

# Health Insurance in Nonstandard Jobs and Small Firms: Differences for Parents by Race and Ethnicity

Lisa Clemans-Cope, Genevieve Kenney, and Aaron Lucas

A large body of literature documents the disproportionate lack of access to employer-sponsored health insurance (ESI) among racial and ethnic minorities (AHRQ 2008). Public insurance closes some of the gap, but coverage gaps remain. Among all people living in the United States in 2008, the uninsured rate for non-Latino whites was 10.8 percent, while it was nearly twice as high for blacks (19.1 percent) and nearly three times as high for Latinos (30.7 percent) (DeNavas-Walt, Proctor, and Smith 2009). Among children, uninsured rates were lower than for adults, but with similar racial and ethnic patterns. While the observed disparities in health insurance coverage have many underlying causes, racial and ethnic variation in parents' work arrangements may be one important factor.

Parental work arrangements may affect health insurance coverage through various means. In this brief, we explore whether a disproportionate share of racial and ethnic minority parents is employed by small firms or in nonstandard jobs (i.e., contingent employees and employees in alternative work arrangements). Smaller firms (i.e., with fewer than 25 employees) are less likely to offer health insurance than larger firms, and when smaller firms do offer health insurance their employees are less likely to take it up than employees of larger firms (Clemans-Cope and Garrett 2006; Sommers and Crimmel 2008). Small employers are less likely than larger employers to offer health insurance coverage because they typically face substantially higher administrative loads and have fewer enrollees over which to spread the risk of a high-cost enrollee, both of which raise premiums. In addition, smaller firms are more likely to have low-wage employees, reducing the take-up of offered coverage. Low-wage

employees may prefer to take their compensation in wages rather than as health insurance, particularly since they are less likely than higher-wage employees to benefit from the tax advantages of ESI. As for nonstandard arrangements, employment tends to be less secure and to have lower wages and fewer benefits compared with more traditional employment arrangements, and access to and take-up of ESI also tends to be lower (Ditsler and Fisher 2006; GAO 2000; Hipple 2001; Houseman 2003).

This brief provides new insights about coverage gaps among racial and ethnic minority groups. We begin by examining the extent to which parents' work arrangements are associated with the relatively high rate of uninsurance among racial and ethnic minority parents. We examine parents' individual and employment characteristics by race and ethnicity, and whether race and ethnicity are associated with parents' work in small firms and nonstandard employment (e.g., temporary employees, employees of a temporary help agency), which typically offer fewer benefits than traditional large-firm employment. Separating parents by employment type, we examine whether race and ethnicity are associated with insurance status and with access to and take-up of ESI. We then examine eligibility for Medicaid coverage among uninsured parents by key characteristics. We conclude by discussing our findings' relevance to current proposals to reform and expand health insurance coverage.

## Data and Methods

This brief focuses on racial and ethnic minority parents, particularly those with employment in a small firm or nonstandard employment. We define



small firms as those with fewer than 25 employees at all locations and large firms as those with 25 or more employees at all locations.<sup>1</sup> We define nonstandard employees as contingent employees and employees in alternative work arrangements. Contingent employees are employees “who do not have an implicit or explicit contract for ongoing employment” and are not self-employed.<sup>2</sup> Employees in alternative work arrangements are noncontingent employees who are paid by a temporary help agency or a contract company; report being an on-call worker, a wage and salary independent contractor, an independent consultant, or a freelance worker; and are not self-employed. We define regular employees as employees who are not classified as nonstandard. Those who are unemployed or are not in the labor force are defined as nonemployed.

The estimates in this analysis derive from a match between the February 2005 Contingent Worker Supplement of the Current Population Survey (CPS) and the March Annual Social and Economic Supplement (ASEC) of the CPS.<sup>3</sup> Income and other family-level characteristics are based on family units reported in the ASEC survey, called health insurance units (HIUs). HIUs are defined as the members of a family who could be considered eligible for a family health insurance policy and who constitute the unit used to determine eligibility for public and private sources of coverage. We focus on “parents” by identifying HIUs that contain at least one adult age 19 to 64 and at least one dependent child age 18 or younger.

