

CAREGIVING AND LABOR FORCE PARTICIPATION:

NEW EVIDENCE FROM THE SURVEY OF INCOME AND PROGRAM PARTICIPATION

Research conducted by Nicole Maestas, Harvard Medical School

Matt Messel, Social Security Administration

Yulya Truskinovsky, Wayne State University

A large share of the growing demand for long-term care is met informally by relatives, many of whom are themselves nearing retirement age. By pulling older Americans out of the labor force, family caregiving obligations may be directly undermining federal efforts to extend working lives and have implications for both retirement security and the productivity of an aging workforce. Understanding the dynamic relationship between caregiving and employment outcomes is key for evaluating the potential impact of workplace policies, such as paid family leave, in keeping older workers engaged in the US labor force.

The employment trajectories of informal caregivers

While family care is seen as an affordable and even preferable alternative to formal care, its negative effects on the physical and economic well-being of caregivers has been well documented. Recent evidence from the US suggests that caregivers are more likely than non-caregivers to exit the labor force, retire early, or work at reduced hours and wages. Missing from the literature is an understanding of how quickly caregiving disrupts work, and what employment trajectories look like around the start of caregiving. Understanding caregiving's dynamic impact is critical to evaluating how employment policies – such as sick leave, family leave, and caregiver tax credits – might help individuals with family caregiving obligations to maintain employment.

This paper used data from the Survey of Income and Program Participation (SIPP) linked to Social Security Administration (SSA) records to examine the short- and long-term trajectories of employment and employment-related outcomes of recent caregivers. Administrative data were used to visualize annual trends in employment, earnings, self-employment, retirement, and Social Security Disability Insurance (SSDI) use from ten years before to seven years after the reported start of a caregiving period. Survey data was used to visualize quarterly trends in employment status, self-employment, usual hours, and earnings three years before and four years after the start of a care spell. Different statistical approaches were used to estimate average effects for the full sample of caregivers as well as key subgroups.

Employment and earnings fall immediately following the start of caregiving

A significant and immediate reduction in both employment and earnings (on average) is associated with the (self-identified) onset of caregiving. This effect is driven both by caregivers' exit from the labor force and by transitions into unemployment. Some caregivers transition to self-employment to balance work and caregiving responsibilities. We also document that caregivers leaving the labor market are more likely to receive SSDI around the start of a caregiving spell.



Employment trajectories are dynamic over time and heterogeneous by gender

The findings suggest that male caregivers exit permanently out of the labor market, while female caregivers exit temporarily and return within two years. The findings also suggest that when women return to the labor market, their return is characterized by lower hours, lower wages, and a higher likelihood of self-employment. Additionally, we found that both earnings and employment fall for caregivers in the ten years *before* the start of a caregiving spell, and these trends are stronger for men.



Implications

- Male and female caregivers have different needs when it comes to employment supports around caregiving.
- Caregiving needs may keep caregivers out of the labor force for longer than existing leave-based policies allow.
- If caregivers are exiting the labor force before they self-report as a caregiver, this limits the effectiveness of employer-based programs such as paid family leave in keeping family caregivers attached to the labor force.
- Existing wage replacement programs such as disability insurance may be acting as social insurance for caregivers who leave the labor market.

The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Retirement and Disability Consortium. The opinions and conclusions expressed are solely those of the author(s) and do not represent the opinions or policy of SSA or any agency of the Federal Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of the contents of this report. Reference herein to any specific commercial product, process or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply endorsement, recommendation or favoring by the United States Government or any agency thereof.