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“Does a Cash Transfer Affect Elderly Labour Supply? Evidence from Age Discontinuities in Bolivia_PRELIMINARY: PLEASE DO NOT QUOTE WITHOUT PERMISSION”

Abstract:

We study the effect of a cash transfer to elderly individuals on their labour supply decisions by using data on households in Bolivia. We identify the effect thanks to a regression discontinuity design since a policy reform makes the eligibility for the transfer discontinuous at age 60. We find that the transfer decreases the probability of being employed by 1-5 percentage points although it is not statistically significant. In addition, the transfer decreases employment by 20-35 percentage points for women from urban areas and it is highly significant while it is not for the remaining subgroups of individuals by gender and residence in an urban area. Conversely, linear probability estimates show that the decrease is about 10 percentage points and statistically significant. The empirical evidence informs policy decisions about the labour market for elderly individuals by suggesting i) that naive estimates not correcting for unobservables are spurious and may lead to inaccurate policy and ii) that policy design should account for heterogeneous responses by different groups of individuals.