premarket Factors in Black-White Wage Differences

Derek A. Neal
University of Chicago and National Bureau of Economic Research

William R. Johnson
University of Virginia

Divergent Paths: A New Perspective on Earnings Differences Between Black and White Men Since 1940

Patrick Bayer and Kevin Kopf Charles


By John J. Donohue III
American Bar Foundation and Northwestern University Law School
and
James Heckman
University of Chicago
Footnote from a recent issue of a top economics journal article on the labor market returns to education:

“We focus on men for two main reasons: (i) including women during early adulthood would require us to model their fertility decisions, which is outside the scope of the present analysis, and (ii) much of the literature that has studied human capital formation to which our analysis is comparable has focused on men.”
Employer-sponsored insurance, by race and ethnicity
CPS supplements, 1988 through 2017

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hieligX

hicoverX

White, non-Hispanic
Black, non-Hispanic
Hispanic (any race)

Note: Vertical line segments show 95% confidence intervals.
Employer-sponsored insurance, by race and ethnicity
CPS supplements, 1988 through 2017

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