



# Do employment protection policies reduce the relative disadvantage in the labour market experienced by unhealthy people? A natural experiment created by the Great Recession in Europe



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## ABSTRACT

Unhealthy persons are more likely to lose their jobs than those who are healthy but whether this is affected by recession is unclear. We asked how healthy and unhealthy persons fared in labour markets during Europe's 2008–2010 recessions and whether national differences in employment protection helped mitigate any relative disadvantage experienced by those in poor health. Two retrospective cohorts of persons employed at baseline were constructed from the European Statistics of Income and Living Conditions in 26 EU countries. The first comprised individuals followed between 2006 and 2008,  $n = 46,085$  (pre-recession) and the second between 2008 and 2010,  $n = 85,786$  (during recession). We used multi-level (individual- and country-fixed effects) logistic regression models to assess the relationship (overall and disaggregated by gender) between recessions, unemployment, and health status, as well as any modifying effect of OECD employment protection indices measuring the strength of policies against dismissal and redundancy. Those with chronic illnesses and health limitations were disproportionately affected by the recession, respectively with a 1.5- and 2.5-fold greater risk of unemployment than healthy people during 2008–2010. During severe recessions (>7% fall in GDP), employment protections did not mitigate the risk of job loss (OR = 1.06, 95% CI: 0.94–1.21). However, in countries experiencing milder recessions (<7% fall in GDP), each additional unit of employment protection reduced job loss risk (OR = 0.72, 95% CI: 0.58–0.90). Before the recession, women with severe health limitations especially benefited, with additional reductions of 22% for each unit of employment protection (AOR<sub>female</sub> = 0.78, 95% CI: 0.62–0.97), such that at high levels the difference in the risk of job loss between healthy and unhealthy women disappeared. Employment protection policies may counteract labour market inequalities between healthy and unhealthy people, but additional programmes are likely needed to protect vulnerable groups during severe recessions.

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## 1. Introduction

There has been widespread concern that the Great Recession that began in 2008 has disproportionately impacted vulnerable groups, particularly those with chronic illnesses or disabilities (Kaye, 2010). Historically, persons with chronic illnesses have been twice as likely to lose jobs than those in good health (Schuring

et al., 2007). During previous recessions in Europe, men with chronic illness, particularly from lower socio-economic groups, were more likely to lose their jobs than men without chronic illness, leading many to exit the labour force entirely (Bartley and Owen, 1996; Minton et al., 2012). Very few longitudinal analyses have examined this issue, but those that have consistently find that people who initially report poorer health were more likely to lose their jobs (Jusot et al., 2008; Montgomery et al., 1996; Schuring et al., 2012; Virtanen et al., 2013) – especially if they are older (van den Berg et al., 2010) – and then, when job loss occurs, to have more difficulty regaining work than those in better

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health (Stewart, 2001). Yet is it inevitable that economic downturns will heavily penalise those already disadvantaged on the grounds of health?

Cross-national variation in the extent to which chronically ill people are penalised in the labour market suggests that political and structural features of the labour market may protect them from any worsening of their existing disadvantage (Marmot et al., 2012). This political economy approach to health seeks to understand how politics, policies, and economics can influence the health and life chances of vulnerable groups, with potential implications for health inequalities (Beckfield and Krieger, 2009; Pega et al., 2013; Reeves et al., 2014). It further draws attention to how recessions and employment protection legislation, two under-researched economic and political determinants of health, influence the relative disadvantage in the labour market experienced by those with chronic illnesses.

Employment protection legislation is intended to help protect jobs during hard times. Such legislation includes safeguards for permanent contracts as well as measures that make redundancy more expensive or difficult for employers. For example, requiring redundancies be approved by third party organisations makes layoffs more difficult. Dismissal can also be made more costly if longstanding employees are entitled to greater severance pay. In such circumstances, employers may seek alternative ways to achieve savings rather than by shedding workers who may be perceived as less productive, particularly those in ill health, during economic contractions.

