

# Black/White Disparities in Employer-Sponsored Health Insurance

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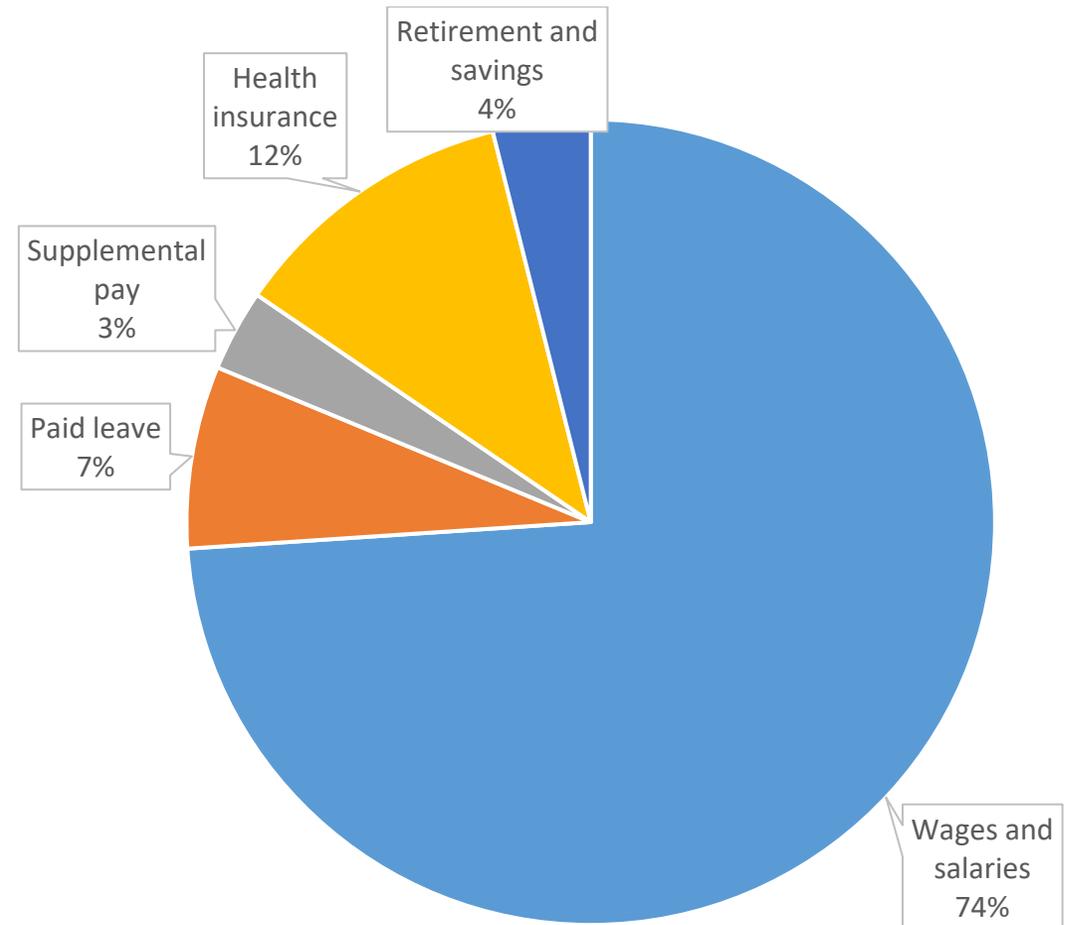
Prepared for the conference “Racial Disparities in Today’s Economy,”

Hosted by the Federal Reserve Bank of Boston

October 4 – 6, 2021

# 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.  
Source: BLS Employer Costs for Employee Compensation, May 2021. <https://www.bls.gov/ect/compensation-percentile-estimates.htm>

# Black/White Gaps in Own-Employer Health Insurance

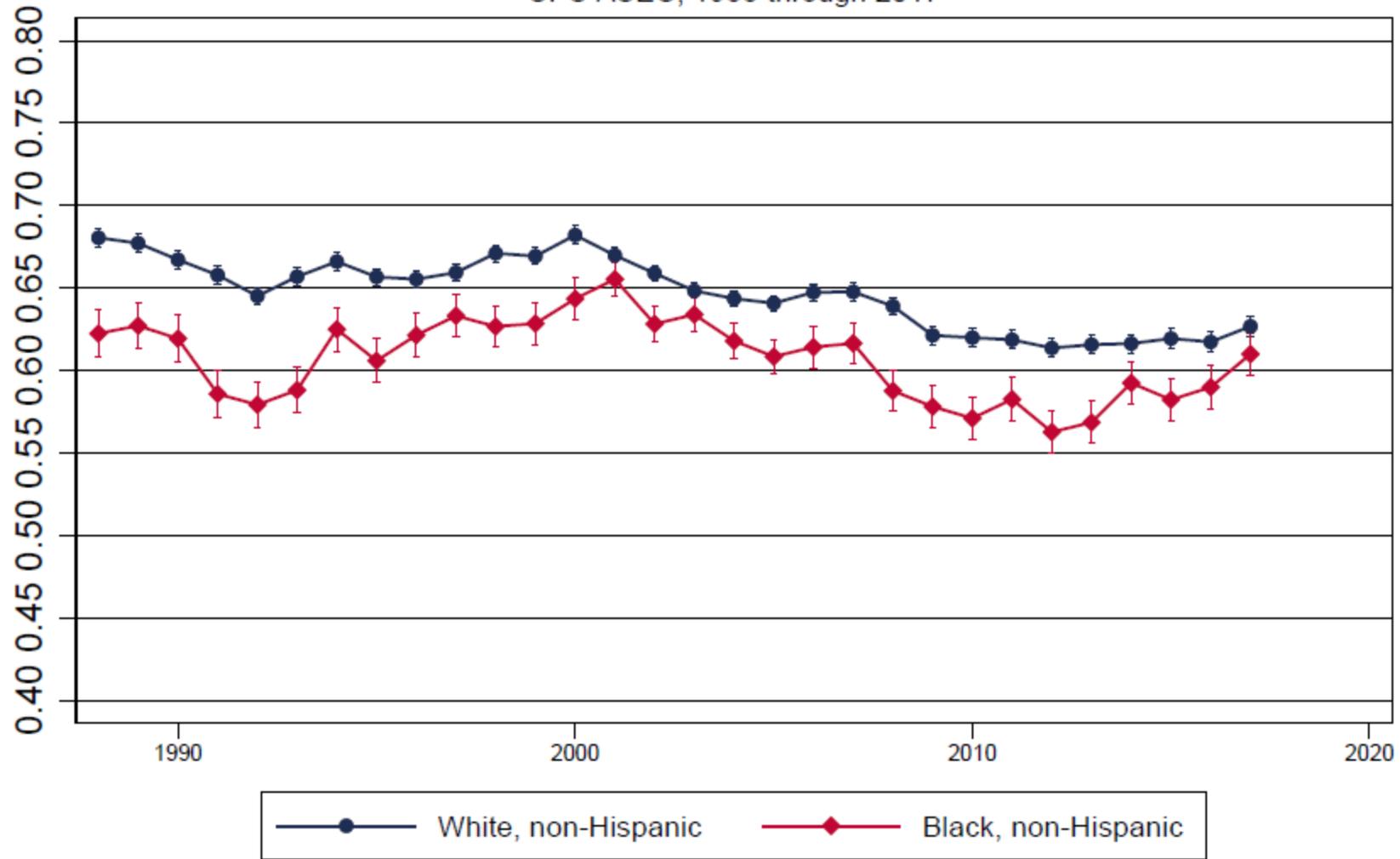
- Trends in coverage among workers, 1988 – 2017
  - What about education?
  - Building blocks of coverage: offering, eligibility, takeup
- Implications
- Remaining questions

