

## Health and the Decision to Invest in Education

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Investments in education, health capital stock, panel data.

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### Summary

The paper analyses the relationship between health and education in a two period human capital framework. The resulting substitution and investment effects between health and advanced training work in opposite direction and leave open questions for the empirical part. As econometric model we use a random effects probit model for panel data. Our data consist of 322 individuals for the two years 2004 and 2006. Thereby, we take into account that self-reported measures of health are usually vulnerable to a reporting bias due to anticipation and measurement errors. Estimation results show a dominant substitution effect between different levels of education, indicating that good health implies higher learning efficiency so that the same income can be achieved with lower investment in advanced training. In contrast, we find a dominant investment effect within an educational level, indicating that better health leads individuals with higher education to invest more in additional training.