

# CONSTRUCTION

## WORKING WITHOUT A HEALTHCARE NET



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Construction workers are the most likely of all nonfarm workers in California to be chronically uninsured. Many construction occupations offer risky, temporary work at low wages, making it very hard for workers to afford health insurance on their own.

This analysis paints a clear picture of health and health coverage inside the construction industry at the peak of the last construction boom, in 2005. The structural and economic issues described here must be addressed as a new infusion of public investment heads the industry toward recovery.

### Health and health insurance among California construction workers

#### KEY FINDINGS

##### LACK OF HEALTH INSURANCE

- More than a quarter (27%) of construction workers were uninsured for the entire year, the highest rate of chronic uninsurance among all industries. More than 40% were uninsured at least part of the year.
- Only 35% of construction industry workers received health insurance through their employers, compared to half of workers across all industries.
- While the construction industry represents 7.3% of the state's workforce, it accounts for 15% of the chronically uninsured.

##### HEALTH PROBLEMS AND RISKS

- A construction worker is 4.6 times more likely to die on the job than the average private industry worker.
- More than one in five construction workers reported poor health during the past month that affected their work and other activities.

##### TEMPORARY, LOW-PAID WORK

- Almost a fourth of construction industry workers are self-employed. Among the rest, 30% had worked less than two years with their current employer.
- Over 120,000 California construction workers are in occupations with average pay below \$30,000 a year.

##### EFFECT OF COLLECTIVE BARGAINING

- Union construction jobs are 28% more likely to have health insurance than similar nonunion jobs.
- Collective bargaining creates multi-employer trusts that provide portable health coverage for a mobile workforce that frequently changes jobs.

## INTRODUCTION

After a year of the slowest housing production on record in California<sup>1</sup>, the construction industry is set for a rebound in 2009, thanks largely to the federal economic stimulus plan and other public investment. At the forefront of the anticipated government spending on infrastructure, the construction industry is expected to generate the largest share of the new jobs (11% or 670,000 jobs) created by the stimulus package<sup>2</sup>. According to the White House, this will be “the largest investment increase in our nation’s roads, bridges and mass transit systems since the creation of the national highway system in the 1950s.”<sup>3</sup>

The analysis presented here describes the quality of construction jobs in terms of wages and health benefits, occupational hazards, and the general health of the workforce at the peak of the most recent construction boom. 2005 saw the largest number of housing starts ever undertaken in a single year, adding over 1.7 million units to the national housing stock. During a five-year period studied by a Harvard Corporate Survey, builders’ gross profit margins increased by 4.5 percentage points to 24%.<sup>4</sup>

As the industry rises again, this time with substantial public investment, it is important to study the structural and economic issues affecting whether the jobs created will help improve or worsen the health insurance crisis.



<sup>1</sup>The Construction Industry Research Board reports only 65,380 permits were issued statewide in 2008 for new homes, condominiums, town-homes and apartments, down 42 percent from the prior year and down 69 percent from the 212,960 permits issued in 2004.

<sup>2</sup>Mark Zandi, 2009. *The Economic Impact of the American Recovery and Reinvestment Act*. Chief Economist, Moody's Economy.com

<sup>3</sup>White House fact-sheet on the economic impact of the American Recovery and Reinvestment Plan by state, February 2009.

<sup>4</sup>Apgar, William, and Kermit Baker. 2006. *The evolving homebuilding industry & implications for consumers*. Cambridge, MA: Joint Center for Housing Studies of Harvard University.

**LOW-WAGE OCCUPATIONS**

According to reports from California employers, there were 905,300 workers employed in the construction industry at the peak of the housing boom in 2005.<sup>5</sup> That’s one of every 14 non-farm workers in private industry. The industry’s 73,000 employers paid an average of \$878 in weekly wages,<sup>6</sup> about \$45,700 a year for someone working year-round. More than 120,000 construction workers were in occupations with average annual wages of \$30,000 or less (Table 1).

Regardless of occupation, wages tend to be much lower in residential construction, which is the largest sector of the construction industry and operates virtually union-free in most parts of the United States. The jobs it provides offer some of the lowest wages and worst working conditions in the industry.<sup>7</sup> U.S. Department of Labor (Bureau of Labor Statistics) data show the national average weekly wage for union members in the construction industry in 2008 was \$1,014, which was 51.8% higher than the non-union average of \$668.<sup>8</sup>

One caveat here is that there is evidence of systematic under-reporting of low-wage construction workers in California. These low-wage workers often are misclassified as high-wage workers by their employers to lower their workers’ compensation premium. The misclassification of payroll gives low-wage employers an unfair competitive advantage by reducing their premium costs and may also penalize high-wage employers who have better safety and training by raising workers compensation rates for the entire class.<sup>9</sup>

**HAZARDOUS WORK**

Construction workers suffer a disproportionate share of occupational fatalities and serious injuries.<sup>10</sup> In 2005, there were 102 fatal occupational injuries in the construction industry, which was almost a quarter (23%) of all fatal

**TABLE 1**

LOW-WAGE SECTORS WITHIN THE CONSTRUCTION INDUSTRY

	Residential		Non-residential*	
	Employment	Weekly Wage	Employment	Weekly Wage
Framing	40,400	\$555	7,700	\$680
Painting	27,500	\$546	9,300	\$795
Roofing	19,000	\$605	6,800	\$801
Drywall	54,700	\$582	23,300	\$872
Tiling/ Terrazzo	16,500	\$670	3,000	\$761

Source: Weekly wages and monthly employment for Construction Industry in 2005; Quarterly Census of Employment and Wages (QCEW), Labor Market Information Division, California Employment Development Department. Many construction workers are not employed through the entire year.

