Accepted Manuscript



Title: Health and Work in the Family: Evidence from Spouses' Cancer Diagnoses

Author: Sung-Hee Jeon R. Vincent Pohl

PII:	S0167-6296(16)30572-0
DOI:	http://dx.doi.org/doi:10.1016/j.jhealeco.2016.12.008
Reference:	JHE 1987
To appear in:	Journal of Health Economics
Received date:	17-2-2016
Revised date:	9-12-2016
Accepted date:	30-12-2016

Please cite this article as: Sung-Hee Jeon, R. Vincent Pohl, Health and Work in the Family: Evidence from Spouses' Cancer Diagnoses, <*![CDATA[Journal of Health Economics]]*> (2017), http://dx.doi.org/10.1016/j.jhealeco.2016.12.008

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Health and Work in the Family: Evidence from Spouses' Cancer Diagnoses $\stackrel{\text{tr}}{\sim}$

Sung-Hee Jeon^a, R. Vincent Pohl^{b,*}

^aStatistics Canada, Social Analysis and Modelling Division, R.H. Coats Building, Ottawa, ON K1A 0T6, Canada ^bUniversity of Georgia, Terry College of Business, Department of Economics, 310 Herty Dr, Athens, GA 30602, USA

Abstract

Using Canadian administrative data from multiple sources, we provide the first nationally representative estimates for the effect of spouses' cancer diagnoses on individuals' employment and earnings and on family income. Our identification strategy exploits unexpected health shocks and combines matching with individual fixed effects in a generalized difference-in-differences framework to control for observable and unobservable heterogeneity. While the effect of spousal health shocks on labor supply is theoretically ambiguous, we find strong evidence for a decline in employment and earnings of individuals whose spouses are diagnosed with cancer. We interpret this result as individuals reducing their labor supply to provide care to their sick spouses and to enjoy joint leisure. Family income substantially declines after spouses' cancer diagnoses, suggesting that the financial consequences of such health shocks are considerable.

Keywords: health shocks, spousal cancer diagnosis, spousal employment, spousal earnings.

JEL codes: I10, J12, J17, J22.

Preprint submitted to Elsevier

December 8, 2016

^AWe thank Sara Allin, Frauke Becker, Sandra Milicic, Ron Warren, conference participants at ASHEcon, CEA, CHESG, and EuHEA, and two anonymous referees for helpful comments. All remaining errors are our own.

^{*}Corresponding author.

Email addresses: sung-hee.jeon@canada.ca (Sung-Hee Jeon), pohl@uga.edu (R. Vincent Pohl)

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