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Financial unhealthiness predicts worse health outcomes: evidence from a sample of working Canadians

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ABSTRACT

Objective: This paper investigates how financial health associates with self-rated health, for a sample of working Canadians. Financial health is defined as an indicator of the proportionality of household consumption to its income.

Study design: The study draws on the Canadian General Social Survey of 2011, a cross-sectional data set.

Methods: Multivariate regression analysis is employed.

Results: The results show that financial unhealthiness is a statistically significant and strong predictor of worse physical and mental health outcomes, controlling for a wide array of characteristics, including income and job security implied by occupational category.

Conclusion: Policy implications are explored.

Introduction

Various reports suggest that Canadian households are over-extended in debt.[1,2] This outcome is attributed to several interrelated culprits. The job market weakness ensuing the financial crisis of 2007–09,[3] credit availability, consumerism, and the record low interest rates are blamed for the situation.[4,5] The financial crisis of 2007–09, dubbed the Great Recession[6,7] has led to policies such as austerity in the public sector, inclusive of healthcare provision,[8] and low interest rates,[9] across the affected countries. Low interest rates, while conducive to productive investment and job creation, also entice households to arrive at a consumption level higher than it is reasonable for their income. This consumption driven debt adds to the indebtedness created by the recession itself.[1,3,5]

The Great Recession hit the Canadian economy in 2009. According to the Canadian General Social Survey, about 10% of working Canadians were unable to pay at least one of their bills during the year 2010, whereas 15% reported being left with nothing after paying for their necessary expenses. Financial health of a household can be evaluated based on its ability to pay for its current expenses and service its debts, while maintaining an emergency fund. The inability to meet these requirements qualifies a household as financially unhealthy. Traditional approaches to measure health consequences of economic insecurity focus on either relative position or fluctuation of household income,[10,11] or the actual or potential incidence of job loss.[12–14] This way of measuring

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economic insecurity risks overlooking the financial struggle of the working middle-class, and its potential health impact. No study, thus far, has considered this subset of the population, that is, financially unhealthy households. This line of inquiry is however important, in the presence of a financial crisis with the magnitudes of the Great Recession of 2007–09, which made job insecurity a ubiquitous concern.

Extant scholarship suggests that general health deteriorates in times of sharp economic change, reflected in macroeconomic indicators.[15,16] So far, the results on the relationship between business cycles and health remains mixed. Some studies report a rise in all-cause mortality subsequent to a drop in unemployment rate,[17–19] whereas others find that positive health outcomes follow economic booms.[20] Financial crises are, however, mainly associated with negative health outcomes.[21] The impact of the Great Recession on health outcomes of different affected countries has been considered in the literature. Health and well-being deterioration have been reported for Greece,[22] United States,[23] Spain and Portugal,[8] and the Eurozone as a whole.[24] These results are consistent with the reports following the East Asian financial crisis of 1997–98; though in these countries, the increase in suicide rates was a stronger culprit, compared with the Western economies.[25,26] The health consequences of the Great Recession for Canadians have not yet been investigated in the literature. This study fills the gap, using a novel approach in measuring economic insecurity.

Methods

The analysis is conducted using the 2011 cycle of the Canadian General Social Survey (GSS-2011), administered by Statistics Canada, and released in 2014. The General Social Survey of 2011, covering various dimensions of individual characteristics, allows for identification of financially unhealthy households, and the use of a rich set of controls. The timing of data collection, coinciding with the immediate aftermath of the peak of the Great Recession, makes it the most appropriate source available for the purpose of this investigation. The sample used in this study is restricted to the individuals who responded 'working at a paid job or business' to the GSS question enquiring about the 'main activity of the respondent in the last 12 months.' This sample restriction allows the study to focus on the respondents who, likely, did not experience a salient economic shock, such as a job loss, in the year before the interview.

There are four questions in the GSS that explicitly deal with financial resilience of the respondents. First, the respondents were asked whether after meeting their financial obligations, they are left with any fund to save for emergency or larger expenses. Second, the respondents are asked whether in the past 12 months, they have failed to pay (i) their rent or mortgage; (ii) their utility bills; (iii) an instalment on a loan. To quantify the incidence of 'financial unhealthiness', a dummy is created to take the value of one for individuals who declared they are unable to save, or responded affirmatively to at least one of the three questions regarding their ability to meet their financial obligations.

This variable, distinct from either of insolvency or job insecurity, indicates that the household is 'living on the edge', regarding financial matters. This state can be caused by the absolute insufficiency of income, or the insufficiency of income relative to consumption. Although low income makes this outcome more likely, households of all income levels can potentially experience this state, when consumption is disproportionate to income. Figs. 1–4 depict the percentage of individuals who have failed to meet their financial obligations against those unable to save, by province of residence, for the subsample used in this study, the working respondents. As

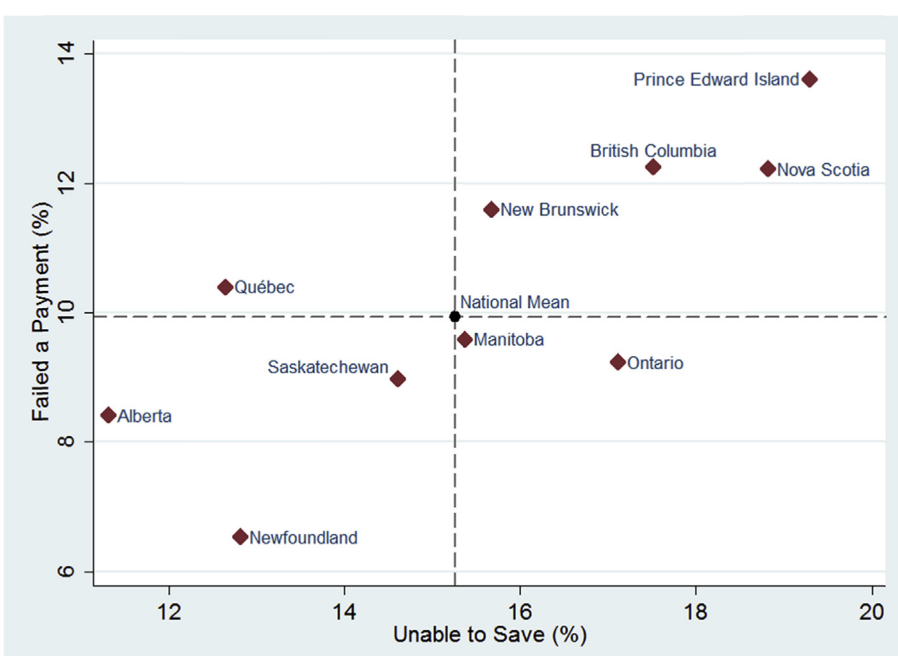

Fig. 1 – Failed to pay at least one bill.
The data source is the Canadian General Social Survey of 2011.