We base health insurance coverage information on the health insurance status and type reported in the ASEC survey, adjusted to address the apparent shortfall in Medicaid enrollees reported in the CPS (Dubay 2007). Eligibility for Medicaid is based on an eligibility simulation model designed to approximate the eligibility determination process faced by families applying in each state in 2005, including consideration of citizenship (Dubay, Holahan, and Cook 2007; Holahan, Cook, and Dubay 2007). We use a method to assign those choosing multiple-race categories to a single-race category, where individuals are assigned to the most populous racial group among those chosen, unless that racial group is white (Parker and Makuc 2002). Latino ethnicity is identified using responses to the ASEC question, “Are you Spanish, Hispanic, or Latino?” For simplicity, we refer to non-Latino blacks as black and non-Latino whites as white.

## Findings

### *Small-Firm and Nonstandard Employment by Parents’ Race and Ethnicity*

Employment characteristics and employment status vary somewhat across parents of different races and ethnicities (table 1). Black parents are significantly more likely to have regular employment at a large firm (60.9 percent) than white parents (54.7 percent). Black parents are also more likely to have nonstandard employment or not to be employed and are less likely to have regular

TABLE 1. Parents’ Work Arrangements by Race/Ethnicity, 2005

	Population (millions)	Parent’s Work Arrangement (Percent)				
		Regular large-firm employee	Regular small-firm employee	Nonstandard employee	Self-employed	Nonemployed
Parents	67.4	53.2	14.7	6.0	8.9	17.2
Parents by race/ethnicity						
White, non-Latino <sup>a</sup>	44.1	54.7	14.9	5.2	10.4	14.8
Black, non-Latino	7.5	60.9*	9.6*	6.5*	4.2*	18.9*
Latino	11.3	44.5*	17.6*	8.3*	5.5*	24.0*
Other, non-Latino	4.5	48.0*	13.8*	6.9*	10.2	21.0*

Source: The estimates in this analysis derive from a match between the February 2005 Contingent Worker Supplement of the Current Population Survey (CPS) and the March Annual Social and Economic Supplement of the CPS.

Notes: Parents are adults age 19 to 64 with at least one dependent child age 18 or younger. Small firms are those with fewer than 25 employees at all locations, and large firms are those with 25 or more employees at all locations. Nonstandard employees are contingent employees and employees in alternative work arrangements. Those who are unemployed or not in the labor force are defined as nonemployed. See text for further detail.

a. Reference group.

\* Difference within race/ethnicity is statistically significant at the 5 percent level.

employment at a small firm or to be self-employed than white parents. Latino parents are less likely than white parents to have regular employment at a large firm or to be self-employed, and are more likely to have regular employment at a small firm, have nonstandard employment, or to not be employed. For example, 17.6 percent of Latino parents had regular employment at a small firm, compared with 14.9 percent of white parents; 8.3 percent of Latino parents were nonstandard employees, compared with 5.2 percent of white parents.

### *Racial and Ethnic Differences in Health Insurance Coverage Rates*

In addition to differences in parents' employment type across racial and ethnic groups, large racial and ethnic differences in coverage rates exist across employed parents (table 2). Regardless of employment arrangement, employed black parents are much less likely to have ESI and more likely to be uninsured than employed white parents. Employed Latino parents have even larger gaps in the rate of ESI and uninsurance compared with employed white parents.

Differences in employment arrangements by race and ethnicity explain some of the coverage differences for parents. The rate of uninsurance is far higher with regular small-firm and nonstandard employment than with regular large-firm employment. Since Latino parents are more likely than white parents to have regular employment at a small firm or nonstandard employment, they are at higher risk of being uninsured. Among regular small-firm and nonstandard employees, only one-third (32.5 percent) of Latino parents had ESI and over one-half (51.5 percent) were uninsured. However, differences between black and white parents' employment arrangements do not appear to fully explain the coverage differences. Despite black parents being disproportionately employed in regular large-firm jobs, their rate of ESI coverage is relatively low; these parents do not enjoy the relatively high rates of ESI coverage that nonminority parents in regular large-firm employment do.

