

DISCUSSION OF  
"JOB STABILITY, EARNINGS DYNAMICS,  
AND LIFE-CYCLE SAVINGS"  
BY KUHN & PLOJ

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ECONtribute  
Bonn (on Zoom)  
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- ▶ Two main parts of the paper:
  - ▶ Empirical: Document a relationship in the SCF between job stability and wealth accumulation
  - ▶ Build-lifecycle model that incorporates heterogeneity in job stability
- ▶ What they find:
  - ▶ Empirical: Job-stability has a significant (positive) effect on life-cycle savings
  - ▶ Quantitative: Initial job-instability leads to long lasting scarring effects on  $y, c, a$
  - ▶ Counterfactual: Secular decline in the separation rate has been a good thing for welfare of young workers

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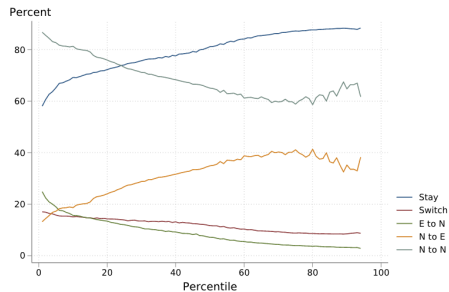
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- ▶ Provides nice mix of quantitative and empirical work to directly address the importance of job-stability in life-cycle consumption-savings model
- ▶ Can provide guidance for future policy analysis — particularly for labor market risk
- ▶ Though, I still think the main takeaway is still a bit unclear



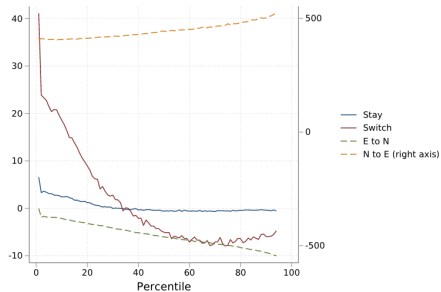
## LOW STABILITY JOBS OR WORKERS?

- ▶ Document heterogeneity in job-stability (particularly for the young)
- ▶ How much of what we see is a person effect vs a job effect?
- ▶ Would also be good to know what the causes of the heterogeneity in stability are (in particular for policy)
- ▶ Why do these jobs exist? Why no compensating differential?
- ▶ Just because separation rates are falling with age doesn't mean it can't be a worker effect

# STABILITY FOR WHOM?



(a) Average transition rates



(b) Average earnings growth by transition

FIGURE: Transition rates and earnings growth by transition and percentile of earnings in (West) Germany from Broer et al 2020.

## DYNAMICS OF EARNINGS AND WEALTH IN THE DATA

- ▶ SCF data is nice, but would be much more convincing looking at panel (in e.g. the PSID)
- ▶ Do workers in low-stability jobs behave as in your model?
- ▶ What about borrowing to smooth for young?
- ▶ How do your results square with Luo & Mongey: More student debt  $\Rightarrow$  apply high wage jobs?
- ▶ How do your results compare to Straub JMP — on link between “permanent income” and consumption?
- ▶ How do the implications in your model for savings compared to using richer income processes (e.g. Guvenen et al, De Nardi et al)?
- ▶ In the SCF should we be looking at wealth to income or wealth to earnings?

# SAVINGS IN OUR MODELS

- ▶ Why do people save?
  - ▶ Precautionary reasons (income risk, expenditure risk, etc)
  - ▶ Life-cycle reason (retirement, bequests, etc)
  - ▶ Love of money (i.e. measure of our ignorance)
- ▶ Model matching the data
  - ▶ Would be good to show fit over entire life-cycle
  - ▶ Details of savings in retirement feedback into working life
  - ▶ Details of pension system matter a lot as well
  - ▶ Savings for precautionary and life-cycle reasons complements or substitutes?

# COUNTERFACTUAL: DECLINE IN SEPARATION RATES

Authors find big welfare increases for the young of the secular decline in separations

## Earnings Profiles by Cohors in CPS

- ▶ Should we be worried about cohort effects?
- ▶ You control for age, but earnings profiles don't seem stable over time
- ▶ If anything, seem to be going the opposite direction
- ▶ Tenure vs occupational tenure?

