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Caregiving and Work: The Relationship between Labor Market Attachment and Parental Caregiving

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The growing population of elderly is putting strains on our ability to provide long-term care for all those who need it. Currently, the vast majority of such care is provided informally by family members — by spouses for those who are married and by children for those who are not. Only about 8 percent of those receiving care at home rely exclusively on formal care. Imputing a value to this informal care based on the going rate for paid home care suggests that the value of informal care is approximately eight times as large as the value of paid home care. Furthermore, caregiving spouses and caregiving children are overwhelmingly female, suggesting that the burden falls primarily on wives and daughters.

Although unpaid, this time spent caring for a spouse or elderly parent is not free. It must come from somewhere and necessarily results in cutbacks in other uses of time, whether it be leisure or work. The primary concern is that this time results from a reduction in time in the labor force, with those women who provide care needing to cut back on hours or leave the labor market completely — a change in labor market behavior that could have negative consequences on well-being later in life. Such consequences are particularly problematic because caregivers are typically in their prime working years.

Despite the enormous potential to affect financial and emotional outcomes late in life, we do not as yet have a clear understanding of the extent to which there are such deleterious effects or the mechanisms through which they occur. The relationship between employment and caregiving is typically studied in the cross-section wherein it is clear that those who are providing care are less likely to be employed. However, the direction of the effect is not clear; it could well be that those who are not working are more able to provide care.

In this paper, we take advantage of panel data from the Health and Retirement Study spanning a period of up to 20 years and complementary data from Social Security records to re-examine this issue. We focus on the

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caregiving and labor market decisions of women in their 50s and early 60s and limit our attention to caregiving for parents and parents-in-law, ignoring for the time being caregiving to spouses. This latter type of care is far more likely at older ages and thus less likely to impact labor market behavior. Our sample thus consists of women interviewed in the initial HRS survey who had living parents (or parents-in-law) when first interviewed in 1992 but who were not providing care at that time. We follow these women until 2010 noting their caregiving and labor market behavior.

We find that, contrary to expectations, the women who are observed to provide care to a parent at some point during this survey window are not those with weaker attachments to the labor force. Rather, in simple cross-tabs, they have more schooling, are more likely to work full time, and have greater earnings than non-caregivers. They also have higher expected Social Security benefits. By contrast, we do not find similar patterns for those who provide care to parents-in-law.

When we then look at the effect of caregiving on work in a regression context, we find that caregiving reduces the probability of work and hours worked in a simple regression, in a fixed-effects regression, and when controlling for work history using Social Security Administration records. However, we do not find a significant effect of caregiving on annual earnings.

When we turn to look at the cost of care over the long term, we find that at the end of the 20-year period, those women who provided care at some point had significantly lower annual earnings in 2010 than those who did not provide care, and this effect held both unconditionally and conditionally on being employed.

While our results are preliminary, they suggest two new and important findings: First, the decision process for caring for a parent is different from that for caring for a parent-in-law; and second, there are long-term costs associated with caregiving reflected in earnings even long after caregiving has taken place. We are following up on these results with a series of robustness checks, including additional control variables and testing alternative econometric specifications. Should these results hold, they will have important policy implications and perhaps provide yet another explanation for the greater poverty risks faced by women at older ages.

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