A linear regression-based study of the relationship between health and labor market performance

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Abstract. This paper uses a linear regression model to study the relationship between health on labor market performance. The paper adds health variables to explore the influencing factors of labor market performance in urban China under the more multidimensional concept of human capital. Using the China Nutrition Survey (CHNS) microdata in recent years, the impact of health on employment decisions is explored in urban China. The paper constructs an endogenous joint equation of health and labor force participation, and employs multiple physical characteristics of disability or frailty as instrumental variables for health indicators, effectively addressing the endogeneity and metric bias of the existence of health.

Keywords: health status; linear regression; market performance; earning capacity.

1. Introduction

In recent years, the relationship between health and labor market performance has become one of the hot topics of research. Many scholars and policy makers are aware of the positive impact of health on the labor market, and thus a large number of studies have been conducted to explore the mechanisms and influencing factors.

In an early study, Bloom et al [1] (1992) found that healthy workers are more likely to earn higher wages and have better chances of job promotion. Subsequently, Kahn and Krueger's (1993) study [2] found that physically healthy workers exhibited higher efficiency and productivity than unhealthy workers.Fredricks and Mitchell's (2004) [3] study found that physically healthy workers had lower absenteeism and higher job satisfaction. These studies suggest that health status has a positive impact on labor market performance.

However, there are also studies that suggest that the impact of health status on labor market performance is not always positive[4-5]. For example, some studies have found that good health may reduce an individual's willingness to work and work engagement; other studies have found that good health may lead to problems such as fatigue and lack of concentration at work. These findings suggest that the effects of health on labor market performance are complex and further research is needed to gain insight into the mechanisms and influencing factors.

In order to gain a more comprehensive understanding of the relationship between health and labor market performance, an increasing number of researchers have begun to use a variety of methods and techniques to conduct their studies. For example, some researchers use longitudinal research designs to explore the long-term effects of health on labor market performance by comparing health and labor market performance of the same group at different points in time. Other researchers use cross-sectional research designs to explore differences in the performance of health across populations by comparing health and labor market performance of different groups at the same point in time[6-7]. In addition, some other researchers have used experimental methods to explore the mechanisms by which health status affects labor market performance by intervening or manipulating individuals.

Although the above studies have achieved better results, this paper innovatively proposes a linear regression-based model to explore the relationship between health and income levels.

2. Basic Theoretical Framework of Linear Regression

2.1 Principles of linear regression modeling

Linear regression is a method of regression analysis in statistics that essentially examines the linear association between the independent and dependent variables. The basic assumption of linear regression is that there is a linear relationship between the independent variable and the dependent variable, i.e., the values of the independent variable can be expressed as a linear function of the dependent variable. The goal of linear regression is to find a function such that this function minimizes the error between the predicted value of the dependent variable and the actual value, given the independent variables[8-9].

The linear regression algorithm consists of the following main steps:

1. determine the type of problem: according to the type of problem to choose the appropriate algorithm.

2. Modeling: Establish a mathematical model based on the type of problem.

3. Solve the model: Use the optimization algorithm to solve the model. 4.

4. Evaluate the model: Use test data to evaluate the performance of the model.

Common linear regression algorithms include ordinary least squares, ridge regression, Lasso regression and so on. Among them, Ordinary Least Squares is the most commonly used one, which solves the model parameters by minimizing the mean square error between the predicted and actual values.

2.2 Linear regression modeling to analyze the relationship between health level and income

Suppose we have a dataset that contains the health status and income level of each individual. We can use a linear regression model to analyze the relationship between these two[10].

First, we need to preprocess the data, including missing value filling, outlier handling, and so on. Then, we can use the least squares method to fit the linear regression model and get the optimal coefficients. Finally, we can use these coefficients to predict the health status and income level of the new data points[11].

Specifically, the linear regression model can be expressed as:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_n x_n + \varepsilon$$

where y denotes the dependent variable (health status), $x_1, x_2, \ldots, x_n$ denote the independent variable (income level), $\beta_0, \beta_1, \beta_2, \ldots, \beta_n$ denote regression coefficients, and ε denotes the error term.

The goal of the least squares method is to minimize the sum of squares of the residuals, i.e:

$$RSS(\beta) = \sum (y_i - y_{hati})^2$$

Where y_i denotes the actual observed value and y_{hati} denotes the predicted value. The optimal regression coefficients can be obtained by solving the following system of equations:

$$\beta = (\mathrm{X}' X)^{-1} X^T y$$

where X'X is the transpose matrix of X, X^T is the product of the transpose matrix of X and Y, β is the coefficient vector, and y is the dependent variable.

2.3 Multiple linear regression solution process

Multiple linear regression is a method of linear regression analysis based on multiple independent variables. Its basic idea is to predict the value of the dependent variable by building a mathematical model between multiple independent variables and the dependent variable. In multiple linear regression, we can explain the relationship between independent variables by introducing new parameters.

The derivation of the formula for multiple linear regression can be divided into the following steps:

(1)Modeling: suppose there is a dependent variable y and a data set containing p independent variables $x_1, x_2,...,x_p$ of the data set. Our goal is to find a system of linear equations such that this system of equations best fits this data set.

(2)Solving the model: in order to solve this system of equations we need to use the method of least squares. Least squares is a mathematical optimization technique that helps us find a set of coefficients that minimize the sum of the distances from all sample points to this line.

(3)Calculate the error term: the error term ε is the difference between the predicted and actual values for each sample point. In multiple linear regression, we can express the error term as the sum of the error terms of each independent variable plus a constant term (intercept term). That is:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + ... + \beta_n x_p + \varepsilon$$

where ε is a constant term that represents the intercept term.

