

Your next of kin or your own career? Caring and working among the 50+ of Europe[☆]

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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

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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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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

support for the elderly.¹ A cross-sectional interview survey, carried out in Norway, England, Germany, Spain and Israel in 2000/2001, examined contemporary European norms and ideals for the support and care of older people (Daatland and Herlofson, 2003). It was found that the support for filial norms as well as personal preferences for own long-term care follow a north–south gradient—generally higher in Spain (and Israel) and lower in Norway, England and Germany. Analysing SHARE data, Kohli et al. (2005) concluded that the European north–south “weak–strong” gradient persists. Here, the Scandinavian countries were found to have the “weakest” family ties, the Mediterranean countries the “strongest”, whereas the continental countries lay somewhere in between.

Cultural differences in norms, traditions and preferences are reflected in institutional differences. True, as can be seen in Table 1, there are substantial publicly financed long-term-care programmes in all the countries studied, regarding both informal care and formal care at home or at institutions. The extent of the various programmes, the supply of services, and the utilisation of programmes seem to differ, however, leading to the north–south gradient in the public-spending on long-term care share of GDP and in the share of 65+ residing in institutional care, respectively, reported in Table 2. This table also shows a north–south gradient in employment rates, specifically for women and for older workers, unemployment rates, income distributions and whether or not children are legally obligated to care for and/or support their parents.

Thus, it seems rather natural to ask the question whether there is a north–south gradient also in the effects of informal care on labour-market outcomes. A hypothesis would be that the potential adverse effects of informal care on labour-market outcomes are less severe in countries where norms, traditions, preferences, and institutions favouring family loyalties and intra-generational support are stronger, since, for instance, more acceptance might exist among employers and employees for the fact that you are caring for your elderly parents.

In most prior studies, informal care has been treated as an exogenous variable. As noted by Ettner (1996), who analysed a family in which children provide the residual necessary care left over when the spouse has provided a certain amount, this means that implicitly a number of assumptions are assumed to be fulfilled. First, it assumes that the allocation of care-giving tasks within the family does not depend on endogenous characteristics of the children, such as employment status. Second, it assumes that there is a required amount of “needed” informal care that the family does not allow to leave unmet. Third, it assumes that the family care-givers cannot substitute informal care by buying formal care. Given these assumptions, an informal care-giver takes the required level of informal care as given and then decides how to allocate remaining time. Obviously, if the parent’s demand for informal care increases, this means that less time will remain to spend in paid work.

For a number of reasons, however, these assumptions may fail. The allocation of the care-giving burden within the family may certainly depend on the endogenous characteristics of the children. Unemployed children, for instance, face lower time costs and may be expected to provide a greater share of the total amount of informal care than their employed counterparts. In the literature, a typical care-giver has been found to be an unemployed, single-living daughter, living nearby the parent (Engers and Stern, 2002). Similarly, children with a time cost that exceeds the price of professional homecare may decide to pay for formal care instead of providing informal care. Finally, the assumption that there is a certain amount of required informal care that has to be provided is questionable. Consider a model of care-giving where the child’s utility function includes the parent’s level of health (Johnson and Lo Sasso, 2000) or the parent’s utility (Ettner, 1996), because of altruistic and/or bequest motives, and where the health or utility of the parent is a concave function of the amount of informal care provided by the child. In such a model, the child will provide informal care up to the point where the marginal utility of the time spent on various activities are equalised. So, in equilibrium, the child will allocate his/her time so that the marginal utility of care-giving equals the marginal utility of leisure and the value of an additional hour of work. A positive chock in the marginal utility of informal care will induce the child to increase the time spent on informal care and reduce the number of hours on leisure and/or paid work, in order to restore equilibrium conditions.

Thus, empirical estimates of the effect of informal care-giving on labour supply based on simple OLS regression are potentially biased towards overstating the effect (Ettner, 1996). In this paper, we address the potential endogeneity

¹ Reher (1998) argues that the Muslim domination in southern Europe emphasized vertical relationships between generations, where children’s care of their parents in old age and intra-generational co-residence are seen as a manifestation of a “strong family”. The Reformation and Germanic tradition in northern Europe instead, according to Reher (1998) contributed to the development of a weak family characterized by people who do not rely on the children in old age and as youths detach themselves from their parents at relatively early ages.

Table 1
Overview of publicly financed long-term-care programmes in the countries under study

Type of public service/support	Home care		Institutional care
	Informal care at home	Formal care at home	
Denmark	Informal carers can be hired at a wage similar to that of public agency employees (s.t. harsh eligibility criterions)	The user chooses provider. Tax financed. Free at point of use for the elderly	The user chooses provider. Nursing and care tax financed, accommodation co-financed by user
Sweden	Informal carers can be hired at a wage similar to that of public agency employees. The attendance allowance is another source of support to informal carers	Choice of provider available in about 5% of municipalities. Mainly tax financed, co-financed by the user subject to means test	Choice of provider available in about 5% of municipalities. Mainly tax financed, co-financed by the user subject to means test
Netherlands	The consumer-directed budget (CDB) allows the user to choose between providers, including relatives, of needed care services	The CDB allows the user to choose between providers of needed care services	Paid for via the CDB
Austria	The dependent can use the tax-financed care allowance to reward informal carers	The user chooses provider of formal home care and pays for it via the care allowance. Home nursing is financed by the health insurance	Paid for via the care allowance
Germany	The dependent can use the insurance-financed care allowance to reward informal carers	The care allowance allows the dependent to choose between benefits in-kind or in-cash. Home nursing is financed by the health insurance	Paid for via the care allowance. Social assistance available for uninsured persons
France	Tax exemptions available for informal carers. Part-time work-wide spread among informal carers. Un-paid leave, as well as a few days of paid leave, available	Home nursing is financed by the health insurance and provided free of charge for the user. The tax-financed care allowance is used for other home help	Nursing financed by health insurance, social care and accommodation financed by the care allowance. Social assistance available if needed
Switzerland		Financed by a 50–50 mix of public insurance and private contributions	Financed by a mix of public insurance and private contributions
Greece	Tax exemptions and a few days of un-paid leave available for informal carers	Home help programme targeted at lonely and dependent elderly. Tax-financed	Usually no co-financing in public or NFP institutions. Private institutions financed by private contributions
Italy	The care allowance to disabled persons can be used to pay informal carers. There is also a means-tested support for caring families. Care leave, paid or unpaid, is available for informal carers but only a realistic alternative for public employees	Home nursing provided free of charge for the user. Other services subject to a means test. The general care allowance can be used to pay the costs of formal care. Means-tested support available	Institutional care mainly tax-financed, but co-payments are significant
Spain	Tax exemptions available for informal carers	Home nursing provided free of charge for the user. Other services subject to a means test. Private help financed by user	Public institutional care mainly tax-financed, but co-payments are significant. Private residential care financed by user

Sources: Jenson and Jacobzone (2000), Comas-Herrera et al. (2003), Lamura (2003), Lundsgaard (2005), OECD (2005), Szebehely (2005) and European Commission (2005).

