



The effect of unemployment on self-reported health and mental health in Greece from 2008 to 2013: A longitudinal study before and during the financial crisis



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ABSTRACT

The current study uses six annual waves of the Longitudinal Labor Market Study (LLMS) covering the 2008–2013 period to obtain longitudinal estimations suggesting statistically significant negative effects from unemployment on self-reported health and mental health in Greece. The specifications suggest that unemployment results in lower health and the deterioration of mental health during the 2008–2009 period compared with the 2010–2013 period, i.e., a period in which the country's unemployment doubled as a consequence of the financial crisis. Unemployment seems to be more detrimental to health/mental health in periods of high unemployment, suggesting that the unemployment crisis in Greece is more devastating as it concerns more people. Importantly, in all specifications, comparable qualitative patterns are found by controlling for unemployment due to firm closure, which allows us to minimize potential bias due to unemployment–health related reverse causality. Moreover, in all cases, women are more negatively affected by unemployment in relation to their health and mental health statuses than are men. Greece has been more deeply affected by the financial crisis than any other EU country, and this study contributes by offering estimates for before and during the financial crisis and considering causality issues. Because health and mental health indicators increase more rapidly in a context of higher surrounding unemployment, policy action must place greater emphasis on unemployment reduction and supporting women's employment.

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1. Introduction

The current study examines the effects of unemployment on self-reported health and mental health status in Greece using the Longitudinal Labor Market Study (LLMS), a unique longitudinal data set covering the 2008–2013 period. The 2008–2013 LLMS data set contains sequential annual observations for a great many individuals and information about labor market status, personal income, per capita household income, and health and mental status in six subintervals of these individuals' life cycles. These data provide us with a unique opportunity to formulate hypotheses and establish temporal relationships between unemployment and health/mental health.

The current study has several strengths. First, by focusing on the 2008–2009 and 2010–2013 periods, we examine how health and mental health were affected by unemployment during a period in which unemployment doubled as a consequence of the financial crisis. We are particularly interested in examining whether unemployment has a greater negative impact on health/mental health at a time when the economy is experiencing higher unemployment generally. Given that Greece has experienced the highest levels of unemployment and income loss among the countries of the EU region and OECD during the current financial crisis (OECD, 2014), it is important from an international perspective to examine how a severe increase in unemployment experienced by an EU member state can affect self-rated health and mental health and to suggest evaluations and policy implications. Second, the findings are based on two measures of self-reported well-being, health and mental health status, which are perceived to be reliable predictors of clinical outcomes and mortality (Bowling, 2004; Franzini et al., 2005; Johansen et al., 2006) and will allow us to offer well-

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informed estimations on the relationships under consideration. Third, by utilizing valuable information regarding involuntary unemployment, we are able to address unemployment–health related reverse causality and offer firm estimations on the relationship between unemployment and health/mental before and during the financial crisis. Finally, we provide Greek fixed effect estimates on the effect of unemployment on individuals' health and mental health status before and during the financial crisis, estimates that are not currently available in Greece.

From a policy perspective, it is essential to evaluate whether unemployment has negatively or positively affected health and mental health in countries where unemployment increased during the financial crisis. If unemployment exerts positive rather than negative effects on health and mental health status, social policy should be well informed before establishing strategic plans. Thus, if the social cost of unemployment is lower than typically assumed, social planners should be aware; if unemployment causes a greater deterioration in individuals' health during periods of financial crisis, policy makers should work even harder to return the unemployed to the labor market. A clear understanding of the relationship between unemployment and health/mental health is vital for policy design aimed at improving general health and narrowing social inequality.

The remainder of the paper is organized as follows. The next section presents the research hypotheses. Section 3 describes the data set and variables, and Section 4 presents the descriptive statistics. Section 5 presents the estimation framework and results, and is followed by a discussion and conclusions.

2. Theoretical framework

International studies demonstrate that unemployment can have a serious negative impact on health and mental health indicators. In a meta-analysis of 237 cross-sectional and 87 longitudinal studies, Paul and Moser (2009) estimate that unemployed persons exhibit greater distress than employed persons. Additionally, Goldman (2001) and Kawachi and Wamala (2006), in their seminal social epidemiology reviews, demonstrate a strong negative correlation between individual health and the experience of unemployment. Similarly, Bambra and Eikemo (2009) utilize EU cross section data for 23 countries for the period 2000–2002 and find a consistent relationship between unemployment and poor self-reported health. Based on the most well-known theories that have been applied to the problem of unemployment, there is agreement that unemployment can be detrimental to an individual's well-being (Kawachi and Wamala, 2006). The absolute income effect hypothesis suggests that income loss due to unemployment decreases investments in health-enhancing goods and results in health and mental health deterioration (Grossman, 1972, 2000; Kawachi and Beckman, 2000). Job loss is found to be related to restricted access to medical health care and higher mortality rates (Kawachi and Wamala, 2006).

