

Does Stable Employment Loosen the Purse Strings?^{**†}

Jeff Y. Huang^a

School of Economics and Business
Hokkaido University

Abstract

This study investigates the causal impact of stable employment on household consumption in Japan, specifically distinguishing between the “risk reduction effect” of job security and the “permanent income effect” associated with expected wage growth. Using panel data from the Japan Household Panel Survey (2009–2023), the analysis compares transitions from fixed-term non-regular employment to permanent non-regular versus permanent regular employment. The estimation strategy employs Fixed Effects models, First Difference models, and an Event-Study Difference-in-Differences (DID) approach to address unobserved heterogeneity and verify the persistence of treatment effects. The results indicate that transitions to permanent non-regular employment do not lead to significant consumption increase. In contrast, transitions to permanent regular employment might be associated with a significant increase in consumption. Dynamic analysis reveals that this effect on total consumption is not immediate but increases over time, reaching approximately 10% after two years. Additionally, analysis by expenditure category highlights specific increases in selective expenditures, such as dining out. These findings imply that policies must promote long-term income growth, rather than merely removing fixed contract terms, to effectively stimulate consumer demand.

Keywords: Consumption, Fixed-term contracts, Non-regular employment

JEL classification: C23, D12, J41

* This paper has no conflicts of interest to disclose.

† The data for this analysis, Japan Household Panel Survey (JHPS/KHPS), was provided by the Panel Data Research Center, Institute for Economic Studies, Keio University.

^a 黄 振峰, (HUANG Zhenfeng). E-mail: jeff.huang.zfy@gmail.com.