

Work, Health, and Insurance: An Evolving Relationship

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The relationship between work and health is complex and in flux. Employers rely on healthy employees for business operations. Those same employers play an important role in the U.S. health care system through the widespread provision of health insurance. Even with the recent profound changes in the health insurance landscape, notably provisions of the 2010 federal Affordable Care Act (ACA) that expanded insurance access, over half of all Americans still [receive health insurance through a job](#) held by themselves or a family member. At the same time, the relationship between work, health, and insurance is affected by evolving workforce characteristics. Important changes include shifting demographics, most importantly the aging of the labor force, and the changing nature of employment relationships, including rising part-time work and the growth of the “gig” economy of on-demand workers.

In a [recent research publication](#), Professor [Thomas C. Buchmueller](#) of the University of Michigan and [I](#) assess these trends (presented at the [Health Affairs](#) journal events on [February 7](#) and [February 22](#), 2017). We provide basic numbers on the changing labor market and health insurance landscape from 2000 to 2015, and we also discuss a wide range of research on the evolving links between work, health, insurance, and public policies such as the ACA.

Given the Federal Reserve’s research focus on monetary policy and the overall macro-economy, why is the Fed interested in this subject? In fact, it relates directly to our core mission: achieving the Fed’s “dual mandate” of price stability and maximum employment requires sustained economic growth, which in turn relies on a healthy, expanding workforce. Moreover,

employee health benefits are a large cost for employers, affecting overall compensation pressures and progress toward the dual mandate goals.

What are the key takeaways from this research (see the [published piece](#) for details)?

(1) Demographic changes, in particular the aging of the workforce, are putting upward pressure on employers' health insurance costs. This occurs automatically because health care spending generally is higher for older age groups. Rising costs may further undermine the dominance of employer-sponsored insurance: the share of the U.S. population covered via employers fell from a peak of about 65% in the year 2000 to about 56% in 2015 (albeit with unexpected stability between 2010 and 2015).

(2) Changing employment arrangements and wage patterns probably contributed to the declining availability of workplace health insurance. These changes include the shift to part-time work and the growth of the gig economy, along with wage stagnation for lower-paid workers. Since health insurance benefits generally are restricted to full-time payroll employees for cost and tax reasons, and are most common among well-paid workers, these shifts will tend to reduce insurance availability on the job.

(3) These workforce changes have coincided with deteriorating health indicators and increased work limitations. A rising fraction of working-age individuals are on permanent disability. Also, [recent research](#) points to chronic pain and consequent use of pain medication as factors contributing to the shrinking share of prime-age adults (25-54) in the labor force.

(4) Adverse working conditions, notably job instability and inflexibility, can undermine health. The rise of the gig economy may provide greater flexibility in hours worked, but if workers are pushed toward such arrangements due to economic stress, this may compromise health.

(5) There are no silver bullets for reducing employer health benefit costs. These costs generally have been rising faster than overall inflation, implying a [growing cost burden for employers](#). To combat these increases, many employers have embraced “wellness” strategies that give employees incentives to make lifestyle changes that may reduce costly chronic conditions. The ACA included provisions that encourage such programs, but their effectiveness at reducing health costs, as well as their legal status in some settings, remain at issue.

(6) Health policies cannot reverse broader trends in the labor market, but they can play an important role in mediating the impact of these trends on workers’ well-being. By creating new health insurance options that are not tied to full-time employment, the ACA may have helped to mitigate some of the factors undermining insurance availability. With some of its key provisions now up for renewed debate, it remains to be seen what policies will be in place to enhance access to affordable, non-employment based insurance coverage.

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