

Abstract for “The Health Impacts of Vulnerability to Poverty and Economic Insecurity”

Nicholas Rohde (Griffith University, Australia)

Lars Osberg (Dalhousie University, Canada)

Kam Ki Tang (University of Queensland, Australia)

Prasada Tang (University of Queensland, Australia)

Transitions in economic status and the risk of future economic loss are central to both the concepts of vulnerability and economic insecurity. However, while vulnerability has been defined as “the existence and the extent of a threat of poverty and destitution” Dercon (2005a, b), the term economic insecurity refers to a broader concept. As the United Nations Department of Economic and Social Affairs (2008, p.vi) notes: “economic insecurity arises from the exposure of individuals, communities and countries to adverse events, and from their inability to cope with and recover from the costly consequences of those events.” Clearly, the two concepts are closely related, since vulnerability refers to the transition into poverty and mostly applies to individuals whose income is already close to the poverty line, while anxieties about the possibility of loss are not dependent on transitions into poverty and can be prevalent throughout the income distribution.

In previous work (Rohde et al, 2013) we have used HILDA (Household Income and Labor Dynamics in Australia) data on a representative 11 year panel of around 20,000 Australians to quantify the importance of economic insecurity to individual mental health. Using this data we ask “how much of the impact of economic insecurity on health is really due to worries about vulnerability to poverty?” When individuals are exposed to greater levels of risk, they can be expected to experience greater stress, leading to diminished mental health scores and greater tendencies to engage in stress mitigation activities such as smoking, alcohol abuse, and weight gain. However, is it the risk of poverty – i.e. falling below a minimum societal living standard – or the risk of economic loss – i.e. falling below habitual norms of personal consumption – which matters more?

We aim to compare the health effects of the threat of poverty with the threat of loss by estimating the health effects of economic risks over different income groups. Our empirical method uses fixed effects panel data regression models coupled with instrumental variables based on exogenous variations in economic conditions to assess the relative impacts. To measure vulnerability and insecurity we employ measures of real and perceived threats relating to relative and absolute loss such as the probability of an income loss of a given magnitude, an income loss of a given percentage, and subjective measures based upon job insecurity, financial dissatisfaction and the ability to handle financial emergencies. Our main health data comes from the SF36 survey and we use (i) the general index, (ii) the Mental Component Summary, and (iii) the Physical Component Summary. We also use Kessler Psychological Distress Scores and the Body Mass Index (BMI) as alternative indices.

References

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