

# Three Essays in Labor and Family Economics

- Dissertation Summary -

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This dissertation investigates behavioral responses to adverse economic conditions caused by health problems or environmental risks. Informal networks such as family play an important role in mitigating economic hardship, especially when public safety networks are limited. Lower family resources, occasioned by an adverse economic event in a family, reshape family members' time allocation among market labor, non-market labor and leisure, to increase compensatory consumption and precautionary saving. In reallocating roles and resources among family members, the impact on an individual's labor market outcomes may vary depending on various factors such as demographic characteristics, family relations, causes of adverse economic hardship and macroeconomic conditions.

For empirical analysis, my dissertation explores: first, Russian families (coresident, inter-generational relationship) during the transition period; second, American low-income families (non-coresident adult siblings); third, Philippine families with migrant family members abroad.

## **Chapter 1: Intergenerational Health Implications in the Labor Market - Exploring Parents' Health and Child's Subsequent Labor Outcomes in Russia** (Job Market Paper, under submission)

This paper explores long-term consequences of parental illness in the labor market. Using the Russia Longitudinal Monitoring Study, empirical results indicate that having an unhealthy father substantially reduces a daughter's future working probability in the labor market. Incorporating family economic linkage and time allocation theory, the economic model suggests that the budget-strained family reallocates roles or resources based on relative value between market-intensive and time-intensive commodity. Responding to an adverse economic situation caused by the poor health of a family member, women tend to allocate more time to non-market labor than do men when relative return on market labor is significantly lower for women. This paper also provides valuable insight into public policy on poverty: public safety networks such as health care not only affect the targeted individual's economic behavior but also have significant, long-term impacts on his or her family members' economic behaviors.

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## **Chapter 2: Health Impact on Future Labor Market Outcomes - Exploring PSID Adult Siblings**

(Alternative Job Market Paper)

This paper investigates an individual's own/sibling's health implications in the labor market. Empirical results from the Panel Study of Income Dynamics suggest that an individual's health status as a young adult is a significant predictor of his or her future working status. Sibling health also plays an important role in determining women's labor force participation: a woman with an unhealthy sibling in her young adulthood is likelier to work in the market in her adulthood. This paper provides an economic framework incorporating theory on time allocation with family economic linkage. It suggests that, with an individual's own poor health, adverse productivity effect dominates adverse income effect on labor supply. A sibling's poor health affects an individual's time allocation through mainly adverse income effect. Findings on sibling's health impact not only improve understanding of female labor supply but also inform important discussions on issues in the sibling fixed-effect model: if one ignores independent sibling health impact, between-siblings model to control for unobservable family background can lead to substantial bias exaggeration. This paper also suggests that understanding behavioral responses to adverse health among family members can provide valuable insight into policy on social safety networks for low-income families.

## **Chapter 3: Are Remittances Insurance? Evidence from Rainfall Shocks in the Philippines**

(with Dean Yang, published in the *World Bank Economic Review*)

Do remittances sent by migrants abroad serve as insurance for recipient households? Household resources in developing countries often are highly exposed to environmental risk but government-sponsored social insurance is generally poor or nonexistent. This paper examines how remittances sent by migrants respond to income shocks experienced by Philippine households. Because household income and remittances are determined jointly, we exploit rainfall shocks as instrumental variables for income changes. In households with migrants abroad, we find that an exogenous decline in household income leads to increase in remittances, consistent with an insurance motivation for remittances. In such households, we cannot reject the null hypothesis of full insurance: on average, essentially all exogenous declines in income are replaced by remittance inflows from abroad. Remittance receipts also may be partly shared with others: in migrant households in response to income shocks, net gifts to other households move in the same direction as remittance receipts.