Kaplan 2012 Introduction Outline

Sarah Bass

- Background context
    - State the question: Does the option to live with parents after entering the labor market act as an insurance against labor market risk?
    - Describe previous life cycle model research
- Empirical Section
    - Outline methods
        - Structural life cycle model in which parents can provide monetary support in the form of financial transfers and nonpecuniary support in the form of shared residence
        - Two types of jobs: low earnings and easy to find vs. high earnings but harder to find
        - Two types of idiosyncratic uncertainty: stochastic job offers and relative desire to live away from parents
        - Data source: NLSY97, 17-22 age males who do not go to college
    - Results
        - Timing of when youth move in/out with parents is related to labor market
        - The value of moving in with parents differs by parental income distribution
            - Low-income families can’t substitute financial transfers for co-residence when the option to move back home is removed
            - For high-income families financial transfers are a close substitute for co-residence
        - Option to live at home changes reservation wages
            - Individuals who can live at home have higher reservation wages, job acceptance rates are more sensitive to change sin the overall distribution of wage offers
            - Knowing that living at home is an option reduces precautionary incentives to accept jobs; people take longer to find jobs that are higher salaries or better fits
- Limitations (of others)
    - Other literature on co-residence looks at the cross section but not the time series