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**Adapting or
compounding?
The effects of
recurring
labour shocks
on stated and
revealed
preferences for
redistribution**

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Abstract

The evidence on the impact of employment shocks on preferences for redistribution is mixed on stated outcomes and sparse on revealed ones. We conduct a survey of US workers to measure the impact of repeated labour market shocks on both stated and revealed redistributive preferences. We measure the former by support on seven different policies and the latter through donations. We look at experiences of both mild shocks (having to reduce working hours) and hard shocks (unemployment), as well as past unemployment during formative years. We find evidence of adaptation to unemployment on policy preferences and compounding for milder shocks on donations, suggesting that the effects of repeated shocks on preferences for redistribution are not independent. Our results show that unemployment impacts preferences in a self-interested way, while milder shocks lead to broader support for redistribution.

Keywords: labour market shocks, scarring, redistribution, donations

JEL Codes: D9; I3; J2; M5

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1 Introduction

The link between economic shocks and support for redistribution has been studied extensively in the literature. This is in part because individual experiences are shown to be a strong predictor of support for redistribution (Alesina and Fuchs-Schündeln, 2007; Persson and Tabellini, 2009; Luttmer and Singhal, 2011; Fuchs-Schündeln and Schündeln, 2015), where the latter are typically used as a proxy for people’s views on fiscal policy and support for government intervention.¹ However, significant gaps exist in the literature. First, the evidence on the effects of economic shocks on an individual’s *actual* economic behaviour –related to redistribution– is sparse.² Second, there is little evidence on the effects of repeated economic shocks on support for redistribution, despite a growing literature on the extent to which people adapt to hardship (Turner and Lloyd, 1995; Williams et al., 2007; Gualtieri et al., 2019). This lack of knowledge is particularly troublesome when it comes to understanding the scarring effects that recurring shocks have upon people who have experienced them during their formative (labor market) years. Do such shocks compound or do people adapt over time. Finally, little is known about the impact of individual-specific economic shocks on political preferences even though individual experiences are likely to be stronger predictors of behaviour.

We, here, aim to fill these gaps by using data from a survey that we conducted in a large sample of US workers where we exploit an unexpected labour market shock, namely employment shocks caused by the Covid-19 pandemic.³ We opted for conducting our own pre-registered survey instead of relying on existing administrative surveys –as past literature did – because this has a series of advantages. First, in addition to stated preferences, we can also elicit revealed preferences and (monetarily) incentivized economic behavior. Second, we can collect detailed information about past labor market experiences and exposure to labour market shocks. We also observe both mild shocks caused by reducing hours as well as hard shocks caused by unemployment, and we also record whether respondents lost employment during their formative years.⁴

¹For recent literature reviews on preferences for redistribution and how they are measured see Alesina and Giuliano (2011) and Mengel and Weidenholzer (2022)

²A larger literature exists on the effect of non-economic shocks on revealed preferences for redistribution. Bursztyn et al. (2021) looks at the effects of exposure to migrants on altruistic behaviour, Whitt and Wilson (2007) and Bauer et al. (2014) study the impact of ethnic conflict on altruism and social choices, and Black et al. (2021) looks at the link between health shocks and charitable giving.

³Unlike past global labour market shocks which were mostly industry-specific (see, for example, Helm (2020)), the one caused by Covid-19 was both unpredictable and broad in its nature. As such, most groups of workers were –at least in principle– vulnerable to exposure, allowing us to generalize our findings across a wide range of occupational categories. In the appendix (see Tables A.4 to A.6) we provide additional evidence showing that this shock indeed appears to be exogenous.

⁴A growing literature shows that shocks during formative years, typically defined as the period between 18 and 25 years old, have large and persistent effects on individual attitudes, preferences and beliefs. For a recent review of the literature see Wachter (2020).

Finally, we collect data on both support for a broad range of redistributive policies and revealed preferences through donations to a charitable organization working to reduce inequality in the US.

Our findings offer several takeaway points. First, we show that the type (and intensity) of the labor displacing shock is key in explaining the discrepancy between stated and revealed preferences for redistribution –a wholly new insight. Second,

As a result, our work contributes to several strands of literature. More broadly, we contribute to a growing literature on the formation of political (Autor et al., 2020; Choi et al., 2020; Colan-
tone and Stanig, 2018; Fetzer, 2019; Margalit, 2011) and redistributive (Alesina and La Ferrara, 2005; Alesina et al., 2020, 2018; Kuziemko et al., 2015; Stantcheva, 2020) preferences using surveys and survey experiments. In particular, our paper speaks to how exposure to economic shocks influences preferences for redistribution. A growing number of studies have investigated this relationship, with mixed findings. Hansen and Stutzer (2021) have found a positive relationship between the two, consistent with negative shocks making people more altruistic and less self-interested, resulting in increased support for redistribution. But some papers have identified a negative relationship (Carreri and Teso, 2021; Cotofan et al., 2021b) and some have found mixed results (Bietenbeck and Thiemann, 2022). In a recent literature review, Margalit (2019) concludes that economic shocks are systematically linked to political behaviour, but identified effects are mixed, ranging from either embracing parties on the left, populist parties on the right, or a drop in electoral participation altogether. Recent work by Cotofan et al. (2021b) has emphasized that the mixed findings in the literature may be partly explained by past economic shocks increasing support for redistribution in a more parochial rather than universal way.

We here help explain these mixed findings by shedding light on the underlying mechanisms through which experienced shocks relate to broad measures of support for redistribution. We do so by using data on both stated and revealed preferences for redistribution, as well as detailed information on the types of redistribution policies that individuals with different histories of labour market shocks are more likely to favour. To the best of our knowledge, our paper is the first to look at how the effect of unemployment shocks on support for redistribution translates into economic behaviour. By addressing the concern that stated preferences alone may perform poorly in predicting how people act (List and Gallet, 2001; Falk et al., 2022) we additionally view this as a validation exercise and complementary to previous studies.

The literature on economic experiences and support for redistribution has mostly focused on the effect of macroeconomic shocks (Roth and Wohlfart, 2018; Hansen and Stutzer, 2021; Carreri and Teso, 2021; Cotofan et al., 2021b; Bietenbeck and Thiemann, 2022) as they are more likely to be orthogonal to unobserved individual characteristics. While this approach partly ad-

dresses issues of selection, it also uses aggregated shocks which typically miss a large amount of variation at the individual level. Alesina and Giuliano (2011) evaluate the link between experienced unemployment and support for redistribution in the cross-section and find a strong and positive link between the two. Similar results are found when using longitudinal data instead (Owens and Pedulla, 2014; Naumann et al., 2016; Martén, 2019). However, unemployment may be non-random and unobserved individual-level characteristics (including time-varying ones) may determine both the experience of an individual specific shock and support for redistribution. But little is known about how quasi-exogenous individual-level labour market shocks impact support for redistribution. We here look at disruption caused by the Covid-19 pandemic and provide empirical evidence that individuals are unlikely to be able to select in or out of the shock. We exploit variation in the intensity of the shock by documenting the impact of both mild shocks, such as involuntary reductions in working hours, and harsh shocks, such as unemployment.

