

# Health and (un)employment: the relationship

## Key findings

- Health and labour market status are strongly connected: unemployed people have worse health than employed people
- Ill-health is predictive of labour market exit, while job loss is also found to have adverse consequences to health
- The relationship between health and unemployment varies across population groups and different institutional contexts
- The success and cost-effectiveness of various social, health and labour market policies depend on our understanding of this relationship
- Social, health and labour market policies should better protect people from the impact of ill-health on labour market exclusion as well as adverse consequences of unemployment on health

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## INTRODUCTION

This series of policy briefs focuses on the role of health in cost-effectiveness of policies aimed at prolonging working careers in the middle and in the end.

Demographic changes and budgetary constraints in most European Union Member States have put pressure in countering work absenteeism, challenges of ageing work force, and exclusion of disadvantaged people from the labour market. Success in taking effective measures in relation to health-related labour market exits is important for achieving higher employment rate as well as supporting incomes of people with health-related problems.

This first policy brief in the series discusses the relationship between health and employment by focusing especially on unemployment. Understanding better the connection between health and unemployment and the mechanism through which it functions is fundamental for maintaining good health of the unemployed, reducing negative health impacts of unemployment and designing cost-effective active labour market policies as well as social and health policies targeted to unemployed.

## HEALTH AND UNEMPLOYMENT: A STRONG RELATIONSHIP

The relationship between socioeconomic position and health status of individuals and populations is well established: wealthier and better educated people have better health in comparison to people with lower socioeconomic status.<sup>1</sup> Review of literature shows that ill-health is associated with all labour outcomes, such as lower earnings and wages, labour force participation, and hours worked, as well as likelihood of earlier retirement.<sup>2</sup>

Socioeconomic status is connected to higher risk of unemployment, which can make it difficult to distinguish the health impact of unemployment from the health impact of the socioeconomic status. However, unemployment and various health problems have been found to be associated in research. These health problems, on the other hand, can constitute an obstacle for the unemployed to find work or maintain it.

Chart 1 illustrates the difference in the share of unemployed and employed people with self-reported bad health. The connection between unemployment and poor health is especially strong in some countries (like the Netherlands, Germany and Finland), while cross-country variation is also significant.

The dichotomy of employed vs. unemployed may obscure the complex relationship between work and health. Jahoda's seminal study on the meaning of work for individuals can explain the mechanism that goes beyond the economic hardship caused by job loss. Jahoda emphasises the latent characters of work, like having a time structure, social network, and meaningful activities, and their impact on health.<sup>3</sup>

From the policy perspective it is important to acknowledge that addressing the negative impacts connected to the loss of income source, on the one hand, and the latent functions of work, on the other, necessitate different policy measures.

**Project: Cost-effectiveness of policies aimed at prolonging working careers - the role of health (EU-HEMP)**

EU-HEMP is an EU-funded project studying the impact of health in increasing employment rate and labour market participation. This series of policy briefs is produced as part of the project.

The principal objectives of the project are the following:

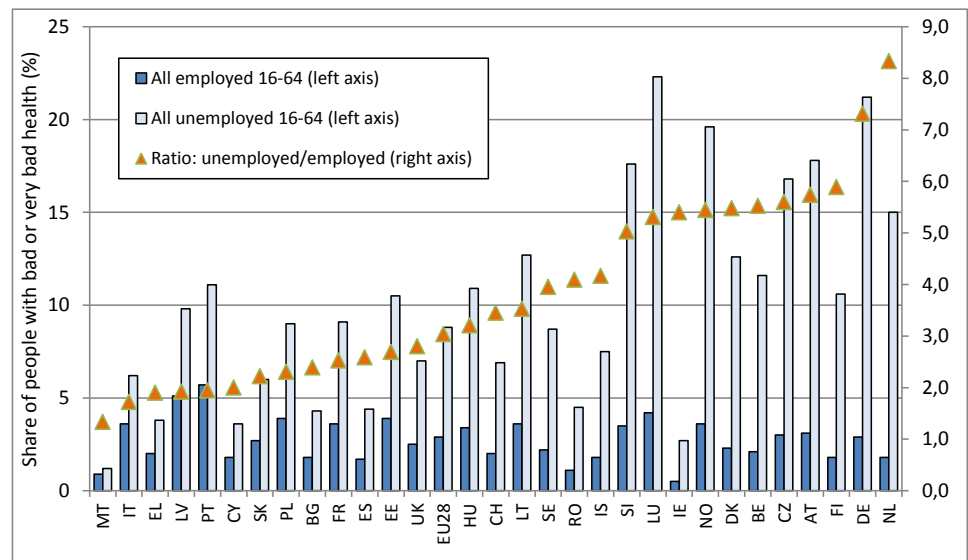
1) Producing and gathering evidence on the cost-effectiveness of strategies aimed at reintegration of disabled people, people on sickness leave and long-term unemployed people into the labour market and policies aimed at prolonging careers of near-retirement people. In short, we study the role of health in increasing employment.

2) Policy recommendations for the design of more cost-effective policies will be made based on data analyses, comparative policy analysis and review of best practices.

3) Creation of an international expert network in the field of rehabilitation, reintegration, disability and health policies in connection with labour markets.

**Link to the website**

The project is funded by the European Commission (agreement no. VS/2014/0174) together with the National Institute for Health and Welfare.



**Chart 1.** Self-reported bad/very bad health of employed and unemployed people. Source: Eurostat.

**EVIDENCE ON THE CAUSAL LINK BETWEEN JOB LOSS AND ILL-HEALTH**

The direction of causality between health and unemployment is not clear and probably the mechanism works in both directions: unhealthy people are more likely to become unemployed and unemployment has a negative effect on person’s mental and physical health. Scientific evidence also supports bi-directional causation.

Job loss and especially longer spells of unemployment are connected to worsening health status measured with various health outcomes<sup>4</sup>, but poor health has also been found to be a determinant of unemployment, early retirement and disability pension and lower chance of re-employment.<sup>5</sup> However, as Arrow concludes based on German panel data, not everybody with chronic illness face the same risk of unemployment, and aggregate results might thus be misleading. Already vulnerable groups, like immigrants, are more likely to be selected to unemployment due to illness.<sup>6</sup>

Especially mental health problems, like anxiety and depression, are more frequent among the unemployed. Theodossiou discovered that this connection stayed even when comparing unemployed to people with low pay. This finding emphasises the psychological impact of unemployment *per se* and not only its economic impact.<sup>7</sup>

Other studies have analysed the impact of unemployment on health behaviour, which would consequently explain the adverse effect of job loss on health. While studies show that higher levels of smoking or alcohol consumption are predictive of unemployment, longitudinal studies provide only mixed evidence on the impact of unemployment on these behaviour.

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## VARIABLE IMPACT OF UNEMPLOYMENT AND RISK OF ILL-HEALTH

The impact of unemployment is likely to be different for different groups of people. There is ample room for variation as the meaning of job loss, context, mediators and moderators vary from one individual to another.

A variety of factors can moderate the impact of unemployment on health: age, gender, social capital, psychological resilience, ethnicity, educational level, high work commitment, household type, general unemployment level, social support, economic situation, coping strategies etc. These have been widely explored in meta-analysis by McKee-Ryan *et al.* who conclude that information on these factors should be used in targeting of various policy measures to the unemployed.<sup>8</sup>

Furthermore, national policy setting and labour market context are likely to have an impact on the relationship between health and unemployment. Evidence on elements that can help coping with unemployment is interesting for developing more effective policy measures that may also play a role in reducing health inequalities.

In addition, bad health is not an equal risk to everyone, but affects especially those with already a vulnerable position in the labour market. Health promotion and improving working conditions seem important measures to maintain a productive workforce, particularly among workers with low education.

