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UNEXPECTED INHERITANCES AND HOUSEHOLD LABOR SUPPLY: DOES THE IDENTITY OF THE RECIPIENT MATTER?

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Traditionally, the data on inheritances in surveys are analyzed assuming that they are equally shared within households. However, inheritances are commonly individual assets, regardless of the marital property regime adopted at the time of marriage. In this paper, we examine the impact of individual unexpected inheritances on household labor supply. To do so, we use data from the SHARE for 2006–2015, covering 13 European countries, and adopt a collective perspective to analyze whether inheritances are equally distributed within the household or if the identity of the recipient matters. We reject the inheritance pooling hypothesis in favor of the intrahousehold approach. Our results suggest that females decrease their labor force participation by 5.3% points if they have received an unexpected inheritance since the prior interview, whereas we find no impact on the labor supply of males. These results can inform the design of fiscal policies on inheritances in Europe.

JEL Codes: D13, D31, J22

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1. INTRODUCTION

Wealth and its components are typically collected at the household level in household surveys (Doss et al., 2020; Frémeaux & Leturcq, 2020; Grabka et al., 2015; Kukk et al., 2023; Meriküll et al., 2021; Schneebaum et al., 2018). As a result, inheritance data are commonly studied at the household level in most analyses (Brown et al., 2010; Doorley & Pestel, 2020; Eder, 2016; Ravazzini & Chesters, 2018; Suari-Andreu, 2023; Wei & Yang, 2022), given the difficulty in untangling asset ownership of particular household members, thus considering all inheritances received by all household members, or restricting the analysis to single households.

By exploiting household inheritance receipt, the household is seen as a single economic unit and inheritances are assumed to be pooled and shared equally within the household. However, a significant number of household economic studies have noted that household members do not share their resources fully, and the flagship theoretical framework in household economics has progressed from the unitary approach to nonunitary settings, such as noncooperative models or bargaining models (see Chiappori and Meghir (2015), Chiappori and Mazzocco (2017), and Chiappori et al. (2022) for comprehensive overviews). Consequently, simply allocating assets across the household may bias results toward an underestimation of the actual effect of inheritances, leading to incorrect and unrealistic policy implications.

In contrast to the assets or capital returns obtained during marriage, assets acquired before marriage and inheritances during marriage typically remain as individual assets, regardless of the matrimonial property regime adopted at the time of marriage. Therefore, in the case of divorce, spouses do not equally share inheritances since they pertain exclusively to the recipient, and only assets acquired during the partnership are divided between partners according to the chosen matrimonial property regime (i.e., community vs. separate ownership by either spouse). In our study, we consider an inheritance to be an assignable individual wealth shock that may affect the bargaining position of each spouse and their relative Pareto weight (i.e., the bargaining power of each household member) in household decision-making (Chiappori, 1988). That is, we interpret the receipt of an inheritance as a distribution factor (Browning & Chiappori, 1998) that increases the value of the outside option from the marriage for a specific spouse and could therefore affect intrahousehold allocations.

Given the current aging of the population and its consequent economic pressures on social welfare regimes, the labor decisions of older individuals have an increasingly important influence on the economy. Many reforms have been implemented in recent years, mainly focusing on increasing the economic activity of older individuals (European Commission, 2021). Hence, it is important to understand the factors that explain the labor decisions of the adult population, which are at the core of the social security reform agenda. Within this context, Europe is a policy-relevant setting to study because it is the continent with the highest proportion of older citizens among developed economies (Eurostat, 2020).

One of the consequences of the dominant demographic trend toward aging populations is that significant numbers of workers at advanced stages of their working careers, where decisions regarding workforce participation tend to be discrete

(Blau & Goodstein, 2016), will receive intergenerational wealth transfers from older cohorts (i.e., from their parents). One would argue that increases in wealth increase access to normal goods, such as consumption or leisure. A similar argument is formulated by the Carnegie hypothesis, which suggests that inheritances depress work effort among recipients. As a result, the current design of social policy measures requires rigorous evidence of older individuals' responses to wealth shocks.

This paper addresses the question of how unexpected variations in wealth, through the receipt of an inheritance, influence household labor supply among senior workers in Europe. To do this, we adopt a collective model (Chiappori, 1988, 1992). Collective models are based on the hypothesis that intrahousehold allocations are the outcome of a bargaining process (i.e., a marital contract) between spouses with distinct preferences, who cooperate to take advantage of the marriage and reach Pareto-efficient outcomes. In our empirical strategy, we assume that inheritance receipt is an exogenous source of variation in the Pareto weight (i.e., the spouse's bargaining power) that may affect the allocation of household resources and, ultimately, spouses' observed behaviors, such as labor supply. Intuitively, the receipt of an inheritance by one spouse should increase the bargaining power of the inheriting spouse within the household, while reducing that of their partner, as bargaining power in the household is relative. Given that leisure is a normal good and the inheriting spouse attracts a larger share of household resources, he/she should increase his/her demand for leisure, thereby reducing his/her labor supply. In contrast, the bargaining power of the noninheriting partner would decrease, leading to a reduction in her/his leisure and a corresponding increase in her/his labor supply.

We identify the recipient (i.e., the legal owner) of each inheritance within the household, which is a distinction from current research, and examine whether inheritances are equally distributed (i.e., the inheritance pooling hypothesis) or, by contrast, whether the identity of the recipient is important and inheritances affect the bargaining power of spouses within the household. That is to say, we provide a test of the inheritance pooling hypothesis. Under the inheritance pooling hypothesis, the identity of the recipient does not matter for household labor supply, so only total household inheritances matter for household labor supply and the households pool their inheritances. Conversely, if the labor supply of the spouses depends on who receives the inheritance in the household, this suggests evidence against the inheritance pooling hypothesis. To test these hypotheses, we use household survey data from the Survey of Health, Ageing and Retirement in Europe (SHARE), covering a total of 13 European countries from 2006 to 2015.

Our results cast significant doubt on prior estimates from a unitary perspective that ignore intrahousehold distribution of resources and aggregate inheritances at the household level. We find that the identity of the recipient changes household decisions, indicating that inheritances are not shared equally. We find that the receipt of an inheritance, irrespective of the recipient's identity, has no impact on the probability of being in the labor force for men, while women decrease their probability of being in the labor force by 5.3% points if they have received an unexpected inheritance since the prior interview. For the hours of work, the receipt of an unexpected inheritance since the prior interview reduces the women's labor supply by 1.312 h per week, while men increase their labor supply by 2.036 h per week two periods after

the women had received an inheritance, suggesting that intrahousehold effects are long-lasting over time (i.e., approximately 4 years). Overall, receiving an inheritance empowers women within the household and leads to them leaving the labor force, while neglecting the control of inheritances within the household underestimates labor supply estimates.

The contribution of the paper is twofold. First, we study the impact of unexpected inheritances on household labor supply in Europe for the first time in the literature, using data from the SHARE. So far, the literature has focused on individual labor outcomes, and our study is close to Blau and Goodstein (2016), who examine the effects of unexpected inheritances on household labor supply in the United States. Furthermore, existing research on labor supply and inheritances tends to omit indications of anticipation, signs that preclude them from treating inheritances as unexpected variations in wealth (Bø et al., 2019; Elinder et al., 2012; Malo & Sciulli, 2021; Niizeki & Hori, 2019; Sila & Sousa, 2014). Our dataset contains information regarding individual inheritance expectations, which minimizes potential omitted-variable biases related to pre-receipt effects and allows us to interpret the receipt of an inheritance as an individual wealth shock.

Second, we identify the recipient within the household who inherits between survey waves and test whether the identity of the recipient matters. That is, we provide a direct test of the inheritance pooling hypothesis for older adults in Europe. This approach represents a significant departure from the current literature and permits us to examine whether prior unitary estimates—which directly assume that households pool all the inheritances so that the identity of the recipient does not matter—are biased. There are few studies examining the intrahousehold allocation of inheritances (Blau & Goodstein, 2016; Niizeki & Hori, 2019), and prior estimates using the SHARE have found no effects of household inheritance receipt on individual labor supply (Suari-Andreu, 2023; Tur-Sinai et al., 2022). However, if household labor supply depends on the inheritance of each household member, this would suggest that prior estimates suffer from the unitary misspecification.

The rest of the paper is organized as follows. Section 2 gives an overview of the related literature on inheritances and labor outcomes. Section 3 explains and justifies the conceptual framework we use for our analysis. Section 4 discusses the data, sample criteria, and variables. Section 5 describes the econometric strategy. Section 6 presents and discusses the results. Finally, Section 7 concludes with a summary of our findings and their policy implications.

2. LITERATURE REVIEW

Several studies have analyzed the impact of inheritances on labor supply with contrasting results. The idea underlying the study of this relationship is that a substantial increase in wealth due to an inheritance receipt may discourage individuals from working, and this effect should be manifested through their labor supply, especially among older individuals who are at an advanced stage of their working life-cycle, close to retirement, and for unexpected and large inheritances. This is known as the “Carnegie conjecture” or “Carnegie effect” in the economic literature (Bø et al., 2019; Cox, 2014; Holtz-Eakin et al., 1993). This hypothesis has received

substantial attention in recent years using survey and administrative data from the United States, Europe, or Japan.

For instance, Brown et al. (2010) use data from the 1994–2002 Health and Retirement Study (HRS) in the United States, covering five survey waves (waves 2 through 6) from the original HRS cohort born during 1931–1941, finding that household inheritance receipt increases the probability of retirement, especially for unexpected inheritances, and increasing with the size of the inheritance. Similar results were reported by Elinder et al. (2012), Sila and Sousa (2014), and Eder (2016). Elinder et al. (2012) focus on administrative data from Sweden for recipients in 2004 during 2000–2008, finding negative effects on labor income during the 4 years following the receipt of an inheritance, suggesting that the negative impact on labor income lasts a long time and is concentrated among those aged 50–59 years old. Sila and Sousa (2014), using data from the European Community Household Panel (ECHP) for a sample of 15 countries from 1994 to 2001, find that the receipt of a large inheritance (using a dummy variable defined at the household level) reduces weekly working hours by 2.08% for men aged 25–60. Nevertheless, that response is small, and the impact of inheritances is stronger at the extensive margin through men leaving the labor force and reducing their probability of being employed by 3.06% points. Eder (2016) uses data from waves 1 and 4 of the SHARE in 10 countries, focusing on retirement adjustments following inheritances in a sample of initially employed individuals, and finds that the receipt of an inheritance significantly increases the probability of retirement.

