

The Effects of Health Shocks to the Elderly on Children's Labor Supply

Prashant Bharadwaj
University of California, San Diego

Area: ESS, CPP

Date: 28.01.2020, Venue: P21 @ 2.30PM

Abstract

This paper examines the effects of health shocks to elderly parents on the labor supply of their adult children. Using detailed administrative data from Norway and a matched difference in differences design, we find that unexpected health shocks to elderly parents reduces labor supply and annual earnings of adult children. While the overall labor supply effects are small in magnitude (0.5% reduction in the probability of work, approximately 1.2-1.7% reduction in annual earnings, and 3.3% increase in take up of sick leave), the effects are much larger for life threatening shocks such as cancer (1.4 percentage point reduction in LFP, 3.9% reduction in annual earnings and an increase in sick leave take up by 7.3%). We find evidence consistent with two potential mechanisms for this effect on labor supply: provision of informal care by children, and a direct health effect on adult children due to increased stress. We also explore family mediators such as number of siblings, whether elderly parents live near the children, and total household income for the adult child.

Speaker Profile

<https://prbharadwaj.wordpress.com/>