\*Non-residential construction includes public works, schools, roads, commercial and retail buildings.

<sup>5</sup>Industry Employment for 2005. Source: Labor Market Information Division, California Employment Development Department.

<sup>6</sup>Weekly wages for Construction Industry in 2005. Source: Quarterly Census of Employment and Wages (QCEW), Labor Market Information Division, California Employment Development Department. Weekly wages are the result of dividing the Total Payroll by the Monthly Average Employment and then dividing by 52. It is affected by the ratio of full-time to part-time workers; the number of workers who worked for the full year; and the number of individuals in high-paying and low-paying occupations.

<sup>7</sup>Rabourn, Mike. 2008. Organized Labor in Residential Construction. *Labor Studies Journal* 33(9).

<sup>8</sup>The union difference estimates are from the Current Population Survey by the Bureau of Labor Statistics.

<http://www.bls.gov/news.release/union2.nr0.htm> (last accessed February 20, 2009). Data refer to the sole or principal job of full- and part-time workers. Excluded are all self-employed workers regardless of whether or not their businesses are incorporated. This data is not adjusted for worker demographic, geographic, or occupational characteristics.

<sup>9</sup>Neuhauser, Frank and Colleen Donovan. 2007. “Split” Class Codes: Evidence of Fraudulent Payroll Reporting. The California Commission on Health and Safety and Workers’ Compensation.

<sup>10</sup>Ringen, K. J. Seegan and A. Englund. 1995. Safety and Health in the Construction Industry. *Annual Review of Public Health*, 16: 165-88.

## SAN DIEGO CASE STUDY: HAZARDOUS WORK

In May of 2008, an explosion on the construction site of a high-rise Hilton Hotel in downtown San Diego injured 13 workers and a firefighter. Five of the workers were critically injured, including three who were put into medically induced comas while they were treated for third-degree burns.<sup>1</sup>

Cal-OSHA later fined the plumbing and heating contractor, Sherwood Mechanical Inc. of Mira Mesa, for failing to do tests that would have detected a gas leak.<sup>2</sup> Eight subcontractors also were fined small amounts for failing to have appropriate illness and injury plans for their workers.

<sup>1</sup><http://www.signonsandiego.com/news/metro/20080520-9999-1n20blast.html>

<sup>2</sup><http://www.cal-oshha.com/articles/COR06-20081120-000.htm.aspx>

occupational injuries in all industries.<sup>11</sup> Put another way, on-the-job fatality for the construction industry is 4.6 times that for all workers in private industries.<sup>12</sup> From 2003 through 2005, there were more than 100 deaths in construction every year. Among construction trades, laborers had the highest fatality rate, followed by electricians, roofers and carpenters. The leading causes of these fatalities were falling from a roof, contact with electric current and collision with vehicles or equipment.

In 2005, there were 52,800 nonfatal occupational injuries and 1,500 occupational illnesses among construction workers, according to data compiled by the state Department of Industrial Relations.<sup>13</sup> This translates to an incidence

rate of 7.1 injuries and illnesses per 100 full-time (or equivalent) workers in construction, compared to 4.7 for all private industries.<sup>14</sup> Construction injuries resulting from poor scaffolding and lack of protection against falls are the most frequently cited occupational safety violations among all industries across the nation. Among California construction workers, back injuries involved the most days away from work (4,130 cases), and the leading causes of injury were being struck by an object (3,390 cases), falling to a lower level (2,250 cases), and

overexertion (2,510 cases). For many workers, the injuries result in lost work time, work restrictions and sometimes being transferred to different jobs (Table 2).

The occupational injury and illness rates of some construction trades are more than double the incidence rate for

**TABLE 2**

**CONSTRUCTION SECTORS WITH THE HIGHEST RATES OF NONFATAL OCCUPATIONAL INJURIES AND ILLNESSES**

	Employment statewide	Total cases	Incidence Rate (per 100 FTE workers)	Cases with lost work time	Cases with job transfer or restriction
<b>Framing</b>	46,500	5,200	14.7	2,000	1,700
<b>Roofing</b>	25,100	2,000	10.0	1,100	400
<b>Drywall &amp; insulation</b>	76,900	6,000	9.7	2,100	1,800

Source: Bureau of Labor Statistics, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses, in cooperation with participating State agencies.

<sup>11</sup>Fatal Occupational Injuries by Industry in 2005. U.S. Department of Labor, Bureau of Labor Statistics, in cooperation with State and Federal agencies, Census of Fatal Occupational Injuries.

<sup>12</sup>Fatality rate for construction = 10.9 per 100,000 workers; all private industries = 2.4 per 100,000 workers.