Table 2
Overview of variations in institutional factors among the countries under study

Country	Employment rate (2004) (%)	Employment rate among women (2004) (%)	Employment rate among older workers (55–64) (2004) (%)	Unemployment rate (2004) (%)	Income distribution measured as income quintile share ratio (2004)	Expenditure on LTC (share of GDP, 2004) (%)	Share of 65+ in institutional care (1992–1995) (%)	Children obligated to care for and/or support parents
Denmark	75.7	71.6	60.3	5.5	3.4	1.7	7	No
Sweden	72.1	70.5	69.1	6.3	3.3	2.6	8.7	No
Netherlands	73.1	65.8	45.2	4.6	4 (2005)	0.9	8.8	n.a.
Austria	67.8	60.7	28.8	4.8	3.8	1.1	4.9	Yes
Germany	65.4	59.2	41.8	9.5	4.1 (2005)	0.3	6.8	Yes
France	63.1	57.4	37.3	9.6	4.2	0.3	6.5	Yes
Switzerland	77.4	70.3	65.1	n.a.	n.a.	0.3	5.4 (2000)	Yes
Greece	60.1	45.2	39.4	10.5	5.9	0.1	1	Yes
Italy	57.6	45.2	30.5	8	5.6	0.1	3.9	Yes
Spain	63.3	48.3	41.3	10.6	5.1	0.3	2.9	In some regions

Sources: Eurostat, Buchele et al. (1998), Jacobzone (1999), Comas-Herrera et al. (2003), Lamura (2003) and OECD (2005).

of informal care by using instruments for informal care. In particular, the SHARE database contains information on the respondent's parents, such as their age and health status, and on the number of siblings of the respondents, which are used to identify the effect of informal care on occupational attainment.

We consider the effects on employment, hours worked, and the wage rate among both men and women of care-giving to an elderly parent. Most prior studies only concern the probability of employment and are only conducted for women, who traditionally have been the main providers of informal care. However, as the female labour-market participation rate has been increasing in many countries, men are becoming more important as care providers (Carmichael and Charles, 2003a).

To summarise our results: we found that (1) informal care reduced the probability of employment among women and men, (2) informal care reduced the number of hours worked when analysing women and men together and (3) informal care showed no significant effect on the wage rate, neither among men nor among women. Thus, our results suggest that giving informal care is associated with a substantial opportunity cost in the form of reduced occupational attainment. The hypothesis that informal care is exogenous could not be rejected. The influence of informal-care provision was, however, found to differ between the Nordic, central and southern parts of Europe: the negative effect on the employment probability and the number of hours worked, respectively, of informal-care provision was found to be stronger in central Europe than in southern Europe, while the wage rate was found to be less negatively affected in the central European countries.

The paper proceeds as follows. First, the data will be presented. Second, the empirical methods used in the paper are described. Third, the results are reported. The paper concludes with a summary and discussion of our results.

2. Data

The Survey of Health, Ageing and Retirement in Europe (SHARE) is a multidisciplinary and cross-national micro database containing approximately 22,000 Europeans over the age of 50 and their spouses and from 11 countries. The first wave of data was collected in 2004. It contains representative samples from the non-institutionalised population in respective participating country. The countries represent northern Europe (Denmark and Sweden), central Europe (Austria, France, Germany, Switzerland, Belgium, and the Netherlands), and southern Europe (Spain, Italy and Greece). In this paper, data from Belgium was not included, since it was not available at the time of writing. The database comprises information on health-related variables, for instance, self-reported health, physical functioning, cognitive functioning, psychological health, well-being, life satisfaction, and health-behaviour, for instance, the utilisation of health-care facilities; labour-market variables, for instance, current work activity, job characteristics, opportunities to work past retirement age; economic variables, for instance, sources and composition of current income, wealth and consumption. Other variables include education, housing, and social support variables, for instance, assistance within families, informal care, transfers of income and assets, and social networks.

SHARE follows the design of the US Health and Retirement Study (HRS) and the English Longitudinal Study of Ageing (ELSA). Response rates in SHARE ranged from 38% in Switzerland to 69% in France and the average response rate was 55%. A description of methodological issues can be found in Börsch-Supan and Jürges (2005b).

In our analyses, we considered informal care given to the respondent's parents. We included biological parents and parents-in-law, as well as step-parents. Moreover, we considered informal care given to parents living outside the household in our main analyses. Even though the data contains information on informal care to a parent living in the household, this measure was limited in several respects. In contrast to informal care given to a parent outside the household, it was only recorded whether or not the respondent had given any informal care to a parent living in the household. Thus, this restricted the possibility of calculating the total number of hours of informal care given to parents living both outside and in the household. The exclusion of informal care constituted no major limitation, though, since in our sample of 50+, the number of respondents that gave such care was very low. In 5 out of the 10 countries considered, the fraction of respondents that gave informal care to a parent in the household was negligible. In Denmark and France the fraction was zero, whereas in Sweden, Netherlands, and Greece, the proportion ranged from 0.2% to 0.9%. For the full sample, only 1.7% had given such care, while 41% had given informal care to a parent living outside the household. There were some variations across countries, though. The highest proportion of respondents having given care to a parent in the household was found in Spain, where 6.8% of the respondents had given such care. We will, therefore, return to the issue of informal care provided in the household, when conducting a sensitivity analysis of our results.

A smaller fraction of individuals also reported providing care to a spouse within the household. Such care was also measured only through a binary indicator, giving no information about the intensity of the care-giving. However, it should be remembered that our sample consists of labour-market participants and this source of care-giving is more common at advanced ages. Consequently, only 1.8% of the respondents reported supplying such care, making this source of care-giving less important than care-giving to parents outside the household. We will, however, return to the issue of spousal care-giving in the sensitivity analysis.

Finally, the sample was restricted to respondents having at least one living parent, since, obviously, only those had the possibility to give informal care to a parent.

Since we were interested in the effects of informal care-giving on labour-market outcomes, we restricted our sample to non-retired individuals. Since some individuals were “home-makers”, and consequently had no job to retire from, we also imposed an upper age limit for inclusion of 64.

2.1. *Informal care*

Informal care was comprised of the following components: (1) personal care, e.g. dressing, bathing or showering, eating, getting in or out of bed, and using the toilet, (2) practical household help, e.g. with home repairs, gardening, transportation, shopping, and household chores and (3) help with paperwork, such as filling out forms, and settling financial or legal matters.

In the survey, the respondent was first asked if he/she had given any informal care of the above kind to a family member outside the household, a friend or a neighbour during the last 12 months. If answering yes, the respondent was next asked to whom he/she had given informal care. For that person, the respondent was then asked to estimate the frequency of which he/she gave informal care during the past 12 months. The alternatives given were: (1) almost every day, (2) almost every week, (3) almost every month and (4) less often. Following that, the respondent was asked to give an estimate of the number of hours of informal care given on a typical day/in a typical week/in a typical month/in the last 12 months. The interviewer was then asked to round up the answers to full hours. This exercise was repeated for up to three different persons. In order to make the answers comparable between respondents, we created a variable indicating for each respondent the total number of hours past week that he/she gave informal care. This variable was constructed as follows: if the respondent answered that he/she gave informal care almost every day, we multiplied the number of hours received on a typical day by 7. If the respondent answered almost every week, the number of hours was kept as it was. In a similar vain, if the respondent answered almost every month, the number of hours per months were divided by 4.28. Finally, if the respondent answered that he/she gave informal care less often than each month, he/she was asked to give an estimate of the total number of hours of informal care received past year. This estimate was then divided by 52. In [Table 3](#), descriptive statistics on informal care-giving are shown.

2.2. *Employment, hours worked and wages*

Three different labour-market outcomes were addressed in this paper: (1) being in paid employment, (2) hours worked, and (3) hourly wage rate. To obtain an estimate of hours worked, the respondent was first asked to state the number of contracted hours each month in his or her job, excluding meal breaks and any paid or unpaid overtime.

