

# The long shadows of the past: The effect of childhood poverty on old age mental health

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Children, who experience poverty, often suffer from its long lasting effects, which become visible when they manifest in educational and economic outcomes later in life. Below average school performance, less years of schooling, a higher risk of unemployment, poor job quality and low income later in life are well known examples of adverse consequences (e.g. Silva-Laya et al., 2020; Davenport and Slate, 2019; Engle and Black, 2008; Currie and Walker, 2011; Duncan et al., 2010; Duncan and Magnuson, 2013). Also poor health as a consequence of poverty is gaining more and more attention from the scientific community. It is well documented that low socioeconomic status is associated with adverse physical health and old age cognition (e.g. Currie and Stabile, 2002; Wilkinson and Marmot, 2003; Mazzonna, 2014; Mortensen and Torssander, 2017; Stolz et al., 2017; Tampubolon, 2015; Terraneo, 2017; Tubeuf and Jusot, 2011; Frijters et al., 2010; Berndt and Fors, 2016; Pan, 2020; Leist et al., 2014; Olivera et al., 2018; Currie, 2009).

The role of poverty and the pathways that might lead to poor *mental health*, like depression or anxiety, has historically not been considered a priority by economists and policymakers, even though mental health diseases are a severe problem in ageing societies (Ridley et al., 2020; Naderzadeh et al., 2022). The prevalence of poor mental health is on the rise, affecting approximately 84 million European residents or 17.3% of the population in 2018 (IHME, 2018; Morrissey and Kinderman, 2020). Depression and anxiety are among the most prevalent disorders, contributing significantly to disability, premature mortality, reduced quality of life and placing a considerable burden on healthcare systems (La Arias-de Torre et al., 2021).<sup>1</sup> Among older adults in Europe, depressive disorders are particularly severe, with a prevalence rate of 29% in 2018 (Horackova et al., 2019). Therefore, understanding the factors that contribute to depression in later adulthood is critical to developing effective interventions that can help alleviate this growing public health concern, especially in ageing societies (Horackova et al., 2019; Ridley et al., 2020; Naderzadeh et al., 2022).

Even though the relationship between current socioeconomic factors and the development of mental health diseases has been widely analysed in the last two decades, several authors argue that the role of economic disadvantage over the life cycle should be addressed more closely. They suggest that health outcomes in adulthood and old-age may not only be affected by the current socioeconomic status but also by childhood circumstances (Lindström et al., 2014; Domènech-Abella et al., 2021; Kuh et al., 2003; Morrissey and Kinderman, 2020). A so-called *life course framework* focuses on the premise that the role of early life circumstances on (mental) health later in life depends on the interaction of the individual with its environment and accounts for the potential accumulation of socioeconomic and behavioural exposures over time (Angelini et al., 2019). Thus, several authors have been analysing the association of childhood poverty and mental health in later adulthood, when the sum of life time events reveal its

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<sup>1</sup>According to Santomauro et al. (2021) the COVID-19 pandemic has further exacerbated this trend in the last few years, by intensifying factors (like reduced social interactions) that contribute to poor mental health.

full effects. Domènech-Abella et al. (2021), Verropoulou et al. (2021), Morrissey and Kinderman (2020), Serafetinidou and Verropoulou (2019), Angelini et al. (2019) and Darin-Mattsson et al. (2018) are some notable examples, as they consistently connect childhood poverty with late life depression by accounting for several factors like education, occupation and income later in life. However, it is crucial to determine whether this association is truly causal, i.e. if poverty *per se* influences old age mental health (Bellani and Bia, 2019). Furthermore, the role of potential mediating factors for men and women that live in different countries or welfare regimes are still not entirely clear, even though it is important to shed light on this topic in order to inform more effective policy measures.

### **Research Questions:**

- What is the causal relationship between childhood poverty and mental health outcomes for men and women in different European welfare regimes?
- To what extent is this effect mediated by self-perception of poverty and educational attainment in different European welfare regimes?

Thus, this paper contributes to the existing literature by examining the *causal* relationship between childhood poverty and old age mental health for both women and men across different European welfare state regimes. Childhood poverty is a complex issue that is often linked to parents' living circumstances, like the educational background, migration history or single parenthood, resulting in a non-random distribution of material deprivation. To address this issue, the study employs a potential outcome analysis approach and an entropy balancing procedure to estimate the average treatment effect on the treated (ATT) of poverty, controlling for observed pre-treatment variables, thereby fulfilling the selection on observables assumption (Hainmueller, 2012). Material deprivation is operationalized as a household's inability to afford basic necessities, such as hot water availability, and is measured through principal component analysis (PCA) of several poverty indicators. Additionally, the analysis accounts for potential mitigating factors, such as educational attainment and the self-perceived financial situation during childhood, using the Karlson-Holm-Breen (KHB) method to compare coefficients between logit models. The data basis for this paper is the Survey of Health, Aging and Retirement in Europe (SHARE).

The preliminary results of the analysis show that childhood poverty has a significant and substantial effect on the likelihood of severe depression in late adulthood, particularly among women who seem to be more vulnerable to this outcome than men in all welfare regimes. Furthermore, the study reveals that the impact of childhood poverty on mental health outcomes is more pronounced in family-centered welfare regimes and is mitigated in countries with universal redistributive measures, suggesting the importance of welfare policy in shaping the impact of poverty on mental health. Additionally, the analysis indicates that higher secondary education and self-perception of poverty partially mediate the relationship between childhood poverty and major depressions in late adulthood for certain subgroups. These findings underscore the complex and nuanced nature of the relationship between childhood poverty and later-life mental health, highlighting the importance of considering socio-economic and contextual factors when developing interventions to prevent or mitigate the negative effects of poverty on mental health outcomes.