

Benefit cuts to teachers won't lead to taxpayer savings

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Cutting benefits for teachers or other public-sector workers may not save taxpayers as much as one might think, according to a new University of Illinois at Chicago study.

"Rising [health insurance](#) costs don't translate into dollar-for-dollar increases in the costs of [public education](#)" or in taxes, says Darren Lubotsky, UIC associate professor of economics. The study is published in the December issue of the *Journal of Health Economics*.

Much of the cost of health insurance is passed onto the [teachers](#) themselves, because most contracts stipulate that a portion of the cost be deducted from teachers' salaries.

Lubotsky and Craig Olson, alumni professor at the Institute of Labor and Industrial Relations on the Urbana-Champaign campus, analyzed pay and health insurance costs for Illinois public school teachers between 1991 and 2008. They found that teachers' take-home pay fell by about \$17 dollars for each \$100 increase in the cost of individual insurance and by about \$46 for each \$100 increase in the cost to cover family members.

Teachers in districts with older workforces tend to pay a larger share of their insurance costs.

"This is not surprising, since health care use rises with age, and people who use more medical care tend to be willing to pay more for

insurance," Lubotsky said.

Many speculate that rising costs for employer-provided insurance will raise costs for districts, or lead them to cease offering coverage. But Lubotsky said the results of this study "suggest those fears may be exaggerated, since a fraction of these [costs](#) are passed on to teachers."

Lubotsky said the study is unique, because the authors had access to public school [pay](#) scales, insurance premiums, and cost sharing arrangements for all school districts in Illinois for nearly 20 years—a wealth of data generally not available for private-sector firms.

"Our research is the first to document the important role for employees' premium contributions toward their health insurance," Lubotsky said.

Provided by University of Illinois at Chicago

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