Recently, Bø et al. (2019) use administrative data from Norway (1997–2010) and focus on wage earnings, early retirement, and working hours using a sample of wage earners aged 18–66 years old. The authors show that wage income decreases among inheritors above the mean (300,000 Norwegian Krone) 1 year after receiving the inheritance, and this effect persists until 5 years later, particularly among females. Changes in working hours are small and do not dissipate until 3 years after the event. Additionally, the probability of early retirement (available from age 62 in Norway) increases for inheritors four and 5 years after receiving a large bequest. Niizeki and Hori (2019) exploit Japanese microdata from the second wave of the Family and Lifestyle Survey conducted in 2012 for a small sample of individuals aged 26–51 at the time of their parent's death (i.e., 363 respondents), showing that inheritances decrease the women's probability of work by around 10% points, but that is not the case for men. Furthermore, the peak of the decline occurs three periods after. They also reject the unitary model since the identity of the inheritance recipient matters in women's labor supply. Specifically, the wife's probability of work decreases only when she receives an inheritance, whereas there is no effect on her probability of being in the labor force when her husband receives an inheritance.

Doorley and Pestel (2020) examine the German case by analyzing the 2001–2016 waves of the German Socio-Economic Panel (SOEP) Study. Similar to Niizeki and Hori (2019), they obtain gender-specific effects, as only women decrease their probability of working full-time and their working hours after the receipt of an unexpected inheritance. Quantitatively, women reduce their hours of work by about 1–2 per week in response to both unexpected and expected inheritances, whereas they would decrease their desired hours of work by around 1.3–1.7 per week in response to an inheritance, and this effect is stronger for

unexpected inheritances, persisting for at least 3 years. On the other hand, the probability of a woman working full-time decreases by 5% points after an inheritance. Malo and Sciulli (2021) use cross-sectional data from the 2014 Household Finance and Consumption Survey (HCS) for 14 European countries and individuals aged 25–59 years old, finding a negative relationship between the receipt of an inheritance (within the 2008–2013 window) at the household level from a nonfamily donor and women's labor force participation. Specifically, the receipt of an inheritance from a nonfamily donor during the last 6 years is associated with a decrease of 7.86% points in the probability of women being in the labor force.

Other recent studies in Europe include those of Tur-Sinai et al. (2022) and Suari-Andreu (2023). They relate household inheritance receipt to individual labor supply using data from the SHARE. Both studies conclude that household inheritances have no effect either on current labor force participation (Tur-Sinai et al., 2022) or on hours of work, retirement, and early retirement (Suari-Andreu, 2023) for men and women (Tur-Sinai et al., 2022) or for the entire sample (Suari-Andreu, 2023).

3. CONCEPTUAL FRAMEWORK

This paper is built on the grounds of collective models of household economic behavior (Chiappori, 1988, 1992). The collective model aims to analyze unobserved intrahousehold decisions such as the allocation of household resources through observed household behaviors, such as consumption or labor supply. The collective model has become the workhorse theoretical framework in studying household behavior and is based on the hypothesis that household decisions are Pareto-efficient (Chiappori et al., 2022; Chiappori & Mazzocco, 2017). This assumption is realistic when we consider that the household is formed by spouses who cooperate to take advantage of the existing opportunities from the marriage.

In contrast to the collective model, which allows researchers to study intrahousehold behaviors, the neoclassical unitary framework assumes that households are representative economic units (i.e., single decision makers maximizing a unique well-behaved utility function) and ignores the distribution of economic resources such as income and wealth within households. Consequently, the collective model provides a well-suited conceptual framework for analyzing the intrahousehold allocation of inheritances, which constitutes the aim of this paper. Specifically, we use the collective model to test whether inheritances are equally distributed within the household, which would imply support for the inheritance pooling hypothesis or, by contrast, whether the identity of the recipient within the household matters, so that there exists an unequal distribution of inheritances within households. These competing hypotheses will be analyzed through labor supply decisions, which are observed for each spouse in the SHARE.¹

¹ Estimating a collective model requires a great deal from the data, and consumption information is only available at the household level in the SHARE (Suari-Andreu, 2023). This is a frequent feature of many household consumption surveys, which rarely collect data on individual consumption (Calvi et al., 2023).

This inheritance pooling test draws upon a large literature that has analyzed data at the individual level regarding lottery wins (Cesarini et al., 2017), the receipt of specific conditional cash transfers (Attanasio & Lechene, 2002), or other income components (Bargain, 2024; Browning et al., 1994; Lancaster et al., 2006; Lundberg et al., 1997; Oreffice, 2011; Ward-Batts, 2008) and has highlighted that household decisions depend on who receives such income sources within the household, thus rejecting the so-called income pooling hypothesis. In this context, inheritances constitute a particularly well-suited source of variation in individual wealth to analyze the pooling of economic resources within the household, which constitutes an important prediction of the unitary household model.

Specifically, according to the collective setting, inheritances may affect the marital contract. In other words, inheritances lead to changes in the existing bargaining process within the household that disciplines the allocation of resources and ultimately observed behavior, such as spouses' labor supplies, since inheritances received during marriage remain as individual assets and are not equally distributed in the event of a divorce. The intuition for the bargaining effect is as follows: inheritances may favor the distribution of household resources toward the recipient, increasing his/her Pareto weight that summarizes the relative bargaining power of the inheriting spouse within household decisions, while reducing that of his/her spouse (given that intrahousehold bargaining power is relative, and if one spouse is empowered the other must be weakened). As the inherited spouse has increased his/her bargaining position, he/she captures a larger share of household resources, including an increase in his/her leisure, thus ultimately observing a reduction in his/her labor supply, and vice versa for the partner who should increase her/his labor supply. A key feature of the SHARE is that the survey enables us to identify the recipient of inheritances within the household, so we can test whether inheritances have bargaining effects on the household labor supply (i.e., effects of opposite sign in spouses' labor supplies as described above) depending on the recipient's identity. As prior research has omitted potential bargaining or intrahousehold effects of inheritances, the main contribution of this paper is to test whether inheritances may lead to bargaining processes within the household.

4. DATA AND VARIABLES

4.1. Data

In this paper, we use data from the Survey of Health, Ageing and Retirement in Europe (SHARE), equivalent to the HRS in the United States and the English Longitudinal Study of Aging (ELSA) in the United Kingdom, both surveys on which it is modeled and with which it is closely harmonized.² The SHARE is a representative cross-national household panel survey conducted regularly in Europe every

²This paper uses data from SHARE Waves 2, 4, 5 and 6 (<https://doi.org/10.6103/SHARE.w2.800>, <https://doi.org/10.6103/SHARE.w4.800>, <https://doi.org/10.6103/SHARE.w5.800>, <https://doi.org/10.6103/SHARE.w6.800>); see Börsch-Supan et al. (2013) for methodological details. The SHARE data collection has been funded by the European Commission, DG RTD through FP5 (QLK6-CT-2001-00360), FP6 (SHARE-I3: RII-CT-2006-062193, COMPARE: CIT5-CT-2005-028857,

2 years on average since 2004, ex ante harmonized to ensure cross-country comparability (Börsch-Supan et al., 2013). It contains microdata on employment, health, social and family networks, behavioral risks, financial transfers, and expectations for respondents aged 50 or over at the time of the survey and their partners regardless of age. Individuals must speak the national language(s) of each country and not live abroad during the entire survey period.

Each wave of the SHARE includes individuals who were already interviewed as well as new individuals, so the SHARE is technically a longitudinal (unbalanced) dataset at the couple level. The survey currently contains information from a total of eight waves in 29 countries (28 European countries and Israel) from wave 1 conducted in 2004–2006 to wave 8 conducted in 2020 and is publicly available.³ For our study, we use data from waves 2 to 6, which cover the period 2006 to 2015, excluding the third, seventh, and eighth waves (we refer to Bergmann et al. (2019) for response rates during those survey waves). Waves 3 and 7, known as SHARELIFE, collect retrospective data and focus on reconstructing the life histories of SHARE participants and their partners regarding housing, health, health care, children, marriage, divorce, employment, financial hardships, and living conditions at age 10, while wave 8, which began in October 2019, had to be suspended gradually country by country in the middle of its data collection at the outbreak of the health emergency in March 2020. This dramatically affected the subsequent interviews carried out from June to September 2020.⁴

Specifically, our sample consists of individuals from the original SHARE cohort born in 1954 or earlier and interviewed in wave 1, plus refreshment samples included in each wave to compensate for the reduction in panel sample size due to attrition and nonresponse and to maintain representativeness of the target population, potentially serious problems in panel data in general and panels of older people in particular. This includes people born in 1956 or before in wave 2 and those born in 1960 or before in wave 4, as wave 3 did not contain any refreshment

SHARELIFE: CIT4-CT-2006-028812), FP7 (SHARE-PREP: GA No. 211909, SHARE-LEAP: GA No. 227822, SHARE M4: GA No. 261982, DASISH: GA No. 283646) and Horizon 2020 (SHARE-DEV3: GA No. 676536, SHARE-COHESION: GA No. 870628, SERISS: GA No. 654221, SSHOC: GA No. 823782, SHARE-COVID19: GA No. 101015924) and by DG Employment, Social Affairs & Inclusion through VS 2015/0195, VS 2016/0135, VS 2018/0285, VS 2019/0332, and VS 2020/0313. Additional funding from the German Ministry of Education and Research, the Max Planck Society for the Advancement of Science, the U.S. National Institute on Aging (U01_AG09740-13S2, P01_AG005842, P01_AG08291, P30_AG12815, R21_AG025169, Y1-AG-4553-01, IAG_BSR06-11, OGHA_04–064, HHSN271201300071C, RAG052527A) and from various national funding sources is gratefully acknowledged (see <https://www.share-project.org> for a full list of funding institutions).