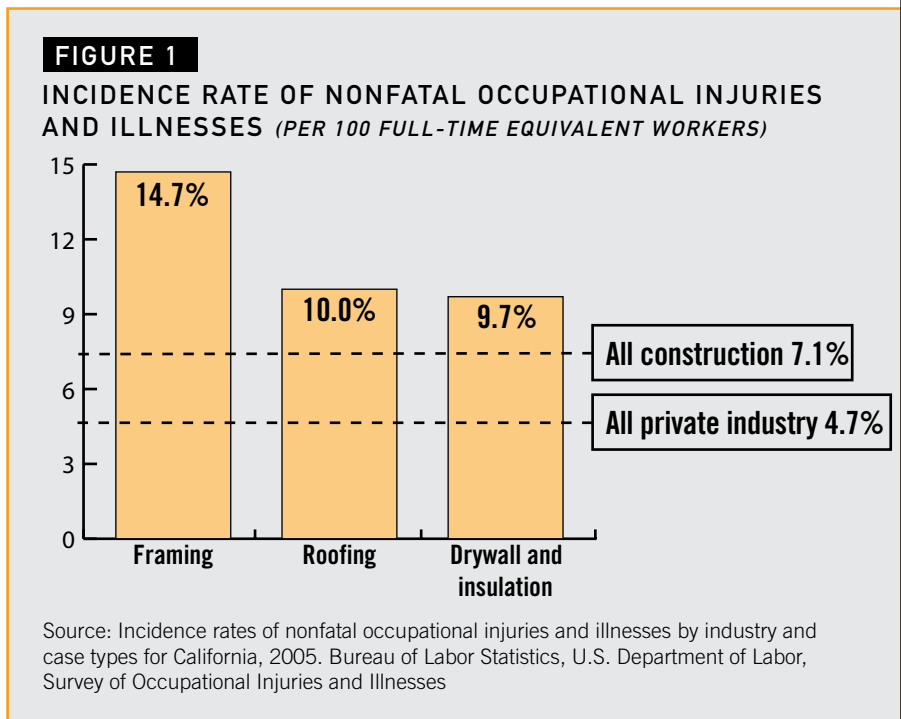
<sup>13</sup>Nonfatal Occupational Injuries by Industry in 2005. Bureau of Labor Statistics, U.S. Department of Labor, Survey of Occupational 2002; in cooperation with participating State agencies. Numbers are rounded by the hundreds.

<sup>14</sup>Incidence rates of nonfatal occupational injuries and illnesses by selected industries and case types, 2005. Source: Bureau of Labor Statistics, U.S. Department of Labor, Survey of Occupational Injuries and Illnesses, in cooperation with participating State agencies.

The occupational injury and illness rates of some construction trades are more than double the incidence rate for an average private sector worker

an average private sector worker (Figure 1). These occupations, including framers, roofers and painters, also are among the lowest paid.

It should be noted that occupational injuries are under-reported nationally. In the construction industry, where serial temporary job assignments are the norm, workers may be wary of risking future assignments by reporting health conditions.<sup>15</sup> In addition, contractors may underreport injuries because records of compensation claims could affect their competitiveness in bidding.<sup>16</sup> Either way, the information on occupational injuries and illnesses is filtered through several layers before it is reported by the Bureau of Labor Statistics.<sup>17</sup>



HEALTH PROBLEMS AMONG WORKERS

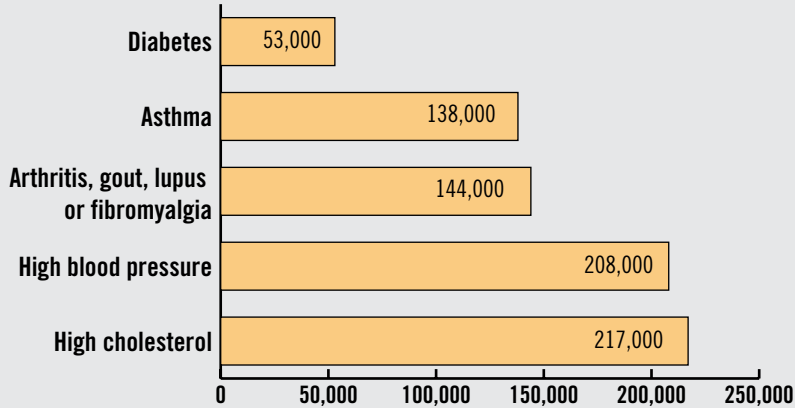
The analyses in the rest of this paper are based on a statewide survey of residents of California by the UCLA Center for Health Policy Research.<sup>18</sup> The survey estimated that there are 1.3 million construction workers in California. This is 400,000 more than the official count reported by employers, possibly because some workers in temporary help industries report they are working in construction and some are working informally.

Construction industry workers' assessment of their own health status is poor compared to other workers. Only about 45% of construction workers reported being in excellent or very good health, 10 percentage points lower than the average for all industries. Correspondingly, 17% of workers reported being in fair health, almost six percentage points higher than the average. We could not significantly determine the number of construction workers in poor health at the time of the survey, due to variation in responses. However, almost 60% of construction workers (895,000) reported being in poor health for at least a day during the month prior to the interview.

<sup>15</sup>McAllister, J. Sisyphus. 1998. At work in the warehouse: temporary employment in Greenville, South Carolina. In: *Contingent Work: American Employment Relations in Transition* (Barker K, Christensen K, eds.), Ithaca, NY: Cornell University Press; pp.221-242.  
<sup>16</sup>Glazner JE, Joleen Borgerding, Jan T. Lowery, Jessica Bondy, Kathryn L. Mueller, Kathleen Kreiss. Construction injury rates may exceed national estimates: Evidence from the Construction of Denver International Airport. *American Journal of Industrial Medicine*. 34(2):105-112.  
<sup>17</sup>Azaroff, Lenore S., Charles Levenstein, and David H. Wegman. 2002. Occupational Injury and Illness Surveillance: Conceptual Filters Explain Underreporting. *American Journal of Public Health*; 92(9): 1421-9.  
<sup>18</sup>The California Health Interview Survey (CHIS) is a population-based random-digit dial telephone survey of California's population conducted every other year since 2001. CHIS is the largest health survey conducted in any state and one of the largest health surveys in the nation. The sample size for the 2005 survey was 43,020 adults, including 1,645 employed in the construction industry at the time of the survey.

