

Household Labor Supply Insurance Around the World

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Abstract

We study intra-household insurance through labor supply across countries with widely varying income levels and labor market institutions. Empirically, we use new harmonized microdata from quarterly rotating panel labor-force surveys in 44 countries to investigate how wives' labor market behavior responds to shocks suffered by the husband, or household member's behavior responds to shocks suffered by the head. We find little evidence of household labor supply being used as insurance before or in response to a shock in developing or developed countries. Rather, husbands and heads in developing countries self-insure through self-employment. We interpret these patterns through the lens of a life-cycle model with two-member households, frictional formal labor markets and self-employment, as well as endogenous human capital and asset accumulation. They have implications for how well-insured households are against shocks and the demand for unemployment insurance in developing countries.