³The number of countries participating in the survey has been increasing over time and the first wave was implemented in Austria, Belgium, Denmark, France, Germany, Greece, Israel, Italy, the Netherlands, Spain, Sweden, and Switzerland.

⁴During the COVID-19 period, it became necessary to revise the way the SHARE data were collected. Specifically, face-to-face Computer Assisted Personal Interview (CAPI) questionnaires were uniformly conducted before the COVID-19 period, while the final information of wave 8 was collected through Computer Assisted Telephone Interview (CATI) in respondents' homes from June to September 2020 (Scherpenzeel et al., 2020). This affected the response rates (Bergmann & Börsch-Supan, 2021). A subsequent second wave of the SHARE Corona Survey was conducted between June and August 2021. These last two waves contain very specific questions regarding the COVID-19 pandemic.

samples. As for the empirical analysis, we need at least two consecutive waves per respondent; refreshment cohorts added in waves 5 and 6 are not considered due to specific questions that were dropped from the survey after wave 4 (see below).

Our analysis focuses on couples and labor decisions, so we restrict the sample to married heterosexual couples—married and living together with a partner—aged 45–70 years old who are likely to still be in the labor force at the time of the inheritance, observed for at least two consecutive waves and with no missing value for any of the set of variables we use.⁵ We link couples across waves in the analysis in terms of the appropriate identifiers, which leaves us with a panel of 10,118 couple-wave observations consisting of 4224 unique couples and covering 13 European countries, namely: Austria, Belgium, Czech Republic, Denmark, Estonia, France, Germany, Italy, the Netherlands, Slovenia, Spain, Sweden, and Switzerland.⁶

It is important to note that the raw SHARE dataset contains information for more countries than the ones appearing in the final sample. Our sample selection is minimal, so countries not appearing in the final sample lack some of the key variables required for the analysis. Specifically, data from Croatia and Luxembourg are not appropriate given missing information with regard to inheritance expectations. On the other hand, Ireland and Hungary are only observed for the second and fourth waves of the SHARE, respectively, so we cannot include them in the final sample given the lack of longitudinal information. Other countries such as Greece, Israel, Poland, and Portugal are excluded due to different time gaps between surveys, thus also making it impossible to appropriately identify longitudinal variation in the data. See Table A1 in the Appendix for sample composition and the final sample for the econometric analysis.

4.2. Variables

Our outcomes of interest are household labor supply, and we focus on spouses' labor force participation (LFP) and the number of market work hours worked per week. For LFP, we use the information regarding current labor market status reported by the respondents through the question “*In general, which of the following best describes your current employment situation?*”. The categories are “*Retired,*” “*Employed or self-employed (including working for family business),*” “*Unemployed and looking for work,*” “*Permanently sick or disabled,*” “*Homemaker,*” and “*Other (Rentier, Living off own property, Student, Doing voluntary work).*” From these six categories, we create a dummy variable that takes the value 1 if the respondent declares being employed, self-employed, or unemployed and the value 0 otherwise (Blau & Goodstein, 2016; Disney & Gathergood, 2018; Tur-Sinai et al., 2022).

⁵ We consider wave 2 and wave 4 as consecutive waves. Individuals younger than 50 years are spouses of the sampled person.

⁶ We start with a sample of 198,452 pooled observations from waves 1–6. We lose 40,694 observations from individuals who are not married, or are same-sex couples (i.e., a total of 74 observations) or there is no information for the counterpart, which leaves us with a sample of 78,879 observations (couples X wave) from 37,235 couples. After imposing the age sample criteria (we lose 28,763 observations), dropping missing values for the variables of interest (35,922 observations) and retaining couples who are observed for at least two consecutive waves (4076 observations), we have a final sample of 10,118 observations (couples X wave) from 4224 couples.

On the other hand, the market work hours variables refer to weekly hours of work in the current main job of husbands and wives. Specifically, respondents were asked the following question: “*Regardless of your basic contracted hours, how many hours a week do you usually work in this job, excluding meal breaks but including any paid or unpaid overtime?*”. Hence, that recall question excludes meal breaks but includes unpaid hours.

We also define two dummy variables for full-time and part-time workers. The first dummy identifies full-time workers and takes the value 1 when individuals work 30 or more hours per week in the main job, 0 otherwise, while the second variable identifies part-time workers and takes the value 1 for those respondents who devote more than 0 h but less than 30 h per week to market work on the main job, 0 otherwise (Jolly & Theodoropoulos, 2023). Although existing research suggests that market work hours are more accurately measured using diary-based data (e.g., time use surveys) compared with stylized questionnaires such as the SHARE (Bonke, 2005; Juster et al., 2003; Kan & Pudney, 2008; Klevmarken, 2005), we are not aware of any time use survey containing either information on inheritances or including longitudinal information for interviewees.

The key explanatory variable for the study is the receipt of an inheritance since the previous interview. To define this variable, several questions from the SHARE on the financial situation of the family are used, all of which are answered by the so-called financial respondent per couple, who is considered the most financially knowledgeable member of the entire household. First, we use the question: “*Not counting any large gift we have already talked about, have you or your husband/wifepartner ever received a gift or inherited money, goods, or property worth more than 5000 Euros?*” with the potential answers being “*Yes*” and “*No*.” For those who answer “*Yes*” to this question, the following questions are asked: “*In which year did you or your husband/wifepartner receive this gift or inheritance?*” and “*From whom did you or your husband/wifepartner receive this gift or inheritance?*”⁷

The question regarding the year of inheritance receipt is used to properly define the receipt of inheritances between survey waves and avoid double counting of specific wealth transfers, while the question regarding the origin is used to define the inheritance receipt at the partner level through the legal owner of each inheritance within the household. In this context, if the financial respondent claims that he/she received an inheritance from his/her “*Mother*,” “*Father*,” “*Stepmother*,” “*Stepfather*,” “*Brother*,” or “*Sister*,” we assign the receipt of an inheritance to that specific spouse. Conversely, if he/she claims that the inheritance was received from his/her “*Mother-in-law*” or “*Father-in-law*,” we assign the receipt of the inheritance to his/her spouse. Other potential answers to this question such as “*Children*,” “*Son-in-law*,” “*Daughter-in-law*,” “*Grandchild*,” “*Grandparent*,” “*Aunt*,” “*Uncle*,” “*Niece*,” or “*Nephew*” do not provide us with sufficient detail to explicitly identify

⁷This last question was not used by Eder (2016), Tur-Sinai et al. (2022) and Suari-Andreu (2023), who also use the SHARE. This leads these authors to assume the inheritance pooling hypothesis (i.e., inheritances are equally shared within the household and the identity of the recipient is irrelevant).

which spouse within the couple received that inheritance, so we assign those to another variable that represents unknown inheritances.⁸

Consequently, we assign the inheritance receipt at the partner level based on the identity of the ascendant. A limitation of this approach is that, depending on the will of the person leaving the inheritance, it may still be designated for the couple jointly, playing in such a case the role of a common asset and altering its assignability accordingly. This underscores the difficulty of identifying asset ownership within the household, which is also reflected by the variable indicating unknown inheritances. Regrettably, the SHARE lacks information on the will of relatives, thus making it impossible to explore this potential mechanism. Nevertheless, it is important to take into account the current legal framework of inheritances in Europe. The prevailing succession system across all the countries in our sample restricts complete testamentary freedom (OECD, 2021), limiting donors' ability to distribute their assets according to their wishes through a regime of "forced heirship" where a fixed share of the donor's assets must be passed to their offspring. These forced rules also apply in countries where there are no taxes on inheritances, such as Austria, Czech Republic, Estonia, and Sweden. Furthermore, the inheritance taxation setting involves elevated tax rates and reduced tax exemption thresholds for the remaining value of assets passed to distant relatives and non-family beneficiaries. This is likely to distort the donor's will, prioritizing immediate family members such as their children over their son- and daughter-in-law. On the contrary, in cases where there is no written formal will, the succession rules in Europe ensure that the inheritance is received by closer relatives of the deceased, namely the surviving spouse, children, parents, and siblings, rather than more distant relatives. In Appendix Table A2, we present a detailed overview of inheritance tax schemes and succession laws in Europe, and we delve deeper into this issue in the discussion of the results.

We use the question "*Thinking about the next ten years, what are the chances that you will receive any inheritance, including property and other valuables?*" to control for the (past) inheritance expectation of each spouse in the household. Controlling for this variable is crucial to properly interpret the receipt of an inheritance as an unexpected wealth shock, since prior research has documented larger effects for unexpected inheritances than for expected ones (Brown et al., 2010; Doorley & Pestel, 2020). The potential answers to these questions range from 0 to 100, where 0 indicates no chance of inheriting and 100 that the respondent is absolutely certain that an inheritance will be received in the next 10 years. This question was dropped from wave 5 onwards in all countries surveyed, which limits us from including other countries such as Croatia and Luxembourg in our analysis. However, as the SHARE is a panel dataset, we assign the last observation per individual to the next waves (waves 5 and/or 6) we observe for that specific partner. Given that each wave is implemented every 2 years on average and the question looks at expectations over the next 10 years, we are suitably covering that period although we may assume that

⁸There is only one financial respondent per couple in our final sample, given the sample restrictions, which prevents us from misidentifying inheritances in households formed by, for example, a couple and a single person due to changing household composition over time (in these couples there would be various financial respondents).

specific personal circumstances could change expectations regarding the receipt of an inheritance.