To assess the respondent's hourly wage rate, the respondent was first asked about the frequency of payment. Second, he or she was asked about how much the last payment was, before deductions for tax, national insurance or pension and health contributions, union dues and so on. Together with the information on contracted hours, the hourly wage rate was then calculated. For the non-euro countries, i.e. Sweden, Denmark, and Switzerland, we used the average annual exchange rate of 2004 to convert the amounts into euros. The exchange rates used were 9.1243 for Sweden, 7.4399 for Denmark, and 1.5438 for Switzerland ([ECB, 2005](#)). [Table 4](#) shows descriptive statistics on the labour-market variables across the SHARE countries.

2.3. *Other explanatory variables*

In the employment regressions we control for sex (female vs. male), age and age squared, marital status (married vs. others), education (total years of education), birth country (born in interview country vs. all other), number of children,

Table 3
Descriptive statistics on informal care

Country	Weekly hours of informal care				Any informal care				Weekly hours of informal care given >0			
	Males		Females		Males		Females		Males		Females	
	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.
Germany	2.32	9.17	1.77	6.48	0.35	0.48	0.27	0.44	6.70	14.70	6.59	11.23
Austria	2.31	9.39	2.07	5.13	0.50	0.50	0.44	0.50	4.57	12.85	4.75	6.91
Sweden	0.87	1.75	1.28	3.39	0.53	0.50	0.53	0.50	1.65	2.12	2.43	4.36
Netherlands	2.18	12.18	2.64	5.38	0.58	0.49	0.55	0.50	3.76	15.84	4.80	6.50
Spain	0.40	2.30	1.36	9.53	0.11	0.31	0.12	0.32	3.76	6.35	11.72	26.46
Italy	1.08	6.00	3.97	14.92	0.22	0.41	0.26	0.44	4.99	12.25	15.38	26.38
France	1.25	4.21	1.50	3.71	0.41	0.49	0.40	0.49	3.02	6.15	3.74	5.12
Denmark	1.40	3.65	1.52	4.76	0.62	0.49	0.57	0.50	2.25	4.42	2.68	6.08
Greece	1.10	4.93	2.49	8.11	0.23	0.42	0.24	0.43	4.88	9.52	10.20	13.90
Switzerland	1.07	3.72	1.20	3.64	0.47	0.50	0.48	0.50	2.27	5.19	2.50	4.94
Total	1.50	7.20	2.09	7.38	0.42	0.49	0.40	0.49	3.59	10.83	5.25	10.96
<i>n</i>	1718		2079		1718		2079		715		828	

Table 4
Descriptive statistics on labour-market outcomes

Country	Employment				Weekly hours worked				Wage rate			
	Females		Males		Females		Males		Females		Males	
	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.
Germany	0.32	0.47	0.52	0.50	30.89	10.81	41.12	16.62	15.58	14.88	22.61	36.47
Austria	0.52	0.50	0.68	0.47	29.58	10.84	38.26	10.06	14.86	9.06	25.08	50.15
Sweden	0.75	0.43	0.84	0.37	34.91	9.09	39.86	5.80	14.57	5.02	19.17	13.19
Netherlands	0.44	0.50	0.68	0.47	24.29	9.92	35.49	6.97	23.26	36.97	24.58	32.56
Spain	0.29	0.45	0.56	0.50	33.13	10.02	38.23	10.38	9.39	6.11	13.42	15.15
Italy	0.25	0.44	0.50	0.50	30.53	9.89	36.17	10.09	13.42	8.04	18.18	14.97
France	0.53	0.50	0.59	0.49	31.19	8.70	36.47	9.17	18.79	41.41	19.74	14.93
Denmark	0.69	0.47	0.75	0.44	33.39	10.25	37.94	8.23	21.60	22.35	24.37	9.88
Greece	0.31	0.46	0.79	0.41	33.95	10.64	38.29	9.58	11.13	10.38	11.38	8.39
Switzerland	0.61	0.49	0.80	0.40	28.85	13.68	40.26	18.16	34.89	64.26	28.72	14.03
Total	0.47	0.50	0.67	0.47	31.01	10.73	38.00	10.15	18.28	27.92	21.30	27.21
<i>n</i>	2079		1718		900		895		879		876	

wealth,² health (bad or very bad self-reported health vs. all other), number of health conditions (out of 14 listed),³ and country dummies (Sweden as reference category). The same explanatory variables were included in the wage equation, while the equation on hours worked included the wage rate as an additional explanatory variable. Moreover, the hours worked and wage equations also included an indicator of being employed in the public sector, as opposed to being employed in private sector. Finally, the wage equation included a variable indicating having a part-time job. In Table 5, descriptive statistics are given.

2.4. Instruments

Variables that were assumed to influence the amount of informal care given, but not directly the labour-market outcomes of the respondent, were the health status of the respondent's mother and father, the age of the mother and father, whether the parents lived more than 100 km away, and the number of sisters and brothers.

The health status of the respondent's parent should qualify as an instrument, since it should not affect labour-market outcomes of the respondent other than through its effect on informal care-giving by the respondent. Moreover, since we control for the health status of the respondent, any transmissions of health through the generations will be accounted for. To evaluate parental health, the respondent was asked to rate his/her parent's health on a 5-point scale, ranging from very good to very bad. A binary indicator of having a parent with bad or very bad health was then created. Since one of the parents may be deceased, we constructed an indicator variable taking on the value 1 if the mother or father, respectively, was dead. In the case of a deceased parent, we assigned the parental health indicator the value one.

Regarding age, we assumed that age is associated with the demand for informal care. Age could be expected to capture other health characteristics of the elderly parent, such as activity limitations, which may increase the need for informal care. The age of the parent, however, could, again, be assumed to only affect the care-givers labour-market status via its effect on informal care-giving. The variable indicating whether the mother/father lived more than 100 km away is related to the time cost of providing informal care. With greater distance between

² Wealth refers to *net household wealth*. The variable is derived by the SHARE team and includes, among other things, the value of primary residence, other residence, bank accounts, stock holdings, mortgages, individual retirement accounts, etc. For a detailed description, see Börsch-Supan and Jürges (2005a), p. 114.

³ The conditions considered were (1) heart attack, including myocardial infarction or coronary thrombosis or any other heart problem including congestive heart failure, (2) high blood pressure or hypertension, (3) high blood cholesterol, (4) a stroke or cerebral vascular disease, (5) diabetes or high blood sugar, (6) chronic lung disease such as chronic bronchitis or emphysema, (7) asthma, (8) arthritis including osteoarthritis or rheumatism, (9) osteoporosis, (10) cancer or malignant tumour including leukaemia or lymphoma but excluding minor skin cancers, (11) stomach or duodenal peptic ulcer, (12) Parkinson disease, (13) cataracts, (14) hip fractures or femoral fracture.