## 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
  - 1988, 1993, 1995, 1997, 1999, 2001, 2005, 2017
  - 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

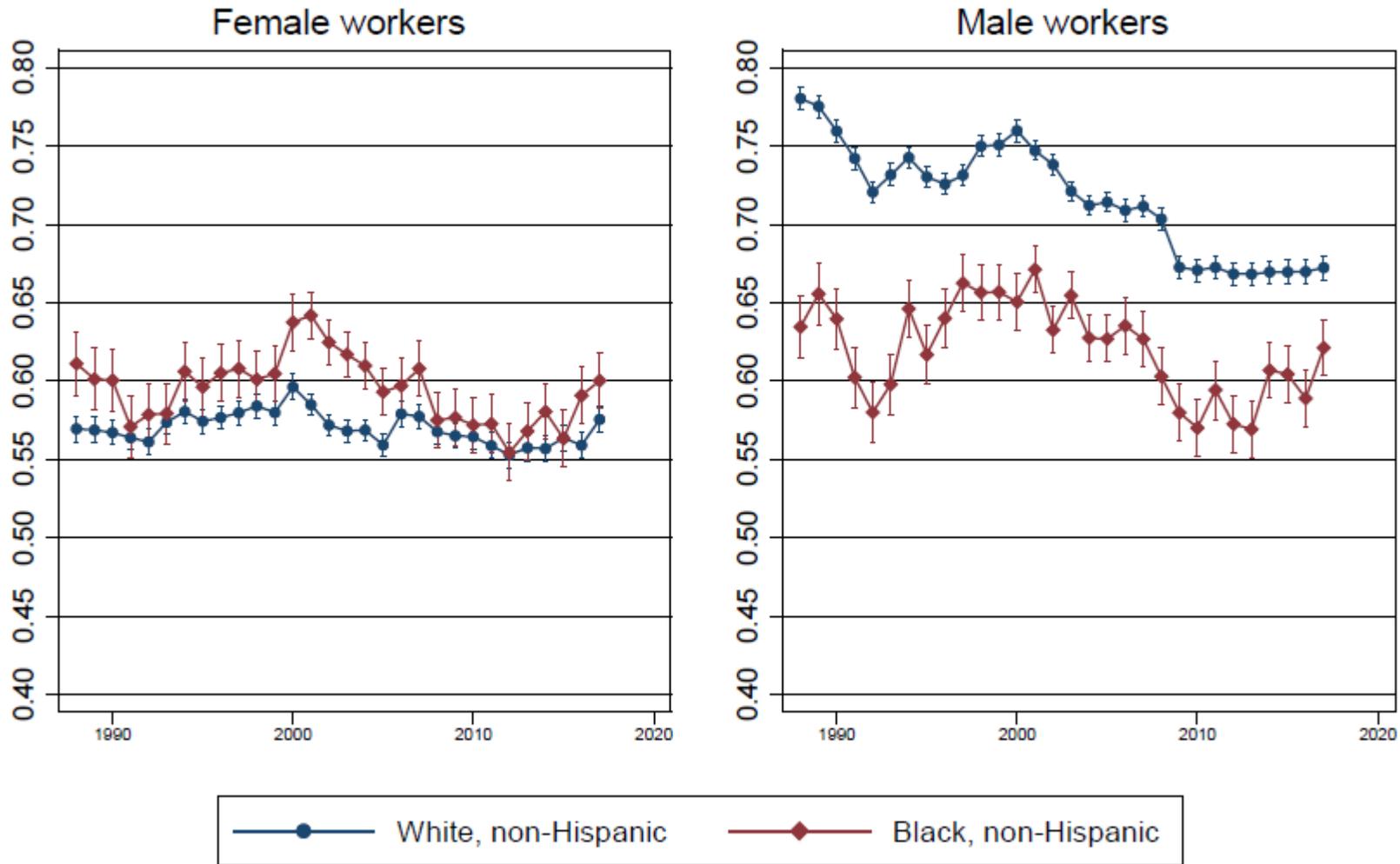
CPS ASEC, 1988 through 2017



Note: Vertical line segments show 95% confidence intervals.

# Own Employer Health Insurance, Black vs. White Workers Ages 25-54

CPS ASEC, 1988 through 2017



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

$$\Pr(\text{covered}) = \Pr(\text{EHI offered}) \cdot \Pr(\text{eligible} \mid \text{offered}) \cdot \Pr(\text{enroll} \mid \text{eligible})$$