We also find large racial and ethnic differences in coverage rates within an employment category. When in regular small-firm and nonstandard employment, black parents also fare worse than nonminority parents: less than half (46.3 percent) of black employee parents had ESI while more

TABLE 2. Parents' Health Insurance Coverage by Work Arrangement and Race/Ethnicity, 2005

	Population (millions)	Health Insurance Coverage (Percent)				
		ESI	Nongroup	Medicaid	Other public	Uninsured
Parents	67.4	68.5	4.4	9.3	1.9	15.9
Employed parents	55.8	73.5	4.3	6.7	1.2	14.3
Regular large-firm employment						
All race/ethnicity	35.9	82.6	1.7	5.9	1.3	8.5
White, non-Latino <sup>a</sup>	24.1	88.0	1.6	4.2	1.1	5.1
Black, non-Latino	4.5	71.3*	1.7	11.3*	2.7*	12.9*
Latino	5.1	66.1*	1.6	9.1*	0.8*	22.5*
Other, non-Latino	2.3	84.8*	3.0*	4.7*	2.1	5.4*
Regular small-firm and nonstandard employment						
All race/ethnicity	13.9	57.1	5.6	9.4	1.1	26.8
White, non-Latino <sup>a</sup>	8.9	67.3	6.3	7.0	1.2	18.2
Black, non-Latino	1.2	46.3*	3.9	17.0*	1.9	30.8*
Latino	2.9	32.5*	3.2	12.4*	0.4*	51.5*
Other, non-Latino	0.9	52.0	8.6*	12.4	1.5	25.5*

Source: The estimates in this analysis derive from a match between the February 2005 Contingent Worker Supplement of the Current Population Survey (CPS) and the March Annual Social and Economic Supplement of the CPS.

ESI = employer-sponsored insurance

Notes: Parents are adults age 19 to 64 with at least one dependent child age 18 or younger. Small firms are those with fewer than 25 employees at all locations, and large firms are those with 25 or more employees at all locations. Nonstandard employees are contingent employees and employees in alternative work arrangements. Those who are unemployed or not in the labor force are defined as nonemployed. See text for further detail.

a. Reference group.

\* Difference within race/ethnicity is statistically significant at the 5 percent level.

than two-thirds (67.3 percent) of white employee parents did, and these black parents were more likely to be uninsured. Employed Latino parents are in double jeopardy: even when they work for large employers as regular employees, they are far less likely than employed white parents to have coverage. Among parents with regular employment at large firms, Latino parents were more than four times as likely as white parents to be uninsured.

### Potential Sources of Coverage among Uninsured Parents

A majority of uninsured, employed parents do not have an offer of ESI in the family—either from their own job or from a spouse’s job (table 3). This is particularly true among uninsured Latino parents, who are least likely to have an offer of ESI in the family compared with black and white parents. Four-fifths (79.6 percent) of uninsured Latino parents with regular small-firm or nonstandard employment had no offer of ESI in the family, while even among regular employees of large firms, almost two-thirds (62.6 percent) of uninsured Latino parents lacked an offer of ESI in their family. Thus, while some uninsured

Latino and black parents could gain coverage by taking up existing offers of employer coverage, most do not have an offer of ESI.

Likewise, most uninsured parents from minority backgrounds are not eligible for public insurance. Overall, 27.8 percent of uninsured parents were eligible for Medicaid. This percentage varied somewhat across racial and ethnic groups. Over one-third of uninsured black parents (34.7 percent) were eligible for Medicaid, while a smaller share of uninsured Latino parents (28.7 percent) and one-quarter (24.5 percent) of uninsured white parents were.