Table 5
Descriptive statistics on dependent, independent and instrumental variables

		Mean	S.D.
Dependent variables			
Employed	1 if employed	0.56	0.50
Log of contracted hours ^a	Log(1+contracted weekly hours worked)	3.50	0.41
Log of hourly wage rate ^a	Log(1 + hourly wage rate)	2.80	0.60
Independent variables			
Log of informal care	Log(1 + weekly hours of informal care)	0.44	0.81
Age	Age in years	55.29	3.98
Age squared	Age ²	3072.72	448.11
Female	1 if female	0.55	0.50
Years of education	Total number of years of education	11.46	3.99
Wealth	Net wealth in Euro (1000)	290.91	510.21
Married	1 if married	0.77	0.42
Country of birth	1 if born in country where the interview took place	0.92	0.26
Number of children	Total number of children	2.08	1.26
Self-reported bad health	1 if bad or very bad self-reported health	0.13	0.33
Number of health conditions	Number of health conditions out of 14 listed	1.00	1.14
Public sector ^a	1 if working in the public sector	0.29	0.45
Part-time ^a	1 if working part-time (20 h or less per week)	0.14	0.35
Denmark		0.09	0.29
Germany		0.14	0.34
Netherlands		0.15	0.35
France		0.09	0.28
Austria		0.09	0.28
Switzerland		0.05	0.21
Italy		0.11	0.31
Spain		0.07	0.25
Greece		0.11	0.31
Informal care to parent in household	1 if having given informal to a parent living in the household	0.02	0.13
Instruments			
Mother have bad health ^b	1 if the child reports that mother's health is bad or very bad	0.05	0.22
Father have bad health ^b	1 if the child reports that father's health is bad or very bad	0.05	0.22
Age of mother ^b	Mother's age in years	81.62	5.85
Age of father ^b	Father's age in years	82.34	5.50
Mother lives far away ^b	1 if mother lives more than 100 km away	0.38	0.49
Father lives far away ^b	1 if father lives more than 100 km away	0.38	0.49
Mother deceased	1 if mother is deceased	0.12	0.33
Father deceased	1 if father is deceased	0.64	0.48
Number of siblings	Total numbers of alive siblings	0.91	0.29

^a Mean is for those being employed.

^b Mean is for those having a mother/father alive.

the informal care-giver and the care-receiver, time costs for the former will obviously increase, which could be expected to decrease the amount of informal care provided. Again, distance could be assumed not to influence the labour-market status of the respondent other than via its effect on informal care-giving.⁴ In the case where the mother or father was deceased, a similar strategy as in the case of parents' health status was followed.

The rationale for including the number of siblings alive is that the workload on the respondent may lessen with additional siblings, since the burden of informal care-giving could be shared (Ettner, 1996).

⁴ As noted by an anonymous referee, however, people may move to find a job, which may also increase the distance to their parents. Some caution should therefore be taken when interpreting the results using this instrument.

Table 6
Regressions on employment probability (marginal effects and probit model). Informal care treated as an exogenous variable

	Full sample	Women	Men
Hours of informal care	−0.037** (0.012)	−0.028+ (0.015)	−0.032+ (0.018)
Wealth	0.000** (0.000)	0.000 (0.000)	0.000** (0.000)
Age	0.421** (0.072)	0.397** (0.098)	0.358** (0.096)
Age in square	−0.004** (0.001)	−0.004** (0.001)	−0.004** (0.001)
Female	−0.235** (0.018)		
Years of education	0.026** (0.003)	0.030** (0.004)	0.015** (0.004)
Married	−0.011 (0.023)	−0.070* (0.030)	0.070* (0.034)
Born in country of residence	0.064+ (0.037)	−0.025 (0.046)	0.178** (0.056)
Number of children	−0.002 (0.008)	−0.019+ (0.010)	0.014 (0.010)
Bad or very bad self-reported health	−0.259** (0.030)	−0.180** (0.039)	−0.357** (0.046)
Number of health conditions	−0.039** (0.009)	−0.042** (0.012)	−0.031* (0.013)
Denmark	−0.211** (0.043)	−0.180** (0.050)	−0.185** (0.066)
Germany	−0.342** (0.035)	−0.348** (0.035)	−0.224** (0.062)
Netherlands	−0.356** (0.033)	−0.374** (0.033)	−0.230** (0.057)
France	−0.270** (0.041)	−0.223** (0.047)	−0.291** (0.062)
Austria	−0.448** (0.029)	−0.415** (0.027)	−0.410** (0.056)
Switzerland	−0.217** (0.050)	−0.268** (0.048)	−0.079 (0.084)
Italy	−0.423** (0.031)	−0.410** (0.029)	−0.345** (0.060)
Spain	−0.370** (0.038)	−0.362** (0.036)	−0.277** (0.073)
Greece	−0.367** (0.035)	−0.432** (0.026)	−0.125+ (0.066)
Observations	3769	2070	1699

Robust standard errors in parentheses.

+ significant at 10%; * significant at 5%; ** significant at 1%.

3. Methods

A probit model was used to analyse the probability of being in paid employment. When estimating hours worked and wages, conditional on being in paid employment, OLS was used. In the latter cases, the dependent variables were logged in order to achieve a smoother distribution. Formally, we may write the labour-market outcomes as:

$$L_{ij} = f_j(IH_i, H_i, X_i, I_i, \varepsilon_{ij}), \quad j = 1, 2, 3 \quad (1)$$

where L_{ij} denotes labour-market outcome of type j by respondent i and IH_i denotes hours of informal care. In Eq. (1), H_i denotes health status, X_i socio-economic and demographic characteristics, I_i the institutional framework, and ε_{ij} an unobserved error term. The institutional framework varies between the countries of European countries, a fact which is “captured” by country dummies in the regressions.⁵

4. Results—all countries

4.1. Employment

In Table 6, we present the results from the regressions on employment probabilities treating *informal care as exogenous*. The results are shown for the full sample and for men and women separately. For the full sample, informal care was associated with a negative and significant effect on the employment probability (−0.037). This effect was quite similar among men and women. For men, the effect was −0.032, while the corresponding effect for women was

⁵ When conducting instrumental-variables regressions, our choice of method was dependent on the nature of the dependent variable. In cases where the dependent variable was continuous, i.e. in the hours-worked- and wage equations, we used 2SLS regression. In cases where the dependent variable was dichotomous, i.e. in the employment equation, we used the Amemiya Generalized Least Squares (AGLS) estimator, which estimates a probit model with a continuous endogenous explanatory variable. The computations were performed using the IVPROB programme in STATA, which provides asymptotically efficient standard errors. In the first-stage regression, the endogenous explanatory variable is treated as a linear function of the instruments and the exogenous variables. In the second stage, the prediction from the first-stage is included as an explanatory variable in the main equation. For a description of the AGLS estimator, see Maddala (1983, pp. 247–252).

Table 7

Effects of giving informal care on employment. Informal care treated as an endogenous variable. Instrumental variables probit regression. Marginal effects

	Full sample	Women	Men*
Informal care	−0.224 (0.137)	−0.158 (0.131)	–
<i>F</i> -test of first-stage instruments (<i>p</i> -value of null of jointly = 0)	9.24 (<i>p</i> < 0.01)	8.53 (<i>p</i> < 0.01)	–
Overidentification test, (<i>p</i> -value of null of valid exclusion restrictions)	1.15 (<i>p</i> = 0.56)	1.50 (<i>p</i> = 0.47)	–
Smith-Blundell exogeneity test, (<i>p</i> -value of null of exogeneity)	1.99 (<i>p</i> = 0.16)	1.04 (<i>p</i> = 0.31)	–

*For the full sample and for the sample of women we used the following instruments: mother lives more than 100 km away, mother's age, and father has bad health. In the case of men, none of the instruments significantly predicted informal care in the first-stage regression, thus preventing IV-estimation.

−0.028. In both cases, the effects were significant at the 10% level. Among men, age, wealth, education, being married, and being born in the interview country showed a significant and positive impact on the employment probability, while being in bad health and the number of health conditions showed a negative impact. For women, the employment probability was positively associated with age and education, while the contrary was true for age squared, being married, number of children, bad health, and the number of health conditions.

