

Labor Day and the history of health insurance—an ongoing legacy



Labor Day is the time of barbecues, a lazy day at the beach and a last chance to celebrate the joys of summer before digging into the school-year rhythm of fall. It's also a chance to celebrate something else that touches your life well beyond the first Monday in September: American laborers—including you.

In fact, today's benefits brokers owe part of their industry's existence to laborers. The activism, determination and care of the American workforce is what gave birth to employer-provided insurance and other employee benefits. When you honor Labor Day, you're not just honoring what makes your job possible. You're honoring how the American spirit of enterprise has the potential to support the greater good.

How American laborers brought health insurance to the workplace

Medical services programs entered the American workforce in 1877, when the Granite Cutters Union instituted the first national union sick benefits program. Other unions followed, and eventually these evolved into health care plans that were sponsored by employees, employers or both.¹ Some unions even started their own health clinics for members—most famously, the International Ladies Garment Workers Union, which was agitating for laborers' rights even before the 1911 Triangle Shirtwaist Factory Fire that killed 146 laborers.²

But it wasn't until World War II that the connection between employment and health insurance became cemented in the United States. The war caused a labor shortage, leaving businesses so desperate for employees that economists became concerned that employers would raise wages to the point of triggering inflation—something the country couldn't afford as it exited the Great Depression.

Enter President Franklin Roosevelt's signing of an executive order that required employers to stabilize wages. With pay frozen, businesses had to come up with new ways to attract employees. One way to do that? Offer health insurance.

The next year, the Internal Revenue Service decided that employees wouldn't have to pay taxes on this benefit, sweetening the deal for people who were looking for jobs with strong compensation. And it worked: In 1940, 9% of Americans had health insurance. By 1950, that number had risen to more than 50%; by 1960, more than two-thirds of Americans were covered.³

Health insurance benefits became a key bargaining tool for unions. When the National Labor Relations Board ruled in the 1940s that employee benefits were subject to collective bargaining,⁴ it laid the path for health insurance and other benefits to be something to fight for—a tradition that's still going strong today.



The legacy of employee benefits continues with you

The Affordable Care Act says that people can get health insurance outside of their jobs. But the historic connection between employment and health care remains: Nearly 50% of Americans still get their health insurance through their employers.⁵

That doesn't mean that the job of American laborers agitating for better compensation is finished, though. Unionized labor continues to partner with employers to reduce health care costs—particularly important in today's age of sky-high medical bills, which stretch employers and their workforce. (Just one example: In one California county, the per-hour cost for health benefits for one unionized group is more than the state's minimum wage.)⁶

Employee benefits don't come out of thin air. They're the result of listening to the workforce, responding to what people need and changing with the times—and the hard work of people like you. As you light the grill this Labor Day, take a moment to thank the laborers whose work gave birth to your industry. Then take a moment to remember that your work—your labor—helps protect your fellow Americans. Your clients' employees might not see the long hours you put in. But every time they file a claim, they're grateful for what you do.

¹ Journal of Health Politics, Policy and Law. "Seeking Common Ground: A History of Labor and Blue Cross." Published 1991. [Accessed 7.12.2021.](#)

² AFL-CIO. "Triangle Shirtwaist Fire." [Accessed 7.12.2021.](#)

³ The New York Times. "The Real Reason the U.S. Has Employer-Sponsored Health Insurance." Published 9.5.2017. [Accessed 7.9.2021.](#)

⁴ National Academies Press. "Employment and Health Benefits: A Connection at Risk." Published 1993. [Accessed 7.9.2021.](#)

⁵ Kaiser Family Foundation. "Health Insurance Coverage of the Total Population." Published 2019. [Accessed 7.12.2021.](#)

⁶ The Commonwealth Fund. "In Focus: How Unions Act as a Force for Change in Health Care Delivery and Payment." Published 3.21.2019. [Accessed 7.12.2021.](#)

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