Health impairments and labour market outcomes

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Abstract Our analysis is based on the 2008 Athens Area Study and exploits detailed information regarding health impairments and labour market outcomes for Greek males. Distinguishing between healthy and health-impaired employees who have or do not have work limitations, the unobserved productivity effect of health is separated from discrimination. We then estimate a regression model that includes terms to correct for employment selection and endogenous stratification of self-reported health condition. A penalty for productivity limitation exists. Evidence of wage discrimination is also found. Both findings are statistically significant and highlight the necessity for instituting active policies against unequal treatment.

Keywords Ill-health · Wage discrimination · Labour market participation · Selection model · Endogenous switching model

JEL Classification I1 · J2 · J3

Introduction

People with health impairments are at risk of social exclusion because of the physical, financial, and attitudinal barriers that they face in the labour market. Findings from the United States and Great Britain indicate that the unemployment probabilities of those with health problems are higher than those of individuals without health problems, while those who are employed earn less [1, 4, 5, 11, 13, 21−24, 26]. Ill health, however, is a restriction or disability rather than a demographic characteristic, and there is no single, consistently used definition or method for classifying it. Hence, overall generalisations cannot be made.¹

The economic analysis of workers living with ill health within the labour market has been neglected in Greece. An illuminating exception is the 2002 study undertaken by the General Secretarial of National Statistical Service of Greece [17], but this study lacks wage data. The main findings suggest that 16.2% of the total population is health impaired, and among these individuals, 83% are economically inactive as compared to the 58% of the total population. Half of them, 53.6%, claim employment problems due to their health status, and 40.2% feel that they are socially excluded. These figures are especially striking when considered in the context of recent legislative and other reforms aimed at securing improvements in the labour market position of health-impaired and disabled

¹ A Eurostat study [16] shows that health status is not distributed evenly; with each step up the socioeconomic ladder, groups are less vulnerable to disease, ill health and premature death. Genetics, the physical environment and early childhood experiences all influence overall population health in addition to the socioeconomic environment. Perceptions can also differ for different cultures, thus making comparisons more or less irrelevant.