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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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