The survey also demonstrated that the workers' health problems had a substantial impact on their ability to work. During the month preceding the interview, 270,000 construction workers (20.2%) reported that their health problems limited their work and other activities. Health problems that top the list are high cholesterol, high blood pressure, arthritis, asthma and diabetes (Figure 2).

**FIGURE 2**  
**HEALTH PROBLEMS AMONG CONSTRUCTION WORKERS**  
 (BY NUMBER OF WORKERS AFFECTED)



Source: 2005 California Health Interview Survey, UCLA Center for Health Policy Research; Survey results for adults ages 18-64 working in the construction industry in California.

The true number of health problems may be higher than reported because workers who lack health insurance may have undiagnosed medical conditions. For example, even though high cholesterol is the largest reported health problem, the number of cases is exceeded by the number – 236,000, or 17.6% – of construction workers who have never had their cholesterol checked. This is a significantly higher rate than among workers in all industries (12%).

Even when health problems are detected, they may not be treated. For example, 60% of construction workers who were diagnosed with high blood pressure were not taking medications for it.<sup>19</sup> This is 17 percentage points higher than the rate of diagnosed but untreated high blood pressure among all workers.

## CHRONIC UNINSURANCE IN WORKFORCE

There is ample evidence that not having health insurance leads to poorer health.<sup>20</sup> The construction industry had the lowest rate of health coverage among California's non-farm industries in 2005, with 543,000 construction workers (40.6%) reporting being uninsured for all or part of the year. At the time of the survey, more than 32% of construction workers were uninsured. That is the second-highest rate of workers uninsured among all nonfarm industries in the state, following only the 36% uninsured in the Accommodation and Food Services industry.<sup>21</sup>

Even more starkly, the survey showed 356,000 construction workers (or 27%) did not have any type of health insurance for the entire year. Both the number and percentage of workers chronically uninsured are higher than in any other industry in California (Figure 3).<sup>22</sup> While the construction industry represents 7.3% of the state's workforce, it accounts for 15% of the chronically uninsured.

Not surprisingly, over half (55%) of those without insurance did not visit a doctor during the year, and 30% have not visited a doctor for more than two years.<sup>23</sup> Almost 211,000 construction workers visited an emergency room during the prior year. In fact, 23,000 said they used the emergency room as their usual source of health care.

<sup>19</sup>Out of 208,000 construction workers who were told by a doctor that they had high blood pressure, 125,000 were not taking medication for it  
<sup>20</sup>Hadley, J. 2003. Sicker and Poorer – The Consequences of Being Uninsured: A Review of the Research on the Relationship between Health Insurance, Medical Care Use, Health, Work, and Income. *Medical Care Research and Review*, Vol. 60 No. 2,  
<sup>21</sup>Patton, Duerksen and Baxamusa. 2007. *The Working Uninsured: An analysis of workers health coverage among California industries*. Center on Policy Initiatives  
<sup>22</sup>Percentage of workers in construction covered by health insurance for 0 months during the past 12 months = 27 (23.5 - 30.6). Percentage of workers in all industries covered by health insurance for 0 months during the past 12 months = 13.9 (13.1 - 14.6).  
<sup>23</sup>There are 356,210 construction workers under age 65 who were uninsured for the past 12 months. Of these workers, 195,978 did not visit a doctor last year; 64,268 visited a doctor 2 to 5 years ago, and 45,094 visited a doctor more than 5 years ago.

## MIKE: BUILDING SAN DIEGO'S FOUNDATIONS, GOING WITHOUT MEDICAL CARE

Mike goes to work building concrete foundations every day, trying to ignore a painful lump on his side. The lump appeared almost two months ago.

"I think it's a hernia, but I haven't gone to the doctor," he admitted. "If they want to operate, I can't afford to pay for it and I can't miss work. I have my house payment and bills."

Mike is 55 years old and has worked for 25 years as a concrete carpenter in San Diego, building the foundations of many local businesses. Only one of his many employers has ever offered health insurance, and even then his wife and four children were not covered. He fears losing his current job if he is identified.

Over the years, Mike has faced a string of health problems, including diabetes, by paying out of pocket to see a doctor only when he's really sick. He now has a prescription for two diabetes drugs, but one costs \$100 a month and the other \$200. Mike said he bought the drugs last month but "this month I'll just have to do

without them because I can't afford it."

Last year, Mike was hospitalized for pancreatitis and missed a month and a half of work. He still owes \$8,000 in medical bills.

After so many years in construction, Mike earns up to \$34 an hour when he has work. That's too much to qualify for free health programs and clinics. But construction work is sporadic, and his paychecks barely stretch to cover the car payment, house payment and other bills.

