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?

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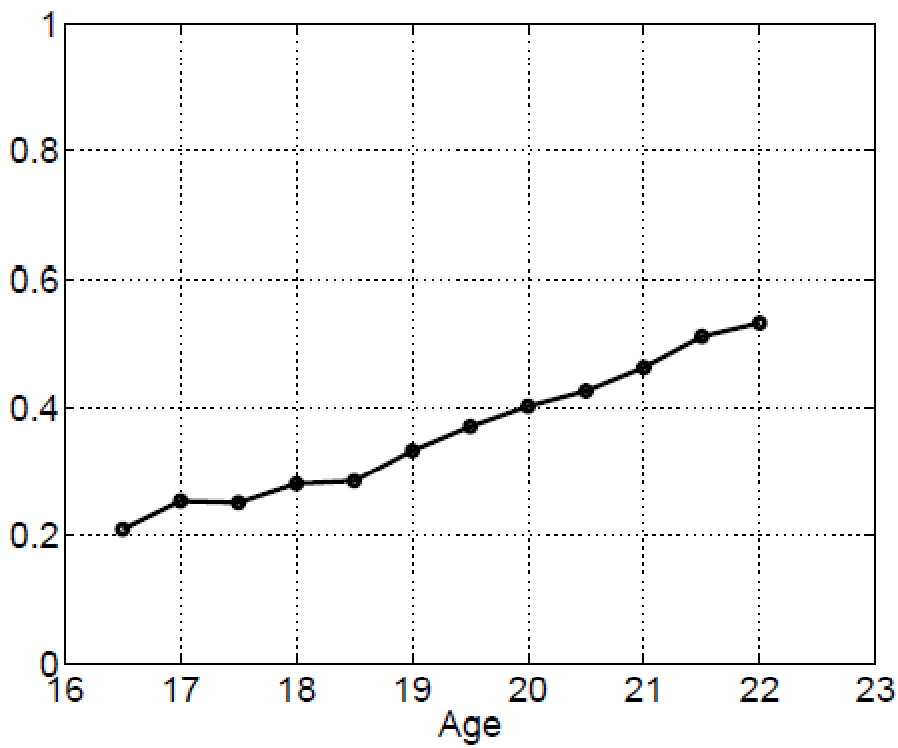
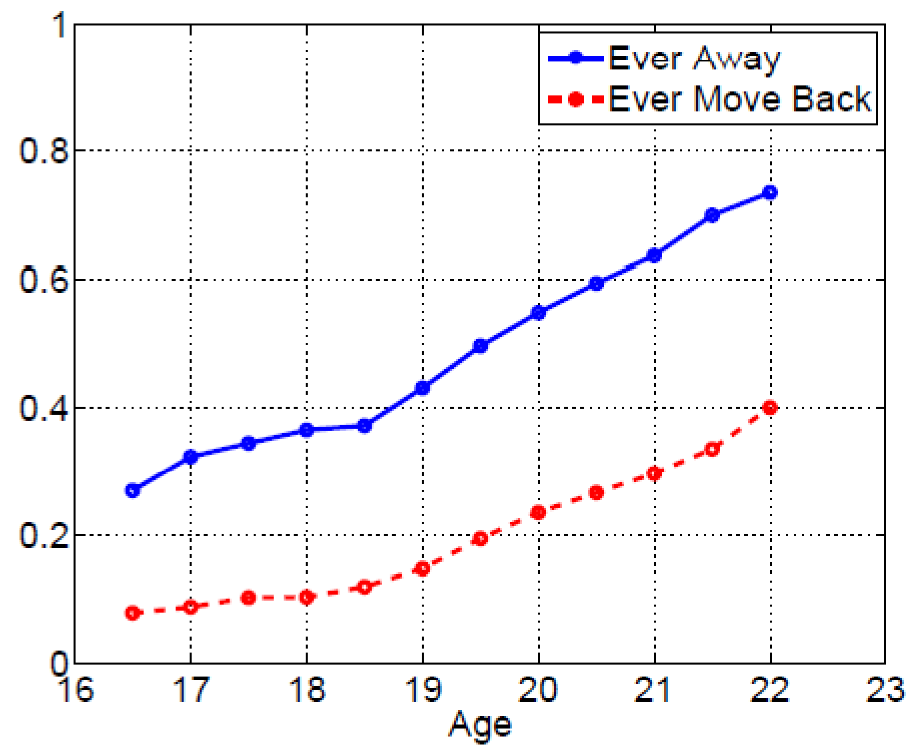
Summary of Paper II



