

To the Editor:

I am somewhat puzzled by the terminology used by Michael K. Lettau and Thomas C. Buchmueller in their article, "Comparing benefit costs for full-time and part-time workers" (*Monthly Labor Review*, March 1999). The authors say that:

Health insurance appears to be the only benefit representing a true "quasi-fixed cost" to employers, meaning that the cost per hour worked is greater for part-time employees than it is for full-time employees (page 30)

Table 1 in the article shows that the average cost per hour of health insurance is \$0.05 less for part-time than for full-time workers. Why would the authors say that the cost per hour is more for part-time workers when the table shows that it is less?

To the extent the cost per hour is relatively constant for the two classes of workers (\$1.56, compared with \$1.61), does this not suggest that the cost per worker actually increases as the worker's hours increase? If so, then health insurance is a variable cost in the usual sense of the word "variable," not a fixed cost or even a quasi-fixed cost.

Maybe the authors should consider rephrasing their results in terms of progressivity and regressivity, rather than in terms of fixed and variable.

[signed] David M. Reaume  
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*The authors reply:*

Mr. Reaume is correct. The average cost per hour worked for health insurance is five cents lower for *all* part-time jobs with health insurance than for *all* full-time jobs with insurance. However, this comparison includes part-time and full-time jobs from a wide variety of circumstances.

We believe it is more meaningful to compare part-time and full-time jobs that are similar, apart from differences in scheduled hours. For this reason, we chose to emphasize results that account for differences in employer and job characteristics, either in a regression framework or by comparing full- and part-time jobs within the same establishment.

The regression results suggest the cost per hour worked for health insurance is 18 percent higher for the part-time jobs than for full-time jobs. The within-establishment comparison indicates that in most cases where full- and part-time workers receive health benefits, the annual cost for the two groups is identical, making the average cost per hour much higher for part-time workers.

These results, which represent the typical difference in costs faced by employers when they offer health insurance to full- and part-time workers, lead us to conclude that health insurance is partially, although not completely, prorated by hours worked. We acknowledge, however, that the unadjusted comparison of the average cost per hour may be appropriate for other purposes.