

Risk attitudes and labor market outcomes over the Great Recession: A comparison of Ukraine and Germany

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Extended Abstract

The impact of risk attitudes on economic behavior at the micro level in the context of the labor market is a very interesting and important new research area. The papers by Jaeger et al. (2010), Dohmen, Kriechel and Skriabikova (2012) and Caliendo et al (2014) are here particularly noteworthy. In the first study the authors look at the relationship between risk attitudes and the decision to migrate, showing that individuals with a higher propensity to take risks are more prone to migrate. In the setting of a quasi-natural experiment in the Ukrainian labor market, Dohmen et al. study occupational sorting and establish that workers with a larger propensity to take risk sort into occupations with higher earnings risk. In the third study the authors find that risk-takers are more likely to become and stay self-employed.

We would like to use the panel data of the German Socioeconomic Panel (GSOEP) and of the Ukrainian Longitudinal Monitoring Survey (ULMS) to investigate whether risk attitudes have primary (exogenous) determinants that are valid in different stages of economic development and in a different structural context, comparing a mature capitalist economy and a transition economy. The risk measures that are identical in the two panel data sets are threefold: “subjective” risk attitudes measures in the general and in specific life domains; “objective” measures, i.e., hypothetical investment questions; and lotteries. In this paper we predominantly focus on the self-assessed “subjective” measures. Dohmen et al. (2011) have established the importance of primary determinants on risk attitude measures in Germany. Here we reproduce two tables that show the same primary determinants of risk attitudes in Ukraine in 2007 that Dohmen et al. (2011) identified for Germany. The first table shows that no matter what the specification gender, age, height and mother’s education are always significant determinants of the general risk attitude measure (taking values from 0 (completely unwilling to take risks) to 10 (completely willing to take risks)). The same holds for risk attitudes measures in all but one life domains.

**PRIMARY DETERMINANTS OF GENERAL RISK ATTITUDES:
DATA FROM ULMS_2007**

Table 1: Primary determinants of General Risk Attitudes

VARIABLES	(1)	(2)	(3)	(4)	(5)
Sex	-0.966*** (0.0909)	-0.991*** (0.0928)	-0.895*** (0.101)	-0.893*** (0.101)	-0.974*** (0.0936)
Age	-0.0449*** (0.00208)	-0.0424*** (0.00218)	-0.0418*** (0.00246)	-0.0408*** (0.00250)	-0.0413*** (0.00223)
Height	0.0158*** (0.00523)	0.0134** (0.00535)	0.0143** (0.00581)	0.0134** (0.00584)	0.0116** (0.00540)
Father's education		0.229* (0.134)	0.223 (0.149)	0.223 (0.149)	0.209 (0.136)
Mother's education		0.515*** (0.136)	0.497*** (0.155)	0.479*** (0.156)	0.511*** (0.139)
Log(personal income)			0.188*** (0.0464)	0.146*** (0.0480)	
Fin. state (self-reported)				0.183*** (0.0342)	0.234*** (0.0310)
Observations	6343	6054	5215	5155	5942
R^2	0.118	0.122	0.117	0.123	0.130

*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses

Self-reported financial state is a cat. variable 1-7 from "far below the average" to "far above the average"

Log(personal income) is a log of the last 30 days income (per person, from any sources)

RISK DETERMINANTS IN DIFFERENT DOMAINS

Table 3: Primary determinants of Risk Attitudes in Different Domains of Life

VARIABLES	(1) General	(2) Car driving	(3) Fin.matters	(4) Sports/leisure	(5) Career	(6) Health
Sex	-0.991*** (0.0928)	-1.537*** (0.122)	-0.597*** (0.0953)	-1.072*** (0.101)	-0.561*** (0.114)	-0.652*** (0.0906)
Age	-0.0424*** (0.00218)	-0.0411*** (0.00296)	-0.0394*** (0.00229)	-0.0552*** (0.00241)	-0.0506*** (0.00288)	-0.0233*** (0.00214)
Height	0.0134** (0.00535)	-0.00203 (0.00706)	0.0153*** (0.00551)	0.0116** (0.00582)	0.0203*** (0.00662)	0.00964* (0.00523)
Father's education	0.229* (0.134)	-0.0669 (0.178)	0.227* (0.138)	0.210 (0.142)	0.360** (0.157)	0.194 (0.131)
Mother's education	0.515*** (0.136)	0.438** (0.179)	0.426*** (0.142)	0.554*** (0.144)	0.517*** (0.162)	0.204 (0.135)
Observations	6054	3306	5588	4883	4410	5910
R^2	0.122	0.137	0.091	0.168	0.108	0.049

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Having data with risk measures in 2007 and 2012 for Germany and Ukraine (the ULMS has risk modules in 2007 and 2012) we will compare the determination of these risk attitudes over time and across countries. We then will also see how important are these risk measures in predicting labor market outcomes (e.g., internal migration, self-employment and informal employment).

The second part of the paper is especially novel since it will analyze the stability of the risk measures over time. Between 2007 and 2012 we have the Great Recession, which had a very mild impact in the German labor market while it had a more profound impact on the Ukrainian labor market. Hence we want to investigate whether and how the crisis impacted on the risk attitudes in the two countries. One of us (Dohmen) has already worked on the methodology of analyzing stability over time and measurement error issues looking at the reported risk measures in Germany in the early years of the 2000s; this methodological approach will be extended to the interval 2007 to 2012 for both the GSOEP and the ULMS. If relative stability can be established this would point to a causal effect running from risk attitudes to labor market outcomes rather than running in the opposite direction.

References

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