Our paper also speaks to the literature on unemployment scarring and its persistent effects on future preferences and behaviour. While scarring effects due to unemployment are well documented in the literature (Arulampalam et al., 2001; Eliason and Storrie, 2006; De Fraja et al., 2021), little is known about how they interact. On the one hand, the impacts of consecutive shocks may compound such that past scarring will magnify the individual response to current job loss (Luhmann and Eid, 2009). On the other hand, past unemployment could lead to increased resilience such that the impact of job loss may be mediated by past exposure (Clark et al., 2001). Which of these two mechanisms will dominate remains an empirical question. We believe that our contribution could also offer important insights for policy makers as there is substantial variation in the number of shocks experienced by different generations, potentially leading to differential support for government policies.⁵ As such, these shock histories may partly explain persistent cohort differences in economic and political behaviour.

We show that both involuntary hour reduction and (past and present) unemployment increase stated support for redistributive policies. However, only involuntary hour reduction results in an increase in donations. This provides a potential explanation for the mixed findings in the literature on preferences for redistribution, showing that different shocks may lead to comparable stated support for redistribution but different behavioural responses. Exploiting the richness of our data, we show suggestive evidence that respondents who experience unemployment –what we call a ‘hard’ shock– predominantly support redistributive policies targeted towards employment loss which are more likely to benefit themselves. On the other hand, respondents who

⁵For examples, so-called Millennials experienced the Great Recession when entering the labour market and the Covid pandemic a decade later, while older generations may have been more sheltered with respect to (recession-induced) labour market outcomes (see also Finkelstein et al., 2023).

experience a milder shock support broadly targeted redistribution policies. In other words, hard shocks appear to work in an egotropic way while milder shocks work in a sociotropic manner.⁶ As such, while stated support for redistribution may be prevalent across many social groups during hard times, the same may not be true for revealed support. In the case of the latter, we provide evidence that policies designed to diminish the impact of labour market shocks may also encourage reciprocity through charitable giving, complementing public support with private one during difficult economic times.

Finally, we also show that repeated employment loss leads to some adaptation on stated preferences, with the second shock reducing stated support for redistribution. Our results are in line with increased resilience as a consequence of repeated exposure to shocks and find no evidence that repeated exposure magnifies support for redistributive policies. On the other hand, a mild shock following past unemployment leads to a compounding effect on donations, consistent with empathy towards others in society rather than with self-interest.

The remainder of this paper proceeds as follows. Section 2 describes the data, Section 3 presents the results, and Section 4 concludes.

2 Data and Estimation

2.1 Data Collection and Context

Our analysis relies on unique survey data from a representative sample of US adults, collected through the Prolific platform in the final two weeks of October 2020. Participation in the survey was incentivised by rewarding participants with 0.90\$ which, contingent on the average completion time of seven minutes, is equivalent to an hourly wage of \$7.71. In total, the survey was completed by roughly 4,000 United States adults of working age, aged between 18 and 65 years old. Since our identification strategy hinges on respondents who experienced labour market disruption, we over-sampled those who reported to have experienced a labour market shock as a direct consequence of the Covid-19 pandemic. This choice was made in order to improve estimation power.⁷ In section 2.2 we describe our main variables and in section 3.1 we provide

⁶Our results are in partial agreement with Kubilay (2021) since we find –as they do– that individuals who have experienced a negative (but mild) shock support redistribution and donate more, driven by sociotropic motivations. Yet, we find the opposite to be true (less donations) for those who were shocked harder. The latter points to two key distinctions: first the intensity/type of the shock conditions altruistic preferences and donations –losing ones’ job seems to be qualitatively different; second, these effects might vary across age groups as adults might be more egotropic.

⁷The original survey also included three experimental manipulations which provided respondents with various types of information on automation, and a placebo group. While the said experimental manipulation is orthogonal

descriptive statistics from our sample.

At the time of our survey, the unemployment rate country-wide was 6.9%. While this was a substantial reduction from the peak of 14.7% in April 2020, the October 2020 figure was nonetheless nearly double the rate in October 2019 and pre-pandemic levels of unemployment were not reached until 2022. Consequently, this event led to a prolonged unemployment shock that affected a historically high share of Americans. In response, the Pandemic Emergency Unemployment Compensation Program extended the qualifying period for unemployment insurance between April 2020 and September 2021, allowing the benefits to run up to 79 weeks as compared to the prior policy of 26 weeks. Furthermore, the Federal Pandemic Unemployment Compensation Program provided the unemployed with a weekly supplement of \$600 which ended in August 2020. And while the benefit was reinstated in December 2021 at a lower value of \$300, it was not in place during our data collection which took place during a period of continued uncertainty for unemployed workers (Moffitt and Ziliak, 2020; Bartik et al., 2020).

There is an ongoing debate about the external validity of evaluating the medium and long-term consequences of the labour market shock caused by the Covid-19 pandemic across countries. Specifically, cross-country comparisons are difficult, in part due to the large variation in responses to the shock, as well as the interaction of these policies with local institutions (OECD., 2020). While our sample is restricted to the United States and contextualized by the federal government response to the pandemic, recent studies estimate that the labour market impact of the pandemic was similar in magnitude to (Larrimore et al., 2022) and shared many features with (Bell et al., 2020) previous recessions. Furthermore, our study focuses on the impact of labour market disruption on individual-level preferences for redistribution which are both measured shortly after being exposed to the shock and at a time where Covid-specific unemployment compensation was very limited. Evidence increasingly shows that at the individual level, the shock has been large, persistent, and unanticipated, with a severe impact on individuals in terms of unemployment, working hours, and earnings (Adams-Prassl et al., 2021; Bourquin et al., 2020; von Wachter, 2021, 2020). As such, the negative impact of unemployment in our sample is likely to be of economic significance.

We classify respondents as having experienced a harsh shock if they were exposed to unemployment, and a mild shock if they were forced to reduce working hours instead. Recent research indicates that the unemployed were significantly more likely to experience a decrease in personal wellbeing as compared to those who reduced working hours during the pandemic, suggesting that policies aimed at job retention were less traumatic both due to continued contact with employers and due to the non-pecuniary benefits of work (Cotofan et al., 2021a). Further-

to our research question, we control for treatment status in all of our specifications.

more, Adams-Prassl et al. (2020) show that those who continued to work from home, even for fewer hours, were sheltered from job and earnings losses, suggesting that an involuntary hour reduction was indeed a much milder shock than unemployment.

