

Labor Supply when Parents are in Need of Care

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Objectives: The number of pensioners relative to the number of working-age individuals is increasing in most European countries. Most likely, a conflict of interest between increasing needs for care and a relative lack of people participating in the labour market may become more intense in the following years. The primary objective of this study is to investigate how having a parent in need of care affects children's employment propensity and take-up of social security benefits.

Methods: The analysis relies on administrative register data (from Statistics Norway) covering the whole population of Norway back to the early 1990s. These registers contain family ties, making it possible to link children their parents and their siblings. Using this data, we estimate the parameters of interest through fixed effects regression models. Because exact information about parents' need for care is not available, we will use two proxies of these care needs. The first proxy is the parent's time of death, which takes advantage of empirical evidence that the need for care is typically concentrated in the final years of life. Hence, the analyses will focus on the children's activity in the labour market during the terminal stage of a parent's life. The second proxy is to utilize information about the elderly in receipt of formal care. The need for informal care may be concentrated around the time when parents receive formal care at home. However, the need for informal care decreases once parents are admitted to a nursing home, with the greatest need often arising shortly before such admission.

Results: Preliminary results indicate a slight decline in employment propensity ($\frac{1}{2}$ -1 percentage point) around the time of lone parents' death. After the parent's demise, employment remains stable at lower levels while earnings rise for both sons and daughters. We also observe a significant rise in sickness insurance and other social security transfers, especially for daughters, during the terminal stages of their parents' lives. In addition, we observe that only children show sharper declines in employment propensity and greater reliance on social assistance than the full sample.

Discussion: Our results show small negative changes in labor supply around the time of lone parents' death. This may be attributed to informal care demands around the time of parents' death, suggesting that offspring play a significant role in the responsibility of care. However, these results cannot rule out that (the expectation of) inheritance is also an important contributor. In our ongoing analysis, we will investigate the role of inheritance by utilizing data about parent's wealth. We will also utilize data about formal care which probably is a more accurate indicator of demand for informal care.