In addition to labor market and inheritance variables, a rich set of sociodemographic and socioeconomic variables that influence household labor supply decisions are defined from the SHARE (Blau & Goodstein, 2016; Brown et al., 2010; Suari-Andreu, 2023). Specifically, from the information provided by the survey, we include the following variables that are important in explaining labor market outcomes: age (in years) at the time of the interview, maximum educational attainment (on the basis of the 1997 International Standard Classification of Education ISCED-1997, recoded into three levels denoting primary education [ISCED-1997 scores 0–2], secondary education [3–4], and tertiary education [5–6]), self-employment status (value 1, 0 otherwise), health status (self-reported on a 5-point scale: excellent, very good, good, fair, and poor, which we condense into a dummy taking value 1 for excellent and very good, 0 otherwise), recent changes in health status (a dummy taking value 1 if health has improved or worsened between interviews, 0 otherwise), household earnings (defined as the sum of the annual earnings of each spouse), household non-labor income,⁹ household size, and number of children.

We also define the parents' vital status (two dummy variables taking value 1 if the father or mother died between survey waves, 0 otherwise). The parents' vital status is relevant as it might capture shifts in respondents' time allocations and market work hours resulting from the death of a parent (Bø et al., 2019; Brown et al., 2010; Niizeki & Hori, 2019). As a consequence, it is important to control for reallocations of time use due to the death of a parent. For example, a reduction in market work hours prior to the death of an ailing parent is plausible as it may be due to the need to provide home care for that parent, and individuals may return to the labor market after the death of their parent, which alleviates time constraints.

4.3. Descriptive statistics

Table 1 presents summary statistics for our sample. The average labor force participation of husbands in our sample is 38.3%, while the average for wives is 39.5%. For market work hours, the average in the sample is 16 h per week among husbands and 12 h per week among wives (conditional on positive hours, the averages are 38 and 31 h for husbands and wives, respectively).

In our sample, 4% of husbands receive an inheritance between survey waves, while the percentage of wives is 3.7. However, wives declare larger inheritance

⁹ Household non-labor income comprises all income sources of the household except for the annual labor earnings of the spouses (annual old age or early retirement pension, survivor and war pension, annual private occupational pension, annual disability pension and benefits, annual unemployment benefits and insurance, annual payment from social assistance, sickness benefit and pension, other regular payments from private pension or private transfers, annual income from rent or sublet, annual income from other household members, and interest/dividend from bank account, bond, stocks, and mutual funds). Given that inheritances are a crucial component of the net worth of families (Crawford & Hood, 2016; Elinder et al., 2018; Gandelman & Lluberas, 2024; Karagiannaki, 2017; Klevmarken, 2004; Nekoei & Seim, 2023; Wei & Yang, 2022) and we do not have information regarding inheritance values to exclude them from household wealth, we do not include household net worth because that variable would partially control for the impact of inheritances, underestimating the current effect.

TABLE 1
SUMMARY STATISTICS

	Husbands		Wives		Diff.
	Mean	Std. dev.	Mean	Std. dev.	
Individual variables					
Labor force participation	0.383	(0.486)	0.395	(0.489)	-0.012**
Weekly work hours at main job	16.068	(20.770)	12.760	(17.579)	3.308***
Weekly work hours at main job (conditional on >0)	38.618	(12.881)	31.863	(12.764)	6.754***
Inheritance receipt	0.040	(0.197)	0.037	(0.190)	0.003
Inheritance expectation	21.804	(34.475)	23.223	(34.772)	-1.419***
Age	62.195	(4.708)	59.955	(4.990)	2.241***
Primary education	0.329	(0.470)	0.371	(0.483)	-0.042***
Secondary education	0.420	(0.494)	0.397	(0.489)	0.023***
Tertiary education	0.251	(0.434)	0.232	(0.422)	0.019***
Self-employed	0.074	(0.261)	0.037	(0.188)	0.037***
Good health	0.313	(0.464)	0.301	(0.459)	0.012**
Health improved since previous interview	0.224	(0.417)	0.223	(0.416)	0.001
Health worsened since previous interview	0.271	(0.444)	0.258	(0.438)	0.013**
Father death since the previous interview	0.024	(0.154)	0.037	(0.188)	-0.012***
Mother death since the previous interview	0.055	(0.228)	0.058	(0.234)	-0.003
Household variables					
# household members		2.463	0.839		
# children		2.222	1.121		
Unknown inheritance receipt		0.012	0.110		
Household earnings		17,260,770	27,520,330		
Household non-labor income		1,011,320	99,400,000		
# observations (couples X wave)		10,118			
# couples		4224			

Note: Data from Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 with at least two consecutive waves. *** $p < 0.01$; ** $p < 0.05$;

expectations, as the average wife in the sample declares that the chances of inheriting in the future are 23% compared with 21%, which are the chances declared by the average husband in the sample.

Regarding demographics, the average age of husbands is 62 years, while the average age for wives is 60 years. Husbands have a slightly higher level of education (42% and 25.1% have achieved a secondary and tertiary education level on average, respectively) than wives (39.7% and 23.2%). Furthermore, 7.4% of husbands and 3.7% of wives are self-employed. Around 31.3% of husbands and 30.1% of wives declare an excellent or very good health status, while around 22.4% and 22.3% of husbands and wives, respectively, declare that their health status has improved between survey waves (vs. 27.1% and 25.8% who declare decreased health). Furthermore, 2.4 (5.5) percent of husbands have lost their father (mother) between

interviews, while the magnitude for wives is 3.7 (5.8) percent. On the other hand, the average couple in the sample is formed by 2.5 members, has 2.2 children, and has labor and non-labor earnings of about 17,260.8 and 1,011,320 Euros per year, respectively, whereas the average of unknown inheritances received by the household is 1.2%.

To examine our main regressor, the probability of inheriting, Table 2 shows the estimates of a linear probability model. In this model, the dependent variable is whether husbands and wives in the sample receive an inheritance between survey waves, with the analysis accounting for individual and household characteristics as well as country and wave fixed-effects. We also present in the fourth column of Table 2 the difference in the husband and wife coefficients along with the results of a Wald test to compare these coefficients and assess whether there are statistically significant differences in the coefficients of husbands and wives.

We observe that inheritance receipt is strongly correlated with individual characteristics such as the death of either the father or the mother since the prior interview and past inheritance expectations.¹⁰ Quantitatively, the death of a parent is associated with an increase of around 17.1%–21.1% points in the probability of inheriting for husbands and of around 12.3% and 15.6% points for wives. Past inheritance expectation is positively related to current inheritance receipt, suggesting that the variable contains useful information regarding future inheritance receipt. Quantitatively, an increase of one percentage point in past inheritance expectation is related to an increase of 0.086% and 0.074% points in the probability of inheriting for the husband and the wife, respectively. For the wives' equation, we also find that having achieved a tertiary education level is correlated with an increase of 3.1% points in the probability of inheriting, and this coefficient is statistically significant at the 1% level. Column 4 shows that there are no statistically significant differences in the estimates for husbands and wives at standard levels ($p > 0.05$), except for the coefficient estimated for tertiary education. This suggests that attaining a tertiary education level is associated with an additional 2.2% point increase in the probability of inheriting among wives, compared with husbands.

Figure 1 shows the histogram for the inheritance expectation variable for each spouse. We observe that the expectation variables are characterized by rounding responses and certain focal points, as is frequent with this type of variable that measures personal expectations (Bissonnette et al., 2017; de Bresser, 2019; Huynh & Jung, 2015; Kleinjans & Soest, 2014). Specifically, there are peaks at multiples of 50 at the first, middle, and last option of the response scale. The observations are concentrated at 0% by far, as the probability ranges at 61.29% and 58.33% for husbands and wives, respectively. The next large focal points are at 100% for husbands, declared by around 6.41% of husbands in our sample, and 50% for wives, declared by around 7.91% of wives in our sample. Figure 1 also shows some signs of rounding toward inheritance expectations of 50% and 100%, as the probabilities reported

¹⁰We also include other household characteristics, such as household size, number of children, household earnings, household non-labor income, and (past) household net worth. However, these variables do not display statistically significant values, and we omit them from the reported estimates, for brevity. These estimates are available from the authors upon request.

TABLE 2
DETERMINANTS OF INHERITANCE RECEIPT: RELATIONSHIP BETWEEN INDIVIDUAL CHARACTERISTICS AND THE PROBABILITY OF INHERITING

	Husbands	Wives	Diff.
Lagged inheritance expectation (/100)	0.086*** (0.011)	0.074*** (0.010)	0.012 (0.690)
Age	0.020 (0.013)	-0.008 (0.014)	0.028 (2.120)
Age ² /100	-0.016 (0.011)	0.006 (0.012)	-0.022 (1.970)
Secondary education	-0.005 (0.006)	0.010* (0.006)	-0.015* (3.240)
Tertiary education	0.008 (0.008)	0.031*** (0.008)	-0.022** (4.040)
Self-employed	-0.010 (0.011)	0.002 (0.016)	-0.012 (0.380)
Good health	-0.003 (0.007)	0.012* (0.007)	-0.015* (2.810)
Health improved since the previous interview	-0.007 (0.006)	-0.003 (0.006)	-0.004 (0.190)
Health worsened since the previous interview	-0.002 (0.006)	0.001 (0.006)	-0.003 (0.110)
Father death since the previous interview	0.171*** (0.038)	0.123*** (0.026)	0.048 (1.140)
Mother death since the previous interview	0.211*** (0.024)	0.156*** (0.020)	0.055* (3.160)
Constant	-0.658 (0.422)	0.258 (0.448)	-0.916 (2.230)
Number of observations	5894	5894	
Number of individuals	4224	4224	
R-squared	0.138	0.100	

Note: Ordinary least squares (OLS) estimates. Data come from the Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 with at least two consecutive waves. Robust standard errors, clustered at the individual level, are reported in parentheses in Columns (2–3), and chi-squared statistics are reported in parentheses in Column (4). Estimates also include country and wave fixed-effects, together with household characteristics (household size, number of children, log of household earnings, log of household non-labor income, log of past household net worth), but not shown for brevity. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

around these percentages are relatively low. Furthermore, not all values are used by the respondents when rating their inheritance expectations for the next 10 years.