In aiming to identify the exogenous impact of these shocks on preferences for redistribution, our ability to do so hinges on the assumption that the shock caused by the pandemic was unanticipated and that the resulting individual labour market experiences were independent of individual characteristics. We follow the approach set out by Adams-Prassl et al. (2021) who show that the share of tasks one can perform from home is a very strong predictor of job loss during the pandemic in the US. We include this measure in our survey and in section 3.3 we report a number of robustness tests that exploit the respondent's ability to work from home as a proxy for the likely-hood of experiencing labour market shocks of low or high intensity.

2.2 Outcome Variables

Preferences

We elicit a set of preferences regarding different policy measures, namely preferences for (i) providing a universal basic income, (ii) implementing an automation tax, (iii) a job guarantee, (iv) allowing a reduction in working hours with no reduction in pay, (v) state-funded training programs for displaced workers, (vi) enhanced unemployment benefits, and (vii) state financing of firms' investment in automation, in exchange for a share of firms' future profits.

All preferences are measured on a scale from 0 to 100, with a higher number corresponding to a stronger preference for redistribution on that specific domain. For ease of interpretation and to simplify the analysis, we use Principal Component Analysis to create an index of redistributive preferences which combines all seven questions. The index is measured on a scale from 0 to 100 as well, but in all of our analyses we will use standardized measures with a mean of zero and a standard deviation of one. In the Appendix we will also show our results with each individual question as an outcome variable and in Section 3.2 discuss the extent to which different domains matter depending on exposure to different shock types.

Behaviour

We test for evidence of behavioural responses to shock exposure by inviting respondents to participate in a prize draw with the option to donate a portion of potential winnings to an organization working to reduce inequality in the US. As such, the treatment intervention is salient with respect to the respondent's willingness to pay in order to redistribute from the wealthier to the poorest. The prize varies between 0 and 25 US dollars, with respondents being

offered the opportunity to donate any amount within this interval, if they were to win. In all of our analyses donations will be standardized with a mean of zero and a standard deviation of one.

2.3 Explanatory Variables

Shocks

We first we ask respondents about various forms of labour market disruption as a consequence of the Covid-19 pandemic. Specifically, we identify respondents who report that the pandemic has caused them to be laid off, temporarily suspended from their job, or it has forced them to reduce their working hours.

To further explore the intensity of the shock we construct two dummy variables. The first one, which we will refer to as the “Mild Shock”, takes value one if the respondent was forced to reduce working hours due to the Covid-19 pandemic and zero if they did not experience any labour market shock. The second variable, which we refer to as the “Hard Shock” takes value one if the respondent was either temporarily suspended from their job or laid off by their employer due to the Covid-19 pandemic and zero if they experienced no shock.

Second, we also measure past involuntary unemployment experiences during the formative years of each respondent. Specifically, respondents are asked whether they have lost their job between 18 and 25 years old. We create a dummy variable which takes value one for those who experienced unemployment in this period and zero otherwise. In section 3.2 we show how past unemployment relates to stated and revealed support for redistribution and in section 3.3 we investigate whether experiencing multiple employment shocks during the life-course lead to compounding or to adaptation on our outcome measures.

Controls

We control for a rich set of demographics, namely gender, age, ethnicity, education, current employment status, income, occupation, and state fixed effects.

3 Results

3.1 Descriptive Statistics

We begin our analysis by presenting descriptive statistics for our sample. These are shown in Table A.1 in the Appendix and in Appendix Table A.1B we also present demographics dis-

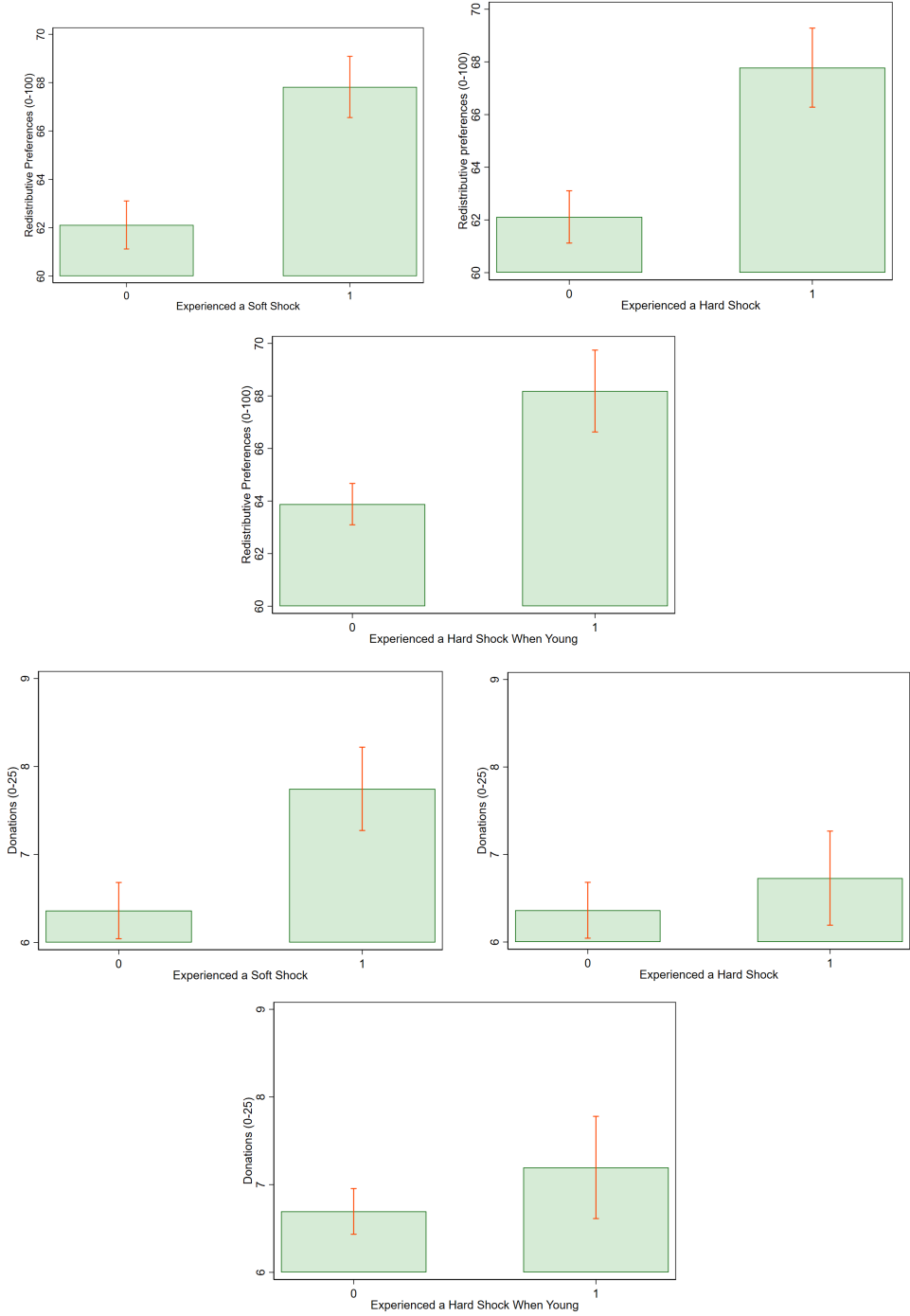
aggregated across respondents who were shocked and respondents who were not. In terms of redistribution support, we document significant variation across preferences based on the seven redistributive policies: 81% of respondents support providing more training for employees, 53% agree that employees should be allowed to reduce hours, and there is varying degree of support in between these two bounds for the remaining preferences. Our index of preferences has an average of 64 (on a 0 to 100 scale) and a standard deviation of 21.50. With respect to revealed preferences, the average respondent in our sample donated \$6.8 out of a total of \$25, with a standard deviation of \$7.1.

