

Job Loss Expectations, Durable Consumption and Household Finances: Evidence from Linked Survey Data

Yuri Pettinicchi (MEA Munich)
Nathanael Vellekoop (University of Toronto)

NBER Innovative Data in Household Finance

December 4, 2020

Research Questions

1. How predictive are job loss expectations of workers?
2. Do job loss expectations affect car acquisitions and savings?

Wording question job loss expectations:

"Do you think that there is any chance that you might lose your job in the coming 12 months?"

You can indicate this in terms of a percentage. 0% means that you are sure that you will not lose your job, and 100% means that you are sure that you will lose your job."

Motivation

1. *Economics*

Higher job loss expectations could affect durables and precautionary savings, creating "deep" recessions

(Ravn and Sterk, JME 2017)

2. *Measurement*

Predictive power of expectations is typically measured in the same survey

(Stephens, RESTAT 2004; Hendren, AER 2017)

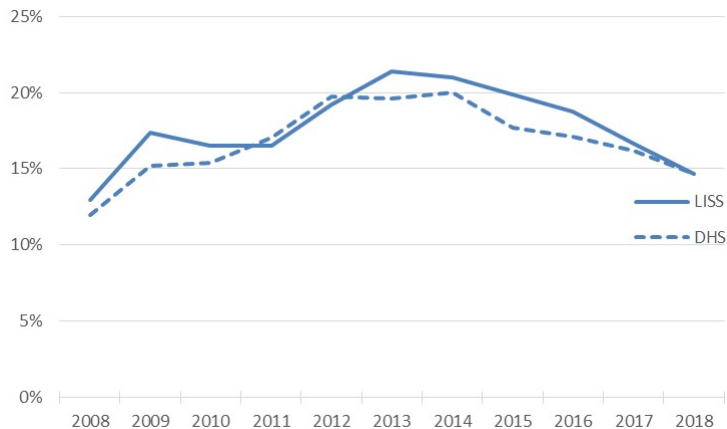
- ▶ Panel attrition
- ▶ Imperfect recall, especially short spells
- ▶ Stigma to report unemployment

Data

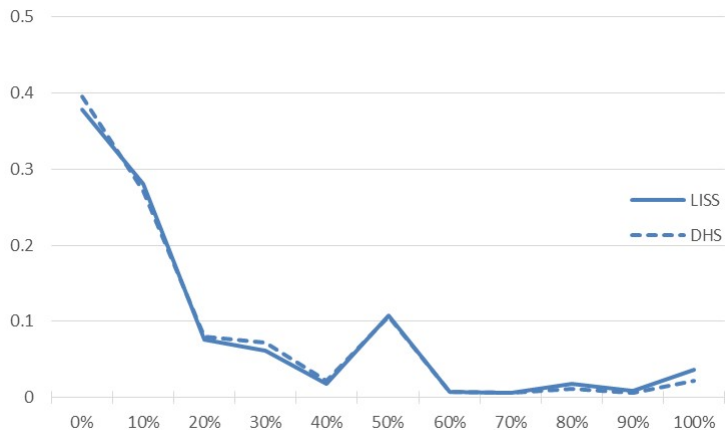
1 Survey

- ▶ LISS: Representative household survey for the Netherlands
- ▶ Longitudinal panel: 2008-2018
- ▶ Job loss questions for the currently employed

Job Loss Expectations Over Time



Job Loss Expectations Histogram



Data (2)

2 Administrative (Statistics Netherlands)

- ▶ Monthly payroll data for the universe of firms
- ▶ Monthly car acquisitions from the universe of car registrations
- ▶ Annual household assets and liabilities: deposits, stocks + bonds, net worth

1+2 Linking (2010-2016)

- ▶ >85% gives consent to be linked
- ▶ Anonymous identifiers
- ▶ Output is checked for disclosure by Statistics Netherlands