Calculating regression coefficients: the regression coefficients $\beta_0, \beta_1, \beta_2,...,\beta_p$ can be expressed as the ratio of the mean of each independent variable to the sum of the error terms corresponding to each sample point. I.e:

$$\beta_0 = \sum (x_i - \bar{x}) / n$$

$$\beta_1 = \sum (x_i - \bar{x})(y_i - \beta_0) / \sum (x_i - \bar{x})^2$$

.....

$$\beta_p = \sum (x_i - \bar{x})(y_i - \beta_0)(x_i - \bar{x})^p / \sum (x_i - \bar{x})^{(p+1)}$$

Where x_i and y_i denote the values of the ith independent variable and the ith sample point, respectively, $\bar{x}$ denotes the mean value of each independent variable, and n denotes the total number of sample points.

Getting the regression equation: through the above steps, we can get the equation of multiple linear regression. i.e.

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + ... + \beta_n x_p + \varepsilon$$

In practice, we usually use existing statistical software packages for linear regression analysis, such as the lm function in R or the regress command in Stata. These packages provide convenient functions and commands to automate data preprocessing, model fitting and result interpretation.

3. Empirical Analysis

3.1 Data sources

In this paper, panel data for 2018-2021 are selected for empirical analysis. Based on the purpose of this paper, only the urban part of the sample is selected [12-13]. Only the employment sample is considered in this paper, so only the sample with complete information between 18- 60 years old is included. The descriptive statistics of the sample are shown in Table 1. The share of the population involved in the workforce, i.e., the employment rate, is 73. 6% in the sample.The labor participation rate, i.e., the ratio of the economically active population (including the employed and the unemployed) to the working-age population, is 83. 9%. The total number of retired people in the sample is 1,184.

Table 1 Descriptive statistics of the sample

Variabl	Mean	Standard Deviation	Variabl	Mean	Standard Deviation
start a career	0.735	0.431	Age	39.154	
man	0.496	0.510	18-25	0.124	11.542
			26-30	0.964	0.342
			31-35	0.103	0.289
			36-40	0.118	0.302
			41-45	0.115	0.314
marital status	1.868	0.476	46-50	0.091	0.318
			51-55	0.856	0.217
			56-60	0.086	0.289
Weekly working hours	44.254	14.242			

The health metrics were obtained from the China Health and Nutrition Survey (CHNS) by designing a series of questions about personal health and through self-assessment of health, and the statistical results of the data are shown in Table 2 below:

Table 2 Health indicators

Variabl	Mean	Standard Deviation
health status	2.134	0.717
Very good.	0.162	0.366
good.	0.541	0.499
Fair	0.227	0.418
Poor	0.032	0.178
BMI	23.028	3.874
high blood pressure	0.054	0.218
diabetes	0.016	0.124
suffer a paralyzing stroke	0.004	0.065
goiter	0.002	0.054

3.2 Regression results

The structural equation estimation results are detailed in Table 3 by the constructed linear regression model from which the estimates of the health variables and labor participation were designed to obtain the structural equation estimation results.

Table 3 Variance regression coefficients

	Equation 1	Equation 2
Low BMI	(0.221, 0.032)	
High BMI	(-0.0124, 0.0214)	
high blood pressure		(0.0457, 0.055)
diabetes		(1.054, 0.102)
suffer a paralyzing stroke		(0.667, 0.213)
goiter		(0.223, 0.276)

Table 3 shows that the preliminary health equation regression results, through the regression equation results physical health indicators can be effective on the BMI indicator results significantly.

The health variable in the labor participation equation is statistically significant, indicating that unhealthy will lead to a decrease in the probability of participation in the individual labor market while the coefficient of labor participation in the health equation is statistically insignificant. While this does not prove the absence of endogeneity problems, it suggests that labor participation is not directly responsible for individual health. As can be seen in Table 4, using very good health as the reference group, the probability of employment is approximately lower the lower the health grade. Using the 18-25 age group as the reference group, the probability of being employed is higher in the 30-45 age group, with a downward trend in the probability of being employed after the age of 50, which can be explained by the fact that in the age group older than 50, the proportion of people with chronic illnesses and functional deficiencies in the body increases relative to the proportion of the younger age group.

4. Conclusion

The main contributions in the research of this paper are as follows:

First, this paper explores the influencing factors of labor market performance in urban China under a more multidimensional concept of human capital by adding health variables. It also uses objective health indicators to instrument subjective health indicators and constructs a joint equation measure to obtain an unbiased estimate of the impact of health on labor participation.

Second, this paper uses the China Health and Nutrition Survey (CHNS) microdata in recent years to construct a set of endogenous linkage equations for health and labor force participation, and uses multiple physical characteristics of disability or frailty as instrumental variables for self-assessed health indicators, which effectively solves the endogeneity and measurement bias problems of self-assessed health.

Finally, this paper finds that health has a significant effect on labor force participation in urban China, with "very good" health as the reference group, as the health level decreases, the probability of individual employment also decreases.

With "very good" health as the reference group, as the health level decreases, the probability of employment decreases. These results have important implications for public policymaking: it is important to pay attention to the indirect costs of health and illness, especially the negative impact of ill health on workers in the labor market. In fact, poverty due to illness is now a very worrying phenomenon. In addition to the medical expenses incurred by some people who suffer from serious illnesses, their performance in the labor market will also be seriously negatively affected, causing serious problems for individuals, families, and society. In allocating resources for health care, society needs to pay due attention to the indirect costs. There is also a need to enhance assistance to the population that suffers from poor health and poverty. The suffering of this group is twofold, firstly from the disease itself, and secondly from the resulting poor performance in the labor market, which in turn leads to further deterioration of the health condition, which can lead to a vicious circle. A good modern society should not allow some of its members to suffer unduly, and therefore give them the necessary special assistance.

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