In terms of exposure to labour market shocks, 33% of respondents experienced a “Mild Shock” and 27% experienced a “Hard Shock”. Additionally, 18% also experienced an employment shock when young. Finally, 53% of our sample is female, 76% is white, 68% are in employment at the time of the survey, and the average age is 37. In Appendix Table A.1B we contrast our population averages with the corresponding figures from the American Community Survey and the General Social Survey which appear very similar to our sample.

To investigate the relationship between shock exposure and redistribution preferences, Figure 1 shows the average difference in stated and revealed preferences for people who experienced the three types of shocks that we measure, namely *Mild*, *Harsh*, and when *Young*. In the first two cases the reference category is respondents who experienced no shock during Covid. For young respondents, the reference category is made up of respondents who did not experience unemployment between 18 and 25 years old. The first three panels show that people who experienced some form of employment shock are statistically significantly more likely to say that they support redistribution. The difference is 6 points for harsh and mild shocks and 4 points for a shock when young, or the equivalent of 0.28 and 0.19 standard deviations, respectively.

The final three panels show the equivalent averages for revealed preferences, namely donations to a charitable organization focusing on reducing inequality. Out of the three types of shocks, only the mild shock experience results in a statistically significant increase in donations. Those who experienced an involuntary reduction in working hours are substantially more likely to donate - this is equivalent to roughly \$1.4, or 0.2 standard deviations.

Figure 1: Average Re-distributive Preferences and Donations by Shock



3.2 Main Estimates

We estimate the relationship between labour market shocks and individual outcomes:

$$Outcome_i = \alpha_0 + \alpha_1 Shock_i^{Empl} + \alpha_2 X_i + \mu_{state} + \varepsilon_i \quad (1)$$

where $Outcome_i$ is a measure of individual i 's stated or revealed support for redistribution. Both measures are standardized with a mean of zero and a standard deviation of one. Our employment shock variables will capture three dimensions. The first two are a "Mild Shock" and a "Harsh Shock", where the former captures respondents who had to reduce working hours in the last 12 months, while the latter captures respondents who were laid off or suspended as a consequence of the Covid-19 shock. The reference category is made up of respondents who experienced no labour market shock as a consequence of the pandemic. The final one is the "Young Shock", which captures whether the respondent has lost their job between the ages of 18 and 25, as compared to those who did not experience unemployment in the same period.

The vector X_i includes controls for sex, age in a quadratic term, education, ethnicity, labour market status, income categories, and occupation dummies. Because the survey was collected joint with an (unrelated) intervention, we also include in all of our specifications controls for the placebo group and for all of the treatment arms. State-fixed effects are also included to account for the differential impact of the employment shock across states, and standard errors are clustered at the state level.

Table 1 below shows our main estimation results for all three shocks. While we here focus on the effects of the Mild and Hard shocks due to their exogeneous nature, we also compare our results with descriptive estimations for past employment shocks. In Panel A we estimate equation (1) for stated support for redistribution, while in Panel B we estimate the same equation for revealed support through donations to an organization working to reduce inequality.

Table 1: Re-distributive Preferences, Donations, and Employment Shocks

Panel A	Preferences	Preferences	Preferences
Soft Shock	0.183*** (0.041)		
Hard Shock		0.155** (0.059)	
Young Shock			0.189*** (0.059)
Demographics	yes	yes	yes
R-squared	0.15	0.16	0.14
N	2,715	2,479	3,373
Panel B	Donations	Donations	Donations
Soft Shock	0.156*** (0.051)		
Hard Shock		0.068 (0.064)	
Young Shock			0.009 (0.059)
Demographics	yes	yes	yes
R-squared	0.142	0.137	0.140
N	2,632	2,408	3,273

Notes: These are OLS regressions. Re-distributive preferences are an index between 0 and 100, standardized with a mean of zero and a standard deviation of one. The soft shock is a dummy equal to one if the respondent reported to be forced to reduce working hours and zero if the respondent experienced no shock as a consequence of the pandemic. The hard shock is a dummy equal to one if the respondent was furloughed or laid off and zero if they did not experience any shock due to the pandemic. The young shock is a dummy which takes value one if the respondent reports to have lost their job between 18 and 25 and zero if they have not experienced unemployment in this period. Controls include gender, age, ethnicity, education, labour market status, income categories, occupation category, and state dummies. Standard errors are also clustered at the state level. Significance levels: *** $p < .01$, ** $p < .05$, * $p < .1$.

The results in Table 1 show a strong, positive, and statistically significant relationship between all three types of shocks and stated redistributive preferences. These correspond to 0.18, 0.16 and 0.19 standard deviations for the mild, hard, and young shocks respectively. The coef-

ficients are both statistically significant and economically meaningful. With respect to revealed preferences, and in line with the descriptive estimates in Figure 1, only the mild shock has a significant impact on donations: those who experience this increase donations on average by 0.16 standard deviations, equivalent to \$1.2. Comparable estimates in Figure 1 and Table 1 indicate that individual-level characteristics may only play a small part, consistent with an exogenous labour market shock.

These contrasting results between stated and revealed support for redistribution indicate that the two may not be explained by the same mechanism. Our results show that milder shocks to employment make people both more likely to say that they support redistribution, as well as more willing to actively contribute to reduce it. On the other hand, harsh shocks such as losing one's job lead to increased stated support for redistributive policies but no significant change in economic behaviour as captured by donations to organizations that work to reduce inequality.

This discrepancy between stated and revealed support for redistribution when experiencing unemployment is found both for recent and past shocks suggesting that personal income loss due to employment may make respondents more in favour of redistribution towards themselves but not towards society in general. Comparable coefficients for both past and current unemployment suggest that budget constraints alone are unlikely to fully explain lower levels of donations.