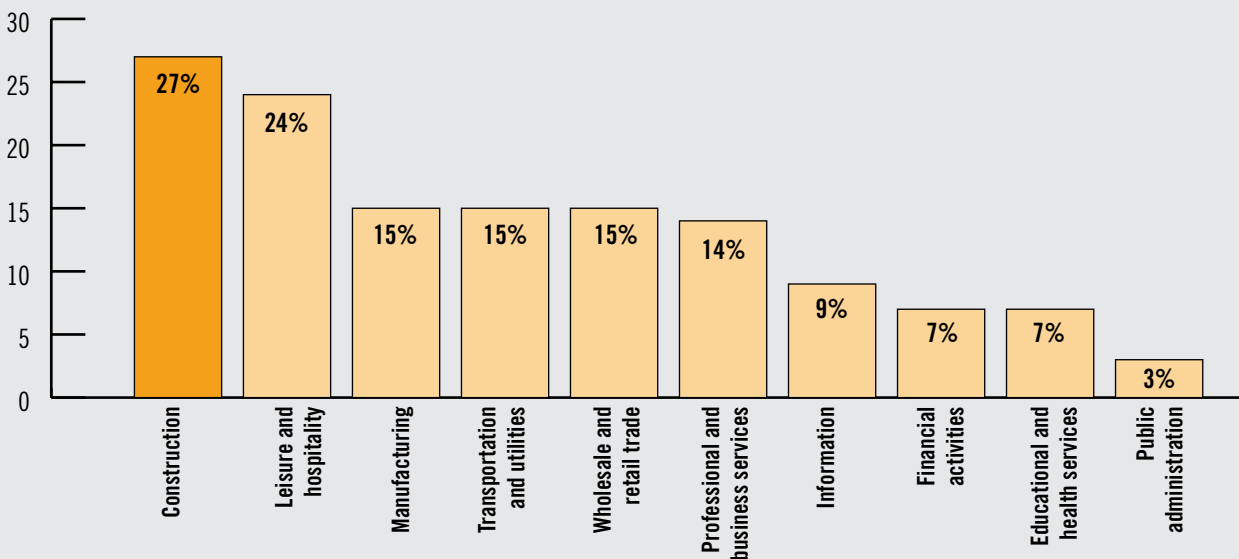
Buying health insurance on his own would cost \$500 a month, without any coverage for his family, an expense he said is out of the question.

Two of Mike's sons are now carpenters, and also uninsured. He worries that just one injury could devastate them financially.

"They're young and healthy," he said. "But if anything was to happen, they'd be in a world of trouble."

**FIGURE 3**

CHRONIC UNINSURANCE: PERCENT OF WORKERS WHO LACKED HEALTH INSURANCE FOR THE ENTIRE YEAR



Source: 2005 California Health Interview Survey, UCLA Center for Health Policy Research; survey results for adults ages 18-64 who were employed within an industry at the time of the survey and who usually work.

Only about a third of construction workers had health insurance provided by their employers, compared to half of workers in all industries.

**EMPLOYERS NOT PROVIDING COVERAGE**

The construction industry lags behind all other industries in employer-provided health insurance.<sup>24</sup> While half (49.3%) of workers in all industries had health insurance provided by their own employers, only about a third (34.8%) of construction workers did. (Figure 4) Among the rest, some were covered by a family member's

employer or bought insurance on their own, but most were either left uninsured (32%) or were covered by government programs such as Medicaid (13%).

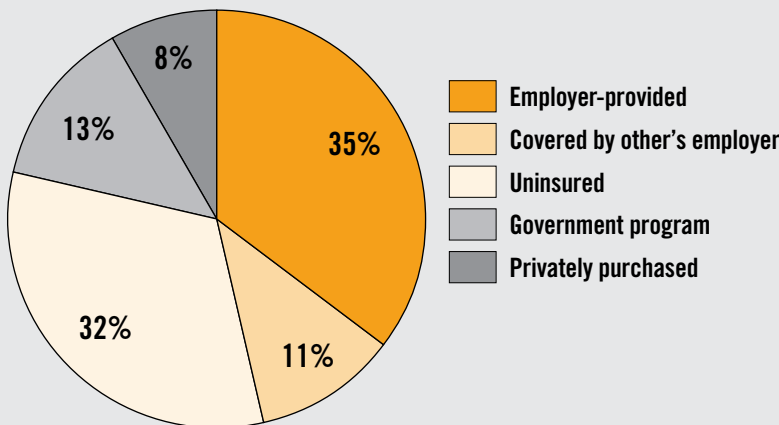
Workers' families also suffered because of the lack of job-based insurance in the industry. Among the uninsured with spouses, 64% of their spouses were also uninsured. Uninsured construction workers tend to be low-paid; more than half (253,000) of those who are uninsured have household incomes below 200% of the federal poverty level.<sup>25</sup> The uninsurance rate varies by race and ethnicity, with the highest being 48.8% for Latinos in the industry.

Among uninsured construction workers, the most frequently mentioned reason for not having health insurance was that it was too expensive. This is supported by the fact that the average earnings of the chronic uninsured were 37% lower than the rest of the construction workers.<sup>26</sup>

Many workers who have insurance may be underinsured. In one indicator of low-quality insurance, one in 10 construction workers with insurance had no coverage at all for prescription drugs. That is one of the lowest rates among industries of drug coverage for the insured.<sup>27</sup>

**FIGURE 4**

**HEALTH INSURANCE COVERAGE OF CONSTRUCTION INDUSTRY WORKERS**



Source: Patton, Duerksen and Baxamusa. 2007. *The Working Uninsured*. Center on Policy Initiatives.

**TABLE 3**

**TOP 5 REASONS FOR BEING UNINSURED**

1	Cannot afford/Too expensive	41%
2	No need/Don't believe in insurance	23%
3	Employer does not offer	7%
4	Changed employer/Lost job	7%
5	Not eligible/Citizenship	6%

<sup>24</sup>Patton, Duerksen and Baxamusa (2007) op cit..