5. ECONOMETRIC STRATEGY

To analyze the impact of unexpected inheritances on labor force participation, we estimate linear regression models using ordinary least squares (OLS). Formally, we estimate the following model for husbands ($j = 1$) and wives ($j = 2$):

$$(1) \quad Y_{it}^j = \beta_0^j + \sum_{k=0}^1 (\beta_{1k}^j I_{it-k}^1 + \beta_{2k}^j I_{it-k}^2 + \beta_{3k}^j I_{it-k}^u + \delta_k^j y_{it-k} + \alpha_k^j A_{it-k}) + \gamma_1^j E_{it-1}^1 + \gamma_2^j E_{it-1}^2 + \eta^j X_{it}^j + \tau_1^j Y_{it-1}^1 + \tau_2^j Y_{it-1}^2 + \theta_c + \mu_i + \varepsilon_{it}^j,$$

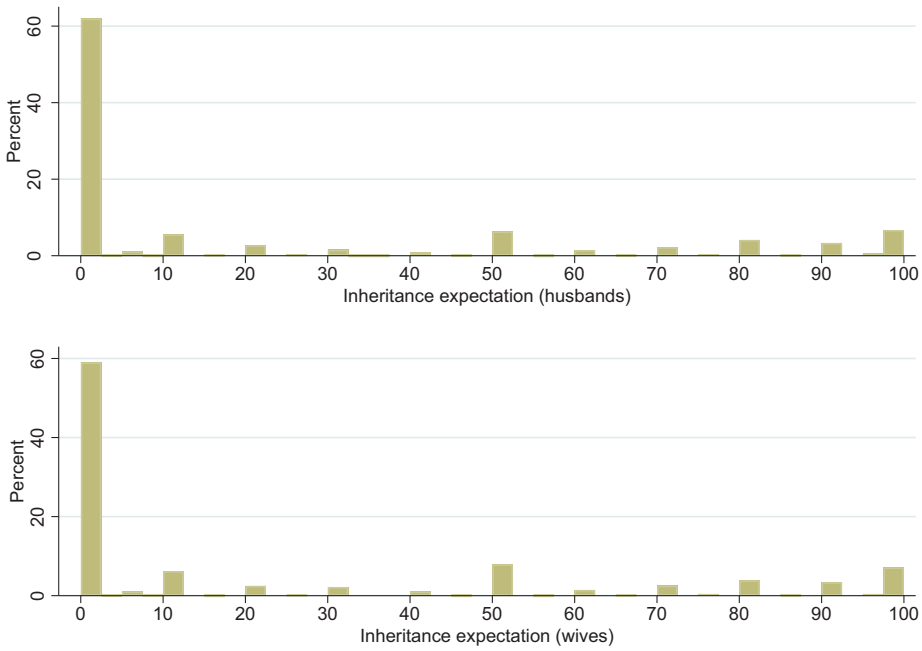


Figure 1. Histogram of inheritance expectation. Authors’ calculations. Inheritance expectations in percent on horizontal axis. Response frequency in percent on vertical axis. Data come from the Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 with at least two consecutive waves.

where i represents the household ($i = 1, \dots, N$) in which spouse j lives, t denotes the survey period (the 4 survey waves), and c the country of residence ($c = 1, \dots, 13$).

The dependent variable Y_{it}^j represents the labor market outcome of interest for spouse j in household i at time t (labor force participation, and the number of hours worked per week). I_{it-k}^j is a dummy variable that takes value 1 if spouse j in household i receives an inheritance since the previous period at time $t - k$, for $k = 0, 1$, and value of 0 otherwise, while I_{it-k}^u is a dummy variable that takes value 1 if household i receives an inheritance since the previous period at time $t - k$ for $k = 0, 1$, and the recipient within the couple cannot be determined, and value 0 otherwise. y_{it-k} represents the log household earnings and A_{it-k} denotes the log household nonlabor income at time $t - k$, for $k = 0, 1$. E_{it-1}^j represents the inheritance expectations in the previous interview, for either the husband or the wife. In our identification strategy, we rely on the assumption that, conditional on past inheritance expectation and labor outcomes, the receipt of an inheritance is exogenous.

The term X_{it}^j represents a vector of time-varying individual and household observable characteristics and includes the spouse’s age and age squared (divided by 100), maximum educational attainment (omitted category: primary education), self-employment status, health status, recent changes in health status, death of a parent (either the mother or the father) since the previous interview, number of household members, and number of children. θ_c is a vector of country fixed-effects

that controls for time-invariant unobserved characteristics that vary among countries, μ_t denotes wave fixed-effects that control for unobserved factors that vary uniformly across countries over time (e.g., macroeconomic circumstances, specific survey issues), and ε_{it}^j is the error term.

The data used in this paper contain information from 13 European countries with different cultural, labor market, and institutional backgrounds. All these country heterogeneities may influence labor supply responses to inheritance receipt. We address this issue by including country fixed-effects in the estimates. The country fixed-effects capture all differences in cultural, labor market, and institutional features between countries that persist over time and thus aim to control for all time-invariant unobserved differences across countries. Overall, inheritances are taxed and charged to heirs depending on the degree of kinship with the deceased and the value of the inherited assets. Nevertheless, inheritance laws vary considerably across countries, with our sample including nations with divergent taxation policies. These range from Belgium and France, which impose high tax rates, to Austria, Czech Republic, Estonia, and Sweden, where inheritances are not taxed (inheritance tax abolished in 2008, 2013, 2000, and 2004, respectively). Furthermore, labor market structures and the culture toward employment also differ within our analysis. Notably, certain countries such as the Netherlands exhibit considerable labor market flexibility, characterized by high rates of part-time employment, which facilitates smooth adjustments in labor supply and potentially facilitates the work–family balance (Picchio et al., 2018).

Finally, given that there are multiple observations per household, we additionally cluster the standard errors at the household level to account for heteroskedasticity and arbitrary serial correlation over time in the error term between observations referring to the same household in all our estimations (Cameron & Miller, 2015). The parameters of interest are β_{1k}^j , β_{2k}^j and β_{3k}^j , which capture the impacts of own, spouse, and unknown inheritances on the current labor outcome of a given spouse j . Because of the nature of the dependent variables, we use the OLS estimator for hours of work and labor force participation because these estimates are relatively easy to deal with (i.e., they can be directly interpreted as marginal effects in the outcome of interest). Therefore, this estimator is preferred in this study to facilitate interpretation, but the analysis of labor force participation is also conducted using ordinal models through the Logit or Probit model against linear probability models. These alternative methods of estimation produce rather similar marginal effects to the OLS findings and are available upon request from the authors.

6. RESULTS

6.1. Main results

Table 3 presents the baseline estimates of Equation (1) to analyze the impact of unexpected inheritances on household labor force participation. Column (1) displays results for husbands, while Column (2) shows estimates for wives. The results indicate that inheritances, regardless of the recipient and the timing of receipt, do not have any significant impact on husbands' labor force participation, as all the coefficients of interest are not statistically significant at standard levels. In other

TABLE 3
IMPACT OF INHERITANCES ON LABOR FORCE PARTICIPATION

	Husbands	Wives
Inheritance recipient		
Self	0.023 (0.018)	-0.053*** (0.020)
Spouse	-0.009 (0.020)	-0.013 (0.020)
Unknown	0.018 (0.033)	0.048* (0.026)
Lagged inheritance recipient		
Self	0.005 (0.019)	0.017 (0.018)
Spouse	0.002 (0.020)	0.018 (0.016)
Unknown	-0.021 (0.034)	0.018 (0.031)
Number of observations (couples-wave)	5894	5894
Number of couples	4224	4224
R-squared	0.673	0.686

Note: Ordinary least squares (OLS) estimates on the probability of being in the labor force. Data come from the Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 years old with at least two consecutive waves. Robust standard errors, clustered at the household level, are reported in parentheses. Estimates also include country and wave fixed-effects, but not shown for brevity. *** $p < 0.01$; * $p < 0.1$.

words, husbands’ labor force participation does not seem to be affected by receiving inheritances, either at the present time or in the past.

Conversely, estimates in Column (2) show that inheritances received by wives between the current date and the previous interview have a negative and highly significant impact on their labor force participation. Specifically, the results indicate that if wives receive an inheritance, their labor force participation decreases by approximately 5.3% points, with this magnitude being statistically significant at the 1 percent level. Given that the proportion of women who are in the labor force in our sample is on average 39.5%, this reduction is sizeable and represents a decrease of about 13.42% on average in the sample.¹¹ Additionally, the coefficient for inheritances that cannot be assigned (i.e., unknown inheritances) received by the household between the current date and the previous interview is also statistically significant at the 10% level and indicates that receiving such an inheritance by the household increases wives’ labor force participation by about 4.8% points. The remaining coefficients (i.e., those related to inheritances received by the husband or inheritances in the past) are not statistically significant at standard levels.

¹¹ An alternative explanation for the reduction in wives’ labor supply as a response to inheritance could be that women disproportionately take on care work at the end of their surviving parents’ lives. The SHARE allows us to distinguish the passing away of parents, which we control in the main estimates. We have explored whether interacting the (self) inheritance receipt and the passing away of parents provides additional insights; however, coefficients were not statistically significant.

Consequently, although husbands do not change their labor force status due to the receipt of an inheritance within the household, wives decrease their probability of being in the labor force by 5.3% points if they have received an unexpected inheritance since the previous interview. This result is compatible with the bargaining effects predicted by the collective model. Receiving an inheritance increases the intrahousehold bargaining power of wives, reshaping intrahousehold allocations and making the wife more empowered in making household decisions. As a consequence, the wife reduces her labor supply after she receives an inheritance. In summary, the results indicate that household labor supply depends on which spouse receives the inheritance, thereby rejecting the inheritance pooling hypothesis.