### Conclusion

The greater likelihood of small-firm and nonstandard employment among Latino parents contributes to but does not fully explain the difference in ESI coverage between Latino and white parents, and few uninsured Latino parents could obtain coverage under the existing Medicaid program. A disproportionate share of Latino and black parents is employed as nonstandard employees, and Latino parents are more likely to have employment at a small firm, compared with white parents. Parents with nonstandard or small-firm employ-

TABLE 3. Uninsured Parents’ Access to ESI Coverage in the Family, by Work Arrangement and Race/Ethnicity, 2005

	Population (millions)	No ESI offered in the family (percent)	Eligible for Medicaid (percent)
Parents	10.7	72.6	27.8
Race/Ethnicity			
White, non-Latino <sup>a</sup>	4.5	69.8	24.5
Black, non-Latino	1.4	66.3*	34.7*
Latino	4.2	76.2*	28.7*
Other, non-Latino	0.6	82.6*	30.0*
Regular large-firm employment	3.1		
Latino	1.2	62.6*	23.0
Non-Latino <sup>a</sup>	1.9	48.1	20.7
Regular small-firm and nonstandard employment	3.7		
Latino	1.5	79.6*	26.2
Non-Latino <sup>a</sup>	2.2	71.5	22.6

Source: The estimates in this analysis derive from a match between the February 2005 Contingent Worker Supplement of the Current Population Survey (CPS) and the March Annual Social and Economic Supplement of the CPS.

ESI = employer-sponsored insurance

Notes: Parents are adults age 19 to 64 with at least one dependent child age 18 or younger. Small firms are those with fewer than 25 employees at all locations, and large firms are those with 25 or more employees at all locations. Nonstandard employees are contingent employees and employees in alternative work arrangements. Those who are unemployed or not in the labor force are defined as nonemployed. See text for further detail.

a. Reference group.

\* Difference within race/ethnicity is statistically significant at the 5 percent level.

ment are at greater risk of being uninsured since they are less likely to receive an offer of health insurance from their employers compared to larger firms' employees. While the rate of uninsured is also high for black parents, Latino parents are especially at risk of being uninsured; even when they are employed at large firms, they are far less likely than white parents to have coverage.

Regardless of their work arrangements, Latino and black parents are less likely to have an offer of ESI, less likely to take up ESI when it is offered, and more likely to be uninsured if they decline ESI compared to whites. Many of these parents may find that the employee premium contribution and cost-sharing requirements are unaffordable, particularly for small-firm offers. Moreover, the majority of uninsured employee parents do not have any offer of ESI in the family in the first place. Access to ESI among uninsured Latino parents is worse than that for uninsured parents of other racial and ethnic groups. In addition, enrolling eligible parents into Medicaid coverage would still leave millions without coverage.

Congress is currently considering measures to reconcile comprehensive health reform options passed in the House of Representatives<sup>4</sup> and the Senate.<sup>5</sup> Key provisions of either bill would change the coverage options and the cost of health insurance for the uninsured parents who are a focus of this brief. Based on our analysis, the proposals would have different implications for uninsured parents of different racial and ethnic groups since the coverage options in the legislation differ by such characteristics as employer size, whether an employer offers insurance, income, and immigration status. The health reform bills expand Medicaid eligibility for individuals and families with incomes up to 150 percent of the federal poverty level (FPL) in the House bill or up to 133 percent of FPL in the Senate bill. Currently in 23 states, Medicaid eligibility for parents is limited to those with incomes under 100 percent of FPL. Thus, the number of uninsured parents gaining eligibility for public coverage would increase under the proposed reforms—with an expansion up to 133 percent of FPL, an estimated 36 percent of currently uninsured parents may be eligible for Medicaid coverage (Cook, Dubay, and Garrett 2009). Uninsured parents who would enroll in Medicaid have the most to gain from reform, as they would generally gain access to comprehensive benefits with nominal out-of-pocket costs. But our analysis suggests that many parents, particularly those who are black and Latino, are uninsured despite being eligible for public coverage. This trend might

persist under an expansion of the public program. Thus, emphasis on outreach and enrollment would be needed to enroll these groups. In addition, most research describing the take-up of public coverage is focused on children; more research is needed to examine why some eligible adults fail to enroll.

