

## Your next of kin or your own career? Caring and working among the 50+ of Europe<sup>☆</sup>

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Received 30 June 2006; received in revised form 30 May 2007; accepted 16 October 2007  
Available online 22 January 2008

### Abstract

An increasing demand for both formal and informal care is likely to result from the ongoing demographic transition at the same time as there is a further move away from the traditional domestic division of labour. Public policy-making that aims at increasing the supply of informal care necessitates knowledge about the relative importance of various incentives for individual care providers. This paper takes as a point of departure that the willingness to supply informal care is partly explained by the extent to which it adversely affects labour-market outcomes and analyses the effect on labour-market outcomes of providing informal care to one's elderly parent(s) among the 50+ of Europe. Data from SHARE (Survey of Health, Ageing, and Retirement in Europe) was used to examine the association between, on the one hand, hours of informal care provided and, on the other, (1) the probability of employment, (2) hours worked, and (3) wages, respectively. The results suggest that giving informal care to one's elderly parents

<sup>☆</sup> This paper uses data from the early release 1 of SHARE 2004. This release is preliminary and may contain errors that will be corrected in later releases. The SHARE data collection has been primarily funded by the European Commission through the 5th framework programme (project QLK6-CT-2001-00360 in the thematic programme Quality of Life programme area). Additional funding came from the US National Institute on Aging (U01 AG09740-13S2, P01 AG005842, P01 AG08291, P30 AG12815, Y1-AG-4553-01 and OGHA 04-064). Data collection in Austria (through the Austrian Science Foundation, FWF), Belgium (through the Belgian Science Policy Administration) and Switzerland (through BBW/OFES/UFES) was nationally funded. The SHARE data set is introduced in Börsch-Supan et al., 2005; methodological details are contained in Börsch-Supan and Jürges [Börsch-Supan, A., Jürges, J., 2005. Health, Ageing and Retirement in Europe. Methodology. Mannheim Research Institute for the Economics of Ageing]. Additional funding for the Swedish participation in the SHARE data collection project came from the Bank of Sweden Tercentenary Foundation, the Swedish Council for Working Life and Social Research, and the Swedish Social Insurance Agency. The research reported in this paper was supported by a grant from the Swedish Council for Working Life and Social Research, which is gratefully acknowledged. We are indebted to Lina Maria Ellegård and Rose-Marie Lindkvist for diligent research assistance and to two anonymous reviewers for valuable comments and useful suggestions.

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is associated with significant costs in terms of foregone labour-market opportunities and that these adverse effects vary between countries.

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*JEL classification:* I11; I12; J22

*Keywords:* Informal care; Labour-market outcomes; Endogeneity; Europe; SHARE

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## 1. Introduction

The simultaneous processes of a demographic transition, towards a higher share of elderly people in Europe, and the emancipation of women from being the sole providers of domestic labour mean that the demand for informal care will increase, while the supply will decrease. If public policy-makers are anxious to increase the supply of informal care, the importance of incentives for individual care providers must be carefully studied. This paper addresses the question of whether or not the supply of informal care conveys costs to the provider over and above the immediate loss of income and whether or not the institutional context is important in this respect.

The individual's incentives for supplying informal care are comprised of a large array of benefits and costs. Apart from the willingness to provide informal care out of altruism, there are certainly several additional benefit-components, such as the fulfillment of what is considered an obligation and improved relationships (Bamford et al., 1998). At the cost side of the equation there is the opportunity cost of time. In principle, allocating time to informal-care purposes encompasses both direct and indirect costs. Direct costs are costs, which arise when an hour is used for the provision of informal care instead of working in the labour market. Indirect costs are costs which are caused by disturbance of the process of human-capital accumulation—a student may suffer adverse effects from absence from school not only because he or she misses a day of schooling but also, and maybe more important, since there are accumulation effects over time of 1 day of missed schooling. Similarly, an employee may suffer not only 1 day's payment but also on-the-job-training, which will have accumulation effects over time. Further, the expectation held by an employer that, for instance, a specific employee will be more absent from work, or will be less devoted to his or her career, since he or she has supplied significant amounts of informal care at the expense of job devotion in the past, may reinforce the adverse effects on human-capital accumulation and, hence, wages. These adverse effects may be different depending on the specific institutional setting of a country. Thus, the various institutional settings among the European countries may induce different patterns.

Despite their (potentially) important policy implications, relatively few studies outside the US have analysed the relationship between informal-care provision and labour-market outcomes and how these influences depend on the institutional setting. For US conditions, Wolf and Soldo (1994) found no effect of giving informal care on employment or hours worked among married women, but most prior US studies have identified large opportunity costs of informal care in the form of reduced occupational attainment (Muurinen, 1986; Stone and Farley-Short, 1990; Boaz and Muller, 1992; Ettner, 1996; Pavalko and Artis, 1997; Johnson and Lo Sasso, 2000; Kolodinsky and Shirey, 2000; Pavalko and Henderson, 2006). Outside the US, a few studies for British conditions exist (Arber and Ginn, 1995; Carmichael and Charles, 1998, 2003a,b; Heitmueller, 2004; Heitmueller and Inglis, 2007). In the latter studies, a negative effect of informal-care provision was obtained, although the magnitude of the effect varied.

In this study, we focus on the effects of informal-care-giving on labour-market outcomes and on differences in the effects among European regions. Until recently, such analyses have been hindered by a lack of comparable data. With the recent development of the SHARE (Survey of Health, Ageing, and Retirement in Europe) database, however, new, cross-national research possibilities within a European context appear. In our analyses, we take advantage of the cross-national character of SHARE and examine differences in the effects of care-giving on labour-market outcomes according to a north–south gradient. Focusing on the north–south gradient is motivated by the fact that there exist considerable cultural and institutional differences between northern and southern European countries that may be of importance when studying informal care and labour-market outcomes. Southern European countries are commonly referred to as “strong family-ties countries”, and are often contrasted with the “weak family-ties countries” of Northern Europe (Reher, 1998). The strength of the ties is usually discussed in terms of cultural patterns of family loyalties, allegiances, and authority, but also concerns demographic patterns of intra-generational co-residence and patterns of

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