



Immigrants, domestic labor and women's retirement decisions



Giovanni Peri ^a, Agnese Romiti ^{b,*}, Mariacristina Rossi ^c

^a University of California, Davis, United States

^b IAB, Germany

^c University of Torino, Italy

HIGHLIGHTS

- Older women face a rising burden of elderly care due to population ageing.
- Taking care of elderly parents can be responsible for early retirement.
- Immigrants provided elderly care in recent decades.
- Immigration increased retirement age and employment of older women relative to men.
- The effect is stronger for women with older parents and in poor households.

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ABSTRACT

This paper estimates the effect of immigrants on the women–men gap in retirement and working decisions. We focus on the effect that operates through immigrants' supply of domestic labor, which substitutes women's household services especially in the care of elderly parents. We use a dataset of Italian households that contains information on planned retirement age, labor supply and family structure for a representative sample in the years 2000–2008. A double-difference identification approach exploits the women–men differences between families with and without old parents, interacted with the supply of immigrants in the local labor market. We find that an increase of immigrants by one percentage point of the local population is associated with an increase in the planned retirement age gap between women and men with a living parent over 80, by 0.45. Such differential is reduced to 0.17 if the household had no living old parent. The effect is stronger for poor and for less educated women. It is also stronger when considering the inflow of Eastern European female immigrants only, the group supplying the largest share of labor for domestic care.

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1. Introduction

In this paper we analyze how changes in the local supply of immigrants affected the labor supply and retirement decisions of women over 55 years, relative to men in Italy. The main hypothesis of this paper originates from two observations. First, most of the household work in many countries (e.g. Burda et al., 2008), is performed by women and a growing share of that work has involved in European countries the care of an elderly parent. Second, in several countries of Europe the recent inflow of immigrants produced a significant increase in the supply of workers performing domestic services and specifically

those associated to elderly care. In this paper we devise an empirical strategy to isolate the effect that immigration has on women labor supply and retirement decisions through the supply of care services for elderly people. Hence it is likely that the decision of women with elderly parents to retire was affected by the availability of affordable care for their parents, provided by the immigrants. We isolate this impact by using a double-difference approach. Differences in immigrant supply can produce differential effects on labor supply and retirement choices of men and women through two channels. One is the labor market competition/complementarity and the other is the substitution for domestic labor. To control for the first effect and identify the domestic labor substitution effect only, we consider the impact on women–men differentials across families with and without elderly parents. Our interpretation is that differences in the impact between these two types of families represent the additional effect of immigration on women–men gap,

* Corresponding author.

E-mail addresses: gperi@ucdavis.edu (G. Peri), agnese.romiti@iab.de (A. Romiti), rossi.unito@gmail.com (M. Rossi).

deriving from domestic help with elderly parents. While the labor market competition effect of immigrants can be different for men and women, it is unlikely that this difference varies between families with and without older relatives. The substitution effect on domestic labor, instead, should be stronger for women in families with older relatives. In this framework we analyze labor supply and planned retirement age as individual outcomes. As the relative intensity of the domestic labor substitution and wage competition effect for women (and men) may also depend on their potential wage, we analyze these effects also separating between more and less educated women (which have different potential wages).

In the existing literature the analysis of the effects of immigration on female labor supply has focused mainly on women during child-rearing years and on the availability of immigrants as baby-sitters (e.g. Barone and Mocetti, 2011; Cortès and Tessada, 2011; Farrè et al., 2011¹; Cortès and Pan, 2013). We focus on the role of women and immigrants in caring for older relatives, instead, which is much more likely to be relevant in Italy for several reasons. First, in countries of Southern Europe, where fertility rates declined and population aged rapidly a large share of the household responsibilities of adult women has shifted from child-care to the care of elderly parents. Arrangements such as assisted living in institutions for the elderly were much less preferred than assisted living in one's own home so women were left to care for their older relatives. In our sample of women in the 55–70 age range we have information for year 2000 on the time devoted to care activities weekly. Only 12% of these women performed any child care activity while 62% performed care activities for older relatives.

Second, the contribution of immigrant labor to the child care sector in Italy was negligible. According to the Italian Labor Force Survey (LFS) during the period 2004–2009 only 0.6% of employed immigrants worked in the child care sector, as opposed to the 11% in elderly care. Therefore in this study we focus on the role of increased availability of immigrants as domestic workers providing an important substitute for women in the role of caretakers of elderly people. The affected age-group is that of women 55 and older. However not all of them were affected by the availability of care. Those with relatively young or deceased parents were not affected by the local availability of elderly care. Hence we analyze the differential effect of immigrants on the relative women–men retirement age or work participation – first difference – between families with and without elderly parents – second difference. This method isolates only the margin we are interested in.

