

Abstract

We investigate the effect of employer-provided health insurance on job mobility rates and economic welfare. In particular, we develop and estimate an equilibrium model of wage and health insurance determination that yields implications that are empirically observed. Namely, not all jobs provide health insurance and jobs with insurance pay higher wages than those without insurance. Using data from the 1990 to 1993 panels of the Survey of Income and Program Participation, we find that jobs that do provide health insurance last almost five times longer than jobs that do not. While this implies that the mobility rate for jobs without insurance is significantly higher than the mobility rate for jobs with insurance, this difference is welfare enhancing since jobs with health insurance are more productive jobs. Furthermore, simulations reveal that decreasing the health insurance premium paid by employers increases the steady state health insurance coverage rate, decreases the unemployment rate, but may or may not lead to productivity gains in the economy.