

## **Parenthood, risk attitudes and occupational sorting**

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### **Abstract:**

This study analyzes how risk attitudes change when individuals become parents and whether these changes can explain labor market behavior with respect to occupational sorting. The analysis is based on the Socio-economic panel (SOEP) that contains information on individuals' general risk attitudes in seven panel waves, in addition to demographic and family-related information. Risk attitudes are measured based on individuals' self-assessment in a survey question. Individual fixed effects regressions document the extent to which individuals' risk attitudes change as a consequence of parenthood. We also investigate whether this is a permanent change or a transitory one that fades away when children grow older. Merging administrative data on the fatal risk of injury to the SOEP data (based on the occupational code) answers the question whether individual changes in risk aversion affect occupational sorting. To be concrete, the occupation-specific injury risk is analyzed separately for a sample of individuals whose risk aversion drops around the time of first childbirth and for those not becoming more risk-averse. From a theoretical perspective, becoming more risk-averse should decrease individuals' occupation-specific fatal injury risk, while a higher willingness of taking risks should increase the occupation-specific fatal injury risk. The results show that men and women experience a considerable increase in risk aversion which already starts before becoming a parent, is largest shortly after giving birth and disappears when the child becomes older. It can also be shown that individuals who become more risk-averse along parenthood are more likely to change to occupations having a lower risk of injury.