Are unemployment benefit II recipients less healthy?

A comparison of basic income support recipients to employed persons

Nuremberg, 16th of October 2015
Background: Unemployment Benefit II recipients?

- Unemployment went down 50 % since 2005 (Hartz-Reforms)
- German unemployment rate (May 2015): 6.3%
- 30% receive insurance-based unemployment benefits (ca. 800,000)
  - 60% of previous net income
  - Maximum duration: 12 months (depending on previous employment duration and age)
- 70% receive means-tested benefits (ca. 2 million) → UBII
  - 399 € for adult singles + accommodation costs
  - About half of all unemployed welfare benefit recipients are long-term unemployed
  - About 100,000-200,000 with extremely poor employment chances
Unemployment Benefit II (UBII) recipients?

- 1.2 million employed people also receive UBII to top up their earnings: “Aufstocker”,
  - they tend to work few hours (mostly less than 22/week) and have low hourly wages

- long-term unemployed often face barriers to employment:
  - no/low qualification
  - language deficiencies
  - family care
  - mental health problems
  - physical health problems

The Prevalence of Health Impairments in Unemployed Persons
Motivation & Outline

• High share of unemployed persons report health problems \( (\text{Wanberg}, 2012) \)
• Potential barrier to job placement
• Problem grows with aging population

• Comparison of Health of Unemployed and Employed Persons
• Theories and mechanisms
• Regional differences conditional on unemployment rates
• Health changes after labour market transitions
Data

- Survey data of panel study ‘Labour Market and Social Security’ (PASS)
- Household panel
- combined CAPI – CATI, 50% UBII recipients
- 14,619 respondents in 2012
- No medical diagnosis available in survey
- But self-reported state of health: doctor’s visits, hospital stays, health satisfaction...
Objective measures of health

The Prevalence of Health Impairments in Unemployed Persons

- doctor's visits
- hospital nights

<table>
<thead>
<tr>
<th></th>
<th>men</th>
<th>women</th>
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<tbody>
<tr>
<td>Unemployed</td>
<td>Aufstocker</td>
<td>Employed</td>
</tr>
<tr>
<td>doctor's visits</td>
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<td>number of visits</td>
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<td>Employed</td>
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<tr>
<td>hospital nights</td>
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<td></td>
</tr>
<tr>
<td>number of hospital nights</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Disability and other serious health restrictions

The Prevalence of Health Impairments in Unemployed Persons

Anteil

men women
disabled
Employed

Anteil

men women
severe health restrictions
Employed

Unemployed Aufstocker

Employed

men women

Unemployed Aufstocker

Employed
Self-reported state of health (using SF12)

The SF-12 (short version of SF36) is widely used to capture health in large surveys. It contains questions about physical and mental health:

- Health restrictions walking stairs; in everyday life; in social activities
- Feelings: downheartedness and depression; calm and peacefulness; full of energy
- Problems at work due to emotional/physical health problems: accomplished less or limited in the kind of work
- General health rating

- Construction of indices for physical and mental health with average score 50
- The SF-12 has predictive power for mortality and hospitalization (Dorr et al. 2006)
Physical health

The Prevalence of Health Impairments in Unemployed Persons

SF12

excludes outside values

Unemployed
Aufstocker
Employed
Mental health

The Prevalence of Health Impairments in Unemployed Persons

SF12

excludes outside values

men
women

Unemployed
Aufstocker
Employed
Health status in comparison

- Social benefit recipients report a worse state of health than employed non-recipients.

- Among those who receive social benefit, unemployed are affected by health problems more than so-called ‘Aufstocker’ (i.e. working poor receiving top-up benefit).

- Differences are more distinctive for subjective health indicators.
Theory I - Causation

Causation: Unemployment leads to a decrease in health due to

- economic deprivation (Gallie et al., 2003), poverty and social isolation
- reduced individuals’ agency over their life (Strandh, 2000)
- stress caused by financial worries (Price et al. 2002).
- latent functions of work:
  - time structure, social contact, collective purpose, activity and social identity (Jahoda, 1982)
- further psychosocial benefits: social standing, self-conception and, power and prestige and thus self-esteem (Schlozmann, 2002).
Theory II – Selection and Confounding Variables

- **Selection**: Unhealthy persons select into unemployment and are less likely to leave unemployment (vgl. Herbig et al., 2013)
  
  - Analysis strategy: looking at changes in employment in order to capture the effect of job loss/reemployment on health

- **Confounding variables**: there might be factors that influence people’s health as well as their employment status such as socioeconomic status or health behavior (Wilkinson/Marmot, 2004)
  
  - Analysis strategy: control for Health Behaviour, SES and other confounders in matching procedure
Regional differences: Physical health

The Prevalence of Health Impairments in Unemployed Persons
Regional differences: Mental health

MCS and Unemployment Rates

<table>
<thead>
<tr>
<th>95% CI</th>
<th>Unemployed</th>
<th>95% CI</th>
<th>Employed</th>
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The Prevalence of Health Impairments in Unemployed Persons
# Labour Market Transitions and Mental Health

## The Prevalence of Health Impairments in Unemployed Persons

<table>
<thead>
<tr>
<th>State</th>
<th>Mental Health</th>
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<th>Change in Mental Health</th>
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<td>Jobloss</td>
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<td>242</td>
<td>-.364</td>
<td>964</td>
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<td>356</td>
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<tr>
<td>Reemployment</td>
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<td>139</td>
<td>-1.946 ***</td>
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<td>48.171</td>
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<td>-.1298</td>
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Source: own Calculations, PASS, 2009-2012
Preliminary Results
## Labour Market Transitions and Physical Health

### The Prevalence of Health Impairments in Unemployed Persons

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<thead>
<tr>
<th></th>
<th>Physical Health</th>
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<td>44.379</td>
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</table>

Source: own Calculations, PASS, 2009-2012

***p<0.000

Preliminary Results
Regional disparities and mechanisms

- State of health of social benefit recipients worse in regions with a low local unemployment rate
- In case of high unemployment rates health indices converge
- In regions with a low unemployment rate, persons with health problems remain unemployed
- Persons who lose their job show lower values and a larger decline of physical health
- Persons who find a new employment show higher values of both physical and mental health – however their mental health score declines
Summary and conclusion

- Unemployed persons often report health restrictions
- Gap between welfare recipients and non-recipients particularly strong for subjective measures
- Regions with low unemployment rates are particularly often concerned with unemployed persons reporting health problems
- Addressing health issues important for reintegration into the labour market
Thank you very much for your attention

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stefanie.unger@iab.de