(a) Fraction living away from home



(b) Fraction ever moved back home

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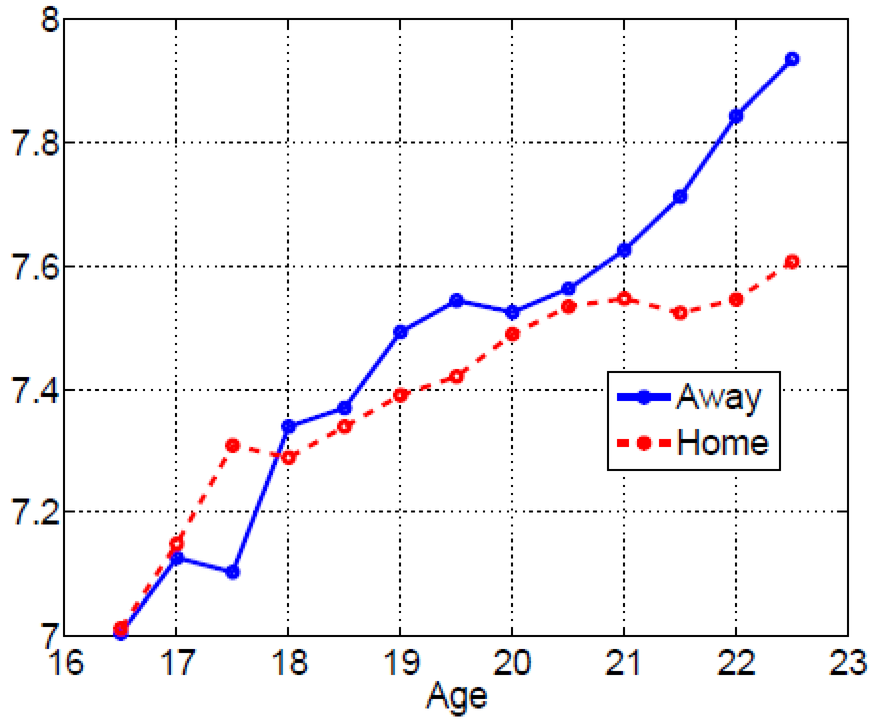
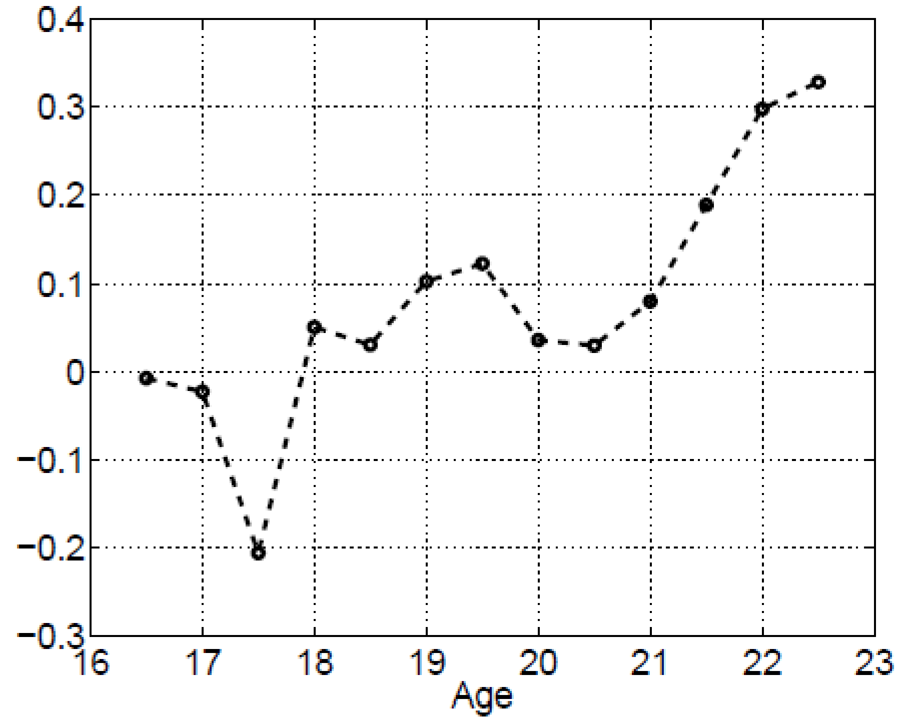
Summary of Paper III