In addition, the stress vulnerability model suggests that high-risk lifestyle behaviors – such as growth in unhealthy eating habits, smoking and alcohol use – are related to health status deterioration accompanying unemployment (Brackbill et al., 1995; Laitinen et al., 2002; Kawachi and Wamala, 2006). Adopting a negative health behavior after a job loss is perceived to be a method of coping with the stress of being stripped of a social role and social networks (Kawachi and Wamala, 2006). Indeed, the deprivation model and the vitamin model – which are primarily concerned with the psychosocial consequences of unemployment – suggest that unemployment severely frustrates the human desire for agency and self-directedness (Jahoda, 1981, 1982, Warr, 1987, 2007). Several studies have demonstrated that unemployment can result

in mental health deterioration because unemployed individuals are stripped of certain functions of employment, including time structure, social contact, a collective purpose, status, activity, goals, physical security, and valued social position (Jahoda, 1981, 1982; Warr, 1987, 2007; Fryer and Payne, 1986; Kawachi and Wamala, 2006; Tefft, 2011). Simultaneously, it has been suggested that acute and chronic stressors follow the unemployed because decreases in economic resources can be stressful for the unemployed individual and his/her family; moreover, such stressors have been found to relate to changes in physiological regulation, which leads to poor health (Kawachi and Wamala, 2006). Consistent with prior theoretical considerations and empirical results, we formulate the following as the first hypothesis related to unemployment and health/mental health status:

Hypothesis 1.a (1.b). *Unemployment may result in lower health (mental health) status.*

Our data set covering the 2008–2013 period also enables us to examine whether the effects of unemployment on health and mental health status during the 2008–2009 period are different from those of the 2010–2013 period. The rationale is to examine whether health and mental health deteriorated more rapidly among the unemployed in the 2010–2013 period, when the unemployment level was higher than in the 2008–2009 period. In 2010, Greece entered one of the most serious economic downturns in its modern history (Eurostat, 2011a). In 2008, Greece was ranked as the 27th largest economy in the world (Eurostat, 2011a); however, when the international financial crisis struck, Greece began to face socioeconomic turmoil (European Central Bank, 2011; International Monetary Fund, 2013). In 2009, the crisis had not yet become part of the everyday life of the Greek population (European Central Bank, 2011; Eurostat, 2011b). In 2010, however, the country was placed under the supervision of the European Commission, the European Bank and the International Monetary Fund, and its leaders signed a series of economic adjustment programs to avoid sovereign default (European Central Bank, 2011).

The financial crisis had its strongest impact on the labor market, where unemployment reached the unprecedented rate of 21% in 2010–2013, compared with 9.7% in 2008–2009 and 9.5% during the 2000–2007 period (International Monetary Fund, 2013). Long-run unemployment (i.e., more than 12 months of continued unemployment) doubled from approximately 8% in 2008–2009 to 16% in 2010–2013 (International Monetary Fund, 2013). Minimum wages were cut by over 20%, and real GDP contracted 24% in 2010–2013, making this peacetime recession one of the deepest ever in an industrialized economy (International Monetary Fund, 2013; Kentikelenis et al., 2014). The financial crisis in Greece was accompanied by lowered labor demand, reduced family incomes, higher debt, significant cuts in the funding of health-care systems, and tightened access to health-care services (International Monetary Fund, 2013; Kentikelenis et al., 2014). Public spending on health was reduced by 24.3% in real terms (OECD, 2013), and hospital budgets were cut by more than 40%, whereas demand increased by approximately 25% (Kentikelenis et al., 2011). The percentage of the population living on or below the poverty line has increased by 25% during the period 2010–2013, and the unemployed comprised a large proportion of the groups at high risk of poverty (Bank of Greece, 2014). In addition, during the period 2010–2013, the share of Greek people saying that they could not afford basic needs (food and medicine) doubled compared with the pre-crisis period (OECD, 2014), and the unemployed faced the risk of social exclusion due to severe income reductions (Bank of Greece, 2014).

Reflecting on the absolute income effect hypothesis (Grossman, 1972, 2000), vulnerability model (Brackbill et al., 1995), deprivation

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