If our assumption of informal care being exogenous holds, the results suggest that, for the full sample, a 10% increase in weekly hours of informal care is associated with a 3.7 percentage points reduction in the employment probability. These estimates may, however, be biased due to the potential endogeneity of informal care, as explained earlier.

Table 7 presents the results from the instrumental variables regressions, treating *informal care as endogenous*. To preserve space, only the marginal effect of informal care is shown.⁶ The instruments used in each regression are summarised below the table. Treating care-giving as endogenous, the magnitude of the marginal effect, −0.224, was larger than the one we obtained when treating informal care as exogenous. The effect, however, was only significant at the 11% level. Moreover, the Smith-Blundell test could not reject the null hypothesis of exogeneity of informal care (*p* = 0.16).

The reliability of the IV-estimates hinges on a number of factors. Appropriate instruments should be (1) correlated with the potentially endogenous right-hand-side variable and (2) orthogonal to the error process. It has been suggested, as a rule of thumb, that an *F*-statistic below 10 is a cause of concern, since it signals a problem of weak instruments (Staiger and Stock, 1997). An *F*-test of joint insignificance revealed that our instruments predicted reasonably well in the first-stage regression (*F* = 9.24, *p* < 0.01). Second, the validity of our exclusion restrictions was tested by including all but one of the instruments in the equation that controls for endogeneity and testing them being jointly equal to zero with a Wald test. The choice of instrument to exclude does not affect the results (Bollen et al., 1995). With valid exclusion restrictions, these should not be significant predictors of employment after controlling for informal care (Bollen et al., 1995; Norton et al., 1998). The Wald-test suggested that the overidentifying restrictions were valid ($\chi = 1.15$, *p* = 0.56).

While exogeneity of informal care for the full sample could not be rejected, it remains to settle whether this is the case when examining women and men separately. Starting with women, the effect of informal care was −0.158, when treating informal care as endogenous. The effect was highly insignificant and the confidence intervals of the instrumental variables estimate overlap with the original estimate, though. As to the appropriateness of our instruments, the hypothesis that they were jointly equal to zero in the first-stage regression on informal care was rejected (*F* = 8.53, *p* < 0.01). Moreover, the instruments that were excluded from the main equation passed the test of overidentifying restrictions ($\chi = 1.50$, *p* = 0.47). As in the case of the full sample, the Smith-Blundell test could not reject the exogeneity of informal care ($\chi = 1.04$, *p* = 0.31).

Turning to men, our instruments appeared weak in predicting informal care. In fact, none of the instruments were significant in predicting informal care even at the 10% level. Consequently, IV-regression on employment could not be conducted in the case of males.

In sum, the results suggested that for the full sample, informal care showed a negative and significant effect on the employment probability. Moreover, in this specification, we could not reject the hypothesis that informal care is

⁶ Full results are available on request.

Table 8
Regressions on hours worked (OLS). Informal care treated as an exogenous variable

	Full sample	Women	Men
Hours of informal care	−0.026* (0.013)	−0.030 (0.019)	−0.010 (0.014)
Wage rate	−0.039* (0.020)	−0.025 (0.030)	−0.062* (0.025)
Wealth	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Age	0.146 (0.103)	0.030 (0.153)	0.235 (0.143)
Age in square	−0.001 (0.001)	−0.000 (0.001)	−0.002+ (0.001)
Female	−0.266** (0.020)		
Years of education	0.005 (0.003)	0.011* (0.005)	0.001 (0.004)
Married	−0.067** (0.020)	−0.121** (0.032)	0.006 (0.023)
Born in country of residence	−0.010 (0.036)	−0.048 (0.049)	0.039 (0.056)
Number of children	−0.014+ (0.008)	−0.001 (0.012)	−0.026** (0.010)
Public sector	0.036+ (0.021)	0.051 (0.033)	−0.009 (0.023)
Bad or very bad self-reported health	−0.057 (0.039)	−0.079 (0.062)	−0.031 (0.044)
Number of health conditions	−0.004 (0.010)	−0.000 (0.015)	−0.011 (0.013)
Denmark	−0.078* (0.032)	−0.095+ (0.049)	−0.065+ (0.037)
Germany	−0.188** (0.036)	−0.252** (0.057)	−0.116** (0.037)
Netherlands	−0.279** (0.031)	−0.429** (0.055)	−0.138** (0.026)
France	−0.130** (0.035)	−0.111+ (0.059)	−0.146** (0.034)
Austria	−0.118** (0.039)	−0.209** (0.069)	−0.045 (0.032)
Switzerland	−0.214** (0.062)	−0.334** (0.085)	−0.082 (0.089)
Italy	−0.163** (0.045)	−0.127+ (0.068)	−0.187** (0.058)
Spain	−0.118* (0.059)	−0.096 (0.094)	−0.133+ (0.073)
Greece	−0.108** (0.041)	−0.052 (0.079)	−0.131** (0.041)
Constant	0.247 (2.804)	3.234 (4.150)	−2.284 (3.879)
Observations	1780	897	883
R ²	0.16	0.13	0.07

Robust standard errors in parentheses.

+ significant at 10%; * significant at 5%; ** significant at 1%.

exogenous. Separate regressions for men and women revealed that the negative effect was roughly equal in magnitude and significant for both women and men. Among women, exogeneity of informal care could not be rejected. In the case of men, we could not test the hypothesis of care-giving being exogenous, due to lack of instruments.

4.2. Hours worked

In Table 8, the results from the work-hours regressions are presented, *assuming exogeneity of informal care*. The analyses were conducted conditional on having a positive number of work hours. In the first column, the results for the full sample are shown, while columns 2 and 3 show the results for women and men separately. For the full sample, the effect of informal care was −0.026. The effect was statistically significant at the 5% level. Since both work hours and hours of informal care are specified in log form, the estimate has an elasticity interpretation; a 10% increase in weekly hours of informal care given is associated with a decrease in weekly work hours by 2.6%. The effect differed by gender, though; for women the effect was −0.03, while for men the corresponding effect was −0.01. For women, the effect was only significant at the 11% level, while the effect among men was far from being significant ($p = 0.48$). Among men, higher wage and being in bad health was negatively and significantly associated with hours worked. Among women, being married showed a negative effect on hours worked, while total years of education showed the opposite effect.

The regression treating *informal care as endogenous* is shown in Table 9. In this specification, the effect of informal care was 0.078. The effect was not significant, however. We rejected the hypothesis of the instruments being jointly equal to zero ($F = 7.44, p < 0.01$). Moreover, the Sargan test for identifying restrictions could not reject the null hypothesis that the instruments could be validly excluded from the main equation ($\chi = 0.05, p = 0.83$). Finally, the Durbin-Wu-Hausman test could not reject the hypothesis that informal care was exogenous ($\chi = 0.57, p = 0.45$).