<sup>25</sup>200% of FPL approximates the self-sufficiency level for California, where the cost of living is higher than the national average.

<sup>26</sup>Average monthly earnings reported by construction workers were \$3,000 for the chronic uninsured, compared to \$4,781 for those who were insured for at least part of the year.

<sup>27</sup>The coverage rate for prescription drugs among those with health insurance in the construction industry was 89.4% (86.5 - 92.3) compared to 94% (93.5 - 94.5) for all industries. The margins of error are too wide to be able to pinpoint the ordinal position of the construction industry vis-à-vis other industries.

**EMPLOYER COVERAGE USUALLY NOT OFFERED**

Based on the workers’ survey, more than 533,000 construction workers who are not self-employed do not have health insurance through their jobs. The primary reason (63% of the time) is that employers do not offer any coverage (Figure 5). Among those workers who said their employers offer insurance, about a third were not eligible for it, usually because they had not worked there long enough (70%). Other reasons that workers were not covered by employer plans included that the plans were too expensive or the workers were covered by other plans.

Among workers who aren’t insured by their employers, 63% (about 334,000) work for firms that do not offer any health insurance. These firms tend to be small; almost 80% have 50 or fewer employees. Almost all (95%) of these workers work full time, and 98% work in non-managerial positions. Some are insured through government programs or a family member’s policy, but 78% remained completely uninsured for at least part of the year.<sup>28</sup>

The employer responsibility for coverage is complex in the construction industry for two reasons:

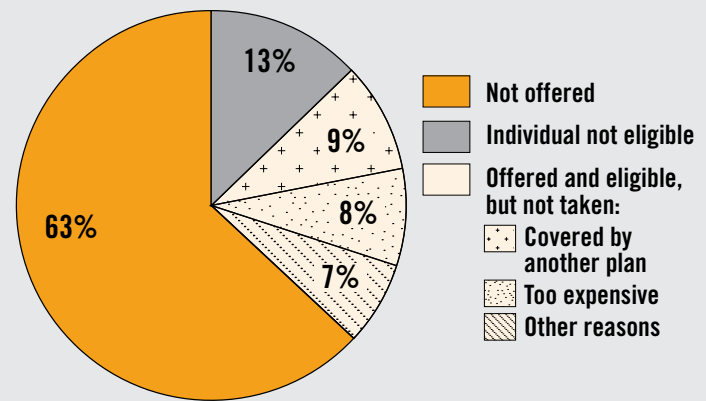
**1. High proportion of independent contractors.**

About a quarter of construction workers surveyed said they were self-employed. That translates to 321,000 self-employed workers at the time of the survey. There is evidence that some construction companies may misclassify workers as independent contractors to avoid paying workers’ compensation and payroll taxes.<sup>29</sup> A University of Maine study, based on a survey by Harvard University, estimated 11% of Maine’s construction workers were misclassified as independent contractors.<sup>30</sup> When employees are misclassified as independent contractors, they may be excluded by law from employer-provided coverage.<sup>31</sup> Workers who are misclassified do not receive health insurance benefits from their employers.<sup>32</sup>

**2. High turnover and temporary arrangements.** Among construction workers who were not self-employed, 14% had worked with their main employer for less than a year, and 30% for less than two years. Construction work was plentiful during the two years preceding the survey, so tenures on the job may normally be even shorter. By comparison, only 22% of employed workers across all industries had worked for their main employer for less than two years. Shorter time working for an employer reduces the likelihood of having employment-based insurance; only 24% of construction workers with less than a year on the job had employment-based insurance.

**FIGURE 5**

**REASONS GIVEN BY NON-SELF-EMPLOYED CONSTRUCTION WORKERS FOR NOT HAVING EMPLOYER-PROVIDED INSURANCE**



Source: 2005 California Health Interview Survey, UCLA Center for Health Policy Research; Survey results for adults ages 18-64 working in the construction industry in California who work for wages, are not self-employed, and have not accepted employment-based insurance.

<sup>28</sup>This includes 178,000 who were chronically uninsured.

<sup>29</sup>Neuhauser, Frank and Colleen Donovan. 2007. Fraud in Workers’ Compensation Payroll Reporting: How Much Employer Fraud Exists and How are Honest Employers Impacted? The California Commission on Health and Safety and Workers’ Compensation, California. [http://www.dir.ca.gov/chswc/CHSWC\\_Research.html](http://www.dir.ca.gov/chswc/CHSWC_Research.html) (last accessed February 23, 2009).

<sup>30</sup>Murphy, William. 2007. Stretching the Law, Stressing the State — Misclassified Workers in Maine’s Construction Industry. Bureau of Labor Education - University of Maine.

<sup>31</sup>United States Government Accountability Office. 2007. Testimony before the Subcommittee on Income Security and Family Support and Subcommittee on Select Revenue Measures, Committee on Ways and Means, House of Representatives by Sigurd R. Nilsen, Director (Education, Workforce, and Income Security).

