

Economic Insecurity as a Socioeconomic Determinant of Mental Health

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Outline

- 1 Economic Insecurity and Mental Health
 - Background/Theory
 - Implementation

- 2 Estimations and Discussion
 - Main Results
 - Discussion

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Overview

- This paper is an empirical piece estimating the causal effect of economic insecurity on mental health.
- Innovative measurement techniques mixed with IV for identification.
- Clear policy implications of the work. Heavily market-orientated economies might be stressful for participants, especially for individuals with poorer skill bases.
- This anxiety plausibly leads to mental health issues, which can create numerous other social problems.
- Concern for economic insecurity is weighed against other issues (e.g. moral hazard).

Economic Insecurity

- Economic Insecurity is the stress associated with the possibility of adverse future economic events.
- It encapsulates job insecurity, financial insecurity, vulnerability to poverty, income volatility etc.
- Further it is both subjective (heterogeneity in the relationships between risk exposure and anxiety) and prospective (concerned with the future rather than the past).
- Both these factors raise challenges in inferring insecurity from historical data.

Economic Insecurity and Mental Health

- Survey evidence suggests that economic concerns are one of the major stressors in life.
- Seems reasonable to attribute this (at least partially) to economic insecurity.
- We know that excess stress has a range of psychological and physiological effects.
- Economic Insecurity is therefore likely to be a determinant of health.

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Data

- Data are taken from BHPS 1993-2007.
- 18 waves are employed and panel structure is exploited.
- Obviously attrition and issues related to attenuation are possible.
- Focus on working age population (16-64).
- A number of objective and subjective indices are employed in order to capture different facets of insecurity.

Insecurity Measures

- The first measure is a thoughtful adaption of Hacker's (2006) ESI.
- This is a binary indicator equal to one if household income declines by 25% and the household has limited liquid wealth (amongst other things).
- Assumption here slightly stronger than Hacker as the latter prefers to look only at the proportion of people affected.
- Uses lags rather than lead terms for incomes.
- Account for medical expenditures differently as per health insurance in UK.

Insecurity Measures

- Subjective indices are also used.
- Individuals are asked about their sense of job security (scale 1-7).
- Recoded as a binary indicator.
- Obviously this only applies to those who are currently employed.
- Index is implicitly forward looking (desirable).
- However some well-known self selection issues with the variable that may affect the measurement of trends.

Other Measures

- Also take an indicator on whether or not people expect their financial situation to worsen over the next 12 months.
- And lastly a self assessed measure of current (rather than forward looking) material comfort.
- Mental Health is measured with GH-12 - a 36 point scale of mental wellbeing.
- MH is rescaled by its standard deviation to aid interpretation.

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Trends

- Year-to-year estimates show economic insecurity to follow a u-shape over time.
- This is pretty consistent over the basket of indices.
- Turning point was around 2001-2003, with insecurity increasing slowly after this point.
- This is similar to our finding for Australia.

Econometric Models

- Fixed Effects models are fitted with cluster-robust SEs.
- Instrumentation is used to try to get around simultaneity issues.
- Averages of measures by socioeconomic strata and regional area are more plausibly exogenous than individual-level scores.
- Together (FE and IV) represent a pretty solid effort at getting at causality.

Estimates

- Parameter estimates show significant impacts of economic insecurity on mental health.
- The impacts are of plausible magnitudes - becoming “insecure” lowers MH by about 0.1-0.3 standard deviations.
- The size of the impact varies by measure and by gender. Males seem more sensitive, perhaps due to breadwinner pressure.
- When instruments are used the results are similar but less frequently significant.
- Instrument strength seems ok (Cragg-Donald Statistics >10) but recall sample sizes are large.
- No problems with overidentifying restrictions.
- Results appear robust with respect to control variables.

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Discussion

- This paper adds to the volume of literature showing that economic insecurity is detrimental for health.
- Modeling is very carefully done and a big effort is made to generate estimates that reflect causality.
- Do exclusion restrictions hold? Probably not perfectly (not the fault of the authors though).
- One option not considered is to lag the RHS insecurity measure. This may give better results than IV.
- The authors may like to infer multidimensional index. E.g. job insecurity in the presence of a family to support and a small buffer of liquid wealth.
- This may get closer to the heart of “economic insecurity”.

Discussion

- How substantial is the effect? Hard to say. Results seem to be in line with other papers (e.g. Watson, 2015) which show a detectable, but hardly overwhelming effect size.
- For this reason mobility in insecurity might be important - cumulative effects.
- If people are insecure for brief periods during their lives then the problem may be only small.
- If there is a subset of individuals who are constantly insecure then the problem may be very large (for these persons).
- Likely that insecurity is heavily concentrated amongst poorer and less educated individuals.