In Table A2 in the appendix we further explore this by estimating equation (1) separately for all seven preferences. In line with this mechanism, we find suggestive evidence that those who experience a mild shock favour a broad range of redistributive preferences, with large and statistically significant coefficients on all policies but one, namely providing more on the job training. On the other hand, those who experienced unemployment exhibit stronger support for measures that are explicitly linked to job loss such as allowing employees to reduce hours or increasing unemployment benefits, and are less supportive of broader redistributive policies such as the introduction of an universal basic income or capping the return on profits.

Figure A1 in the appendix shows the estimated coefficients on all demographics for both outcome variables. Overall, there is a decreasing trend in age and income: older and wealthier respondents are less in favour of policies which aim to redistribute from the rich to the poor. On the other hand, black respondents, the unemployed, and those in full-time education state that they are more in favour of redistribution. The patterns for donations are less clear, with a weakly increasing trend in education and an inverted U-shape in income.

3.3 Repeated Shocks

To capture the effect of repeated employment shocks on stated and revealed preferences, we estimate an interaction between current and past shocks:

$$Outcome_i = \gamma_0 + \gamma_1 Shock_i^{Empl} + \gamma_2 Shock_i^{Young} + \gamma_3 Shock_i^{Young} * Shock_i^{Empl} + \gamma_4 X_i + \mu_{state} + \varepsilon_i \quad (2)$$

where the employment shocks refers to either our mild or harsh measure, while the young shock captures those respondents who also experienced unemployment during their formative years. The coefficients of interest are γ_1 and γ_3 which capture the respondent's response to repeated shocks. Two coefficients with similar sign would capture a *compounding effect*, where repeated employment shocks magnify a respondent's revealed or stated preference for redistribution. On the other hand, coefficients with opposing signs would suggest an *adaptation effect*, where repeated exposure to unemployment translates into some degree of resilience such that the impact of the current shock is dampened by a previous unemployment experience during formative years.

Table 2 below presents the results from estimating equation (2) for both types of redistribution measures and for each of the two current shocks. We find heterogeneous treatment effects by both outcome measure and by shock type. Specifically, we find that respondents who repeatedly experienced unemployment exhibit some adaptation in terms of stated support for redistribution: those who experience a hard shock following past unemployment are not more likely to support redistribution than those who experienced no disruption due to the pandemic. This is consistent with increased resilience translating into less demand for government intervention. On the other hand, we find no impact of repeated unemployment on donations.

Experiencing past unemployment magnifies the effect of the mild shock on donations: unemployment experiences during formative years translate into an increase in donations of 0.3 standard deviations for those who were forced to reduce working hours (as compared to those who never experienced any labour market disruption). Furthermore, while both past unemployment and experiencing a mild shock independently increase stated support for redistribution, there is no compounding effects of experiencing both.

Table 2: Re-distributive Preferences, Donations, and Adaptation to Employment Shocks

Panel A	Preferences	Preferences
Soft Shock	0.172*** (0.056)	
Hard Shock		0.192*** (0.062)
Young Shock	0.210** (0.084)	0.224** (0.091)
Soft Shock * Young Shock	0.021 (0.111)	
Hard Shock * Young Shock		-0.237* (0.122)
Demographics	Yes	Yes
R-squared	0.15	0.17
N	2,715	2,479
Panel B	Donations	Donations
Soft Shock	0.120** (0.052)	
Hard Shock		0.099 (0.068)
Young Shock	-0.029 (0.064)	-0.014 (0.062)
Soft Shock * Young Shock	0.183* (0.104)	
Hard Shock * Young Shock		-0.117 (0.116)
Demographics	Yes	Yes
R-squared	0.10	0.09
N	2,632	2,408

Notes: These are OLS regressions. Re-distributive preferences are an index between 0 and 100, standardized with a mean of zero and a standard deviation of one. The soft shock is a dummy equal to one if the respondent reported to be forced to reduce working hours and zero if the respondent experienced no shock as a consequence of the pandemic. The hard shock is a dummy equal to one if the respondent was furloughed or laid off and zero if they did not experience any shock due to the pandemic. The young shock is a dummy which takes value one if the respondent reports to have lost their job between 18 and 25 and zero if they have not experienced unemployment in this period. Controls include gender, age, ethnicity, education, labour market status, income categories, occupation category, and state dummies. Standard errors are clustered at the state

level. Significance levels: *** $p < .01$, ** $p < .05$, * $p < .1$.

Our results show that repeated exposure to shocks has differential impacts on stated and revealed preferences and that the results also depend on the interaction between past unemployment experience and the intensity of the current labour market shock. In other words, those who were scarred by unemployment in the past are more generous in donations when suffering a mild disruption. However, in line with adaptation to repeated exposure, experiencing repeated unemployment dampens stated support for redistribution.

To investigate the extent to which different cohorts are impacted by repeated shock exposure, in Table A3 in the Appendix we test whether our results differ by the age of respondents at the time of the survey.⁸ Our results show that the relationship between shocks and preferences does not differ by age on stated preferences: young and old respondents exhibit similar patterns. Specifically, all shocks increase support for our index of policies and there is some evidence (somewhat stronger for young respondents), that there is some adaptation to repeated unemployment shocks.

But young and old respondents behave differently when it comes to donations: for young people we find that a mild shock following past unemployment leads to 0.5 standard deviations increase in donations. Conversely, older respondents appear to exhibit strong adaptation to donations when experiencing repeated unemployment spells, with nearly 0.5 standard deviations decreases in donations for those who experienced both.

3.4 Robustness Tests

Our identification strategy relies on the assumption that experiencing a Covid-19 related shock to employment is exogenous. Since the shock to employment caused by the pandemic was sharp, unanticipated, and on a global scale, we believe that unobserved individual-level characteristics are unlikely to play a large part in the probability of any one individual of experiencing a labour market shock. However, we cannot fully exclude the possibility that the intensity of the shock that respondents experience may not be orthogonal to unobservables such as ability or preferences.

To further explore this, we exploit the respondent's ability to work from home as a proxy for the likely-hood of experiencing an exogenous shock that is either mild or harsh. Adams-Prassl et al (2020) show that the share of tasks one can perform from home is a strong predictor of job

⁸Due to the small sample size we only split the sample for respondents below and above the sample median age of 34 years old.

loss during the pandemic in the US. This approach is conceptually related to that adopted in the literature on plant closure and involuntary unemployment (Clark, 2003; Charles and Stephens, 2004; Marcus, 2013) by assuming that the share of tasks one can perform from home impacts preferences, beliefs, and behaviours through the probability of job loss alone.

In Table A4 in the Appendix we control for each respondent's self-reported ability of performing tasks from home, relative to the sector average.⁹ This measure is a proxy for the individual respondent's preference or ability to perform tasks from home as opposed to similar workers in that sector, and may partly capture individual-specific factors that could lead to selection in terms of labour market shocks. Our results are robust to this alternative specification.