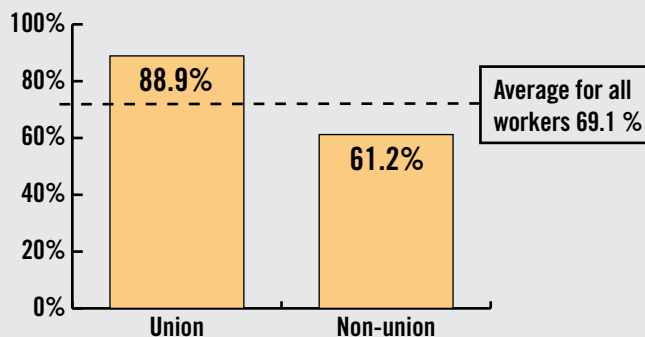
<sup>32</sup>Carré, Françoise and Randall Wilson. 2005. The Social and Economic Costs of Employee Misclassification in the Maine Construction Industry. A report of the Construction Policy Research Center (Labor and Worklife Program), Harvard Law School and Harvard School of Public Health. <http://www.law.harvard.edu/programs/lwp/Maine%20Misclassification%20Maine.pdf> (last accessed February 29, 2009)

## EFFECTS OF COLLECTIVE BARGAINING ON HEALTH BENEFITS

Due to the temporary and cyclical nature of construction projects, it is not uncommon for a construction worker to work on dozens of different sites within a year.<sup>33</sup> Contractors typically employ workers as they win contracts for various projects. This creates significant transaction costs for a worker to keep or transfer health insurance between employers.<sup>34</sup> Employees facing an unstable labor market may prefer to cash out their benefits, when healthcare is offered.<sup>35</sup> Employers often pay an equivalent compensation (when required by prevailing wage laws) rather than offer health benefits. Small businesses find the administrative cost and paperwork of providing health insurance for a transient workforce to be prohibitive.<sup>36</sup>

**FIGURE 6**

DIFFERENCE BETWEEN UNION AND NON-UNION EMPLOYER-BASED HEALTH COVERAGE FOR THE CONSTRUCTION INDUSTRY, NATIONAL AVERAGES



Source: Waddoups, C. Jeffrey. 2005. Health Care Subsidies in Construction: Does the Public Sector Subsidize Low Wage Contractors. In *The Economics of Prevailing Wage Laws*, Azari-Rad, Hamid, Peter Phillips, and Mark Prus (ed). Ashgate Publishers, pp. 205-224. Figures in this chart are based on Current Population Survey, March Supplement and the Outgoing Rotation Group (1998-2000).

By contrast, health insurance under collective bargaining is provided through multi-employer Taft-Hartley trust plans managed jointly between labor and management.<sup>37</sup> A trust plan can negotiate better rates than individual employers, as it can pool and insure risk for large numbers of workers. Furthermore, unions and union contractors<sup>38</sup> have lower transaction costs of providing health insurance because they maintain an ongoing relationship institutionalized through the trust plans. Employees contribute to the plans based on the type of craft and derive portable health benefits, as long as they work a minimum number of hours for participating employers. This eliminates the need for workers to shift health plans whenever they work for different employers, and for employers to deal with insurance enrollment and eligibility for a temporary and mobile workforce.

Therefore, even in prevailing wage jobs, benefits are substantially higher for union construction workers than for nonunion workers.<sup>39</sup> Union construction jobs are 27.7% more likely to include health coverage than equivalent nonunion jobs, even after controlling for employer size, part-time status, income, citizenship status, gender, race or ethnicity.<sup>40</sup>

The substantial difference between union and non-union healthcare coverage is also seen in construction-related occupations. For example, among laborers and freight workers, the rate of employer-provided health insurance is 71.1% for unionized workers and only 43% for non-union workers.<sup>41</sup> Adjusted for demographics and job characteristics, this translates to a “union premium” of 26.6 percentage points.

<sup>33</sup>Allen, Steven. 1994. Developments in Collective Bargaining in Construction in the 1980s and 1990s. In *Contemporary Collective Bargaining in the Private Sector*, (Paula Voos, ed), Industrial Relations Research Association, Madison, WI, pg. 412.

<sup>34</sup>For example, workers switching insurance plans may have trouble getting coverage from the new insurer for pre-existing conditions or for specific ongoing treatments.

<sup>35</sup>Smith, Robert and Ronald Ehrenberg. 1983. Estimating wage-fringe trade-offs: Some data problems. In *Measurement of Labor Cost*, Jack Triplet (ed). Chicago: University of Chicago Press.

<sup>36</sup>Waddoups, C. Jeffrey. 2005. Health Care Subsidies in Construction: Does the Public Sector Subsidize Low Wage Contractors. In *The Economics of Prevailing Wage Laws*, Azari-Rad, Hamid, Peter Phillips, and Mark Prus (ed). Ashgate Publishers, pp. 205-224.

<sup>37</sup>These plans are set up under Section 302(c)(5) of the Taft-Hartley Act, also known as the Labor Management Relations Act of 1947.

<sup>38</sup>Non-union contractors can participate in the trust plans based on labor agreements, which allows their employees to have the health insurance benefits after meeting a minimum hours-worked threshold.

<sup>39</sup>Petersen, Jeffrey. 2000. Healthcare and Pension Benefits for Construction Workers: The Role of Prevailing Wage Laws. *Industrial Relations*, Vol. 39, No. 2.

<sup>40</sup>Waddoups, op cit.

<sup>41</sup>John Schmitt, Margy Waller, Shawn Fremstad, and Ben Zipperer. 2007. Unions and Upward Mobility for Low-Wage Workers. Center for Economic and Policy Research (CEPR). CEPR analysis of CEPR extract of the Current Population Survey Outgoing Rotation Group and UNICON extract of March Current Population Survey data for 2003-2005.

## SERGIO: ELECTRICIAN AND FAMILY MUST RELY ON PUBLIC HEALTH PROGRAM



In the past six years, electrician Sergio Miranda has worked for 10 different companies doing construction in the San Diego area. Not one has offered health insurance.

