

Obesity and labor market outcomes

The hidden private costs of obesity: lower earnings and a lower probability of employment

Keywords: obesity, BMI, wages, employment, occupation, absenteeism

ELEVATOR PITCH

Rising obesity is a pressing global public health problem responsible for rising health care costs and in some countries one of the leading causes of preventable deaths. There is substantial evidence that obese people are less likely to be employed and, when employed, earn lower wages. There is some evidence that the lower earnings are a result of discriminatory hiring and sorting into jobs with less customer contact. Understanding whether obesity is associated with adverse labor market outcomes and ascertaining the source of these outcomes are essential for designing effective public policy.

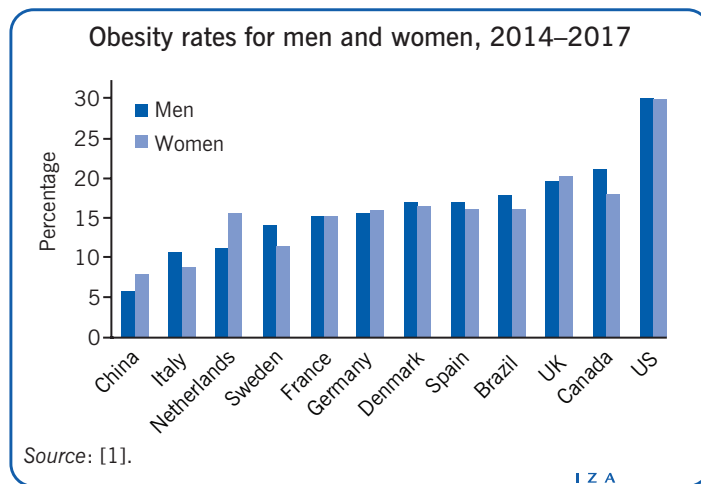
KEY FINDINGS

Pros

- + Numerous studies using data from many countries make use of clever econometric methods to document a plausibly causal negative effect of obesity on earnings and employment.
- + Obesity is a significant driver of higher medical costs for adults and children.
- + There is credible evidence that obese people face discrimination in the labor market, either taste-based or statistical discrimination.
- + The dynamic effects of obesity may matter for labor market outcomes.
- + Obesity impacts cognitive and non-cognitive skills and this may start early in life, indicating that early-life obesity may have long-term economic consequences.

Cons

- Data sets drawn from survey data with information on labor market outcomes often have weak coverage of health issues, so obesity measurements may not be accurate enough for rigorous statistical studies.
- Despite strong correlations between obesity and adverse labor market outcomes, causality is difficult to demonstrate—and the direction of causality could run from lower wages to obesity.
- It is possible that there is no causal relationship in either direction, or that a third factor is linked to both obesity and labor market outcomes.
- Researchers have begun to use data that allows for the use of genetic risk scores as instrumental variables; however, it is unclear if the scores satisfy the required exclusion restriction for instrumental variables estimation.



AUTHOR'S MAIN MESSAGE

There is growing evidence that obese people often receive lower wages and are less likely to be employed than non-obese people, and that these adverse outcomes are likely caused by obesity. Obesity threatens to become an increasing burden on all taxpayers as a result of the associated higher medical costs, lower productivity and wages, and reduced probability of finding employment. The medical costs of obesity have been rising. Governments and employers have a compelling interest in finding ways to reduce obesity levels and discrimination against obese workers.