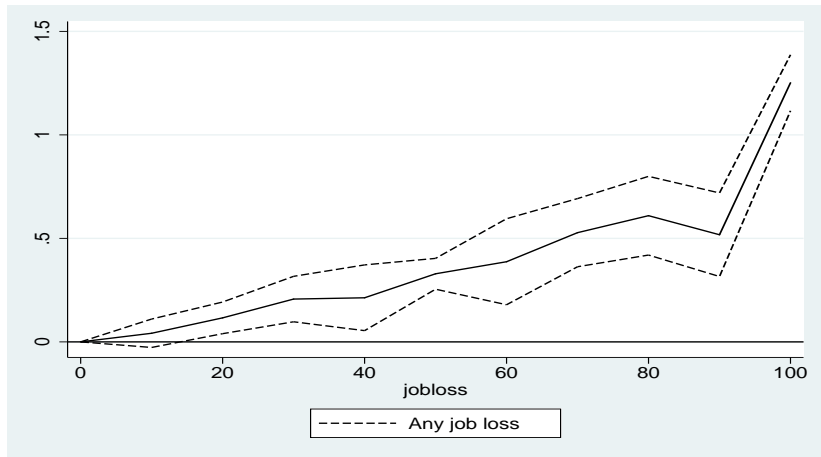
Labor Market Flows

Transition

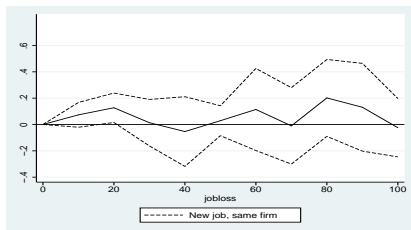
No change in 12 months (baseline)	78.1%	
Any job loss	21.9%	100%
New job, <i>same</i> firm	3.8%	17%
New job, <i>new</i> firm	6.7%	31%
Unemployed	3.8%	17%
Other job loss	7.6%	35%

- ▶ Job loss defined as loss of contract
- ▶ Unemployed defined as collecting unemployment benefits
- ▶ Transitions into self-employment or retirement are excluded (for now)

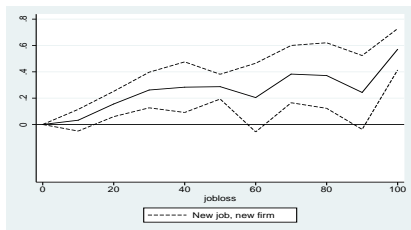
Predictive Regressions—Any Job Loss



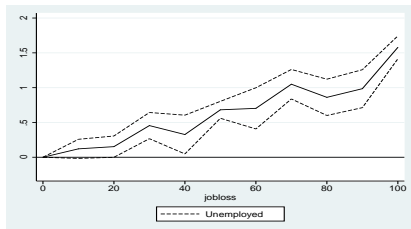
Predictive Regressions (2)



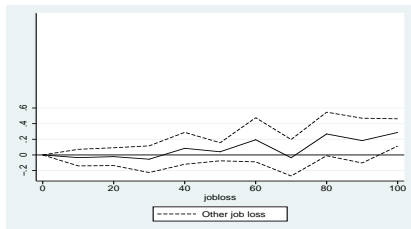
New Job, Same Firm



New Job, New Firm



Unemployed



Any Other Job Loss

Outcome: Car Acquisitions

	Buy any Car (1)	ln(value car) (2)	Buy Old Car (3)	Buy New Car (4)
Job loss expectation	0.017 (0.059)	-0.188* (0.109)	0.095 (0.061)	-0.283** (0.113)
Controls	Yes	Yes	Yes	Yes
Time Effects	Yes	Yes	Yes	Yes
Mean dependent variable	0.105	0.573	0.087	0.019
N households	6,047	6,051	6,046	5,970
N observations	18,865	18,890	18,858	18,268

Outcome: Savings and Financial Wealth Holdings

	Flows (Euro)			End-of-Year Holdings (Euro)		
	Deposits (1)	Stocks (2)	Financial Wealth (3)	Deposits (4)	Stocks (5)	Financial Wealth (6)
Job loss expectation	7.96*** (2.91)	-0.04 (0.78)	6.76** (3.05)	48*** (14)	9.0 (7.0)	56*** (19)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Time Effects	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.024	0.021	0.030	0.253	0.093	0.250
Mean dependent variable	417.80	85.50	518.42	20,466	4,250	25,505
N households	4,347			4,347		
N observations	13,033			13,033		

Conclusions

1. Predictive power

- ▶ Using linked administrative data we find that workers predict very well transitions into unemployment and firm-to-firm transitions.
- ▶ Suggests that workers adjust search effort and/or reservation wages.

2. Car acquisitions

- ▶ Find that higher job loss expectations are related to smaller propensity to buy new cars.

3. Household finances

- ▶ Higher job loss expectations are related to larger inflows in deposits.
- ▶ Some evidence for rebalancing of financial portfolio towards deposits.

Thank you for your time!

Any comments welcome at
n.vellekoop@utoronto.ca