We explore this further by ranking occupations according to the sector-wide average ability of respondents to perform tasks from home. Based on this ranking, we split our sample into quartiles ranging from occupations where most tasks must be performed from the office to occupations where most tasks can be performed remotely. In Table A5 in the Appendix we estimate our main specification only for respondents who experienced a mild shock and work in the top quartile for sector-wide WFH ability. Correspondingly, we also estimate our results for respondents who experienced a hard shock and work in the bottom quartile for sector-wide WFH ability.

We argue that the shocks experienced by these respondents are much more likely to be exogenous and linked to sector-wide working conditions. For example, those employed in food preparation and serving (where only 3% of tasks could have been performed from home), would have been much more likely to experience a harsh shock regardless of individual ability. On the contrary, those working in computer and mathematical occupations (where 83% of tasks could have been performed from home), a mild shock would have been much more likely regardless of individual characteristics. The results in Table A5 confirm our main conclusions, suggesting that selection into a mild or a hard shock is unlikely to explain all of the variation in our main estimates.¹⁰

We also investigate whether current employment shocks are correlated with past ones, to address the concern that individual-level unobserved characteristics may partly explain repeated shock exposure. In Table A6 we show that there appears to be no relationship between the two, again suggesting that individual selection is unlikely to play a large part in our setting.

⁹Sector averages are constructed based on the average response of all respondents working in that specific occupation

¹⁰In Table A7 in the appendix we also explore how our results change if we add a set of dummies for each occupation-state cell to account for the possibility of state-specific differences across sectors and find that our results are robust and stronger with this alternative specification.

4 Conclusions

In this paper we have explored the relationship between labour market shocks and preferences for redistribution. Using unique survey data and exploiting exogenous exposure to labour market shocks we find that stated support for redistributive policies only partly translates into economic behaviour. Our results help explain some of the conflicting findings in the previous literature by showing that stated support for redistribution in the aggregate may hide important heterogeneity across groups. We thus argue that broad survey questions alone may not be able to disentangle between egotropic support for redistributing towards oneself and broader support for reducing differences between others in society.

We show that personal unemployment experiences result into higher support for redistribution due to self-serving reasons, with these respondents supporting unemployment-related redistribution policies, but without contributing personally to reducing inequality. On the other hand, milder exposure to shocks, captured by an involuntary reduction in working hours, translates into a more socially-oriented, universal support for redistributive policies. These respondents appear to both support a broader array of policies and donate significantly more to organizations working to reduce inequality. Our results offer general insights into how economic shocks shape policy preferences. More generally, the discrepancies we identify between stated preferences and behavioral responses contribute to the ongoing debate about the likely persistence, external validity, and generalizability of labour market shocks.

Finally, we show that past and current shocks are not independent and have differential impacts on stated and revealed support for redistribution. More precisely, we show that repeated exposure to unemployment dampens stated support for redistribute policies, suggesting some degree of adaptation to similar events. On the other hand, we find that being sheltered from a hard shock following past unemployment increases generosity in terms of donations. This is consistent with higher empathy towards others who experience hardship as a consequence of one's own past unemployment. These results suggest that the interaction between past economic shocks and universal (as opposed to self-interested) support for redistribution policies may be one route via which exposure to shocks is translated into meaningful behavioral outcomes – highlighting an interesting avenue for further investigation.

Finally, our results also have important implications for contextualizing the link between labour market shocks exposure and political support. Specifically, our findings provide an explanation for why different cohorts, who have have dissimilar histories of shocks, exhibit contrasting views on redistribution policies and vote in systematically different ways. Furthermore, our results suggest a role for policies that shelter people from the impact of extreme economic

experiences in order to foster subsequent empathy, reciprocity, and universal support for reducing inequality.

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5 Appendix

Table A1: Descriptive Statistics

	Mean	Standard Deviation	Sample Size
Preferences			
Basic Income	61.35	34.08	3,361
Automation Tax	67.80	30.39	3,361
Job Guarantee	64.75	28.69	3,361
Reduce Hours	52.90	31.37	3,361
Training	80.77	22.08	3,361
Unemployment Benefits	65.14	28.82	3,361
Return Profits	56.32	28.28	3,361
Index	64.29	21.49	3,361
Donations	6.77	7.13	3,361
Employment Shocks			
Experienced Soft Shock	0.33	0.47	2,704
Experienced Hard Shock	0.27	0.44	2,474
Experienced Young Shock	0.18	0.39	3,361
Demographics			
Female	0.53	0.50	3,361
Age	37.29	12.61	3,361
Ethnicity			
White	0.76	0.43	3,361
Black	0.10	0.31	3,361
Asian	0.06	0.23	3,361
Mixed	0.05	0.21	3,361
Other	0.03	0.17	3,361
Education			
No Diploma	0.01	0.07	3,361
High School Diploma	0.24	0.42	3,361
Technical or Community College	0.20	0.40	3,361
College Degree	0.39	0.49	3,361

Graduate Degree	0.14	0.35	3,361
Doctorate or Professional Degree	0.03	0.17	3,361
Income			
Income below \$20,000	0.11	0.32	3,361
Income \$20,000-\$39,000	0.19	0.39	3,361
Income \$40,000-\$59,000	0.16	0.35	3,361
Income \$60,000-\$79,000	0.12	0.32	3,361
Income \$80,000-\$99,000	0.15	0.36	3,361
Income higher than \$100,000	0.08	0.28	3,361
Employment			
Full Time	0.51	0.50	3,361
Part Time	0.17	0.38	3,361
Unemployed	0.12	0.32	3,361
Not in paid work	0.11	0.31	3,361
Full Time Education	0.06	0.24	3,361
Other	0.03	0.06	3,361

Table A1.B: External validity and comparison to other surveys

	Our sample	Not shocked (our sample)	Shocked (our sample)	ACS (2018)	GSS (2018)
<i>Socio-demographics (%)</i>					
Male	49.3	49.9	46.4	49.7	45.2
Under 45 years old	58.1	56.4	66.3	57.3	59.0
45 years old or over	41.9	43.6	33.7	40.7	39.6
White	72.0	71.9	72.7	71.7	70.4
Black	11.7	11.9	10.6	13.1	15.4
Asian	6.6	6.7	6.4	6.4	—
Other race	9.7	9.5	10.4	8.8	14.2
Low income (<\$40k)	32.8	31.8	37.7	—	—
Medium income (\$40k-\$80k)	35.5	35.3	36.3	—	—
High income (>\$80k)	31.8	32.9	26.0	—	—
Low education (no college degree)	60.2	59.7	62.6	60.8	69.0
Medium education (college degree)	27.1	27.0	27.8	28.3	20.5
High education (postgraduate)	12.7	13.3	9.6	10.9	10.4
Employed	64.5	64.4	64.8	65.2	69.3
Unemployed	4.3	2.9	11.8	3.1	7.2
Student	11.8	11.3	14.5	12.0	5.7
Not in labor force	19.4	21.4	9.0	19.7	17.7
Democrat	29.4	28.9	32.2	—	28.6
Republican	21.9	22.6	18.5	—	21.8
Observations	3,601	2,911	690	1.97M	1,843

Notes: Columns 1-3 display weighted summary statistics from this study (weights are bounded at 0.3, 3.0). Columns 4 and 5 display weighted summary statistics for individuals aged 18 - 65 from the 2018 American Community Survey (Ruggles et al. (2020)) and the 2018 General Social Survey (Smith et al. (2019)), respectively.

