

Intra-household labour supply after an unemployment event: The added worker effect

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In this paper we explore one of the oldest labour market phenomena documented in the literature: the added worker effect, which refers to the labour supply response of secondary workers to main earners' job losses. To do so we take advantage of the panel data survey conducted by a Colombian Foundation, Fedesarrollo between 2007 and 2010, using a fixed effects model to account for household's specific time invariant unobserved heterogeneity. Our results suggest that when the head of the household becomes unemployed, the labour force participation rate of their female partner increases between 9 and 20 percentage points. Such response appears during the first six months of household head's unemployment. In addition, within one year of the head of the family becoming unemployed, their children are more likely to enter the labour market and less likely to be in tertiary education.

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