It remains to check whether the exogeneity assumption holds when analysing hours worked for men and women separately. The estimated effect of informal care on hours worked among women, when treating the former as endoge-

Table 9
Effects of giving informal care on hours worked: informal care treated as an endogenous variable (2SLS^a)

	Full sample	Women	Men
Informal care	0.078 (0.141)	0.138 (0.159)	−0.110 (0.282)
F-test of first-stage instruments (p -value of null of jointly = 0)	7.44 ($p < 0.01$)	6.75 ($p < 0.01$)	2.91 ($p = 0.09$)
Overidentification test, Sargan statistic (p -value of null of valid exclusion restrictions)	0.05 ($p = 0.83$)	1.85 ($p = 0.17$)	–
Durbin-Wu-Hausman exogeneity test, (p -value of null of exogeneity)	0.57 ($p = 0.45$)	1.25 ($p = 0.26$)	0.13 ($p = 0.72$)

^aFor the full sample, we used two variables indicating whether or not having a father with bad health and whether or not having a mother living more than 100 km away as instruments. When analysing women separately, two variables indicating whether or not having a father with bad health and whether or not having a father living more than 100 km away were used as instruments. For men, only the variable indicating whether or not having a mother living more than 100 km away was used as instrument.

nous, was 0.138. The effect was far from being significant, however, and, again, the confidence intervals by large overlapped the effect of informal care under the exogeneity assumption. We could reject the hypothesis of the instruments being jointly equal to zero ($F = 6.75$, $p < 0.01$). The instrument set passed the Sargan test of overidentifying restrictions ($\chi = 1.85$, $p = 0.17$). As in the case of the full sample, the Durbin-Wu-Hausman test could not reject the hypothesis of exogeneity ($\chi = 1.25$, $p = 0.26$).

For men, the effect of informal care on hours worked, when treating the former as endogenous, was -0.110 . As was the case for women, however, the effect was far from being significant. Among the instruments, only the indicator variable of whether or not the mother lived more than 100 km away predicted informal care. However, this instrument was only significant at the 9% level in the first-stage regression. This suggests that we have a case of a weak instrument, suggesting that the results should be interpreted with caution. Since only one instrument was used, we were unable to test the exclusion restriction. Using this sole instrument, the assumption of exogeneity of informal care could not be rejected ($\chi = 0.13$, $p = 0.72$).

To summarise: for the full sample, the effect of informal care on hours worked was significant and negative. A 10% increase in informal care given was associated with a 2.6% reduction in the number of hours worked. The effect differed by gender, though; the effect among women (-0.030) was greater than the effect obtained among men (-0.010). When analysed separately, however, the effects were not significant for neither women, nor men. Finally, we were unable to reject the hypothesis of exogeneity of informal care, both when examining the full sample and when analysing men and women separately.

4.3. Wage rate

Table 10 presents the results from the wage equation, *treating informal care as exogenous*. The analyses were conducted for those having a wage rate > 0 . For the full sample, the effect of informal care was small (0.008) and statistically insignificant. The effect differed by sign between men and women, though. The effect was 0.022 for women but -0.006 for men. The effect was insignificant in both cases, however. Among women, wealth and years of education were positively related to the wage rate, whereas bad health showed a negative effect. Among men, wealth, education, being married, showed a positive effect on the wage rate, whereas working in the public sector showed a negative impact.

In Table 11, the effects of informal care on the wage rate, *treating informal care as endogenous*, are shown. For the full sample, the estimated effect was -0.258 . The effect was statistically insignificant, however. Our instrument set consisted of the variable indicating whether or not having a father with bad health, and the two variables indicating whether or not having a mother or a father living more than 100 km away. With these instruments, the hypothesis of them being jointly equal to zero could be rejected ($F = 5.26$, $p < 0.01$). Moreover, the validity of our exclusion restrictions could not be rejected ($\chi = 0.69$, $p = 0.71$). Finally, the Durbin-Wu-Hausman test could not reject the hypothesis of exogeneity ($\chi = 2.13$, $p = 0.14$), lending support to the specification were informal care was treated as exogenous.

For females, the effect of informal care on the wage rate was -0.098 , when it was treated as endogenous. It was, however, far from being statistically significant. Again, we could not reject the hypothesis of informal care being exogenous ($\chi = 0.49$, $p = 0.49$). Our instruments in the first-stage regression, the indicator of father's health and the indicator of having a mother living far away, predicted rather well ($F = 7.40$, $p > 0.01$) and the validity of the exclusion

Table 10
Regressions on wage rate (OLS). Informal care treated as an exogenous variable

	Full sample	Women	Men
Hours of informal care	0.008 (0.019)	0.022 (0.029)	−0.006 (0.026)
Wealth	0.000** (0.000)	0.000** (0.000)	0.000* (0.000)
Age	0.126 (0.119)	0.126 (0.147)	0.143 (0.179)
Age square	−0.001 (0.001)	−0.001 (0.001)	−0.001 (0.002)
Female	−0.178** (0.026)		
Years of education	0.053** (0.004)	0.051** (0.005)	0.056** (0.006)
Married	0.017 (0.028)	−0.033 (0.037)	0.087+ (0.045)
Born in country of residence	0.068 (0.051)	0.047 (0.047)	0.113 (0.105)
Number of children	0.008 (0.010)	0.005 (0.014)	0.008 (0.014)
Public sector	−0.043 (0.029)	−0.022 (0.043)	−0.069+ (0.041)
Part-time work	0.042 (0.049)	0.026 (0.054)	0.117 (0.117)
Bad or very bad self-reported health	−0.085+ (0.051)	−0.123* (0.058)	−0.052 (0.089)
Number of health conditions	−0.010 (0.015)	−0.008 (0.022)	−0.013 (0.019)
Denmark	0.146** (0.039)	0.161** (0.057)	0.109* (0.055)
Germany	−0.206** (0.046)	−0.211** (0.056)	−0.202** (0.075)
Netherlands	0.077+ (0.040)	0.096 (0.062)	0.047 (0.054)
France	0.048 (0.047)	0.079 (0.069)	0.004 (0.063)
Austria	−0.180** (0.060)	−0.174* (0.080)	−0.209* (0.093)
Switzerland	0.366** (0.065)	0.360** (0.099)	0.363** (0.084)
Italy	−0.153** (0.058)	−0.184** (0.070)	−0.140 (0.090)
Spain	−0.351** (0.067)	−0.315** (0.090)	−0.404** (0.096)
Greece	−0.523** (0.058)	−0.450** (0.108)	−0.587** (0.070)
Constant	−1.301 (3.265)	−1.380 (4.058)	−1.921 (4.923)
Observations	0.29	0.29	0.29
R ²	0.29	0.29	0.29

Robust standard errors in parentheses.

+ significant at 10%; * significant at 5%; ** significant at 1%.

restrictions could not be rejected ($\chi = 0.04$, $p = 0.83$). For males, no instruments were found to predict informal care. Thus, IV-estimates could not be produced in this case.

To summarise: no effect of care-giving on the wage rate was obtained. This was true both when analysing the full sample and when conducting the analysis separately for men and women. Finally, the exogeneity of informal care could not be rejected for the full sample or for the sample of females. For males, our instruments performed poor, meaning that no IV-estimates could be produced.

5. Results by country groups

In order to test for differential effects of informal-care provision on employment, hours worked, and wages, respectively, according to a north–south gradient, the participating countries were divided into three sub-groups: (1) Sweden and Denmark (Nordic); (2) Germany, France, Netherlands, Austria, Switzerland (Central) and (3) Spain, Italy, and Greece (South). In order to investigate whether the effects differed between these country groups, we created interaction variables between the amount of informal care provided and country group. The same regressions as before were estimated, including the interaction terms as explanatory variables (together with the country group dummies).

