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HOW MUCH DOES MENTAL HEALTH INFLUENCE EMPLOYMENT IN ENGLAND AND WALES?

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Headline findings

- A worsening of mental health from 'good' to 'poor' leads to a 1.6 percentage point reduction in the chances of being in employment for prime age workers.
- This estimate is much smaller than the overall employment gap between those with 'good' and 'poor' mental health, because other observed differences between the two groups, such as education levels, explain a lot of this gap. Even more of the gap is explained by unobserved differences between the groups (which may include things like personality traits and soft skills)

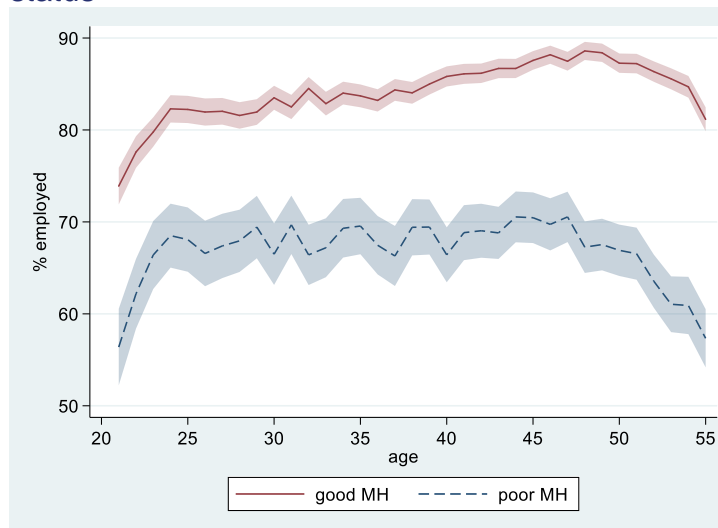
Implications for policy

- While there is a large gap between the employment rates of those with good and poor mental health, improving mental health for those with conditions amenable to treatment may only have a small direct effect on closing this employment gap.
- As well as chronic physical health problems, much of the raw gap in employment rates is due to differences in other factors such as education. Longer-term structural changes, which impact on all of these factors, will be required to reduce the gap substantially.
- Policy makers should be wary of research that finds a large direct causal effect of mental health on employment – the methods are unlikely to be appropriate to give an average effect for the whole working population.

Background

- People with health problems have a much lower employment rate than the rest of the population; this disability employment gap is an area of current policy concern.
- The employment gap is particularly large for people with mental health problems.
- Among prime age workers (aged 21-55) the employment rate for those with good mental health is 87%, whereas it is 70% for those with poor mental health.

Figure 1: Employment rate by mental health (MH) status



(Source: UKHLS 2009-19)

Findings

- Not all of the employment gap is due directly to mental health; around half of it is due to other differences between people, such as differences in gender, education, age and physical health, and also differences in labour market conditions in their local area.
- To find the direct effect of how a change in mental health status affects the chances of being in employment we use longitudinal analysis, where the same group of people is observed year on year. This is a useful method because it allows us to control for differences between individuals that we do not observe in our data, things like soft skills that are useful in the labour market, as well as general levels of motivation and other personality traits.
- The longitudinal analysis finds much smaller effects than the overall gap might suggest. If mental health deteriorates from good to poor this leads to a 1.6 percentage point reduction in the probability of being employment.
- The remaining portion of the gap is largely due to both observed differences (like education levels) and unobserved differences (like personality traits) between those who do and do not have mental health problems.
- This effect is approximately the same size for both men and women.
- There is some evidence that the effect of changes in mental health on employment are larger for those who do not have higher education, and those whose households are below the poverty line.

Where does our evidence come from?

- Our estimates come from analysis of the UK Household Longitudinal Study (UKHLS), a nationally representative survey of around 40,000 households who have been interviewed annually since 2009. This survey provides rich information on employment status and health, as well as other characteristics such as age, gender, education, income and household circumstances

- We use data from 2009 to 2019 and focus on prime aged workers (age 21 -55 years old) in England and Wales; there are 11,683 men and 14,851 women in our sample.
- Our main mental health measure comes from the General Health Questionnaire (GHQ), a widely accepted measure that has been adopted by the World Health Organization as a screening tool for psychological disorders. We use the NHS recommended cut-off score of 4 or above to signify someone with poor mental health.

Further points to bear in mind

- There is a two-way relationship between mental health and employment; being in employment generally has a positive influence on mental health, but good mental health also increases an individual's chances of being in employment.
- There are many characteristics associated with mental health status and the chances of employment that also have to be taken into account in order to isolate the direct mental health effect; these include things like age, education, physical health and household circumstances.
- There are co-morbidities between mental health and physical health problems and both are likely to affect employment. People in poorer physical health also often have poorer mental health, so it is essential to take physical health status into account when exploring the effects of mental health.

The full details of this research can be found in: Bryan M, Rice N, Roberts J, Sechel C (2020). Mental health and employment: a bounding approach using panel data. [*Sheffield Economics Research Paper Series No 2020006*]. Dept. of Economics, University of Sheffield.

<https://www.sheffield.ac.uk/economics/research/serps>

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