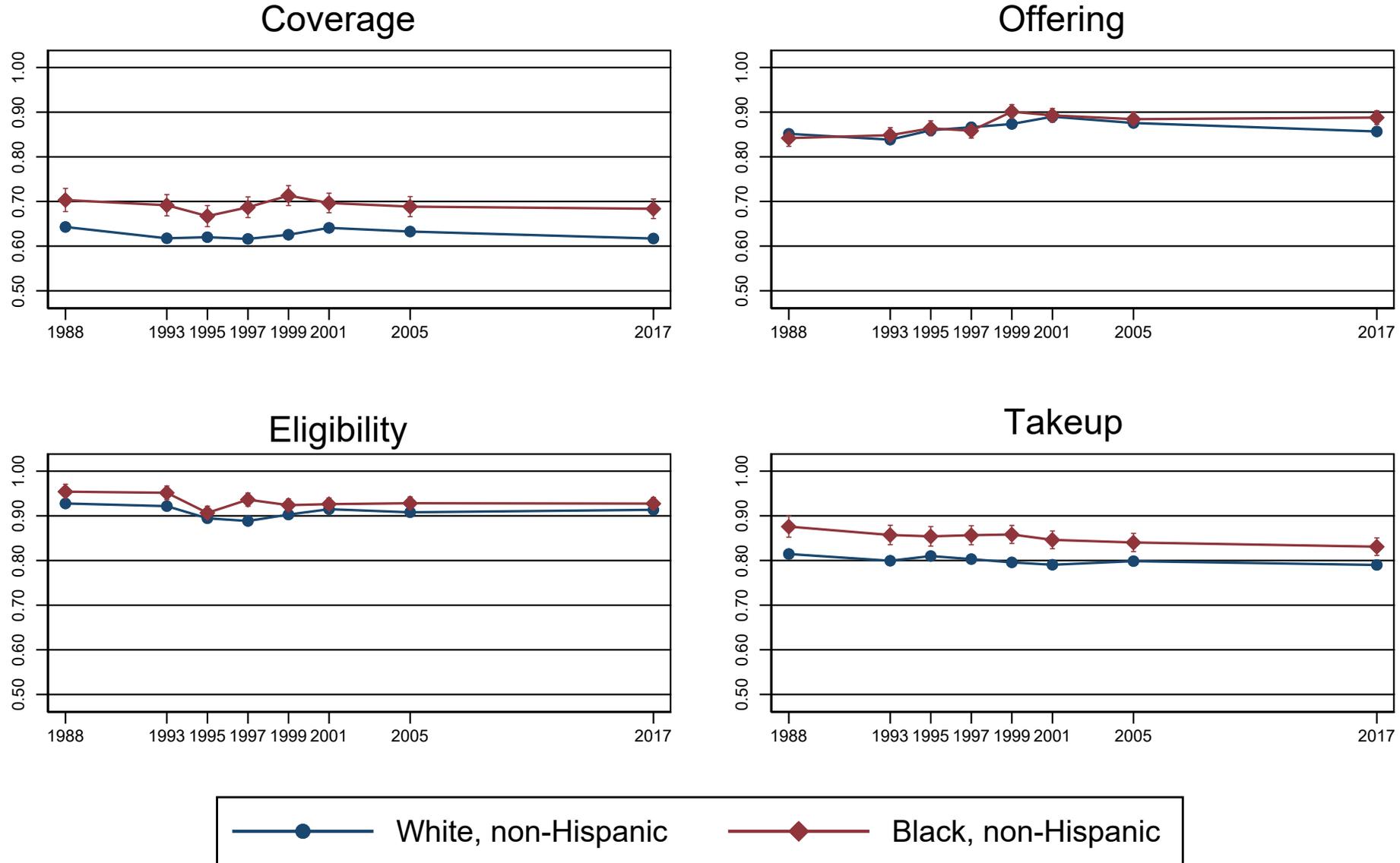
- Difference in coverage between two groups:

$$\Delta C = \underbrace{\Delta O \cdot E \cdot T}_{\substack{\uparrow \\ \text{Differences due to offering}}} + \underbrace{\Delta E \cdot O \cdot T}_{\substack{\uparrow \\ \text{Differences due to eligibility}}} + \underbrace{\Delta T \cdot O \cdot E}_{\substack{\uparrow \\ \text{Differences due to takeup}}} + i$$

interaction term (very small) 

# Health Insurance Offering, Women, Black vs. White Workers Ages 25-54

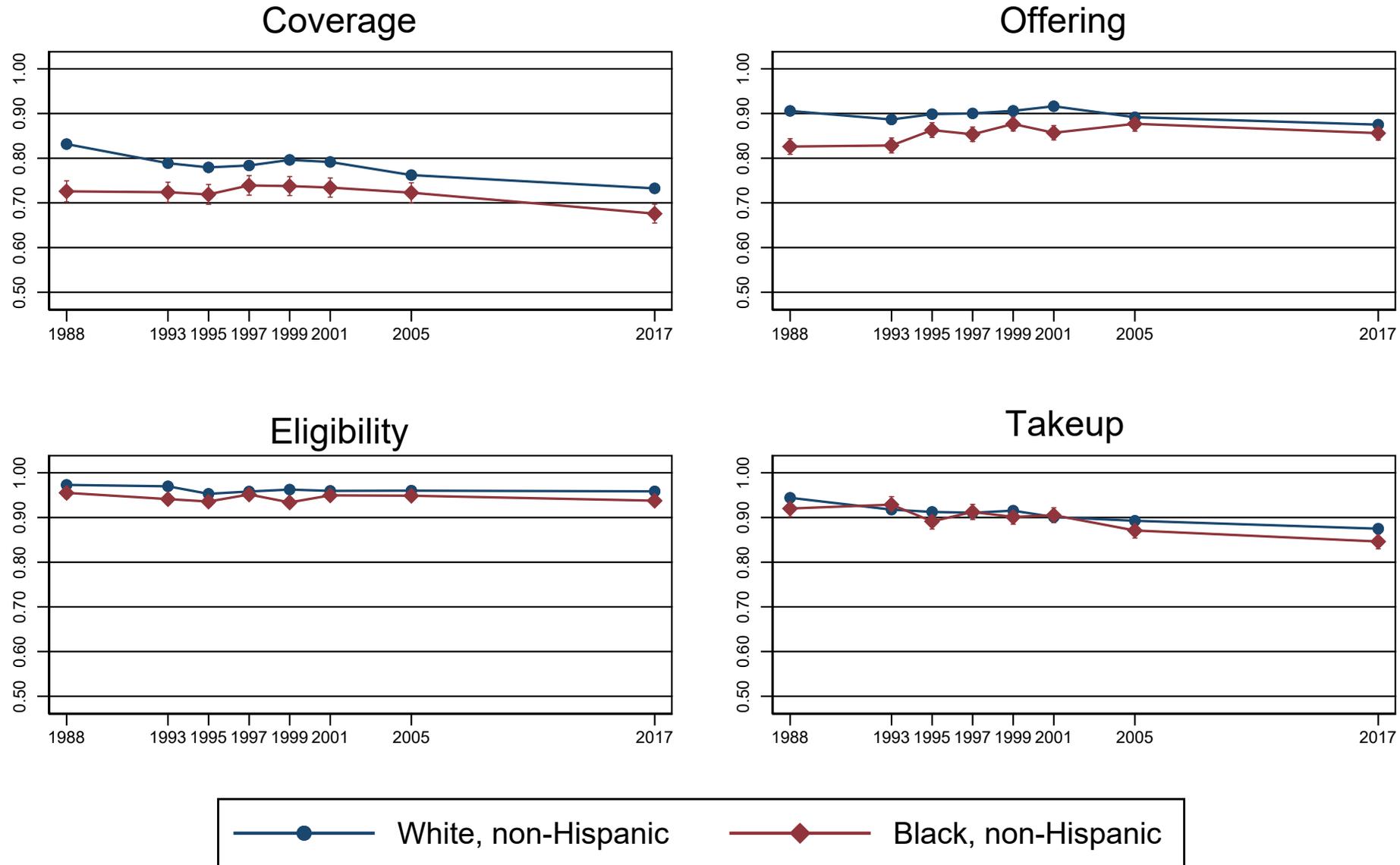
CPS Benefits and Contingent Work supplements, 1988 through 2017



Note: Vertical line segments show 95% confidence intervals.