Figure A1: Coefficients from Regression Equations of Preferences (Left) and Donations (Right)

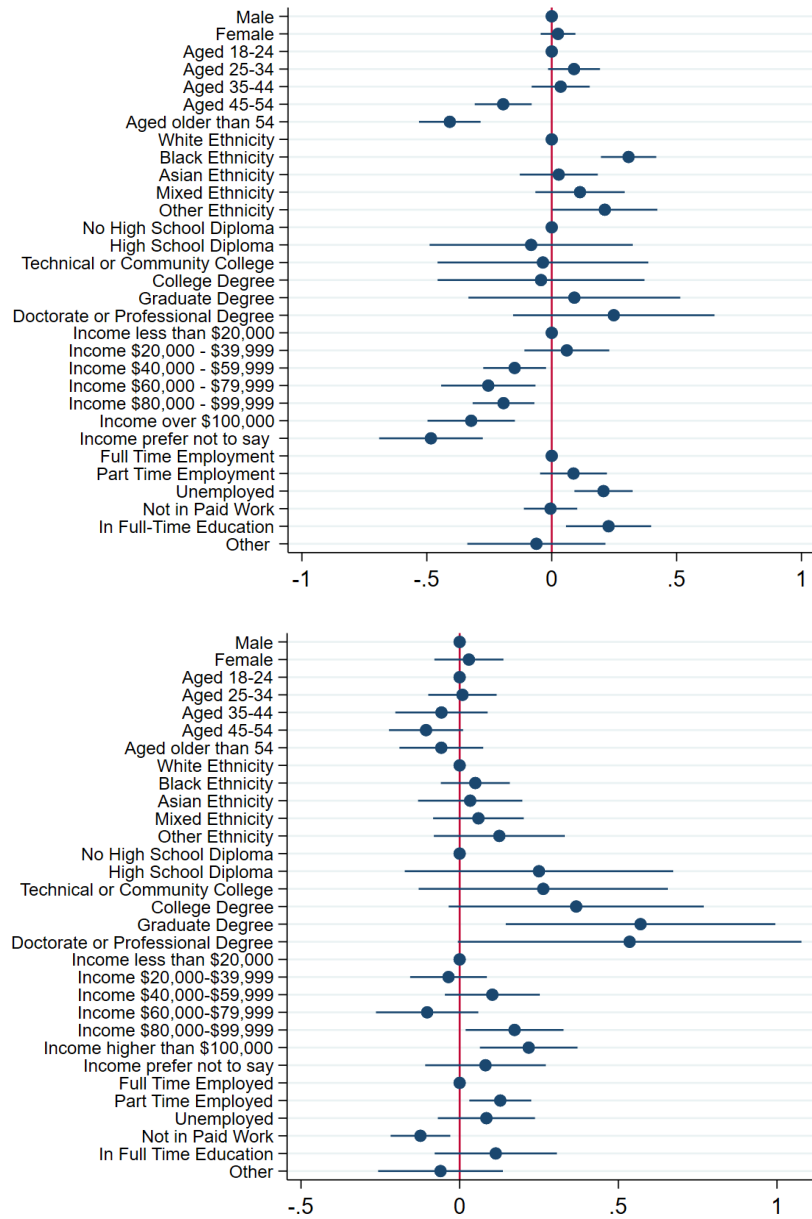


Table A2: Individual Redistributive Preferences and Shocks

	Basic Income	Automation Tax	Job Guarantee	Reduce Hours	Training	Unemp. Benefits	Return Profits
Panel A: Soft Shock							
Soft Shock	4.662*** (1.689)	4.290*** (1.367)	3.170** (1.367)	4.071** (1.614)	2.014 (1.236)	4.573*** (1.403)	5.054** (1.949)
R-squared	0.15	0.10	0.16	0.11	0.10	0.12	0.10
N	2,704	2,704	2,704	2,704	2,704	2,704	2,704
Panel B: Hard Shock							
Hard Shock	3.769 (2.253)	3.561* (1.883)	1.850 (1.753)	4.312*** (1.349)	0.328 (1.407)	6.541*** (1.504)	2.275 (1.778)
R-squared	0.16	0.10	0.17	0.12	0.10	0.13	0.11
N	2,474	2,474	2,474	2,474	2,474	2,474	2,474
Panel C: Young Shock							
Young Shock	7.234*** (2.126)	3.084* (1.722)	2.952* (1.539)	5.620*** (1.662)	1.740 (1.104)	3.578** (1.448)	2.558 (1.609)
R-squared	0.14	0.08	0.15	0.10	0.08	0.11	0.09
N	3,361	3,361	3,361	3,361	3,361	3,361	3,361

Notes: These are OLS regressions. Re-distributive preferences are an index between 0 and 100, standardized with a mean of zero and a standard deviation of one. The soft shock is a dummy equal to one if the respondent reported to be forced to reduce working hours and zero if the respondent experienced no shock as a consequence of the pandemic. The hard shock is a dummy equal to one if the respondent was furloughed or laid off and zero if they did not experience any shock due to the pandemic. The young shock is a dummy which takes value one if the respondent reports to have lost their job between 18 and 25 and zero if they have not experienced unemployment in this period. Controls include gender, age, ethnicity, education, labour market status, income categories, occupation category, and state dummies. Standard errors are also clustered at the state level. Significance levels: *** $p < .01$, ** $p < .05$, * $p < .1$.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A3: Re-distributive Preferences, Donations, and Adaptation to Employment Shocks by Age

