Discussion of “Moving Back Home: Insurance Against Labor Market Risk”

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Summary of Paper I

• Explores the role of the option of “moving back home” as a means of insuring against the consequences of labor market shocks

• Story: I lose my job in (say) a recession. I could reduce consumption or I could move back home to share public goods with my parents

• Does this happen? How important is this mechanism of risk sharing? What are the welfare consequences of this?
Summary of Paper II

(a) Fraction living away from home  (b) Fraction ever moved back home
(e) Log monthly earnings by coresidence

(f) Away-home differences in monthly log earnings
Summary of Paper IV

(c) Fraction receiving parental transfers
(d) Mean annual parental transfers
Results I

• Hard to explain cross sectional variation in “living at home”
  – In the model, explained by preference shocks

• Labor market shocks can explain the variation over time (i.e. who chooses to come back home)

• For the bottom quartile, removing the option to move back home increases the costs of a job loss by a factor of 6 (vs a factor of 1.7 if we remove u/e insurance)

• Option to move home has implications for savings rates
Results II

(b) Fraction ever moved back

(h) Asset distribution age 20
(d) Away-home log earnings diff
(f) Median transfers
Comments I

- Very nice paper about risk sharing

- Extremely related to development and how we think about risk sharing in developing economies
  - Think about different channels used to smooth risk
  - Akresh (2008, 2009)
  - Partition of households (Foster and Rosenzweig) - driven by a shock and has implications for inequality
    - Also Akresh and Edmonds (2010))
In development, folks have gathered data to look at shocks to both sides of the arrangement
- Akresh (2008, 2009)

Here that would be shocks to parents

Could incorporate this to maybe explain part of the decisions of children who move out early or the types of children that move out early?
- Could better explain the initial away-home earnings patterns seen in the data
• Model and data do not match well on transfers (both the levels and their profile with age)
  – Greg’s explanation is measurement/reporting error in transfers

• Try to tell another story that could explain this

• Build in a role for asymmetric information and moral hazard in the job search decision
  – Souza (2010) (doesn’t look at job search) has a more elaborate version of HH transfers under moral hazard
Comments IV

• Need preference shocks to explain the cross sectional variation in co-residence

• Can think of a vein of stories where we try to explain a little of this (maybe even allow correlation between labor market shocks and preference shocks?)
  – Move back home for other reasons related to job search (parental networks for jobs?)
    • For example, co-residence in Foster and Rosenzweig
  – Your girlfriend kicks you out when you lose your job - look at the differences for co-habiting youths versus single youths?
Could some sense of the role of geographic space in these decisions be useful?

Allows you to incorporate:
- More variation for identification?
- Variation in costs of moving back home?
- Housing prices may play a role?
- Describes the cross sectional variation in moving patterns?
Comments VI

- Could relate this to the literature on “job churning”
  - Large literature (Farber, Neumark, Lalonde, Danziger and Ratner)

- Churning disproportionately affects young workers
  - Evidence that for young people this has some long term effects on their employment and earnings
  - Differences in the implications for voluntary vs involuntary job churning
  - Makes the welfare calculations a little harder?