When his daughter recently needed a tonsillectomy and nasal surgery to improve her breathing, Sergio was lucky to be unemployed at the time. His family qualified for Medi-Cal, which covered the bills.

While they have coverage under the public program, Sergio is taking both his 2-year-old daughter and 5-year-old son for the dental checkups they've never

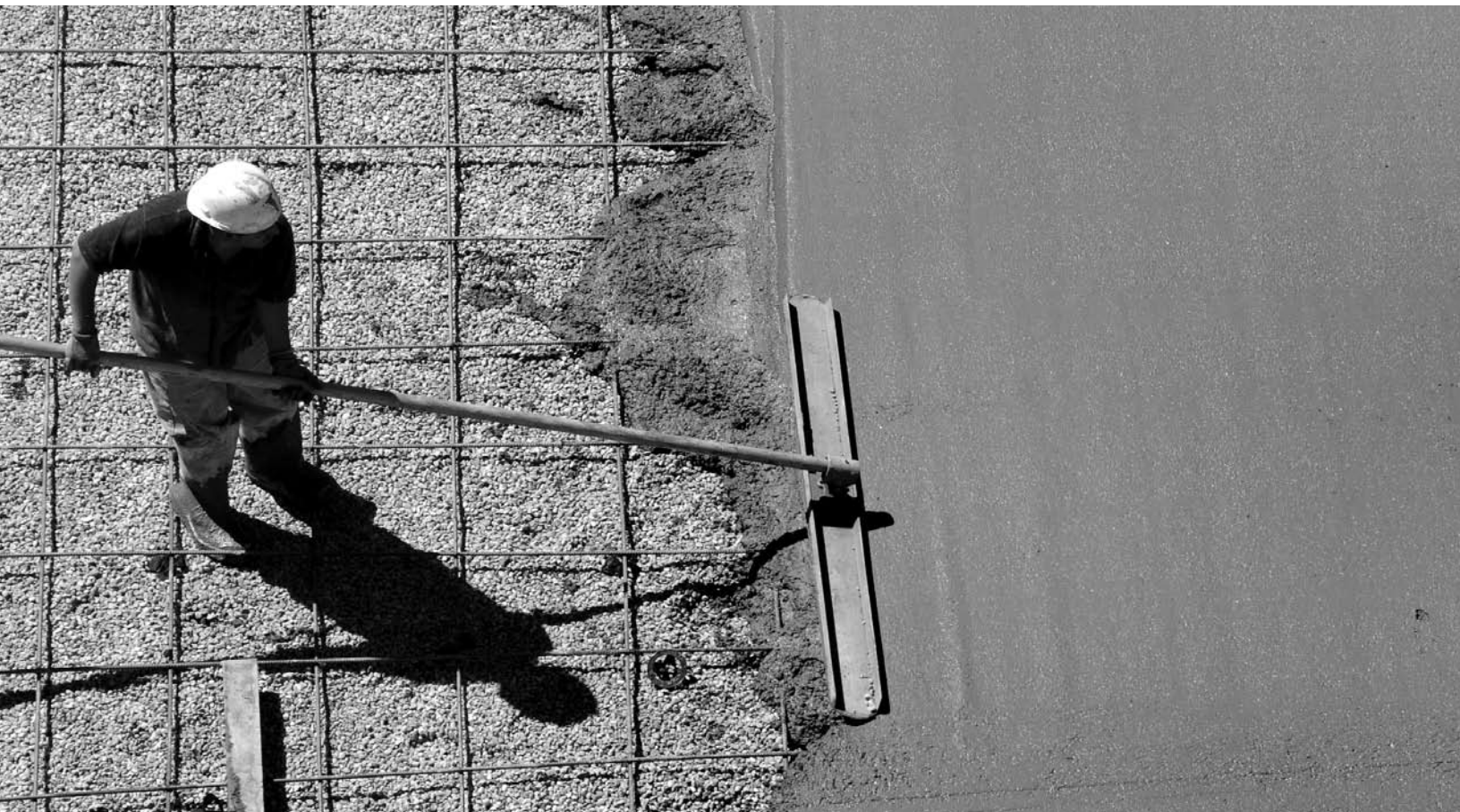
had. Usually, he skips preventive care himself and takes his wife and children to Mexico for any healthcare they need, because it's cheaper.

But the 34-year-old electrician has decided that when construction jobs pick up again – in a few months, he hopes – he will seek work through the union hiring hall and join the International Brotherhood of Electrical Workers (IBEW).

"It's time to do something for my family, and being part of a union you get coverage," he said. "It's a way of looking ahead for our future."

## CONCLUSION

The construction industry faces a dual dilemma of high-risk work and high chronic uninsurance, primarily because relatively few construction companies offer employee coverage. It is also evident that many employees in this industry cannot afford to buy health insurance on their own, leaving them to obtain care at public expense or face injuries and illness without treatment. These are symptoms of structural problems in the way wages and benefits are set within the industry. Any public policy measure that assumes employment-based coverage as the primary source of health insurance for this segment of the population will need to address the problems identified here.



**CONSTRUCTION**

## **WORKING WITHOUT A HEALTHCARE NET**

Health and health insurance among California construction workers

**MARCH 2009**



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The Center on Policy Initiatives is a nonprofit research and advocacy organization formed in 1997 to address issues affecting working people in the San Diego region. Through research, advocacy, public education and coalition-building, CPI promotes policy solutions that guarantee access to quality healthcare, ensure development meets community needs, and combat economic inequality.