Moreover, the receipt of an unknown inheritance within the household increases the labor force participation of wives by 4.8% points. This point estimate is similar in magnitude to that of own inheritances on wives' labor force participation, but it is only statistically significant at the 10% level. In principle, we cannot directly relate this finding to our conceptual framework, as the legal owner of these inheritances within the household is not determined—they can involve inheritances received by either the husband or the wife. As a result, we cannot predict the direction of the effect and who it empowers.

Nonetheless, we can conceive of three potential underlying channels. First, the coefficient estimate could reflect a bargaining effect, suggesting that *some* of these unassigned inheritances may be disproportionately controlled by the husband, thereby increasing his bargaining power and reducing that of the wife, who in turn increases her labor force participation. Despite this, husbands do not adjust their labor supply, and their own inheritances do not seem to empower them. A second explanation could be that the increase in household resources enables some women to use the inheritance as seed capital to start a business or engage in self-employment activities, such as working for a family business inherited from a deceased relative other than their parents. Finally, a third potential mechanism could involve a reduction in caregiving demands, since women disproportionately bear the burden of caregiving for close dependents, and the unknown inheritance, possibly linked to the death of relatives such as children, grandchildren, or grandparents, may alleviate these caregiving demands, thereby enabling them to enter the labor force.¹²

Table 4 shows estimates of Equation (1) when we focus on the market work hours per week of husbands and wives. The results are very close to those shown in Table 3 and are again compatible with bargaining effects under the collective framework. We find that husbands' hours of work at the current date are not related to inheritances received between the current date and the previous wave. However, estimates show that if the wife received an inheritance in the past, the current hours of work of the husband increase by about 2.04 h per week, with the coefficient being statistically significant at the 1% level. This result aligns with the above-mentioned bargaining mechanism; inheriting increases the wives' bargaining

¹²The SHARE data lack information regarding the current vital status of relatives beyond the parental level, a factor we control for in the results, making it impossible to derive estimates for this potential pathway. As a result, the coefficient associated with this variable may reflect not only the impact of receiving an inheritance from another relative but also the impact of those relatives' deaths.

TABLE 4
IMPACT OF INHERITANCES ON WEEKLY HOURS OF WORK

	Husbands	Wives
Inheritance recipient		
Self	-0.057 (0.756)	-1.312** (0.639)
Spouse	-0.901 (0.762)	0.124 (0.634)
Unknown	0.765 (1.360)	0.662 (0.951)
Lagged inheritance recipient		
Self	-0.266 (0.778)	0.420 (0.584)
Spouse	2.036*** (0.720)	-0.167 (0.578)
Unknown	1.100 (1.398)	1.193 (0.943)
Number of observations (couples-wave)	5894	5894
Number of couples	4224	4224
R-squared	0.723	0.714

Note: Ordinary least squares (OLS) estimates on the weekly hours of work. Data come from the Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 years old with at least two consecutive waves. Robust standard errors, clustered at the household level, are reported in parentheses. Estimates also include country and wave fixed-effects, but not shown for brevity. *** $p < 0.01$; ** $p < 0.05$;

power within households, so their husbands compensate by increasing their labor supply. However, this impact emerges with some time lag. For the wives, the estimates are completely in line with those in Table 3, as results indicate that if the wife receives an inheritance, her hours of work decrease by about 1.31 h per week, in line with the bargaining effects story, although the response on the intensive margin seems smaller than the response on the extensive margin, suggesting that women mainly respond by leaving the labor force rather than by modifying their current hours of work.¹³

6.2. Discussion and results in a unitary setting

The fact that inheritances barely change the behavior of husbands could be in line with existing research suggesting that men’s labor supply is far less flexible than women’s, both on the extensive margin and on the intensive margin (Blundell et al., 2007). Results also relate to existing labor supply analyses, which have documented that women are less attached to the labor market and their labor supply is more elastic in general, in comparison to men (Blau & Kahn, 2007; Keane, 2011).

¹³ Additional coefficients of Equation (1) estimates are shown in Appendix Table A3. These results remain identical when we control for household net-worth (one survey wave lagged). There may be doubt regarding whether household non-labor income could include any information that captures the impact of inheritance receipt (i.e., it may be a bad control), but the results remain identical when we omit that variable.

This result has also been found using data for inheritances in European countries (Bø et al., 2019; Doorley & Pestel, 2020; Malo & Sciulli, 2021) and Japan (Niizeki & Hori, 2019).

However, estimates contrast with prior results based on the unitary setting using the SHARE (Suari-Andreu, 2023; Tur-Sinai et al., 2022). Specifically, Tur-Sinai et al. (2022) report no statistically significant effect of inheritances on labor force participation, while Suari-Andreu (2023) obtains similar results. One limitation of these approaches is that they relate household inheritance receipt to individual labor outcomes. By estimating that relationship, they implicitly assume that inheritances are equally shared within the household (i.e., the inheritance pooling hypothesis), so the identity of the recipient does not matter. However, it is likely that inheritances may lead to bargaining effects within the household allocation process, which cannot be captured from a unitary perspective. Our results indeed suggest that the identity of the recipient within the household matters, and we show that, when considering it, inheritances do impact household labor supply decisions.

Specifically, inheritances belong exclusively to the recipient and are assignable, so in the event of divorce, they are not shared regardless of the marital property regime chosen at the time of marriage. Thus, inheritances increase the value of the outside option for the recipient spouse (i.e., he/she may prefer to divorce), leading to a renegotiation of the marital contract so that the inherited spouse attracts a larger share of household resources. This means that an inheritance received by a spouse produces an increase in the Pareto weight of that spouse, which should decrease his/her labor supply as leisure is a normal good, and vice versa for the noninheriting partner. This is what we refer to as a bargaining effect, and it is what we effectively obtain in the data for inheritances received by the wife. Consequently, who inherits in the household is relevant, a result which starkly contrasts with the unitary household model. Notably, we provide empirical evidence supporting that inheritances empower older women in European households.

In general, an inheritance is typically regarded as an individual asset within a couple that belongs to the recipient, regardless of the marital property regime adopted. However, one potential concern arises from the possibility that, depending on the terms of the will, the inheritance may still be designated for the couple jointly. Our dataset does not permit disentangling such specific cases, even though current taxation and succession laws in Europe suggest that decedents cannot disinherit their children, whereas their children-in-law would be subject to higher inheritance taxes than the offspring.

Alternatively, and for the sake of comparison with existing research, we temporarily adopt a unitary perspective and examine the impact of inheritances received by the household on labor supply without differentiating who is the recipient. Table 5 shows such estimates for husbands and wives in our sample. We find that the receipt of a household inheritance decreases the labor force participation of the wife by 2.6% points, whereas a past household inheritance increases the current hours of work of the husband by 1.057 h per week. However, these estimates are only statistically significant at the 10% level, and we do not find any coefficient that is statistically significant at standard levels ($p > 0.05$), in line with the existing literature. Thus, this highlights the superiority of our nonunitary

TABLE 5
UNITARY MODEL: IMPACT OF HOUSEHOLD INHERITANCES ON LABOR SUPPLY

	LFP		Weekly hours of work	
	Husbands	Wives	Husbands	Wives
Household inheritance receipt	0.008 (0.014)	-0.026* (0.014)	-0.353 (0.555)	-0.461 (0.448)
Lagged household inheritance receipt	-0.001 (0.014)	0.020 (0.013)	1.057* (0.547)	0.201 (0.411)
Number of observations (couples-wave)	5894	5894	5894	5894
Number of couples	4224	4224	4224	4224
R-squared	0.673	0.685	0.722	0.714

Note: Ordinary least squares (OLS) estimates on the probability of being in the labor force in Columns (2–3), OLS estimates on the weekly hours of work in Columns (4–5). Data come from the Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 years old with at least two consecutive waves. Robust standard errors, clustered at the household level, are reported in parentheses. Estimates also include country and wave fixed-effects, but not shown for brevity. * $p < 0.1$.

approach to studying the impact of inheritances on household behaviors, as it considers the distribution of economic resources within households and acknowledges that inheritances effectively lead to a bargaining process. Prior estimates have neglected intrahousehold effects of inheritances and have reported imprecise results, assuming that households fully share their inheritances, particularly from the perspective of married couples.

6.3. Heterogeneity

Thus far, we have focused on the European-average impacts of inheritances on spouses’ labor supply, net of potential country-specific unobserved heterogeneity that remains constant over time. A prominent feature of the SHARE is its ex ante harmonized dimension, stemming from the use of common questionnaires in several European countries, which facilitates data comparability across countries.

To understand whether the estimated coefficients may vary in terms of such heterogeneity, we group countries into four distinct European regions that reflect within-group relative homogeneity in cultural, institutional, and labor aspects, namely: Northern Europe (Denmark, Sweden, the Netherlands), Eastern Europe (Czech Republic, Estonia, Slovenia), Western Europe (Austria, Belgium, France, Germany, Switzerland), and Southern Europe (Italy, Spain).¹⁴ For instance,

¹⁴These is some support in using such classification based on prior research on the basis of the SHARE (Alessie et al., 2013; Fawaz & Mira, 2023; Flores et al., 2020; Jolly & Theodoropoulos, 2023; Mazzonna & Peracchi, 2017; Scervini & Trucchi, 2022; Stark & Nicinska, 2015; Suari-Andreu, 2023; Trevisan & Zantomio, 2016). Besides, this classification is quite similar to others proposed based on welfare state regimes such as Bonoli (1997), a modified Esping-Andersen classification, reflecting countries that are relatively homogenous in terms of cultural features, labor institutions and welfare provisions. However, these latter classifications omit the countries of Eastern Europe (i.e., Transitional countries).