# Own Employer Health Insurance, Men, Black vs. White Workers Ages 25-54

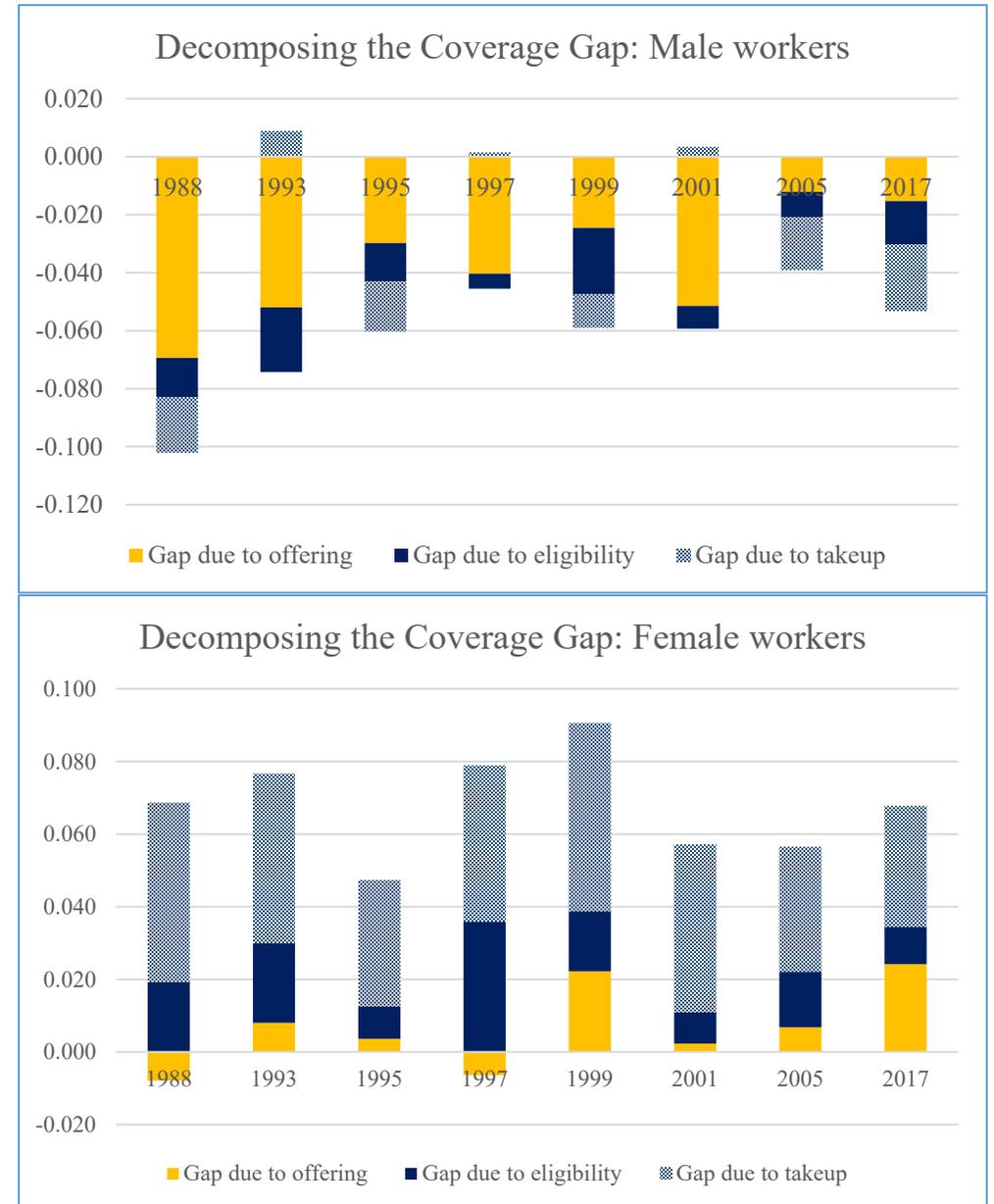
CPS Benefits and Contingent Work supplements, 1988 through 2017



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.”

– Ronald Oaxaca, *International Economic Review* 1973

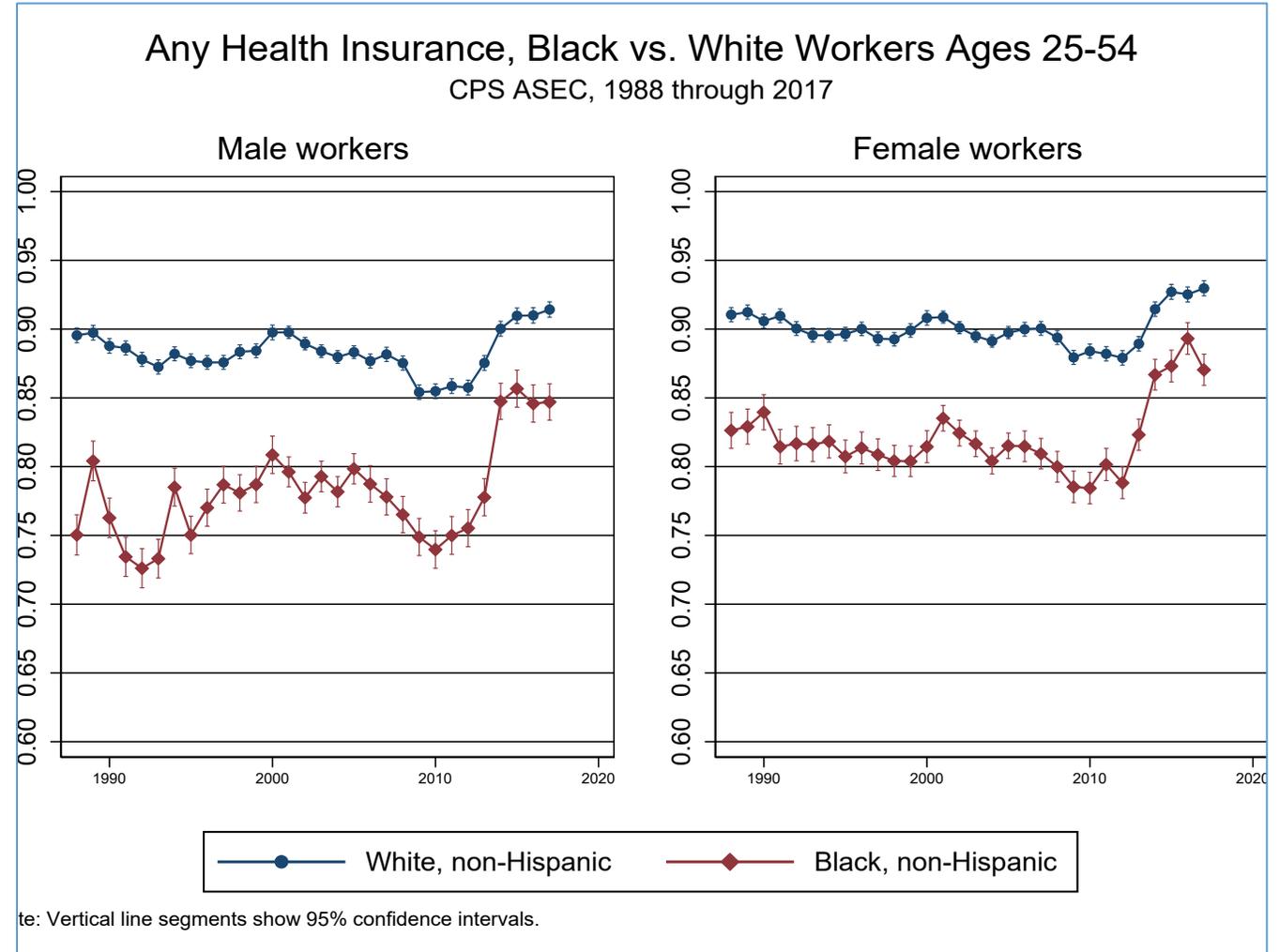
Depends what we want to know:

- 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

# Remaining questions (3)

What about health insurance from *any* source?

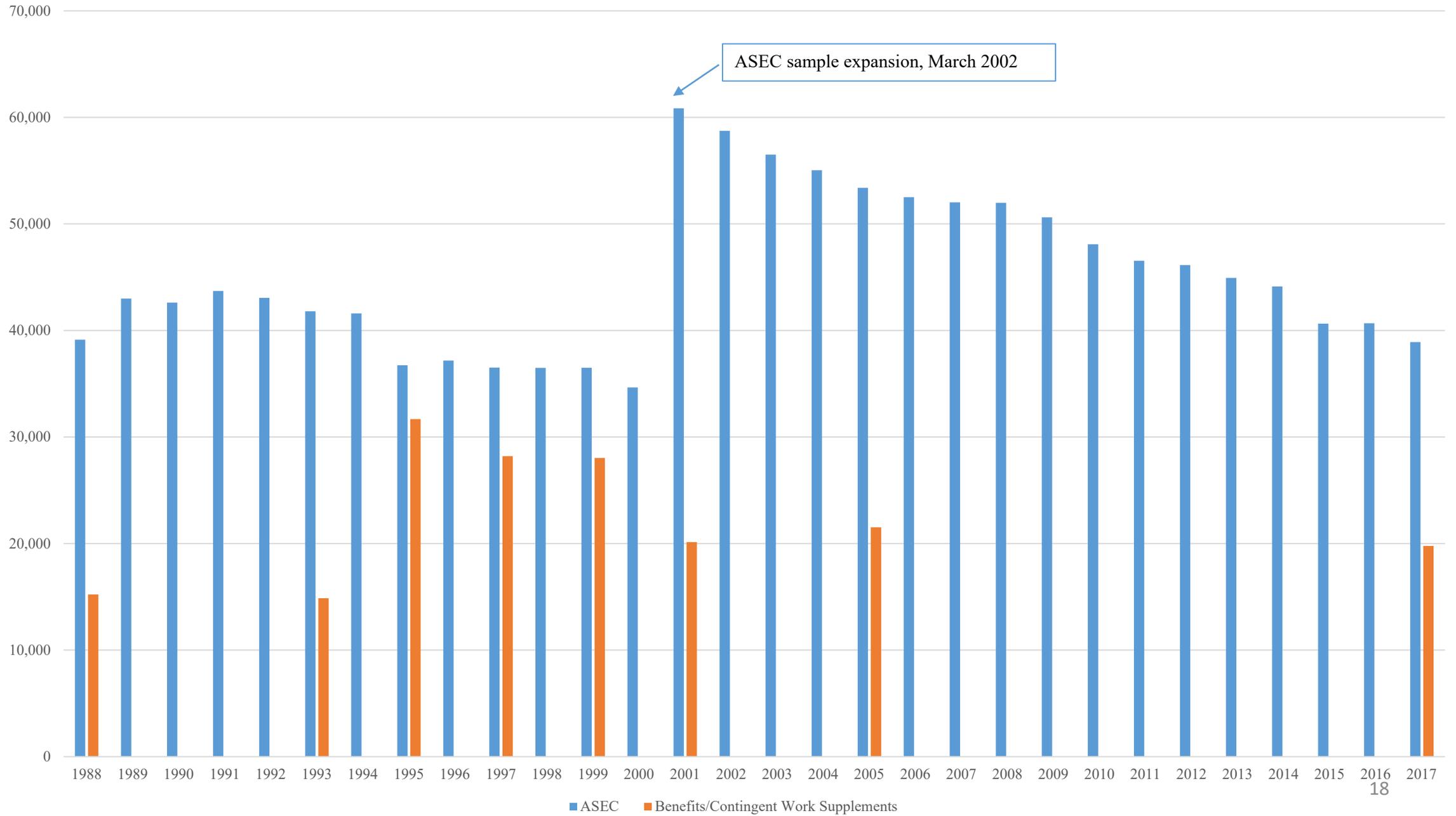
- Other sources of coverage: spousal coverage; private non-group, public coverage
- Substantial B/W gaps for both men and women
- Differences in marriage are an important part of the bigger picture