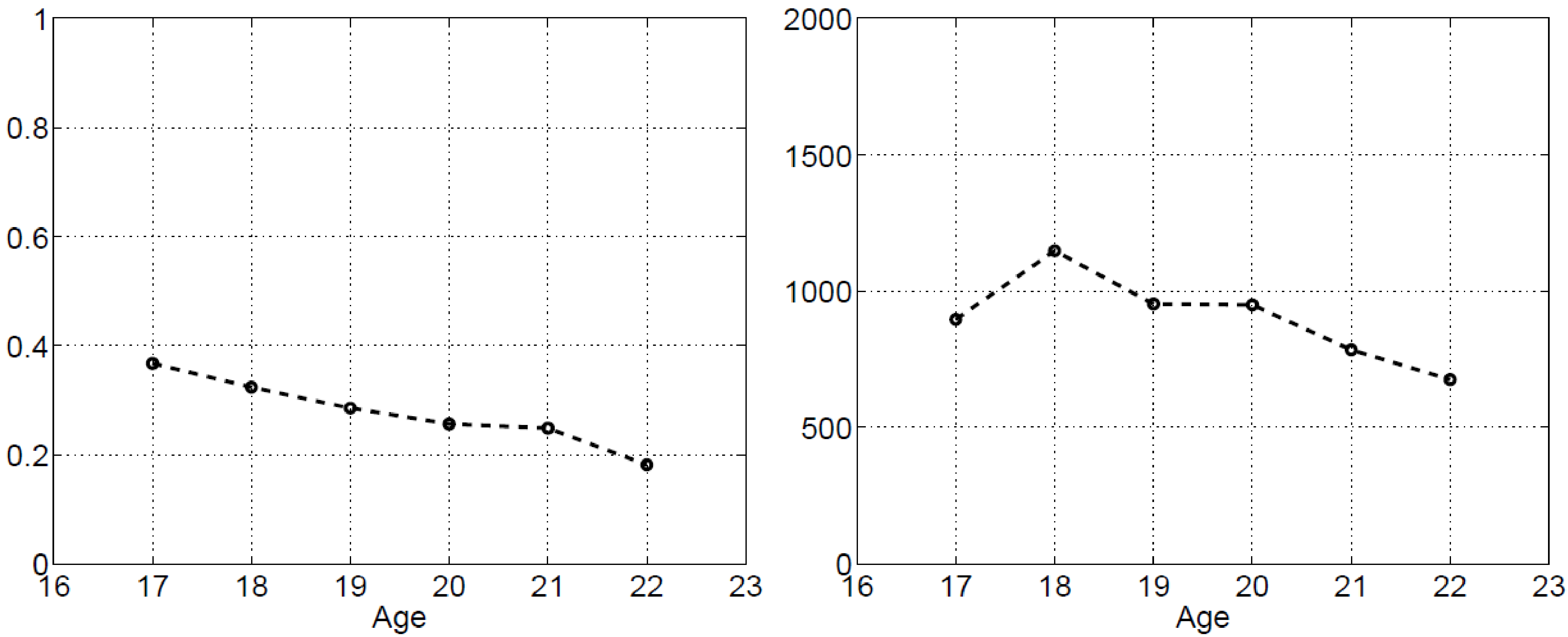


(e) Log monthly earnings by coresidence



(f) Away-home differences in monthly log earnings

Summary of Paper IV