Also under the health care reform bills passed in the House and Senate, many uninsured parents may be eligible for subsidized enrollment in a health insurance plan offered through a newly established exchange. Lower-income parents whose employers do not offer insurance can gain subsidized exchange enrollment. Our analysis suggests that a disproportionately large share of uninsured Latino parents, particularly those in small-firm or nonstandard employment, lacks an offer of health insurance. But due to immigration status, one-fifth of currently uninsured parents would be ineligible for either Medicaid or subsidized enrollment in an exchange under reform (Cook et al. 2009). This restriction disproportionately affects Latino parents, who are more likely than other parents not to be citizens. The House and Senate health care reform bills passed in 2009 include substantial expansions in public coverage and new subsidies that would unquestionably benefit a substantial share of currently uninsured parents. However, even if a final health reform bill is passed, a significant share of currently uninsured racial and ethnic minority parents is at risk for remaining uninsured unless enrollment barriers, immigration restrictions, and other administrative issues are addressed.

## Notes

1. In the context of health insurance regulations, 50 employees is often the threshold for the definition as a “small” firm. Since this firm size category was not available in our data, we use the closest firm size.
2. U.S. Department of Labor, Bureau of Labor Statistics (BLS), “Contingent and Alternative Work Arrangements,” USDL 05-1433, news release, July 27, 2005. Those who do not expect their job to last due to personal reasons, such as retirement or school enrollment, but who could otherwise continue their employment are excluded from the definition of contingent employment. Our definition of contingent workers is a modification of the “contingent estimate 3” from the Contingent and Alternative Work Arrangements (CWS) survey. We exclude self-employed workers but include independent contractors in “wage and salary” positions.
3. Our primary sample consists of nonelderly adult parents (age 19 to 64) with children (age 0 to 18). Our analysis sample consists of 57,613 parents; 48,346 parents are

employees of an establishment or are self-employed. The estimates in this analysis derive from a match between the February CWS of the CPS and the March Annual Social and Economic Supplement of the CPS, which have overlapping sample frames. For more information on the matched dataset, see Garrett and coauthors (2008).

- Affordable Health Care for America Act (H.R. 3962) passed by the House on November 7, 2009. <http://thomas.loc.gov/cgi-bin/query/z?c111:H.R.3962>.
- Patient Protection and Affordable Care Act (H.R. 3590), Engrossed Amendment as Agreed to by the Senate, December 24, 2009. [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111\\_cong\\_bills&doid=f:h3590eas.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&doid=f:h3590eas.txt.pdf).

## References

- Agency for Healthcare Research and Quality (AHRQ). 2008. *2007 National Healthcare Disparities Report*. AHRQ Pub. 08-0041. Rockville, MD: U.S. Department of Health and Human Services. <http://www.ahrq.gov/qual/nhdr07/nhdr07.pdf>.
- Clemans-Cope, Lisa, and Bowen Garrett. 2006. "Changes in Employer-Sponsored Health Insurance Sponsorship, Eligibility, and Participation: 2001 to 2005." Menlo Park, CA: Henry J. Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured. <http://www.kff.org/uninsured/7599.cfm>.
- Cook, Allison, Lisa Dubay, and Bowen Garrett. 2009. "How Will the Uninsured Be Affected by Health Reform? Parents." Washington, DC: The Urban Institute. <http://www.urban.org/url.cfm?ID=411950>.
- DeNavas-Walt, Carmen, Bernadette D. Proctor, and Jessica C. Smith. 2009. *Income, Poverty, and Health Insurance Coverage in the United States: 2008*. Current Population Report P60-236(RV). Washington, DC: U.S. Census Bureau.
- Ditsler, Elaine, and Peter Fisher. 2006. "Nonstandard Jobs, Substandard Benefits: A 2005 Update." Iowa City: The Iowa Policy Project.
- Dubay, Lisa. 2007. "Making Sense of Recent Estimates of Eligible but Uninsured Children." Washington, DC: Henry J. Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured. <http://www.kff.org/medicaid/upload/7685.pdf>.
- Dubay, Lisa, John Holahan, and Allison Cook. 2007. "The Uninsured and the Affordability of Health Insurance Coverage." *Health Affairs* 26(1): w22–w30.
- Garrett, Bowen, Surachai Khitatrakun, Lisa Clemans-Cope, Cynthia Perry, Aaron Lucas, and Greg Leiserson. 2008.

