

A Dynamic Study on the Relationships between Work Behaviors, Treatment Decisions and Depression

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Abstract

It has been shown in the literature that depression has a significant negative correlation with labor outcomes whether measured as labor force participation, earnings, work attendance or job performance. I expand the understanding of this relationship by studying the behavior of an individual who is making employment choices as well as treatment choices each period based on her current social, economic and medical conditions. Other health related outcomes and the relationship between choices and mental health will be examined. My analysis follows individuals for 9 months and examines the dynamic relationship between health status and function, treatment decisions and employment outcomes. I consider a dynamic model of individual decisions over time where lagged endogenous behavior is allowed to influence current behavior or health outcomes. The jointly estimated set of equations representing employment, treatment behavior and health transitions, both permanent unobserved individual heterogeneity as well as time varying unobserved heterogeneity, allows for correlation across unobservables influencing each outcome. Failing to account for this unobserved heterogeneity will bias the results necessary to evaluate policy and inform policy makers.