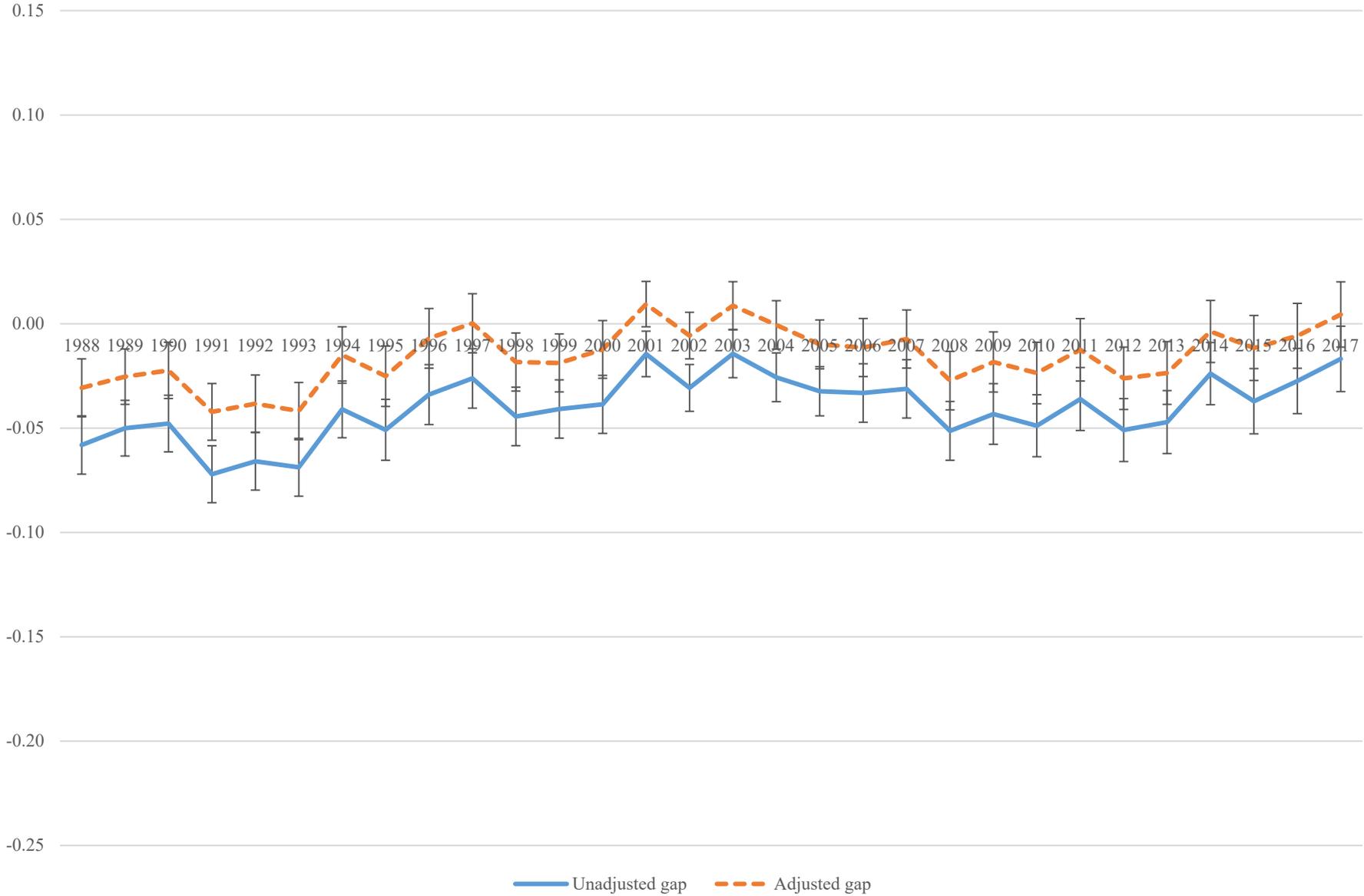


Extra slides start here

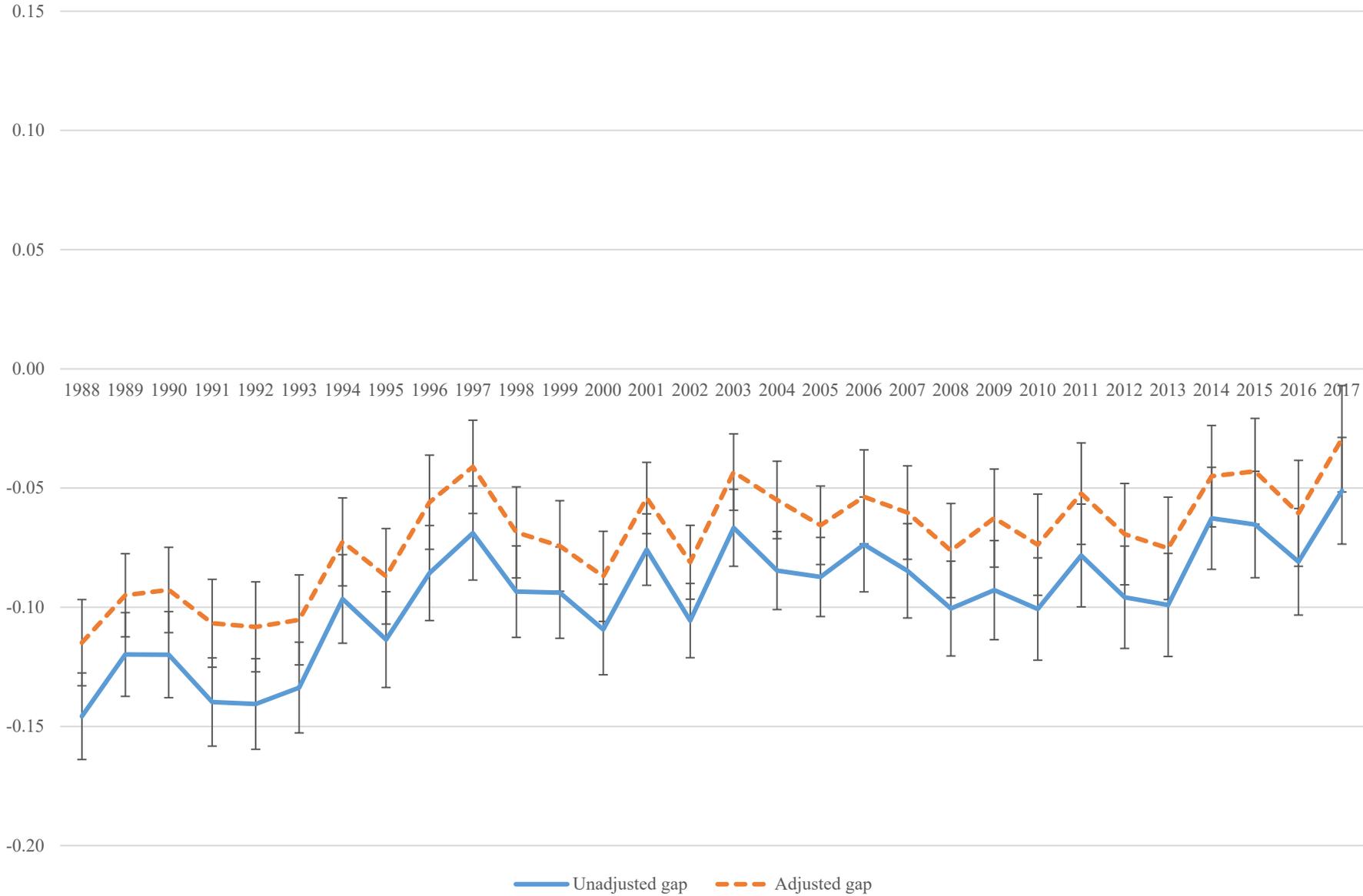
Analytic sample size in each year: Wage & salary workers, ages 25-54, black non-Hispanic and white non-Hispanic  
CPS, ASEC and benefits/contingent work supplements



