

# Blown Off-Course? Unhealthy Vices of the Economically Insecure During the Great Recession

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The welfare implications of macroeconomic volatility have often been downplayed on the argument that if people can borrow to finance the consumption path implied by their lifetime income, then they stay on their long run path during recessions, and an income shock need never imply a loss in well-being. However, a growing literature on the adverse effects of recessions for those most exposed suggests serious welfare implications, particularly with respect to health. This paper adds to the "costs of recessions" literature by examining the extent to which Canadians aged 25 to 64 increased their self-medicating "bad habits" (over-eating, alcohol use, and smoking) in light of economic insecurity (job insecurity or joblessness) during the Great Recession. Using a difference-in-differences (DD) design, we examine two panels of Canadian National Population Health Survey data, comparing a relatively prosperous pre-recession era (2004-05) with the Great Recession (2008-09). We use a series of quantile regressions to shed light on how behaviour changes at different points along the outcome distribution, and we extend our DD model to allow the effects to vary across observable characteristics (income, education, and age). Results for females suggest the onset of economic insecurity during the Great Recession increased their body mass index (BMI) by just over 2 points (i.e. a 12 pound gain for females of average Canadian height), while causing those who were relatively older to consume about 2.5 more drinks per week. For males, light smokers smoked 4 to 5 more cigarettes per day, while older and lower educated individuals gained weight (approximately a 3 point rise in BMI which equals a 20 pound increase for males of average Canadian height). Thus, our results suggest heterogeneity among working age adults in behavioural responses to economic stress. Our results are robust such that, using placebo DD regressions, self-medicating behaviours responded to economic insecurity in a comparable manner during two prosperous economic eras. Since a substantial literature has established that such behavioural changes have long-lasting health implications, and since we also find that such changes were not fully reversed during the recovery phase of the Great Recession, our research is an illustration of some of the ways in which cyclical instability can decrease the inclusiveness of growth.