

Tamar Khitarishvili - khitaris@bard.edu

The post-2008 recovery in transition countries has been characterized by an increase in the female labor force participation rate and a decrease in male labor force participation rate. The goal of this paper is to evaluate whether these developments can be explained by the labor supply responses of men and women to household-specific unemployment shocks. We use the data from 2010 Life in Transition survey that includes 28 countries of the region. We find the presence of the added worker effect among women and of the negative labor supply response among men, in line with the observed gender differences in the labor force participation rate. The female added worker effect is stronger among more vulnerable groups and in weaker macroeconomic environments. However, we find no evidence of the added worker effect among the poorest transition countries, likely because the weak state of their labor markets deters females from entering the labor force even when faced with an income shock. In the case of men, the negative correlation between the loss of another household member's job and labor force participation rate is also stronger among more vulnerable groups and in countries with weaker macroeconomic environment. We contend that the negative relationship is likely a result of within-household correlation in the labor force status of males rather than an indication of withdrawal from the labor force in response to the loss of another household member's job. Whereas the relationship between household-specific income shock and labor force participation outcomes depends on the gender, macroeconomic factors appear to depress the labor force participation of both men and women alike, revealing the presence of the discouraged worker effect on a macroeconomic scale. Our findings highlight the presence of heterogeneity in gender impact of the crisis and in the way in which household-specific shocks as opposed to economy-wide conditions affect labor force participation rates.