

DISCUSSION OF  
"HIGHER-ORDER INCOME RISK AND SOCIAL  
INSURANCE POLICY OVER THE  
BUSINESS CYCLE"

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## WHAT THEY DO

- ▶ Ambitious project to investigate how the distribution of income changes evolves over the cycle
  - ▶ Three countries, mixture of survey and admin data
  - ▶ Individual and household analysis
  - ▶ Detailed analysis of transfers and taxes
- ▶ Focus particularly on skewness
  - ▶ Document that earnings skewness is pro-cyclical across all countries
  - ▶ Intra-family risk-sharing reduces cyclicity
  - ▶ Government transfers further reduce
- ▶ Claims that contrary to past studies - i.e. Storesletten, Telmer & Yaron (2004), variance isn't countercyclical
- ▶ Wants to evaluate welfare implications of social insurance policy (not yet in my draft)

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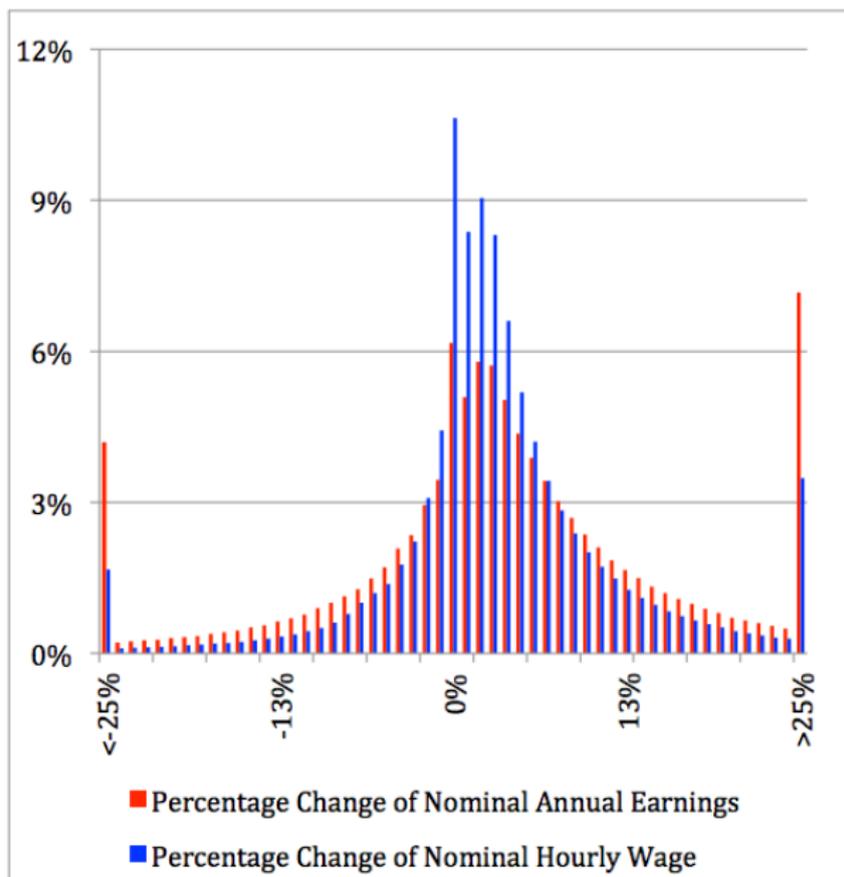
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- ▶ ...luckily they still can!

