

Parental Health, Aging, and the Labor Supply of Young Workers *

Sara Casella¹ and Luca Mazzone²

¹*University of Pennsylvania*

²*International Monetary Fund*

How Parents' Health Impacts Adult Children's Work and Finances

Parents play a pivotal role in the lives of their children, even when those children become adults. It's not just emotional support; parents often provide financial backing, guidance, and stability. But what happens when a parent faces a health crisis? Recent research sheds light on the profound impact a parent's health can have on an adult child's professional and financial trajectory.

1. **Financial Repercussions:** A sudden illness can lead to large medical bills and a potential loss of income. When this happens, not only does the parent's

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Casella: scas@sas.upenn.edu, Mazzone: lmazzone@imf.org

wealth take a hit, but their ability to support their children financially may decrease. This can lead some children to increase their work hours or even seek additional employment to make up the shortfall.

2. **Time and Job Challenges:** Balancing work and caregiving is no easy task. Adult children may find themselves sandwiched between their professional responsibilities and the demands of looking after an ailing parent. This juggling act can lead to reduced working hours and, in some cases, the need to rethink career choices altogether. The study highlighted that those in high-paying, high-hour roles were particularly affected.

Drawing from U.S. data, the research unearthed some eye-opening findings: In response to their parents' health issues, many children stepped up, assisting with chores, errands, and sometimes providing financial support. The effects were more pronounced in households where the parent was single, widowed, or divorced. Young workers with a parent facing a health issue experienced thus a 9% drop in income, a gap that can take many years to bridge. At the same time, working hours diminished by 3%, suggesting a potential reduction in their hourly wage. Alongside the parent's wealth decline of about 27%, the adult child's wealth also showed a downward trend.

Adapting to Significant Changes: The research also examined what happens after the profound loss of a parent. In these situations, adult children's work hours and income generally increased. This change might stem from the cessation of care-giving responsibilities, allowing them to refocus on their career and financial growth. Especially pronounced effects were noted when the parent who passed away had been living alone or without a partner.

In conclusion, the intricate web of family ties has a profound influence on both careers and finances. While the emotional impact of a parent's health is palpable, its cascading effects on work and wealth are profound and long-lasting. This study

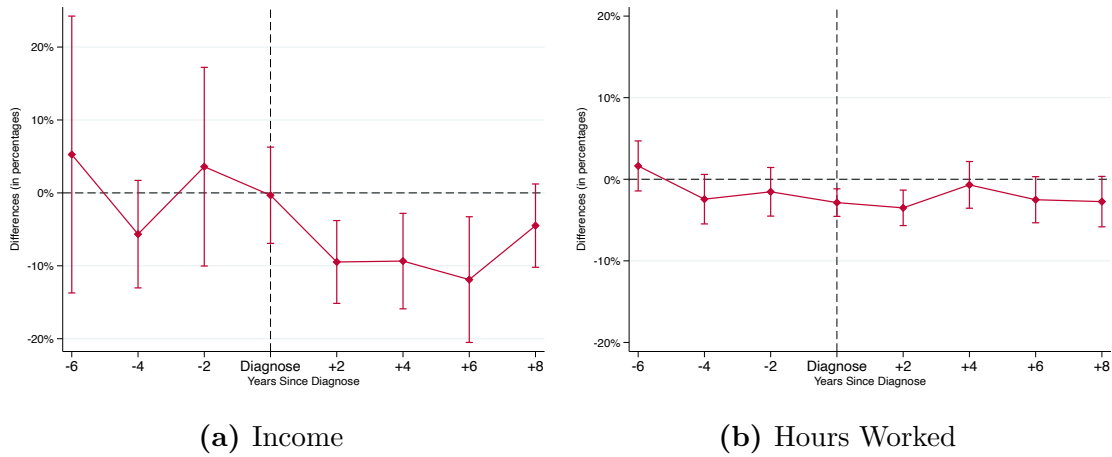


Figure 1. Response to Parents' Health Shock

Note: Impact of a health diagnosis of a parent on their working age children. Red diamond are point estimates with 95% confidence intervals bands around. Sample: Panel Study of Income Dynamics (PSID) 1999-2019; parents survives the shock in the time window. Control group is treated.

serves as a stark reminder of the interconnectedness of family health and economic well-being, especially in times of aging populations worldwide.