Although it is plausible that employment protection may reduce the short-term risk of job loss, the OECD and IMF claim that these policies lead to labour market rigidity, worsening overall employment rates (IMF, 2013; OECD, 2013). It is argued that firms may be reluctant to hire employees if it is difficult to dismiss them. U.S. studies that examined the short-term impact of the 1991 Americans with Disabilities Act, which prohibited workplace discrimination against disabled people, suggested that it exacerbated already high unemployment rates in this group (Acemoglu and Angrist, 2001; DeLeire, 2000), with similar results observed in the UK (Bell and Heitmueller, 2009). Yet, others have suggested that these results were artefactual, since the Americans with Disabilities Act increased the numbers of persons designated as disabled (Jolls and Prescott, 2004; Kruse and Schur, 2003). Further studies that have investigated the longer-term effects find that anti-discrimination policies improved employment rates among disabled people although, in the UK, there is suggestive evidence that they have benefited men more than women (Jones et al., 2006; Kruse and Schur, 2003; Woodhams and Corby, 2007). These observations are thought to be a product of women's overrepresentation in precarious employment, including part-time work and the service sector. This debate reflects a growing concern with how politics and policies intersect with economic fluctuations in shaping population health (Pega et al., 2013).

In this study, drawing on the natural experiment created by the economic downturns in Europe that began to emerge in late-2007 following the collapse of the US housing bubble, we examine two questions concerned with the political economy of labour market inequalities:

1. Are unhealthy persons at greater risk of losing jobs than healthy persons during economic recessions?
2. Do employment protection policies mitigate their relative disadvantage during periods of (a) no recession, (b) mild recession, and (c) severe economic recession?

## 2. Methods

### 2.1. Retrospective cohort data

Individual-level data were taken from the European Statistics of Income and Living Conditions (EU-SILC). We included data from individual surveys from 26 EU/EEA countries, apart from Germany in the years 2006–2010, Ireland in 2008–2010, Romania in 2006–2008 and Switzerland in 2006–2010 for which data were unavailable. Household response rates vary by country from 53.7% in Luxembourg to over 90% in Slovakia and Romania, with an overall mean response rate of over 80%.

The SILC survey includes both cross-sectional and longitudinal components. A rotational design is used for the longitudinal component, replacing 25% of the sample each year with a maximum coverage of four years. Thus, to assess the consequences for job loss, we constructed two cohorts of the longitudinal EU-SILC, covering the years 2006–2008 and 2008–2010. These cohorts were selected because they coincide with rising European unemployment associated with the Great Recession. Officially, recessions, defined in terms of declines in GDP, began in late 2007 and early 2008, but the subsequent increase in unemployment, which affected nearly all countries, began in 2009.

Persons in the first cohort (prior to large rises in unemployment associated with the Great Recession) were employed in 2006 and were interviewed annually until 2008. Members of the second cohort (during the rise in unemployment) were employed in 2008 and interviewed annually until 2010. Members of both cohorts were included in the EU longitudinal sample if they were present throughout the three-year study phases (covering 2006–2008 and 2008–2010) and did not exit the workforce (i.e. retired, were unable to work due to disability, were in full-time education or otherwise inactive). This yielded a final analytic sample of 46,085 respondents in 2006–2008 (138,255 person-years) and 85,786 respondents in 2008–2010 (257,358 person-years).

### 2.2. Multi-level statistical models

Becoming unemployed is our outcome of interest. To measure the incidence of unemployment, a dummy variable was created for respondents who self-reported unemployment in any or both of the 2 years from baseline. We define job loss as becoming unemployed and remaining economically active. Unemployment is defined as 'current' economic activity and so the SILC data may fail to capture those who were employed during the data collection period in 2006 and in 2007 but who were briefly unemployed between these two periods.

Chronic illness and health limitation are both key explanatory variables. Chronic illness was defined as the presence of self-reported long-term conditions (No = 0, Yes = 1). We also evaluated the presence of health conditions severely limiting daily activities (henceforth health limitations) (No limitation = 1, Some limitation = 2, Severe limitation = 3), although small numbers did not allow for within-country comparisons. Item non-respondents were removed from our sample for chronic illness (2008  $n = 6022$ ; 2010  $n = 11,618$ ) and for limiting health conditions (2008:  $n = 6032$ ; 2010:  $n = 11,635$ ).

Our models also include individual- and country-level covariates. Because chronic illnesses and health limitations are highly correlated with age, we include both measures of age and age-squared to adjust for any non-linear associations with the probability of job loss. We also adjust for marital status (married or not) and educational status (measured as the number of years of

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