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

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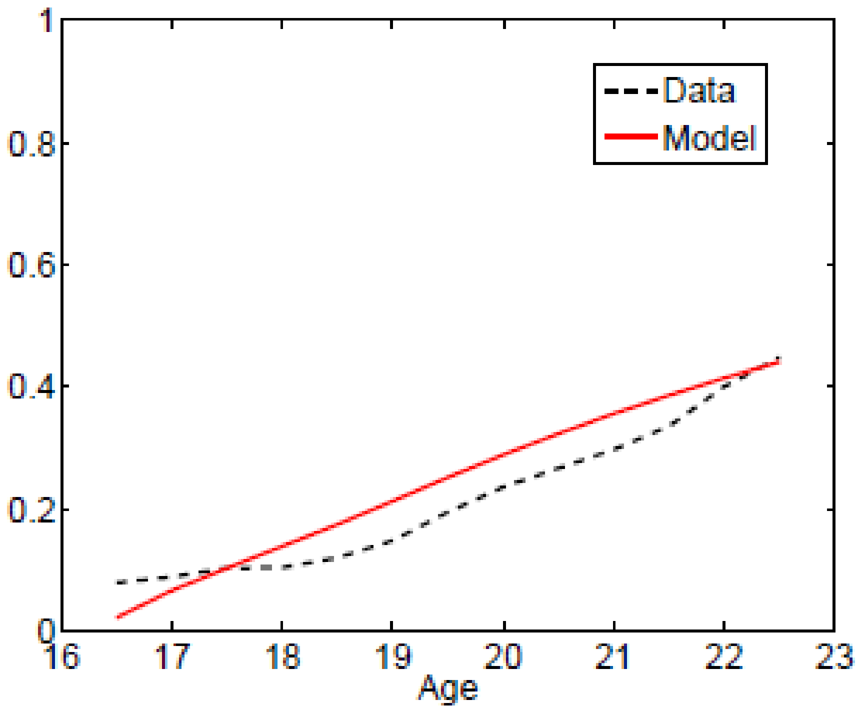
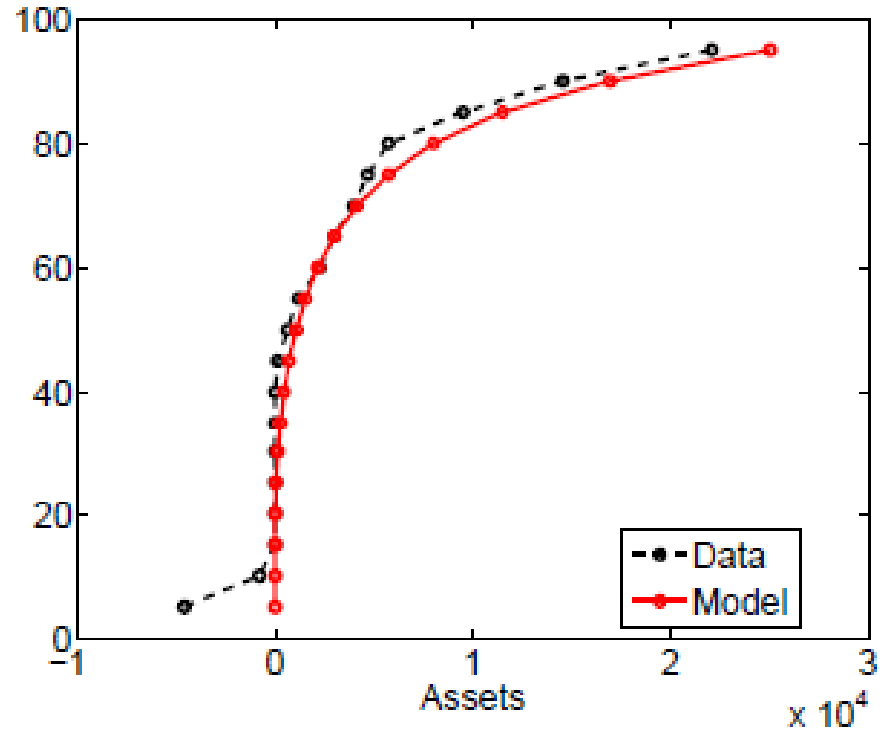
Results I

