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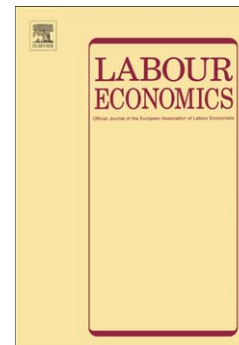
The impact of acute health shocks on the labour supply of older workers:  
Evidence from sixteen European countries

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# The impact of acute health shocks on the labour supply of older workers: evidence from sixteen European countries

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## Abstract

We investigate the consequences of experiencing an acute health shock, namely the first onset of myocardial infarction, stroke or cancer, on the labour supply of older workers in Europe. Despite its policy relevance to social security sustainability, the question has not yet been empirically addressed in the European context. We combine data from the the English Longitudinal Study of Ageing and the Survey of Health, Ageing and Retirement in Europe and cover sixteen European countries, representative of different institutional settings, in the years spanning from 2002 to 2013. The empirical strategy builds on the availability of an extremely rich set of health and labour market information as well as of panel data. To remove the potential confounding bias, a selection on observables strategy is adopted, while the longitudinal dimension of data allows controlling for time invariant unobservables. Implementation is based on a combination of stratification and propensity score matching methods. Results reveal that experiencing an acute health shock on average doubles the risk of an older worker leaving the labour market, and is accompanied by a deterioration in physical functioning and mental health, as well as by a reduction in perceived life expectancy. Men's labour market response appears driven by the onset of impairment acting as a barrier to work. In in the case of women, preferences for leisure and financial constraints seem to play a prominent role. Heterogeneity in behavioural responses across countries – with the largest labour supply reductions observed in the Nordic and Eastern countries, and England – are suggestive of a relevant role played by social security generosity.

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