Table 11
Effects of giving informal care on the wage rate. Informal care treated as an endogenous variable. 2SLS

	Full sample	Women	Men*
Informal care	−0.258 (0.194)	−0.098 (0.177)	–
F-test of first-stage instruments (p -value of null of jointly = 0)	5.26 ($p < 0.01$)	7.40 ($p < 0.01$)	–
Overidentification test, Sargan statistic (p -value of null of valid exclusion restrictions)	0.69 ($p = 0.71$)	0.04 ($p = 0.83$)	–
Durbin-Wu-Hausman exogeneity test, (p -value of null of exogeneity)	2.13 ($p = 0.14$)	0.49 ($p = 0.49$)	–

*In the case of men, none of the instruments predicted informal care in the first-stage regression, thus preventing IV-estimation.

Table 12
Interaction terms. Effects of informal care employment, hours worked, and wages. OLS coefficients (S.E.)

Interactions	Employment			Hours worked			Wages		
	Full sample	Women	Men	Full sample	Women	Men	Full sample	Women	Men
Hours*	0.037	−0.009	−0.124*	−0.098**	−0.102*	−0.087**	0.036	0.143*	−0.075
Central	(0.027)	(0.034)	(0.052)	(0.030)	(0.046)	(0.032)	(0.051)	(0.061)	(0.073)
Hours*	0.018	0.017	−0.054	−0.052	−0.033	−0.079*	0.027	0.087+	−0.029
Nordic	(0.039)	(0.047)	(0.065)	(0.032)	(0.048)	(0.034)	(0.049)	(0.051)	(0.085)
Hours of informal care	−0.021 (0.023)	−0.028 (0.028)	0.054 (0.048)	0.039+ (0.023)	0.026 (0.036)	0.058* (0.025)	−0.023 (0.042)	−0.080* (0.041)	0.038 (0.065)
Central	0.076** (0.024)	0.142** (0.033)	0.022 (0.033)	−0.027 (0.030)	−0.130** (0.048)	0.062 (0.038)	0.345** (0.043)	0.267** (0.064)	0.417** (0.057)
Nordic	0.282 (0.027)	0.419** (0.036)	0.130** (0.038)	0.122** (0.034)	0.086 (0.055)	0.144** (0.042)	0.414 (0.043)	0.354** (0.064)	0.473** (0.060)

Robust standard errors in parentheses.

+ significant at 10%; * significant at 5%; ** significant at 1%.

Table 13

Sensitivity analysis. Effects of giving informal care to (1) a parent outside the household, (2) a parent living in the household, (3) a spouse living in the household on employment, hours worked, and the wage rate

	Full sample	Women	Men
Employment			
Informal care to a parent outside household	−0.038** (0.012)	−0.028+ (0.015)	−0.032+ (0.018)
Informal care to a parent living in household	−0.215** (0.069)	−0.186* (0.072)	−0.235+ (0.126)
Informal care to a parent living in household	−0.030 (0.074)	0.013 (0.094)	−0.043 (0.106)
Hours worked			
Informal care to a parent outside household	−0.027* (0.013)	−0.030 (0.019)	−0.011 (0.014)
Informal care to a parent living in household	−0.125 (0.116)	−0.035 (0.131)	−0.207 (0.183)
Informal care to a parent living in household	0.041 (0.075)	−0.030 (0.133)	0.118* (0.051)
Wage rate			
Informal care to a parent outside household	0.009 (0.019)	0.023 (0.029)	−0.006 (0.026)
Informal care to a parent living in household	−0.001 (0.150)	−0.146 (0.114)	0.153 (0.292)
Informal care to a parent living in household	−0.095 (0.058)	−0.146+ (0.078)	−0.038 (0.088)

Robust standard errors in parentheses.

+ significant at 10%; * significant at 5%; ** significant at 1%.

The omitted reference category was the country group southern Europe (and, hence, the interaction between southern Europe and informal care). The results are shown in Table 12. For convenience, only the interaction effects and the main effects are presented. The latter consist of the informal care variable and the country group dummies. The country group dummies are the ones shown in the bottom half of Table 12.

In the second–fourth columns of Table 12, the results from the employment regression are presented. For the full sample, both of the included interaction terms were insignificant. The regression performed for men and women separately, however, revealed that men residing in central Europe faced a larger negative effect of providing informal care on the employment probability than men in southern Europe. For women, no significant differences between country groups were found.

In columns 5–7 of Table 12 the results for the regressions on hours worked are presented. For the full sample, we found that residing in central Europe rather than in southern Europe increases the negative effect of hours of informal care provided on hours worked. No significant difference in the influence of informal-care provision on hours worked was found between those residing in the Nordic countries and those residing in southern Europe. The regressions employing female and male samples, respectively, indicated that the negative effect of informal-care provision on hours worked faced by central Europeans was significantly greater for both men and women than the corresponding effects faced by southern Europeans. Moreover, men residing in the north of Europe faced a larger negative effect on hours worked of informal-care provision than their corresponding peers in southern Europe.

Finally, in columns 8–10 of Table 12, the results from the regressions on wages are presented. For the full sample, the estimated marginal effects did not reveal any differences in informal-care provision effects between country-groups. The result obtained for the female sample, however, implies that the negative wage-rate effect suffered when supplying informal care is lower for women living in central and north of Europe, respectively. Men residing in the north of Europe were not found to differ from their corresponding peers in southern Europe regarding the wage-rate effect of informal care provision.

In conclusion, the regressions including interaction terms revealed that the effects of informal-care provision on labour-market outcomes seem to differ to some extent between different parts of Europe.

6. Sensitivity analysis

In Table 13, we present the results from regressions that include the indicators of having given informal care to a parent living in the household and/or to a spouse within the household. Of primary interest is if the effect of giving informal care to a parent outside the household changes, when including these additional indicators. If so, its omission in our main regressions might be of serious concern. First, as shown in Table 13, we note that the effect of having given informal care to a parent in a household is significant at conventional levels in only two of the nine equations estimated.

Moreover, the indicator of having cared for a spouse in the household is significant in only one of the nine regressions (and borderline significant in one additional regression). Second, and most importantly, the effect of having given informal care to a parent outside the household is virtually unchanged when including these additional indicators of care-giving. In sum, the omission of the indicators of informal care to a parent and/or a spouse within the household in the main regressions seems to be of no great concern, since (1) their inclusion did not change the effect of our variable of main interest, (2) they were insignificant in the majority of regressions, and (3) the low prevalence in our sample of having given informal care to a parent and/or spouse living in the household.⁷

7. Discussion

Informal-care provision apparently induces substantial opportunity costs in terms of reduced labour-market attachment. In our study, informal-care provision was associated with significant lower employment probability for both men and women. A similar result was obtained for hours worked, but only when analysing men and women together. We did not find any statistically significant wage-rate effects of informal-care provision, though.

By and large, our findings confirm the results of previous studies, performed on US (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) and UK data (Arber and Ginn, 1995; Carmichael and Charles, 1998, 2003a; Heitmueller, 2004; Heitmueller and Inglis, 2007). To the best of our knowledge, our study is the first to have estimated the relationship outside the US and UK.

Our results further suggest that the relationship between informal-care provision and labour-market outcomes differ between the north, the central, and the south of Europe. Supplying informal care was found to decrease the probability of being employed for men and the number of hours worked for both men and women more in central Europe than in southern Europe. Moreover, informal care-giving was found to reduce the number of hours worked more for men in northern Europe than in southern Europe. These findings are consistent with the hypothesis expressed in the introduction, that the potential adverse effects of informal care on labour-market outcomes might be less severe in countries where norms favouring family loyalties and intra-generational support are stronger, since more acceptance will exist among employers and employees, for instance, when caring for one's elderly parents.

