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The Incredible Shrinking Private Sector?

Arnold Kling

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Michael Mandel writes,

The employment report shows that private sector employment in August 2009 was lower than it was in August 1999

Of course, August of 1999 was near the peak of the dotcom boom, and August of 2009 is near the trough (we hope) of the Great Recalculation. So it's hard to assess the secular trend.

Still, my guess is that private sector employment is headed down as a share of total employment, and my guess is that private health insurance is part of the problem. It represents an ever-larger tax on labor, and the public sector can just go ahead and pay it while private firms need to respond to labor costs.

Meanwhile, look at salaries. **Chris Edwards writes,**

The George W. Bush years were very lucrative for federal workers. In 2000, the average compensation (wages and benefits) of federal workers was 66 percent higher than the average compensation in the U.S. private sector. The new data show that average federal compensation is now more than double the average in the private sector.

My preference would be market-oriented health reform and the creation of real health insurance, which is bought by individuals and covers only insurable events (unexpected high expenses). But if it comes down to a choice, I'd rather have socialized health insurance with a robust private-sector job market than hang on to a private health insurance industry with a shriveled private-sector job market.

Of course, we could easily have health reform that keeps employer-provided health insurance and even makes matters **worse**. Odds are, that's where we are headed.

CATEGORIES: Economics of Health Care , Labor Market

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Mark writes:

"my guess is that private health insurance is part of the problem. It represents an ever-larger tax on labor".

And you're right that it is only part of the story. From an employer's perspective, you look not only at the cost of the hire but also the money you can make from it. With the prospect of higher taxes on that part of the equation, and as well of other governmental impositions of various kinds, it becomes all the more difficult to decide to hire anyone.

Posted September 8, 2009 9:42 AM

Jim writes:

So you'd like to "have socialized health insurance with a robust private-sector job market..."

Yeah, I'm sure you would. Unfortunately for you, these things are self-contradictory.

Posted September 8, 2009 1:08 PM

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