- 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

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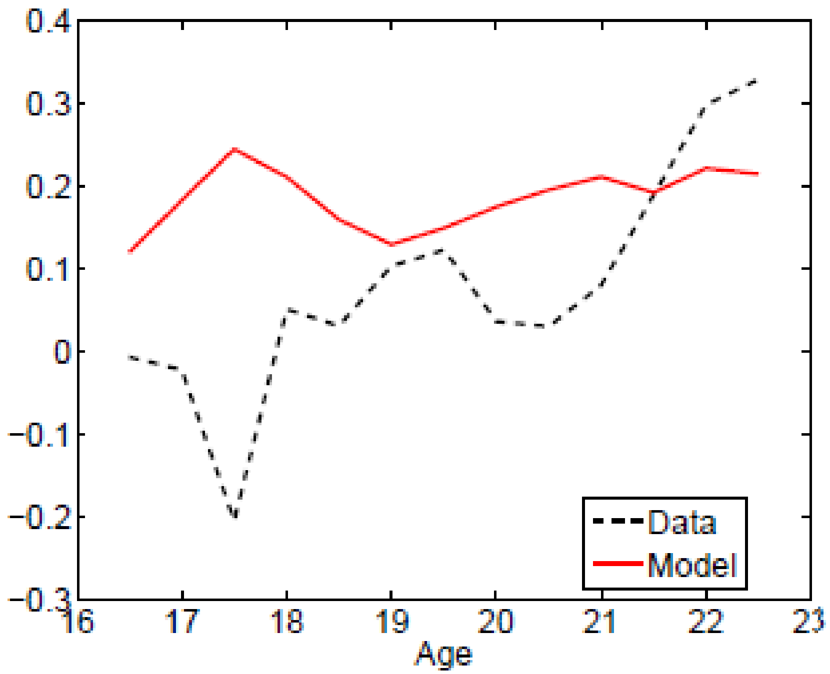
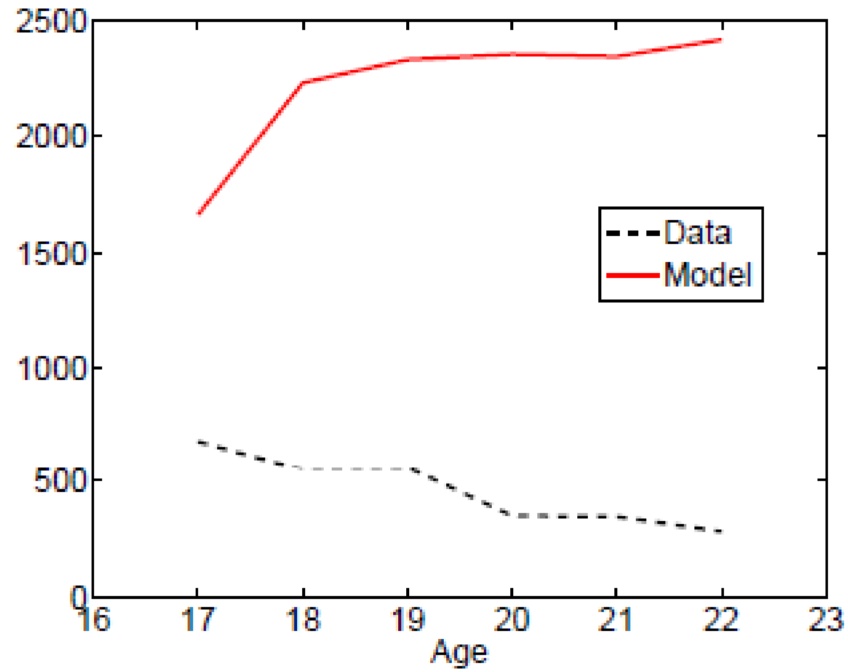
Results III



(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))

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Comments II

- 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

Comments III

- 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?

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Comments V

- 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?