Italy represents an interesting case to test such hypothesis. First, women's participation in the labor market was one of the lowest in Europe in the 2000–2008 period, leaving ample potential for policies aimed at increasing it. Second, Italian women, even when participating in the labor market, still performed the lion share of household services. The time spent by Italian women, 55 years and older, caring for family members was on average almost twice the time spent by men – 14 vs. 8 h per week.² The gap does not disappear once we control for the employment status – 10 vs. 7 h – and it increases when an older parent, defined as 80 years of age or older, was present in the household – 17 vs. 9 h.³ Finally, in Italy, during the last two decades the sector of domestic care-taker services has expanded massively due to foreign workers. In contrast, institutions devoted to assist living for the elderly have not grown much.⁴

Although we use a double difference approach that differences away several unobserved characteristics of families across Italian regions, the selection of some unobservable individual characteristics into regions with fast immigrant growth may bias the results. At the same time unobserved labor demand shocks that are correlated with inflow of immigrants and with the specific women–men differentials in retirement and labor supply may still linger in the OLS regression. For this reason, on top of the double difference approach we also include individual fixed effects in the estimation which accounts for unobserved heterogeneity of individuals. Finally we use a shift-share instrument for the share of immigrants in the regional market, based on the distribution of immigrants across Italian regions, by nationality in 1991 and on their aggregate inflow in the 2000–2008 period. Only pre-determined variation in nationalities across regions affects the variation of such instrument. This 2SLS approach should isolate the part of immigration to a region, driven by network/preferences and exogenous to local labor demand and productivity shocks which may affect retirement decisions.

The main findings of our analysis are as follows. First we find that an increase in the share of immigrants in the population of a region has a significant and positive effect on the women–men differential in planned retirement age and on the women–men differences in probability of work over age 60. This effect is especially strong for families with elderly parents. In fact an increase in immigrants by 1 percentage point of the regional population increases the planned retirement age of women over 55, relative to men by 0.17 years and this differential is 0.45 years if the family has elderly parents. The average planned retirement age of men is 62.75 years and of women is 61.45, so in regions with large immigration increases, that reached up to 4 percentage points of the population, over the period 2000–2008, the estimated effect could easily produce later retirement age for women than for men in families with older relatives. Similarly, the women–men differential in probability of working over 60 increases by 7 percentage points relative to the same differential for families without old relatives. As the average women–men differential in probability of employment over 60 was about 9 percentage points, regions experiencing increases in immigrants by more than one percentage point of the population could see that differential reversed, in favor of women, in families with old parents. These effects are reasonable if compared with estimates of the effect of parent disability on probability of employment of daughters. For instance, Crespo and Mira (2014) estimate that occurrence of parent disability would decrease the probability of working for Southern European daughters in their 50's by 9 to 12 percentage points. This effects is comparable to, and opposite in sign from, the effect of an increase of immigrants by 1 percentage point of the population. Similarly Farrè et al. (2011) find an increase in women's probability of working by 8%, after their husband retires, in regions where the foreign-born share of population increased by 1 percentage point. This estimate is similar to our estimated differential effect on women.⁵

The rest of the paper is organized as follows. Section 2 provides a review of the relevant literature on the impact of immigration on female labor market outcomes and on determinants of retirement. Section 3 presents the empirical specification and discusses the identification strategy. Section 4 describes the data used and Section 5.1 discusses the main results obtained. Section 5.2 considers the differences in the labor and retirement response of women depending on their education and wealth. Section 6 provides robustness checks for our findings and two falsification exercises. Finally, the paper is concluded by Section 7.

¹ Farrè et al. (2011) is the only study looking also at the contribution of immigrants on the labor supply of 25–65 women with elderly relatives.

² These aggregate statistics are calculated from our dataset (SHIW) which provides information on self-reported time use in household chores and caring for family members for the year 2000.

³ In a cross-country perspective, this evidence is also confirmed by Burda et al. (2008) who look at time-allocation data for European households.

⁴ In Italy strong and persistent familial ties between children and their parents, accompanied by the low mobility of young people, have encouraged families to look after their elderly. Publicly provided residential care covers only 3% of those aged 65 and over (Presidi residenziali socio-assistenziali e sanitari, 2009, ISTAT). Institutions for the elderly (such as assisted living) care for only three out of 1000 people aged 65 and over. They are perceived by families as being less desirable than caring for the elderly in their own home.

⁵ Our estimated absolute effect on the probability of working for women with old parents is a bit lower: an increase by 5 percentage points as the share of immigrants rises by 1 percentage point.

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