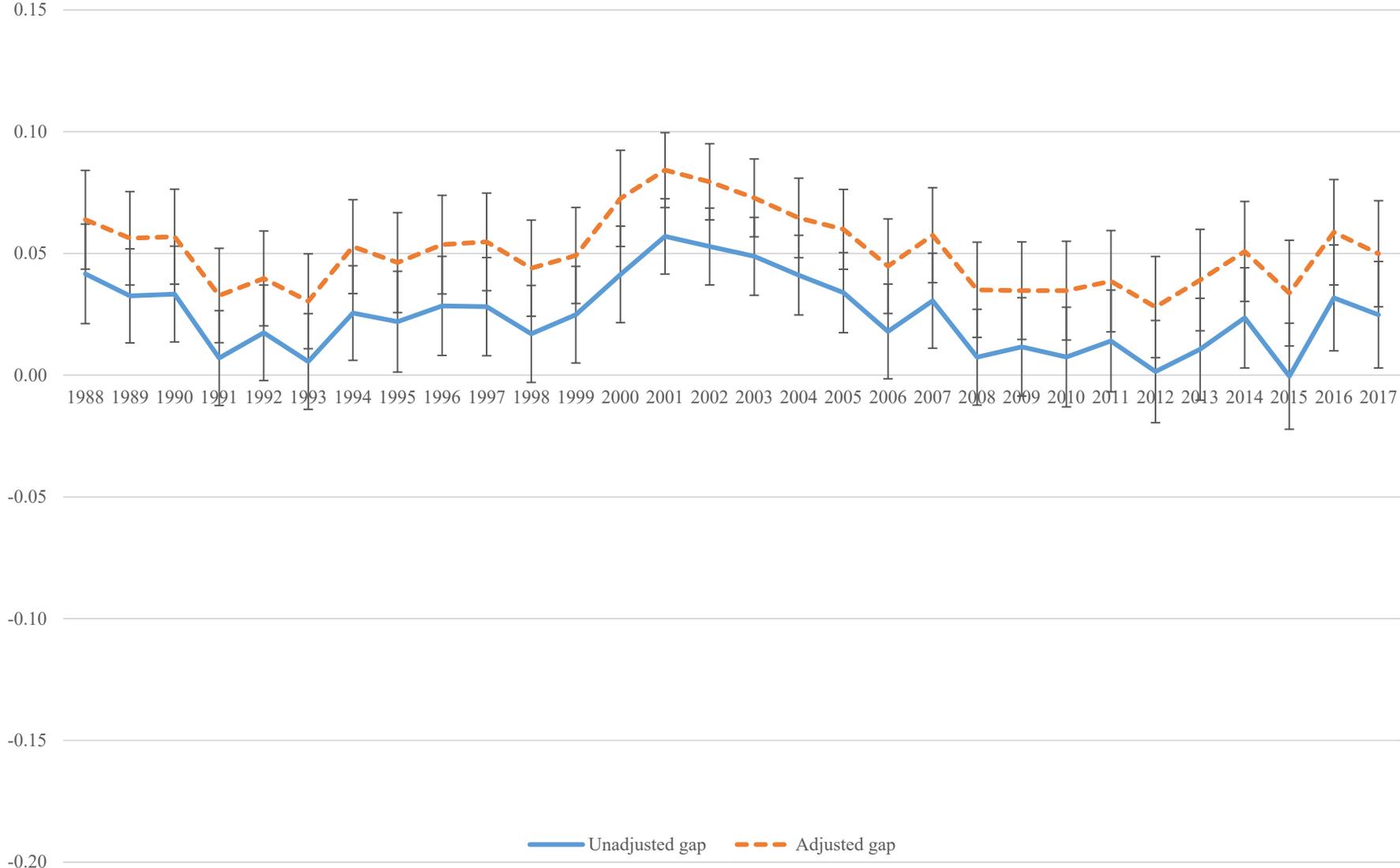
### Black-White Gap in Employer-Sponsored Health Insurance Workers Ages 25-54, CPS ASEC, 1988 -2017



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



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



Journal of Economic Literature  
Vol. XXVII (June 1989), pp. 519-564

# Black Economic Progress <sup>among men</sup> After Myrdal

By JAMES P. SMITH  
The RAND Corporation  
FINIS R. WELCH  
California, Los Angeles, and Unicon

Quarterly Journal of Economics, 1992

## WHAT WENT WRONG? THE EROSION OF RELATIVE EARNINGS AND EMPLOYMENT AMONG YOUNG BLACK MEN IN THE 1980s\*

JOHN BOUND AND RICHARD B. FREEMAN

Quarterly Journal of Economics, 2018

## DIVERGENT PATHS: A NEW PERSPECTIVE ON EARNINGS DIFFERENCES BETWEEN BLACK AND WHITE MEN SINCE 1940

PATRICK BAYER AND KERWIN KOFI CHARLES

Journal of Economic Literature  
Vol. XXIX (December 1991), pp. 1151-1174

## 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

## Continuous Versus Episodic Change: The Impact of Civil Rights Policy on the Economic Status of Blacks <sup>Men</sup>

By JOHN J. DONOHUE III  
American Bar Foundation and Northwestern University Law School  
and  
JAMES HECKMAN  
University of Chicago