Northern European countries tend to have robust welfare states, whereas Southern countries exhibit comparatively weaker welfare systems. Furthermore, labor income taxes are more prominent in Northern Europe compared with Eastern European countries, with Western and Southern countries falling between these two extremes (European Commission, 2024). In Eastern Europe, inheritance taxes are either fully exempt in the most favored group, as seen in Slovenia, or do not exist at all, as is the case in the Czech Republic and Estonia. By contrast, many Western European countries impose higher inheritance taxes, such as Belgium and France (OECD, 2021). Additionally, the proportion of part-time employees is particularly high in countries such as the Netherlands, Switzerland, Austria, Germany, and Belgium, and also mostly in Western Europe (Eurostat, 2023). These variations across European regions may influence labor supply decisions among recipients, potentially affecting our overall estimates.

We then re-estimate Equation (1), separately by these country groups and including country dummy variables, in order to capture whether there are different effects of inheritances on household labor supply across the analyzed regions.¹⁵ This approach allows us to test whether the evidence provided in Tables 3 and 4 is homogeneous or whether it differs across country groups in Europe.

The main results are shown in Table 6 and suggest that the estimates vary across country groups and appear to be influenced by Western countries.¹⁶ If we focus on husbands, we find that those in Southern Europe increase their labor force participation by 9.3% points when their wives receive an inheritance, suggesting a bargaining effect where inheriting empowers wives, leading to their husbands increasing their labor force participation. This observation is consistent with our conceptual framework and our overall estimates. However, inheriting also seems to empower husbands in Southern Europe, and their partners increase their labor force participation and their weekly hours of work by 13% points and 5.688 h, respectively, if husbands receive an inheritance. Wives in Western Europe reduce their labor force participation and their weekly hours worked by 6.5% points and 2.065 h if they have received an unexpected inheritance since the previous interview, so this suggests that our main estimates displayed in Tables 3 and 4 appear to be driven by Western European countries, which represents the largest country group. In Eastern Europe, contrasting results emerge from those reported so far. Specifically, wives in Eastern Europe reduce their labor force participation by 29.1% points if their spouse receives an inheritance since the previous interview. This result suggests that inheritances flow from men to women, mimicking a standard wealth effect, rather than a bargaining effect. Finally, unknown inheritances appear to release from caregiving responsibilities and raise labor supply among both spouses in Eastern countries,

¹⁵An alternative approach is to implement a full interaction model, as suggested by Feigenberg et al. (2023). However, certain interaction terms are excluded from the estimates due to issues of collinearity.

¹⁶These findings indicate heterogeneity across country groups in Europe, providing novel insights from a cross-country perspective using harmonized data from the SHARE. Nonetheless, we call for further investigation into this topic, as the limited sample sizes in this additional analysis may compromise the statistical power necessary for robust econometric analysis.

TABLE 6
HETEROGENEITY ANALYSIS ACROSS EUROPEAN REGIONS: IMPACT OF INDIVIDUAL INHERITANCES ON LABOR SUPPLY

	Northern						Southern						Western						Eastern					
	LFP		Weekly hours of work		LFP		Weekly hours of work		LFP		Weekly hours of work		LFP		Weekly hours of work		LFP		Weekly hours of work		LFP		Weekly hours of work	
	Husbands	Wives	Husbands	Wives	Husbands	Wives	Husbands	Wives	Husbands	Wives	Husbands	Wives	Husbands	Wives	Husbands	Wives	Husbands	Wives	Husbands	Wives	Husbands	Wives	Husbands	Wives
Inheritance recipient																								
Self	0.007 (0.036)	-0.071* (0.041)	-1.178 (1.375)	-1.700 (1.564)	-0.012 (0.044)	-0.028 (0.053)	-0.183 (2.844)	-0.917 (1.660)	0.048* (0.025)	-0.065** (0.026)	0.848 (0.993)	-2.065*** (0.791)	-0.048 (0.087)	0.003 (0.048)	-0.117 (1.898)	1.210 (1.413)								
Spouse	0.030 (0.036)	0.011 (0.034)	0.857 (1.418)	0.503 (1.064)	0.093** (0.043)	0.130*** (0.045)	0.080 (1.705)	5.688** (2.633)	-0.036 (0.028)	-0.025 (0.026)	-1.967* (1.093)	-0.981 (0.822)	-0.040 (0.058)	-0.291** (0.124)	0.030 (2.120)	-1.095 (2.284)								
Unknown	0.082 (0.079)	0.140*** (0.039)	5.056* (2.736)	0.805 (1.718)	0.065 (0.084)	-0.006 (0.099)	-0.023 (6.692)	0.179 (3.935)	-0.020 (0.039)	0.030 (0.030)	-0.705 (1.298)	0.645 (0.896)	0.511*** (0.123)	0.423*** (0.124)	13.828*** (3.495)	14.441* (8.408)								
Lagged inheritance recipient																								
Self	0.035 (0.033)	-0.011 (0.042)	-0.071 (1.265)	-2.045 (1.462)	-0.039 (0.044)	-0.054 (0.044)	-1.372 (1.531)	0.461* (1.662)	-0.016 (0.027)	0.020 (0.024)	0.373 (1.152)	0.751 (0.692)	0.098 (0.095)	0.092* (0.049)	-4.854 (4.316)	2.563 (2.022)								
Spouse	0.057 (0.042)	0.038 (0.033)	1.774 (1.382)	1.117 (1.120)	-0.033 (0.056)	0.022 (0.027)	1.508 (1.367)	0.470 (1.058)	-0.038 (0.026)	-0.005 (0.022)	1.946* (1.080)	-0.499 (0.757)	0.073 (0.065)	0.083 (0.082)	3.858* (2.221)	-7.413* (4.383)								
Unknown	-0.033 (0.091)	0.029 (0.068)	2.211 (2.891)	2.685 (1.867)	-0.010 (0.082)	-0.091 (0.105)	0.312 (3.175)	-1.392 (3.137)	-0.015 (0.041)	0.021 (0.036)	1.421 (1.802)	1.181 (2.597)	-0.054 (1.157)	0.097 (0.106)	-10.013 (9.135)	0.972 (2.002)								
Number of observations (couples-wave)	1106	1106	1106	1106	1051	1051	1051	1051	2597	2597	2597	2597	1140	1140	1140	1140								
Number of couples	680	680	680	680	725	725	725	725	1790	1790	1790	1790	1029	1029	1029	1029								
R-squared	0.673	0.691	0.715	0.721	0.707	0.649	0.753	0.695	0.673	0.693	0.728	0.732	0.655	0.725	0.722	0.720								

Note: Ordinary least squares (OLS) estimates. Data come from the Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 years old with at least two consecutive waves. Robust standard errors, clustered at the household level, are reported in parentheses. Estimates also include region and wave fixed-effects, but not shown for brevity. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

TABLE 7
ROBUSTNESS CHECK PREDICTING HOURLY WAGES: IMPACT OF INDIVIDUAL INHERITANCES ON LABOR SUPPLY

	LFP		Weekly hours of work	
	Husbands	Wives	Husbands	Wives
Inheritance recipient				
Self	0.023 (0.018)	-0.052*** (0.020)	-0.051 (0.754)	-1.317** (0.637)
Spouse	-0.008 (0.020)	-0.014 (0.020)	-0.871 (0.761)	0.070 (0.633)
Unknown	0.017 (0.033)	0.050* (0.026)	0.768 (1.362)	0.761 (0.944)
Lagged inheritance recipient				
Self	0.005 (0.019)	0.017 (0.018)	-0.287 (0.775)	0.396 (0.590)
Spouse	0.002 (0.020)	0.017 (0.016)	2.024*** (0.717)	-0.172 (0.576)
Unknown	-0.021 (0.034)	0.020 (0.031)	1.079 (1.401)	1.242 (0.937)
Number of observations (couples-wave)	5894	5894	5894	5894
Number of couples	4224	4224	4224	4224
R-squared	0.674	0.687	0.724	0.716

Note: Ordinary least squares (OLS) estimates on the probability of being in the labor force in Columns (2–3), OLS estimates on the weekly hours of work in Columns (4–5). Data come from the Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 years old with at least two consecutive waves. Robust standard errors, clustered at the household level, are reported in parentheses. Estimates also include country and wave fixed-effects, but not shown for brevity. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

while women in Northern countries increase their labor force participation by 14% points if the household has received an unknown inheritance since the previous interview.¹⁷

6.4. Robustness checks

We run several robustness checks. First, we have omitted wages from the main specification, and we acknowledge that our estimates may suffer from omitted-variable bias. We initially omit wages because we have included in our sample individuals who are not employed, who therefore report zero market work hours, and as a consequence, their wages are missing. To tackle this limitation, we predict wages for the full sample by estimating a Mincer-style equation and predicting hourly wages for all the respondents in our sample. To do so, we regress wage rates in terms of several individual and household characteristics and then predict wages for the full sample. Table 7 shows estimates when we control for predicted wages; the results remain fairly identical for both current and past inheritance receipts.

¹⁷ These results remain robust after excluding self-employed workers, so it seems to be driven by time reallocation channels.

