The Washington Post

Medicare-for-all would be a boon to the American labor market, study finds

Christopher Ingraham

March 5, 2020

Proponents of a national, single-payer health care system, like one favored by presidential candidates Elizabeth Warren and Bernie Sanders, have long argued it would make medical care accessible to millions of Americans who currently can't afford it and potentially drive down national health care spending overall.

Opponents, on the other hand, tend to focus on how it would rework the economy: 2 million jobs lost, higher taxes to pay for it, the concentration of market power in the government.

But a report released Thursday by the Economic Policy Institute, a progressive think tank that surveyed the available data, laid out a case for why Medicare-for-all could actually be beneficial to the American job market.

By decoupling employment from health care, economist Josh Bivens argues, workers would be able to find jobs that better match their skills and have more freedom to start their own businesses. The job losses in health care administration, while very real, are less of a concern in the context of normal amount of job creation and destruction in any given year, he says.

Academics who believe Medicare-for-all would reduce total health care spending point to the bloated U.S. industry as a big opportunity for savings. We spend a lot more on health care than other countries do, largely because billions of dollars a year are being spent on the salaries of private insurance company workers and enriching their executives and shareholders.

Cutting out those middlemen, as Medicare-for-all would, saves money, in part, by eliminating those jobs — about 1.8 million of them, according to a recent estimate. That sounds like a lot, but it's less than one-tenth the typical number of layoffs in a single year, which added up to 21.8 million in 2018.

It's equivalent, in fact, to the number of layoffs in the finance and insurance sectors alone over the past four years, Bivens notes, demonstrating that millions of jobs can disappear from a single sector without causing much of a blip on the economic radar.

"Our economy generates a huge amount of job churn every year," he writes. "This churn is the hallmark of growth in productivity — getting more economic output with fewer inputs."

"Relative to the scale of other gross measures of job churn, the churn associated with M4A is not large," Bivens adds.

Counteracting those industry losses would be increased demand for jobs within the health care sector, due to millions of newly and adequately insured patients catching up on their care. Bivens notes many doctors and nurses, for instance, work in the insurance sector. Their jobs would probably translate fairly easily.

Other health economists have long argued that maximizing insurance industry jobs and profits isn't a great way to run a health-care system. "Treating the health care system like a (wildly inefficient) jobs program conflicts directly with the goal of ensuring that all Americans have access to care at an affordable price," economists Katherine Baicker and Amitabh Chandra wrote in a 2012 New England Journal of Medicine column.

Beyond that, Medicare-for-all would directly address one of the most economically devastating aspects of losing a job today: the loss of health insurance. "Fundamental health reform that, like M4A, guarantees access to insurance regardless of one's current job status is a key part of making [job] transitions easier," Bivens writes.

Under the current system, in which health-care benefits are tied to specific jobs, many millions of workers are discouraged from seeking jobs that better match their skills because they don't want to lose the insurance their current job supplies. One 2015 estimate finds this "job lock" reduces turnover among workers with employer-provided insurance by 15 to 25 percent. This isn't a good thing, because in an optimal labor market people would be freer to pursue better jobs.

Many conservative health experts agree that "job lock" distorts the labor market. But they offer different prescriptions for fixing it: The Cato Institute's Michael D. Tanner, for instance, says the federal government should eliminate current tax incentives for employer-provided insurance and shift those credits toward individuals to make it easier for them to buy on the individual market.

Then there's the issue of small business formation. The United States has the lowest rate of self-employment — roughly 6 percent — among the world's wealthy democracies. In Canada, that number is 8 percent, while many European countries exceed 10 percent. Similarly, the share of U.S. workers employed by a company with fewer than 50 employees is the lowest of the nearly three dozen Organization for Economic Cooperation and Development countries.

Again, a big reason for this is the cost and difficulty of obtaining health insurance for people who aren't employed by a large- or medium-size company. "Because health care is nearly universally provided in other rich countries, workers choosing to start their own businesses in those countries do not face a cost confronting would-be entrepreneurs in the U.S.," Bivens writes.

On top of that, U.S. health-care costs are so prohibitive for small businesses that those with fewer than 50 employees are exempt from the federal requirement to provide insurance.

So while Medicare-for-all would undoubtedly be a challenge to implement, Bivens underscores that it could bring considerable economic opportunities as well.