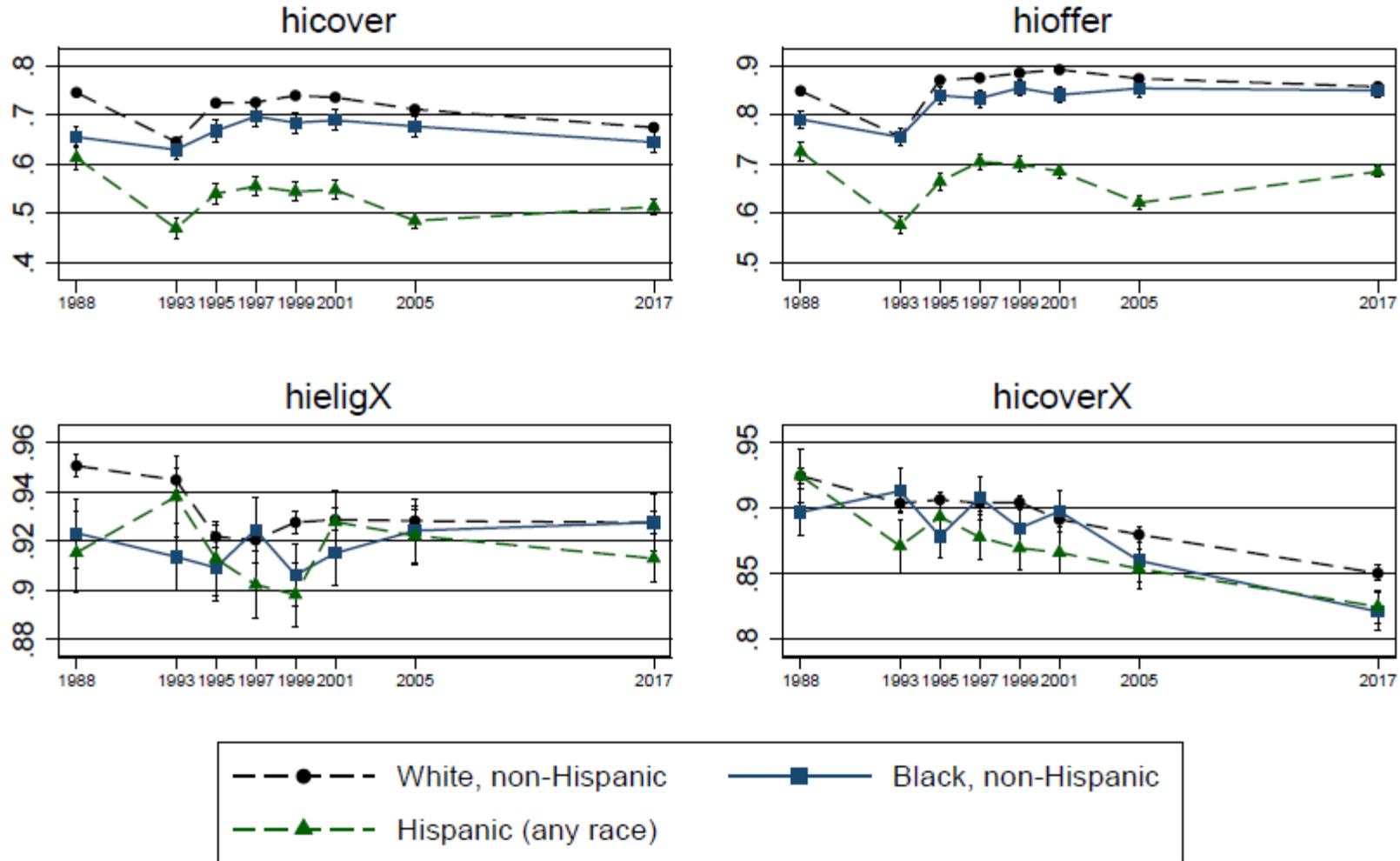
Footnote from a recent issue of a top economics journal article on the labor market returns to education:

“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.”

MEN

# Employer-sponsored insurance, by race and ethnicity

CPS supplements, 1988 through 2017

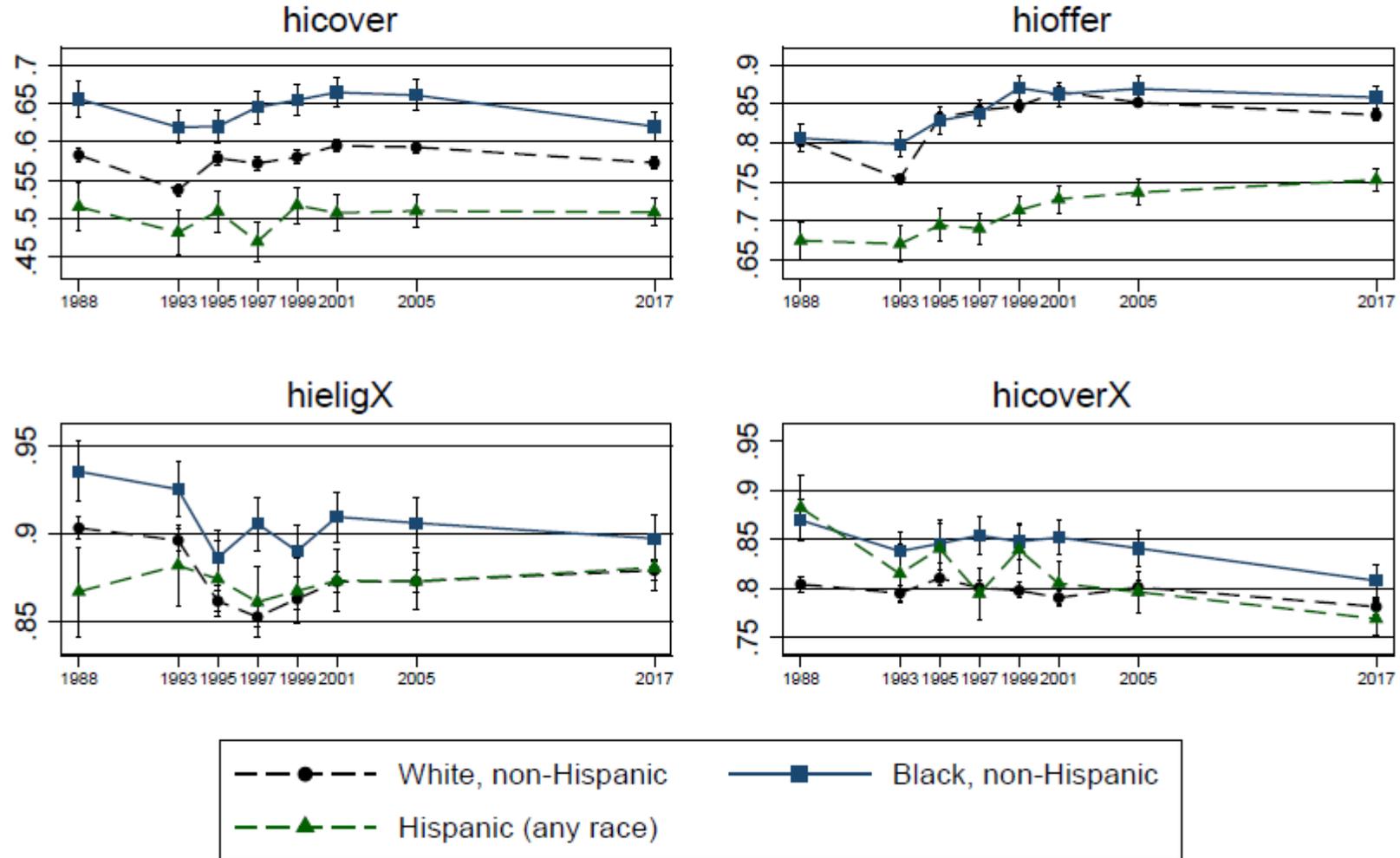


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WOMEN

### Employer-sponsored insurance, by race and ethnicity

CPS supplements, 1988 through 2017



Note: Vertical line segments show 95% confidence intervals.