"Overview of the Health Insurance Policy Simulation Model (HIPSM)." Washington, DC: The Urban Institute and the Tax Policy Center.

Hipple, Stephen. 2001. "Contingent Work in the Late 1990s." *Monthly Labor Review*, March: 3–27.

Holahan, John, Allison Cook, and Lisa Dubay. 2007. "Characteristics of the Uninsured: Who Is Eligible for Public Coverage and Who Needs Help Affording Coverage?" Washington, DC: Henry J. Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured. <http://www.kff.org/uninsured/upload/7613.pdf>.

Houseman, Susan. 2003. "The Benefits Implications of Recent Trends in Flexible Staffing Arrangements." In *Benefits for the Workplace of the Future*, edited by Olivia S. Mitchell, David S. Blitzstein, Michael Gordon, and Judith F. Mazo (89–109). Philadelphia: University of Pennsylvania Press.

Parker, Jennifer D., and Diane M. Makuc. 2002. "Methodologic Implications of Allocating Multiple Race Data to Single Race Categories." *Health Services Research* 37:203–15.

Sommers, John P., and Beth Levin Crimmel. 2008. "Employer-Sponsored Health Insurance for Small Employers in the Private Sector, by Industry Classification, 2006." ARHQ Statistical Brief 212. Rockville, MD: U.S. Department of Health and Human Services. [http://www.meps.ahrq.gov/mepsweb/data\\_files/publications/st212/stat212.pdf](http://www.meps.ahrq.gov/mepsweb/data_files/publications/st212/stat212.pdf).

U.S. General Accounting Office (GAO). 2000. "Contingent Workers: Incomes and Benefits Lag Behind Those of Rest of Workforce." GAO/HEHS-00-76. Washington, DC: GAO.

## About the Authors

**Lisa Clemans-Cope** is a health economist who joined the Urban Institute as a research associate in 2004. She has been involved in simulation of state and national health insurance reform proposals and in research on access to and use of health care.

**Genevieve Kenney** is a senior fellow in the Urban Institute's Health Policy Center. Her research focuses on how public policies affect access to care and insurance coverage for pregnant women and children.

**Aaron Lucas** was a research associate in the Health Policy Center, where he was involved in analyzing national health policy reform. He is now at Northwestern University.





**THE URBAN INSTITUTE**

2100 M Street, NW  
Washington, DC 20037-1231

Nonprofit Org.  
U.S. Postage  
**PAID**  
Permit No. 8098  
Ridgely, MD

*Return Service Requested*

To download this document, visit  
our web site, <http://www.urban.org>.

For media inquiries, please contact  
[paffairs@urban.org](mailto:paffairs@urban.org).

This brief is part of the Urban Institute’s Low-Income Working Families project, a multiyear effort that focuses on the private- and public-sector contexts for families’ success or failure. Both contexts offer opportunities for better helping families meet their needs.

The Low-Income Working Families project is currently supported by The Annie E. Casey Foundation and The John D. and Catherine T. MacArthur Foundation.

**THE URBAN INSTITUTE**  
2100 M Street, NW  
Washington, DC 20037  
Copyright © 2010  
Phone: 202-833-7200  
Fax: 202-467-5775  
E-mail: [pubs@urban.org](mailto:pubs@urban.org)

The views expressed are those of authors and do not necessarily reflect those of the Urban Institute, its boards, its sponsors, or other authors in the series. Permission is granted for reproduction of this document with attribution to the Urban Institute.

This brief was funded by the Annie E. Casey Foundation through the Low-Income Working Families project at the Urban Institute. The authors thank Bowen Garrett, Margaret Simms, and the participants in the Urban Institute Roundtable on Racial and Ethnic Disparities among Low-Income Families on December 9, 2008.