## DIGGING DEEPER I: WAGES AND HOURS

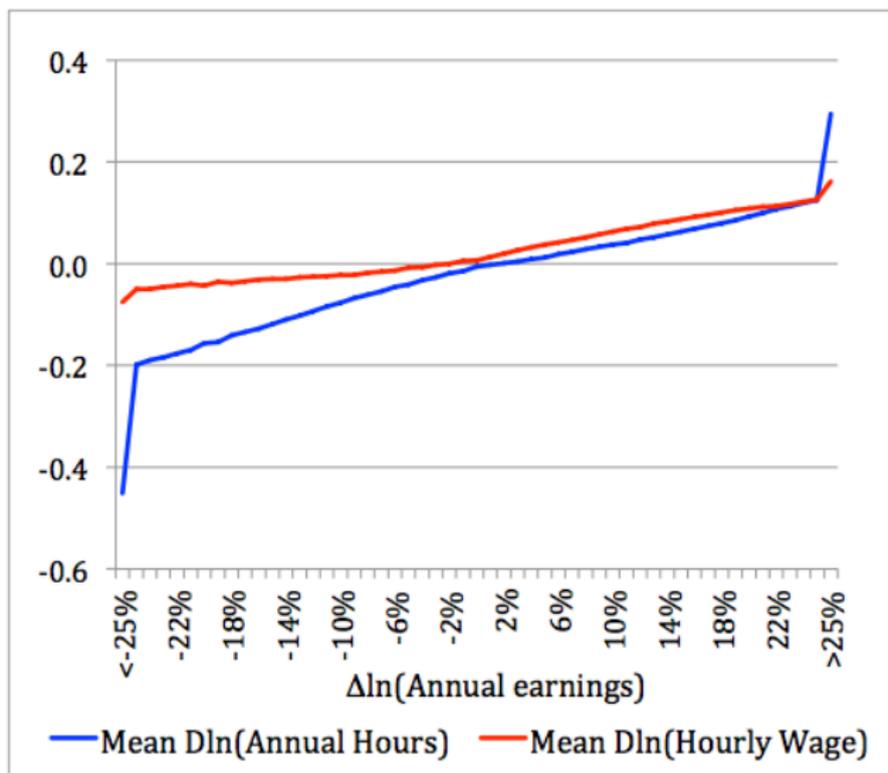
- ▶ Are these changes actually *risk*?
- ▶ Drilling deeper into hours vs wages would be helpful
- ▶ Claim because cyclical nature of skewness of wages and earnings is similar that hours not important
- ▶ Could look at PSID information on wages and hours
- ▶ Administrative data (LEHD from Census) has information about wages and hours...

# WAGE AND EARNINGS CHANGES: LEHD DATA



Kurmann, McEntarfer, Spletzer (2014)

# DECOMPOSING EARNINGS CHANGES: LEHD DATA



Kurmann, McEntarfer, Spletzer (2014)

## DIGGING DEEPER II: JOB LADDER

- ▶ Can all your findings be rationalized by a job ladder model?
  - ▶ In recessions more people get laid off
  - ▶ Tightness is low, so arrival rate of new matches lower
- ▶ If not, would be useful to know where/how the job ladder model fails
- ▶ Would be helpful to compare to findings of, e.g. Hagedorn & Manovskii (2013)
- ▶ Even simpler, how much does unemployment risk explain of the findings?

## DIGGING DEEPER III: RECONCILIATION W/ STORESLETTEN, TELMER & YARON (2004)

- ▶ What explains the discrepancy between the two papers?
- ▶ (Saying "parametric assumptions" doesn't cut it)
- ▶ What could explain it?
  - ▶ Different measures of income
  - ▶ Different time periods?
  - ▶ Different definition of cyclicalities
- ▶ STY definition closest to post-government household income, where you find positive cyclicalities of SD...
- ▶ This is important - apples to apples comparison

## COMMENTS ON EMPIRICS

- ▶ Why is there a linear time trend?

$$m(\Delta_s y) = \alpha + \gamma t + \beta^m \Delta_s(GDP) + u_t$$

- ▶ Why aren't private transfers included in any of the measurements of household earnings? Do public transfers crowd out private ones?
- ▶ Under-reporting of transfers in PSID?
- ▶ Indicator for boom vs recession? More sensitivity a la STY
- ▶ Why throw out top 1% in PSID, yet impute top coded earnings in German data, seems inconsistent.