## RE-EMPLOYMENT AND HEALTH

Research shows that people with health problems are less likely to find a job. This means that long-term unemployed often have worse health due to health-selection.<sup>5</sup> Therefore, Lötters *et al.* state that vocational rehabilitation should address the perceived health of people in long-term unemployment together with other aspects that lower the likelihood of getting back to employment.<sup>9</sup>

Other studies on the impact of re-employment on subsequent health and well-being show, on the other hand, that finding a job is good for the individual – bearing in mind that some studies show that dissatisfactory re-employment is linked to negative outcomes, meaning that re-employment should not happen at the expense of quality of jobs.<sup>8</sup> Generally, it can be said based on these findings that employment can play a role in reducing health inequalities in the European Union. For example Schuring *et al.* conclude that labour force participation should be considered as a therapeutic intervention in health promotion programmes.<sup>10</sup>

## JOB INSECURITY AND HEALTH

As for those who are employed it can be said that work impacts health at least through the physical conditions in the workplace, through the demanding nature of work activities and control over one's tasks, and through the contractual nature of jobs (e.g. precariousness).<sup>11</sup>

Connected to the last point, job insecurity, especially in the current economic situation, is an additional phenomenon that can have an adverse impact on health. In a Finnish study, downsizing of the local government was associated with an increase in sick leaves.<sup>12</sup> Another study found that job insecurity was connected to an increase in physical symptoms.<sup>13</sup> This means that organisational restructuring should be implemented together with an effort to protect employees' health and well-being.

## CONCLUSIONS AND RECOMMENDATIONS

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The extensive scientific literature from fields of epidemiology, public health, social policy and economics illustrates the complex relationship between health and work or no work. This association should be taken better into account in the analysis of labour market policies as well as health and social policies. It influences the success of achieving higher employment rates, increasing employability of unemployed or older workers, and supporting work and incomes of people with health problems.

First, based on the findings that ill-health increases the risk of labour market exit, it appears that policies should better protect workers with health problems against exclusion from the labour market. A special attention should be accorded to workers of lower socioeconomic status who have a heightened risk of unemployment.

However, more research is needed to identify the role of employers: e.g. to what extent is labour market exclusion due to employers' reluctance to retain sick workers? On the other hand, how do sick workers' personal characteristics, such as motivation, or working environment impact on health-related labour market exit? These are fundamentally important issues if governments want to design cost-effective policies and to target them in an appropriate way.

Second, measures to decrease the negative impact of unemployment or the experience of job search on health should also take into consideration the latent functions of work, which comprise e.g. meaningful activities and social contacts. Active labour market policies may be able to provide these functions and consequently, their success should not be measured only based on employment objectives but wider health and well-being objectives.

As job loss can be connected to economic strain, it should be studied more carefully what impact adequate social security, in particular unemployment benefits, have in moderating the potential health impact of unemployment. Some evidence shows that generous unemployment benefits do not moderate the health impact of unemployment<sup>8</sup>, while yet some others have shown that means-tested benefits have a negative impact on health compared to unemployment insurance<sup>14</sup>, but studies on the topic are scarce.

Third, better understanding of factors that increase or decrease the duration of unemployment are important in targeting different policies to different groups of people, and to identify the most vulnerable groups in the labour market. However, existing evidence could already be used better in designing cost-effective programmes.

Fourth, in the economic crisis, job insecurity has increased. Policy-makers as well as employers should acknowledge the negative health consequences of this insecurity and work to reduce the impact. Employment and work can also be seen as part of health promotion and their impact in reducing health inequalities should be analysed more.

While more research is needed to better understand the mechanism, modifiers and moderators between (un)employment and health, the existing evidence is already able to benefit policy-makers. The following briefs in this series will highlight some of the key findings and how they could be used in designing more cost-effective policies, but also what is needed for more evidence on cost-effectiveness.