

Job Insecurity, Savings and Consumption: An Italian Experiment

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Job insecurity has consequences outside of the labour market. Using the 2012 Fornero reform as a natural experiment, a difference-in-differences framework based on a firm-size discontinuity and individual data coming from the Italian Survey on Household Income and Wealth, our results suggest that greater job insecurity reduces consumption and increases savings. We also show that the changes in consumption and savings are a function of the family structure and of the rank in the household income distribution. Last, greater job insecurity reduces all types of consumption except food expenditures and the extra-savings it caused are either invested in safe assets or kept on savings account.