Panel A	Pref. Young	Pref. Old	Pref. Young	Pref. Old
Soft Shock	0.142** (0.067)	0.197** (0.079)		
Hard Shock			0.200** (0.085)	0.185* (0.102)
Young Shock	0.275** (0.123)	0.162* (0.092)	0.264** (0.116)	0.173* (0.100)
Soft Shock * Young Shock	-0.101 (0.177)	0.056 (0.127)		
Hard Shock * Young Shock			-0.250* (0.132)	-0.265 (0.257)
Demographics	yes	yes	yes	yes
R-squared	0.16	0.17	0.18	0.19
N	1,287	1,428	1,182	1,297
Panel B	Donat. Young	Donat. Old	Donat. Young	Donat. Old
Soft Shock	0.108* (0.062)	0.103 (0.077)		
Hard Shock			0.096 (0.074)	0.074 (0.094)
Young Shock	-0.142 (0.096)	-0.042 (0.071)	-0.108 (0.088)	-0.044 (0.067)
Soft Shock * Young Shock	0.405** (0.180)	0.111 (0.132)		
Hard Shock * Young Shock			0.177 (0.147)	-0.447*** (0.132)
Demographics	yes	yes	yes	yes
R-squared	0.13	0.15	0.11	0.16
N	1,254	1,378	1,159	1,249

Notes: These are OLS regressions. Re-distributive preferences are an index between 0 and 100, standardized

with a mean of zero and a standard deviation of one. The soft shock is a dummy equal to one if the respondent reported to be forced to reduce working hours and zero if the respondent experienced no shock as a consequence of the pandemic. The hard shock is a dummy equal to one if the respondent was furloughed or laid off and zero if they did not experience any shock due to the pandemic. The young shock is a dummy which takes value one if the respondent reports to have lost their job between 18 and 25 and zero if they have not experienced unemployment in this period. Controls include gender, age, ethnicity, education, labour market status, income categories, occupation category, and state dummies. Standard errors are also clustered at the state level. Significance levels: *** $p < .01$, ** $p < .05$, * $p < .1$.

Table A4: Preferences and Donations With Controls for WFH Ability Relative to Sector Average

Panel A	Preferences	Preferences	Preferences
Soft Shock	0.195*** (0.055)		
Hard Shock		0.160** (0.061)	
Young Shock			0.178*** (0.060)
Demographics	yes	yes	yes
WFH	yes	yes	yes
R-squared	0.16	0.17	0.15
N	2,535	2,328	3,152
Panel B	Donations	Donations	Donations
Soft Shock	0.143** (0.055)		
Hard Shock		0.042 (0.068)	
Young Shock			0.022 (0.061)
Demographics	yes	yes	yes
WFH	yes	yes	yes
R-squared	0.10	0.09	0.08
N	2,458	2,263	3,059

Notes: These are OLS regressions. Re-distributive preferences are an index between 0 and 100, standardized with a mean of zero and a standard deviation of one. The soft shock is a dummy equal to one if the respondent reported to be forced to reduce working hours and zero if the respondent experienced no shock as a consequence of the pandemic. The hard shock is a dummy equal to one if the respondent was furloughed or laid off and zero if they did not experience any shock due to the pandemic. The young shock is a dummy which takes value one if the respondent reports to have lost their job between 18 and 25 and zero if they have not experienced unemployment in this period. Controls include gender, age, ethnicity, education, labour market status, income categories, occupation category, and state dummies. Standard errors are also clustered at the state level. Significance levels: *** $p < .01$, ** $p < .05$, * $p < .1$.

Table A5: Re-distributive Preferences and Donations in Sectors with High and Low WFH Rates

Panel A	Preferences (High WFH)	Preferences (Low WFH)
Soft Shock	0.221** (0.103)	
Hard Shock		0.229*** (0.084)
Demographics	yes	yes
R-squared	0.22	0.29
N	811	763
Panel B	Donations (High WFH)	Donations (Low WFH)
Soft Shock	0.259*** (0.078)	
Hard Shock		0.142 (0.100)
Demographics	yes	yes
R-squared	0.15	0.18
N	787	739

Notes: These are OLS regressions. Re-distributive preferences are an index between 0 and 100, standardized with a mean of zero and a standard deviation of one. The soft shock is a dummy equal to one if the respondent reported to be forced to reduce working hours and zero if the respondent experienced no shock as a consequence of the pandemic. The hard shock is a dummy equal to one if the respondent was furloughed or laid off and zero if they did not experience any shock due to the pandemic. The young shock is a dummy which takes value one if the respondent reports to have lost their job between 18 and 25 and zero if they have not experienced unemployment in this period. Controls include gender, age, ethnicity, education, labour market status, income categories, occupation category, and state dummies. Standard errors are also clustered at the state level. Significance levels: *** $p < .01$, ** $p < .05$, * $p < .1$.

Table A6: Systematic Correlation of Past and Present Shocks

	Soft Shock	Hard Shock
Young Shock	0.048 (0.033)	0.030 (0.029)
Demographics	yes	yes
R-squared	0.19	0.20
N	2,187	1,982

Notes: These are OLS regressions. Re-distributive preferences are an index between 0 and 100, standardized with a mean of zero and a standard deviation of one. The soft shock is a dummy equal to one if the respondent reported to be forced to reduce working hours and zero if the respondent experienced no shock as a consequence of the pandemic. The hard shock is a dummy equal to one if the respondent was furloughed or laid off and zero if they did not experience any shock due to the pandemic. The young shock is a dummy which takes value one if the respondent reports to have lost their job between 18 and 25 and zero if they have not experienced unemployment in this period. Controls include gender, age, ethnicity, education, labour market status, income categories, occupation category, and state dummies. Standard errors are also clustered at the state level. Significance levels: *** $p < .01$, ** $p < .05$, * $p < .1$.

Table A7: Re-distributive Preferences, Donations, and Employment Shocks with controls for occupation x state

Panel A	Preferences	Preferences	Preferences
Soft Shock	0.217*** (0.058)		
Hard Shock		0.155** (0.056)	
Young Shock			0.158*** (0.059)
Demographics	yes	yes	yes
R-squared	0.320	0.345	0.288
N	2,715	2,479	3,373
Panel B	Donations	Donations	Donations
Soft Shock	0.186*** (0.056)		
Hard Shock		0.073 (0.067)	
Young Shock			0.014 (0.069)
Demographics	yes	yes	yes
R-squared	0.256	0.262	0.217
N	2,632	2,408	3,273

Notes: These are OLS regressions. Re-distributive preferences are an index between 0 and 100, standardized with a mean of zero and a standard deviation of one. The soft shock is a dummy equal to one if the respondent reported to be forced to reduce working hours and zero if the respondent experienced no shock as a consequence of the pandemic. The hard shock is a dummy equal to one if the respondent was furloughed or laid off and zero if they did not experience any shock due to the pandemic. The young shock is a dummy which takes value one if the respondent reports to have lost their job between 18 and 25 and zero if they have not experienced unemployment in this period. Controls include gender, age, ethnicity, education, labour market status, income categories, occupation category, state dummies, and a term for each state-occupation cell. Standard errors are also clustered at the state level. Significance levels: *** $p < .01$, ** $p < .05$, * $p < .1$.

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