

Effects of Unemployment on Health Status in the NPHS

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Abstract

I investigate the effects of unemployment on an individual's health status using the Canadian National Population Health Survey. The health science literature has noted a link between health and unemployment status, finding that those who have experienced unemployment are more likely to have health problems or to die earlier than those who have not. Since health care and unemployment insurance programs are a substantial part of government spending in many developed countries, it is important to have a better understanding of the precise relationship between an individual's health and unemployment status. One obvious problem when addressing the link between health and unemployment is that the causality runs in both directions: because of poor health, one may not be able to work and one may experience health problems due to being unemployed. I examine the causal relationship from unemployment to health status using an instrumental variables' approach to instrument for unemployment. I exploit the fact that eligibility for the program and the benefit entitlement periods are step functions of regional unemployment rates under the Employment (Unemployment) Insurance program during the 1990's across Canada, and then estimate the effects of unemployment on an individual's health. The main finding of the paper is that,

for male labor market participants between 22 and 57 years old, unemployment has a negative impact on subjective health status, while it has no effect on the objective health measure. The estimated direct marginal effect indicates that being unemployed increases the probability of reporting poor health status by 1.17 percentage points, and the probability of poor health by the objective measure by only 0.1 percentage points.