

## Working more leads to bad health?

In the midst of an economic downturn, people are concerned about the health of the nation's economy. It is only natural then to wonder how the economy affects a nation's health. Researchers have found the data on how an economic downturn influences health to be mixed; looking at a similar topic, a National Bureau of Economic Research (NBER) study entitled "The Business Cycle and Health Behaviors" (NBER Working Paper 15737, February 2010) explores whether an economic expansion improves health. A healthy economy offers financial opportunities and increased prosperity, but do these in turn lead to improved quality of life and health? And if so, what mechanism links expanded economic activity to health consequences?

Authors Xin Xu and Robert Kaestner examine the effects of changes in wages and working hours, which are associated with changes in economic activity, on health-related behaviors of people in the United States with a low level of education. (Economic theory and empirical evidence suggest that the business cycle has the greatest impact on the wages and working hours of low-educated people.) The results of the study indicate that people are more likely to engage in unhealthy behaviors—specifically, increased cigarette smoking, reduced physical activity, and fewer physician visits—during economic expansions. Changes in individual employment status (associated with local economic activity), rather than changes in income, have the most important effects on health behavior.

A 2.5-percent increase in employment is associated with an increase in

smoking participation of between 2 and 2.5 percentage points, a decrease in leisure-time physical activity of 0.5 percentage point, and a decrease in the number of doctor visits of 1.5 percentage points. A \$1 increase in the real wage rate is associated with a 1.2-percentage-point increase, corresponding to a 3.5-percent increase, in smoking prevalence. In addition, a 1-hour increase in hours of work per week is associated with a 0.8-percentage-point increase in smoking prevalence.

Longer working hours are negatively associated with physical activity. The probability of participating in physical activity in a given month declines by 0.4 percentage point—a 0.6-percent reduction—if the average number of working hours per week increases by an hour. This result is caused mainly by the effect of time, rather than that of income. The study suggests that the number of doctor visits in the previous year is negatively associated with working hours. One extra working hour per week would decrease the probability of having at least one doctor visit in the preceding year by 1.5 percent.

## Sharp increase in the long-term unemployed in 2009

The impact of long-term unemployment on households can be quite devastating. Households suffering from long-term unemployment, particularly those with little or no wealth, are likely to sharply decrease their consumption of goods and services. For many people, a lengthy spell of unemployment may lead to a permanent loss in earnings if labor market conditions lead them to accept a job paying less than their previous job.

In early 2010, the average length of a continuous spell of unemployment in the United States was 30 weeks. At that time, more than 4 percent of the labor force was considered to be long-term unemployed. In comparison, during the severe recession in the early 1980s, long-term unemployment peaked at 2.6 percent of the labor force. In their article titled "What is behind the rise in long-term unemployment" (Federal Reserve Bank of Chicago, *Economic Perspectives*, second quarter 2010), authors Daniel Aaronson, Bhashkar Mazumder, and Shani Schechter analyze the factors behind the recent unprecedented rise in long-term unemployment and explain its implications for the economy in the future.

In the early 1980s, the long-term unemployed were mainly factory and machine workers (55 percent of the total) and mainly male, and only 20 percent of them were college educated. In 2009, the long-term unemployed were likely to have worked in industries such as professional and business services and, overall, were more equally distributed among demographic groups based on education, occupation, age, sex, and industry. In comparison with the period from the early 1980s to the mid-2000s, during which virtually all of the rise in the average duration of unemployment was due to demographic changes in the labor force, in late 2009 about 50 percent of the increase in the average duration of unemployment was attributable to changes in demographics.

The authors suggest that the marked increase in the average unemployment duration in 2009 is due partially to very weak labor demand—evidenced by a low rate of hiring. As the duration of unemployment

increases, people become less likely to find a job. As a result, the authors believe, the average duration of unemployment is likely to remain at high levels into the economic recovery following the recession—possibly leading to a higher unemployment rate than those associated with past recoveries.

Aaronson, Mazumder, and Schechter

state that another explanation for the sharp increase in unemployment duration in 2009 is what the authors call the unprecedented extension of unemployment insurance benefits. In July 2008, the introduction of a Federal program known as the Emergency Unemployment Compensation program led to an increase in the maximum number of weeks

of eligibility, from 26 weeks to 36 weeks. Since the inception of that program, extensions have gone up at varying rates among U.S. States. The researchers believe that the extension of unemployment insurance benefits has accounted for 10 percent to 25 percent of the total increase in the average duration of unemployment since July 2008. □

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