

# **A Structural Analysis of Health and Labor Market Trajectories**

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## **Abstract**

We conduct a structural analysis of the joint dynamics of labor market and health outcomes. In our model, jobs are characterized by a wage, a full/part-time status and an occupational variable measuring how physically or mentally demanding the job is. Individuals self-select in and out of employment as well as between jobs on a labor market with search frictions. Workers' health (physical and mental) evolves stochastically over time depending on the health/occupational content of the job. We estimate the model on British data from the Understanding Society survey combined with O\*NET data in order to retrieve the occupational content of jobs. Our approach produces structural estimates of the effect of health on labor market decisions, of the joint distribution of wages and health contents among jobs and of health dynamics as a function of job characteristics. We can then proceed to a longitudinal analysis of inequalities in earnings and health along the working life and assess the cost of health shocks at an early age.