Our finding that informal-care provision does not carry a wage penalty contradicts the findings in two recent studies, Carmichael and Charles (1998) and Heitmueller and Inglis (2007). Even though there is a small body of research concerning the relationship between informal care and income, we found only these two studies that examined the relationship between informal care and the wage rate. Both of these were performed on UK data, and both found that informal care carries a wage penalty. Apart from the obvious explanation for the discrepancy between the findings in these two studies and our finding – that we only included those above 50 years of age, while younger individuals were included in both previous studies – another possible explanation is labour-market differences: the degree to which wages of informal-care providers are influenced by their provision of care depends, in principle, on the functioning of the wage-setting mechanism on the labour market. Thus, labour-market differences may induce wage differences between two identical informal-care providers residing in different countries.

As regards the effect on the wage rate for women, the interaction between informal care and residing in central Europe was significant and positive, suggesting that the negative effect on wages of informal-care provision obtained for the southern group was actually positive in the former group. A positive interaction effect was also obtained for women in the northern group, although the effect was only significant at the 10% level. The magnitude of the interaction effect suggested that the effect on wages among women in the northern group was close to zero.

Our empirical findings provided evidence for rejection of the north–south hypothesis in one instance: women are more severely punished for informal-care provision through lower wage rates in southern Europe than in central and northern Europe. Men in central and northern Europe were punished for their informal-care provision by lower probability of being employed and fewer hours worked, which is consistent with our hypothesis. However, the evidence is mostly in support of the central–south differences, while evidence in support of the north–south difference was only obtained for men's working time. So, reasonable conclusions seem to be, *first*, that informal-care provision carries with

⁷ It should be noted that we are unable to address any potential endogeneity of informal care-giving within the household. The reason is a lack of appropriate instruments. Some caution should therefore be exercised in interpreting these results.

it a labour-market penalty, regarding labour-market attachment, which differs mainly between south and central Europe, and, *second*, that penalties for informal-care provision through wages work in the opposite direction as hypothesized. Further, we expected to find stronger differences between northern and southern Europe (significant difference in only one regression), even though the difference found was in support of our hypothesis of a north–south gradient. The weaker than expected difference between north and south may be explained in several ways, including sorting effects in the northern countries: it is possible that, in northern Europe where the family ties are weaker, that the provision of informal care is decided to a greater extent by individual characteristics, rather than by a uniform cultural imperative. The empirical results obtained in this study will follow if it is further assumed that those who have strong labour-market attachments are the same individuals that also provide informal care.

The statistical inference behind these results may be disturbed if the potential endogeneity of informal care is not taken into account in the estimations. However, we could not reject the null hypothesis of informal-care provision being exogenous in any of the IV-methods regressions. Thus, in our analyses, it seems that reverse causality and/or unobserved heterogeneity are not the main drivers of our results.

A few caveats are in order, though. Some potentially important variables were not available in the data set. For instance, the use of paid formal care in the home of the elderly parent could not be observed. As discussed in Section 1, a child whose time cost exceeds the price of formal homecare will decide to buy the latter, if available, rather than providing informal care by him/herself. The use of formal care will, thus, be an unobserved third factor that is likely to be related to both care-giving and occupational attainment. Since we were unable to reject the hypothesis of informal care being exogenous in any of the regressions, however, this unobserved third factor does not seem to explain the relationship between informal care and occupational attainment.

Moreover, in some cases, IV-estimation could not be conducted. This was the case, when analysing men separately, as none of the instruments predicted care-giving in a significant manner. The latter result suggested that while factors such as parent's health and distance to parents significantly affected the amount of care-giving among women, this was not the case among men. Consequently, we were unable to test the hypothesis of informal care being exogenous in the male sample.

It should also be observed that the results in this study concerned those aged 50 and above. Certainly, some younger individuals, not in the data set, may already have left the labour market, in order to care for their elderly parents. This means that we may not observe the full effect of care-giving on labour-market outcomes and that the effects obtained in this paper should be viewed as lower boundaries of the “true” effect.

In order to fully understand the policy-implications of our results, some theoretical reasoning might be helpful.

First, the structure and timing of different decisions made by the individual and other actors, which determine labour-market outcomes, can be thought of as follows: given that (the amount of) informal care is exogenously given, and that all labour-market actors can observe it, we can imagine that this factor causes (1) the decisions taken by the individual of whether or not, and to what extent, to participate in the labour market, and (2) the content of any labour-market offer. The individual (potential) employees interact in this way with the employers in the labour market. The rules, which regulate this interaction and, hence, partly decide the outcomes, are set by governments. *Second*, let us go through this simple model and summarise the factors, which are potential contributors to the observed labour-market outcomes: (1) given a certain amount of informal-care provision, individuals may differ in their propensity to supply time to the labour market. The incentives for supplying labour-market time can be influenced by public-policy efforts aiming at informal care, for instance, by reimbursing time used for informal-care provision. Further, it is possible that individual preferences differ systematically between countries, and institutional settings; and (2) clearly labour-market offers will be determined by the legal structure regarding, for instance, what factors are legitimate for employers to consider when making offers to potential employees, and to what extent legal rules are enforced. Also, there may be rules for the qualitative content of any legitimate offer. Thus, not only formal institutional factors such as legal rules are important, but also informal factors such as preferences, norms, and traditions may be important.

So, there may be reasons for policy-makers to consider measures aimed at increasing the future supply of informal care. Due to demographic changes, the demand for both formal and informal care is likely to increase. At the same time, there are counteracting trends that are likely to decrease the supply of informal care. During the past decades, the average number of children per women has decreased in all European countries (Eurostat, 2007). Consequently, future generations will have a smaller network to rely upon regarding the provision of informal care. Moreover, increased participation of women in the labour market may further reduce the availability of informal care. Another trend, possibly

affecting the supply of informal care, is the tendency in many European countries to raise their statutory retirement age (MISSOC, 1998). This means that an increasing number of people in their 60s will still be working and, thus, have less time to act as informal care-givers. In addition, factors such as lower marriage rates, greater geographic mobility, and declines in intergenerational co-residence are factors contributing to changes in the supply of informal care over time, since most care-givers are spouses or children.

Our results suggest, though, that such policies may come with a large opportunity cost in the form of reduced labour supply among both male and female carers. Now, since the Lisbon Agenda declared that increased labour-market participation, especially among women, is an important goal for Europe, this result should be taken into account when designing policies regarding informal care. Any policy single-handedly aimed at increasing the supply of informal care runs the risk of counteracting other policy goals.

If measures aimed at increasing the supply of informal care is not a policy option, due to its adverse labour-market effects, an alternative would be to substitute informal care with paid formal care in the home to a greater extent. Prior results on European data have suggested that informal care and formal care in the home may be substitutes for each other (Bolin et al., 2008). Such a policy would lessen the burden on informal care-givers and possibly increase labour-market participation, while still meeting some of the demands for care in the homes by frail elderly. It should be noted, though, that the provision of home care by the formal health- and social care system has been decreasing for quite some time in many European countries.

Increasing the burden on the formal health- or social care system, by expanding the provision of formal home-care services, may, however, not be a viable policy option in a Europe already facing increasing expenditures for health and social care due to population ageing and technological advancements. Policies aimed at increasing the provision of informal care with as low adverse labour-market effects as possible would certainly be preferable. This could be accomplished in several ways. More flexible work-hours might be such an option, allowing more flexibility for the care-giver in combining paid work and care-giving. Another might be increased possibility of paid leave for caring for a dependent. Such policies are already in place in many countries but are usually quite limited in scope (Jenson and Jacobzone, 2000).

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