

Housing Booms and Shirking

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Quick Summary

- Key questions:
 - How would labor supply respond to house price increases?
 - Evidences from the perspective of work effort decisions.
- Research strategy:
 - Empirical analysis based on a unique credit card dataset.
 - The propensity to use work hours to attend non-work-related credit card consumptions is adopted as the proxy of work effort decisions. (A very brilliant idea!)
 - The events of “Land Kings” are adopted as exogenous shocks to local house prices.
 - Standard DID specification.

Quick Summary

- Major findings:
 - After positive shocks to house prices, local homeowners experienced an immediate and permanent increase in shirking propensity, with an elasticity of about 1.6.
 - The response is more pronounced among employees with multiple homes, or with lower work incentives.
 - The results are consistent in several robustness checks.
- Key contributions:
 - A novel insight on the labor market consequence of house price increase – perspectives of a more continuous choice of labor supply, instead of just participation rate or occupational decisions.

Suggestions - 1

- Housing wealth effect on consumption:
 - Among others, Gan (*RFS*, 2010) finds the increase in housing wealth leads to significantly more credit card spending in Hong Kong.
 - Did the positive shock to house price also lead to more credit card spending in the sample?
 - No increase in propensity of credit card use (Table 5), but what about times of credit card use or expenditure?
 - If yes, more credit card spending might be positively correlated with higher propensity of credit card use during work hours.
 - If no, how to reconcile the findings of positive wealth effect on shirking and no wealth effect on consumption.

Suggestions - 2

- The underlying mechanism:
 - Background in China: difficulty in cashing out the housing asset due to the lack of housing refinancing arrangements, at least during the sample period.
 - Current explanations in the paper: higher opportunity cost of effort.
 - Ruling out: more outside options due to higher demand; higher productivity; changed work hours.
 - Other alternatives:
 - Lower precautionary saving incentives?
 - Career achievement (e.g., promotion) became less attractive?

Suggestions - 3

- Shock to house price:
 - Whether the “Land Kings” could serve as the exogenous shock to house price relies on the assumption on “the imperfect ability to predict city and the precise timing of the national record-setting land auctions”.
 - Theoretically, land price equals to the net present value of the housing development on the land parcel. Thus, it should still reflect market participants’ expectations on future house price in the city.
 - Other potential options:
 - Introducing the combination of Saiz-style housing supply elasticity and the exogenous demand shock as IV.
 - Lower propensity of shirking after HPR?

Summary

- A very important and interesting topic, providing more insights on the real effect of house price increases
- Might need more details on distinguishing the housing wealth effect on labor supply and consumption
- More discussions on the underlying mechanism would still be helpful