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Local labor market fluctuations and health: Is there a connection and for whom?

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ABSTRACT

We examine the relationship between local labor market conditions and several measures of health and health behaviors for a sample of working-aged men living in the 58 largest metropolitan areas in the United States. We find evidence of procyclical relationships for weight-related health and mental health for men with low ex ante employment probabilities. Separate estimates suggest worsening labor market conditions lead to weight gains and reduced mental health among African-American men and lower mental health among less-educated males. Among our findings, those related to mental health are most pronounced.

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1. Introduction and background

Economists have devoted much attention to the impact of macroeconomic fluctuations on a variety of outcomes, including earnings and their distribution, employment, criminal activity and human capital investment. While interest is rising, they have paid less attention to a possible connection to health. Using repeated cross-sectional data from the National Health Interview Surveys (NHISs), we estimate relationships between local labor market conditions and several measures of health and health behaviors for a sample of individuals living in the 58 largest metropolitan statistical areas (MSAs) in the United States. The paper's primary contributions are threefold: (1) we consider local rather than more aggregate labor market fluctuations, (2) we explore more detailed measures of mental health, and (3) we examine whether economic conditions have larger impacts on individuals with relatively poorer labor market prospects.

The paper proceeds as follows: in the remainder of this section, we discuss why health may vary with local labor market fluctuations, whose health might be most affected and briefly review the relevant literature. In Section 2, we describe our data, focusing on key variables and the construction of our analysis sample, which consists of working-aged men. Section 3 presents our empirical strategy which relates local labor market conditions, via MSA-level unemployment rates, to measures of health and health behaviors that may vary over short periods of time. Since the effect of labor market conditions on health may depend on the extent to which one's present or prospective employment is impacted by them, we divide our sample into

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groups whose employment prospects are potentially more and less likely to be affected by such fluctuations. For example, we allow the effect of local labor market conditions to vary by race and education group since previous research suggests the labor market outcomes of non-white and less educated individuals are relatively more impacted by economic fluctuations. In addition, we allow this effect to vary by one's potential "exposure" to labor market fluctuations, as proxied by their predicted employment status. Section 4 presents our principal findings and briefly discusses them. For those men least likely to be employed, we find evidence of a procyclical relationship for weight-related health and mental health. Consistent with these findings, we present evidence that worsening labor market conditions lead to weight gains and reduced mental health among African-American men and lower mental health among less educated males. Among these findings, those related to mental health are most pronounced. This is significant given the connection of mental health to other phenomena such as homelessness, drug abuse and criminal activity. It is also important since it may provide information to policymakers on how best to allocate scarce health resources. Section 5 discusses our most prominent findings and Section 6 concludes the paper.

1.1. Why might local labor market conditions affect health?

Conceptually, local labor market conditions may affect health for a variety of, potentially conflicting, reasons. Two general explanations have gained prominence in related work. The first can be classified as a "behavioral" explanation since it implies that health impacts propagate through changes in individual behavior, while the second can be considered a "structural" explanation as it implies labor market conditions can affect health absent any explicit behavioral changes by individuals. To elaborate, we briefly consider each in the context of a labor market contraction.

First, local labor market fluctuations might impact health through changes in the opportunity cost of time. When the unemployment rate rises, employment is reduced on intensive and extensive margins. Such reductions lower the opportunity cost of other, non-market activities including household production. One form of household production that is very time-intensive is the production of health.[1] Facing lower time costs, affected individuals may spend more time in activities intended to improve their health (e.g., exercising, producing and consuming homemade rather than mass-produced or restaurant meals, or using preventive medical services). If investment in such activities improves health and does so in a reasonably short period of time, a countercyclical relationship between labor market conditions and health will obtain.[2]

Another channel through which fluctuating labor market conditions might affect health is sometimes referred to as the "economic stress" hypothesis (c.f., Catalano and Dooley, 1983; Catalano, 1991). In general, the idea is that a weaker economy leads to increased stress due to greater uncertainty of present and future income receipt. In turn, this greater stress level leads to reductions in health.[3] In addition, such uncertainty over income may have "feedback" effects in that it may increase the likelihood of life events such as bankruptcy or marital dissolution which may add to the stress associated with a downturn in the labor market. If the stress hypothesis is operative and if greater stress reduces health in the short-run, a procyclical relationship between labor market conditions and health will obtain.[4]

1.2. Who might be most affected by labor market fluctuations?

While these two general explanations are not mutually exclusive and certainly do not exhaust the mechanisms through which labor market conditions may affect health, they do indicate that their directional impact on health is an empirical question. A separate issue is whose health is most likely to be impacted by such fluctuations.

Since the question of interest is whether *labor market* conditions impact health, individuals whose current employment or employment prospects are most affected by labor market fluctuations may be most likely to experience corresponding changes in health, if such effects exist. But who are these individuals? Previous work suggests the labor market outcomes of "lower-skilled" individuals are disproportionately affected by economic fluctuations. Of these studies, the ones that use MSA-level variation in labor market conditions to examine labor market outcomes such as earnings and employment are most relevant to this study (Bartik, 1991, 1993a,b, 1994, 1996; Bound and Holzer, 1993, 1995). Generally speaking, these authors find greater sensitivity to economic fluctuations among non-whites, younger individuals and individuals with lower education levels. That is, these groups are relatively more likely to have positive labor market outcomes during economic expansions and negative ones when labor market conditions deteriorate.[5] While not as directly relevant, studies which use national-level variation or focus on younger individuals tend to find similar patterns (c.f., Blank, 1989; Acs and Wissoker,

[1] As anyone who has ever purchased a piece of exercise equipment knows, investment in health can also be quite goods-intensive, but inherently involves a substantial time component.

[2] Of course, reductions in the opportunity cost of market time make time spent in other, potentially health-reducing activities less costly as well (e.g., late nights spent at a local tavern).

[3] Realized income losses may have more direct impacts on health. For example, when income decreases it is likely that the ability to finance "healthy" goods such as fruits and vegetables falls for some individuals. Conversely, a loss in income may reduce high calorie or calorie-dense restaurant meals to the extent that these are normal goods.

[4] A distinction should be made between this type of stress and *job-related* stress since it is quite plausible that economic contractions reduce the latter. For example, it is likely that mandatory overtime and, more generally, worker effort fall during labor market contractions.

[5] Note that most of these studies offer no direct evidence on *why* "lower skilled" individuals are relatively more impacted, but tend to speculate that the observed relationship is due to lack of geographic mobility and/or because their employment is concentrated in sectors that are most impacted by economic changes.

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