

The Career Costs of Children's Health Shocks

Abstract:

We provide novel evidence on the impact of a child's health shock on parental labor market outcomes. To identify the causal effect, we leverage long panels of high-quality Finnish and Norwegian administrative data and exploit variation in the exact timing of the health shock. We do this by comparing parents across families in similar parental and child age cohorts whose children experienced a health shock at different ages. We show that these families have very similar characteristics and were following parallel trends before the shock. This allows us to use a simple difference-in-differences model: we construct counterfactuals for treated households with families who experience the same shock a few years later. We also exploit variation in timing in an event study framework. We find a sharp break in parents' earnings trajectories that becomes visible just after the shock. The effect is stronger for mothers than for fathers and is driven by health shocks that need persistent care after the event. We also document a strong impact on parents' mental well-being.

Ana-Costa Ramón

Assistant Professor at the Department of Economics at the University of Zurich and the Jacobs Center for Productive Youth Development