TABLE 8
ROBUSTNESS CHECK INCLUDING OTHER DISTRIBUTION FACTORS: IMPACT OF INDIVIDUAL INHERITANCES ON
LABOR SUPPLY

	LFP		Weekly hours of work	
	Husbands	Wives	Husbands	Wives
Inheritance recipient				
Self	0.024 (0.019)	-0.052*** (0.020)	0.038 (0.755)	-1.290** (0.640)
Spouse	-0.010 (0.020)	-0.013 (0.020)	-0.917 (0.761)	0.093 (0.635)
Unknown	0.018 (0.033)	0.049* (0.026)	0.751 (1.358)	0.670 (0.950)
Lagged inheritance recipient				
Self	0.006 (0.019)	0.018 (0.018)	-0.195 (0.777)	0.416 (0.584)
Spouse	0.002 (0.020)	0.018 (0.016)	2.047*** (0.724)	-0.201 (0.579)
Unknown	-0.021 (0.034)	0.018 (0.031)	1.111 (1.398)	1.140 (0.946)
Other distribution factors				
Age differences	-0.003** (0.001)	0.001 (0.001)	-0.216*** (0.050)	0.152*** (0.050)
Education level differences	-0.003 (0.002)	-0.004 (0.003)	-0.163** (0.079)	0.011 (0.106)
Number of observations (couples-wave)	5894	5894	5894	5894
Number of couples	4224	4224	4224	4224
R-squared	0.674	0.686	0.724	0.715

Note: Ordinary least squares (OLS) estimates on the probability of being in the labor force in Columns (2–3), OLS estimates on the weekly hours of work in Columns (4–5). Data come from the Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 years old with at least two consecutive waves. Robust standard errors, clustered at the household level, are reported in parentheses. Age differences refer to the husband’s age minus the wife’s age, while education level differences refer to an index that takes higher values on whether the husband has a greater level of education, relative to his wife. Estimates also include country and wave fixed-effects, but not shown for brevity. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

Second, Table 8 shows estimates when we include additional distribution factors (i.e., variables that exogenously induce bargaining effects) that have been used by prior works, such as age and education level differences between spouses (Belloc & Velilla, 2024; Hwang et al., 2019). The results closely align with those previously presented in Tables 3 and 4.¹⁸ This supports that the estimates on inheritances are consistent with bargaining effects, as we postulate in our baseline analysis.

Third, our identification strategy is based on receiving an unexpected inheritance as we control for expectations. In Table 9, we omit this variable from the specification and obtain similar coefficients, although the magnitudes appear to be

¹⁸Note that the estimates for age difference and education level difference between husband and wife fit the bargaining assumption, since older age and a higher education level relative to the partner reduce the hours of work, conditional on individual age and education level.

TABLE 9
ROBUSTNESS CHECK OMITTING PAST INHERITANCE EXPECTATIONS: IMPACT OF INDIVIDUAL INHERITANCES ON
LABOR SUPPLY

	LFP		Weekly hours of work	
	Husbands	Wives	Husbands	Wives
Inheritance recipient				
Self	0.020 (0.017)	-0.038** (0.017)	-0.107 (0.658)	-0.762 (0.539)
Spouse	-0.018 (0.017)	-0.010 (0.018)	-1.098* (0.655)	-0.214 (0.560)
Unknown	-0.005 (0.029)	0.047* (0.025)	0.579 (1.170)	1.184 (0.850)
Lagged inheritance recipient				
Self	0.016 (0.016)	0.028 (0.017)	0.562 (0.684)	0.561 (0.514)
Spouse	0.004 (0.018)	0.010 (0.014)	1.620** (0.655)	-0.107 (0.501)
Unknown	-0.027 (0.027)	0.016 (0.027)	1.408 (1.210)	0.793 (0.831)
Number of observations (couples-wave)	7376	7376	7376	7376
Number of couples	4786	4786	4786	4786
R-squared	0.670	0.677	0.722	0.716

Note: Ordinary least squares (OLS) estimates on the probability of being in the labor force in Columns (2–3), OLS estimates on the weekly hours of work in Columns (4–5). Data come from the Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 years old with at least two consecutive waves. Robust standard errors, clustered at the household level, are reported in parentheses. Estimates also include country and wave fixed-effects, but not shown for brevity. ** $p < 0.05$; * $p < 0.1$.

downward biased, indicating that this measure contains useful information in our approach. In other words, expectations are important, as failing to control for them (i.e., estimating the effect of expected inheritances) biases the estimates.

Finally, in Table 10, we exclude self-employed workers. The literature has suggested that those who received inheritances are more likely to become self-employed (Blanchflower & Oswald, 1998; Bø et al., 2019; Faria & Wu, 2012; Holtz-Eakin et al., 1994; Hurst & Lusardi, 2004; Lindh & Ohlsson, 1996; Malo & Sciulli, 2021). While results and conclusions are similar, the magnitudes are quantitatively smaller, suggesting that the baseline analysis on focusing on employees would produce smaller quantitative effects. Moreover, the coefficient estimate for unknown inheritances on wives' labor force participation is not statistically significant, which supports our earlier claim that women may engage in self-employment after receiving an inheritance from relatives other than their parents.¹⁹

¹⁹ Appendix Table A4 shows the results for the impact of inheritances on the full- and part-time status. Individual fixed-effects estimates are fairly similar, but they are imprecisely estimated due to a lack of statistical power.

TABLE 10
ROBUSTNESS CHECK EXCLUDING SELF-EMPLOYED WORKERS: IMPACT OF INDIVIDUAL INHERITANCES ON LABOR SUPPLY

	LFP		Weekly hours of work	
	Husbands	Wives	Husbands	Wives
Inheritance recipient				
Self	0.015 (0.019)	-0.042** (0.020)	-0.488 (0.751)	-1.124* (0.665)
Spouse	-0.017 (0.021)	-0.011 (0.021)	-0.995 (0.783)	-0.451 (0.578)
Unknown	-0.011 (0.032)	0.044 (0.027)	0.207 (1.223)	0.231 (0.965)
Lagged inheritance recipient				
Self	0.015 (0.019)	-0.003 (0.019)	-0.962 (0.761)	0.426 (0.627)
Spouse	0.006 (0.021)	0.013 (0.017)	1.884*** (0.666)	-0.099 (0.571)
Unknown	-0.060* (0.036)	0.017 (0.033)	0.027 (1.460)	0.893 (0.970)
Number of observations (couples-wave)	5160	5160	5160	5160
Number of couples	3727	3727	3727	3727
R-squared	0.684	0.706	0.724	0.745

Note: Ordinary least squares (OLS) estimates on the probability of being in the labor force in Columns (2–3), OLS estimates on the weekly hours of work in Columns (4–5). Data come from the Survey of Health, Ageing and Retirement in Europe (SHARE), waves 2–6. The sample is restricted to married (heterosexual) couples aged 45–70 years old with at least two consecutive waves, excluding self-employed workers. Robust standard errors, clustered at the household level, are reported in parentheses. Estimates also include country and wave fixed-effects, but not shown for brevity. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

7. CONCLUSIONS AND POLICY IMPLICATIONS

This paper examines the impact of inheritances on household labor supply in Europe. To do this, we use data from the SHARE for the years 2006–2015, covering a total of 13 European countries. We consider the receipt of an inheritance as unexpected after controlling for past inheritance expectations and labor outcomes. While most of the prior research used inheritance data at the household level, the survey allows us to identify which partner explicitly receives an inheritance within the household (i.e., the legal owner). We then adopt a collective perspective and test whether the identity of the recipient matters, analyzing the impact of individual inheritances on household labor supply. We denote this as the inheritance pooling hypothesis. Intuitively, the inheritance pooling hypothesis establishes that the identity of the recipient does not matter, and only the fact of inheriting is relevant.

Our results suggest that the identity of the recipient matters, and that inheritances induce bargaining effects as predicted by the collective model, which are mostly observed among wives, whose labor supply is more flexible compared with males. Specifically, we find that receiving an inheritance decreases the wives' labor supply, both in the intensive and in the extensive margin, while husbands increase their work hours with some time lag. These results support the idea that inheritances empower women in household decisions. Estimates also cast doubt on prior

research based on the inheritance pooling hypothesis, which assumes that inheritances are equally distributed within the household and thus only the fact that some spouse inherits is important, regardless of who is the recipient of the inheritance. Consequently, we find that inheritances lead to bargaining effects within the household, and that existing research ignoring such effects fails to capture all the potential impacts that inheritances may have on household labor supply.

The main shortcoming of this study is that the SHARE does not regularly collect information about inheritance values, meaning we cannot analyze whether the amount inherited matters. An alternative specification to test the inheritance pooling hypothesis involves incorporating the relative size of inheritances within (either current or prior to the receipt) household wealth, in order to measure the relative share of wealth of spouses that comes from the inheritance (even though it would be challenging to define this for indebted couples or couples with no assets). However, the availability of other surveys, such as the ELSA, the German SOEP Study, the HCS, or the Panel Study of Income Dynamics, which offer information on inheritance values only at the household level, precludes this test. Another limitation relates to the small sample sizes, which do not allow us to conduct detailed analyses country by country, although, fortunately, we have been able to develop analyses by geographic areas in Europe.

Despite these limitations, this study can be useful for policymakers and researchers, and certain implications can be drawn from it. Contrary to prior research, we find that inheritances depress work effort among older women in Europe by removing them from the labor force. The reduction is significant, about 5.3% points, and these results are important for the design of inheritance taxes and in the evaluation of current social security reforms. On the other hand, unitary perspectives on inheritances result in biased estimates, and policymakers should consider the intrahousehold effects of inheritances. At this point, our results can help to simulate the impact of large variations in wealth among married couples late in their work cycle.

We suggest three important avenues for further research from this paper. First, we are limited here to household labor supply, a very specific time use category. The literature so far has been restricted to the impacts of inheritances on paid work, and future research could extend this analysis to other household time uses, such as unpaid work, with the appropriate household dataset (if available). Economic theory predicts that increases in income should increase the consumption of leisure, but there is no study that tests that prediction, as far as we know. Second, the inheritance distribution approach developed in this study may be used by practitioners to re-estimate the effect of inheritances on the accumulation of household wealth, since prior estimates based on either single-person households are not generalizable to the whole population, while those based on a unitary perspective suffer from downward biases. Finally, we know very little about the outside option of the husband and wife in bargaining models. Divorce may be anticipated by household behaviors, such as through changes in household labor supply, so our results may be interpreted as a sign of non-cooperation within the current marriage (i.e., a failing marriage), and the inheritance receipt should incentivize recipients to dissolve the current household, particularly among women (Basiglio, 2022). There is still

much to be learned about the threat point of marriage, and we suggest this line as a valuable contribution to the household economics field.

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SUPPORTING INFORMATION

Additional supporting information may be found in the online version of this article at the publisher's web site:

Appendix S1. Supporting Information.