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Stuck in Place: What Lower Geographic Mobility Means for Economic Opportunity



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Executive Summary

Moving is part of the American ethos. Throughout our history, Americans have uprooted their lives in search of opportunity. Today, however, Americans move far less than they used to, which has huge implications for their opportunity to earn a good life.

In the 1950s, about 20% of the population moved every year. By 2017 that number had been cut virtually in half. There are a number of possible explanations for this, but this paper focuses on 5 barriers to geographic mobility:

1. Occupational licensing requirements that differ across states
2. Public pensions and public benefits that are not easily portable
3. High moving costs
4. High costs of living in high-growth areas
5. An outdated unemployment insurance system

We need to provide economic opportunity to people where they live, but we must also make it easier for people who have lost their jobs or want better ones to relocate to higher-opportunity areas if they so desire.

Americans Are Moving Less Than They Used To

In the 1950s, about 20% of the population moved every year. By 2017 that number had been cut virtually in half.[1]
Long-distance moves[2] and the percentage of people moving for a new job[3] have both fallen since the 1980s, a trend that matters for both workers and our economy as a whole. Many people who move long distances do so for job-related reasons, which makes sense given that moving longer distances is more likely to put you in a different labor market.[4] Almost a third of interstate moves are due to a new job or job transfer, compared to just 2% of within-county moves.

Why Is Lower Geographic Mobility a Problem?

Staying put often means less access to economic opportunity in the form of new jobs and higher wages. In the 100 counties that had the highest in-migration per capita from 2010-2017, the number of businesses typically grew by 13% from 2010-2016. By contrast, the number of businesses typically fell by 6% in the 100 counties that had the highest out-migration. In the 100 counties that had the highest in-migration, the median household income was $50,645, compared to $41,086 in the 100 counties that had the highest out-migration. Of the 100 counties that had the highest in-migration, 79 were urban counties, including 43 large urban counties. Of the 100 counties that had the highest out-migration, 89 were rural counties, including 55 rural counties that were not adjacent to an urban area.

Moving to higher-opportunity areas can be especially beneficial for people who are unemployed.[5] People who move within the first two years after losing a job typically experience less of a decline in wages and less time unemployed compared to displaced workers who do not move in the early years after a job loss.[6]

Despite the benefits of moving to areas that are growing, not everyone has the ability to move. For example, college graduates are more mobile than people who have a high school diploma or less. Barriers to moving exacerbate the opportunity gap between low- and high-skilled workers. When lower-skilled workers move to areas that are growing they tend to earn higher wages than if they had stayed where they were. If low-skilled workers who want to move to growing areas could do so, the income gap between college graduates and high school graduates would be smaller.[7]

Barriers to Moving

There are a number of possible explanations for why people move less than they used to. In many cases, workers may not need to move for work, or may not want to. Labor markets across the country have become more homogeneous, so there is less of a need for workers to move to specific parts of the country in order to work in certain occupations and industries.[8] And as technology has advanced, more workers can work remotely and may not need to move in order to take a job. In 2016, 43% of American workers reported working remotely at least some of the time, a 4 percentage point increase from 2012.[9] Family ties also play an important role in decisions about whether to move,[10] and people with strong family ties often choose not to move for work.[11] However, there are also barriers that prevent people from moving to opportunity.

Occupational Licensing

For too many Americans, moving can mean losing their livelihoods. Many states require a person to obtain a license to work in certain occupations in that state. In the early 1950s, less than 5% of US workers were in occupations that required a license at the state level. Today 25% of workers are in occupations that require a license.[12] Two-thirds of this increase is due to growth in the number of occupations requiring licenses, including the emergence of licensing in previously unlicensed occupations, such as sales or personal care. This increase in licensing did not bring uniformity across states; 1,100 occupations are licensed in at least one state, but just 60 are licensed in every state.[13]

To get an occupational license in a state, a person might need to complete a required number of training hours, have a certain amount of experience, take an exam, and pay a fee. These licensing requirements can differ dramatically from state to state, and while some states will honor the license a person received in another state, reciprocity does not exist across the board. For example, a licensed pipefitter in Alabama who moved to Virginia would need to apply for a pipefitter license, take an exam, and pay a $230 fee in order to continue working as a pipefitter in Virginia, since Virginia would not recognize the pipefitter's Alabama license.[14] These hurdles exist despite the fact that Virginia currently faces a shortage of pipefitters.[15]

Licensing requirements may be necessary for some occupations to ensure that all workers in a profession have the skills and training to do their jobs safely and effectively, but differences in requirements among states make it difficult for people to

move to a different state where they might have more job opportunities. The interstate migration rate for workers in occupations that are licensed at the state level is 36% lower than the rate for workers in other occupations, and the growth in occupational licensing can explain 6% of the fall in interstate migration.[16]

Public Pensions and Public Benefits Are Not Easily Portable

Moving can hurt workers' pension wealth and their access to safety net programs. Roughly 13% of Americans work for state and local governments, and 92% of these public employees must stay in a location for a certain number of years in order to collect retirement benefits. In 18 states, for example, teachers can only access their pension benefits if they stay in the system for at least 8 years.[17] The structure of many teacher pension plans also means that teachers accrue little retirement wealth early on in their careers, and accrue much more as they near retirement. These pension plans effectively penalize teachers who change professions or move between states, hurting their ability to build retirement savings.[18] Teachers risk losing half their pension wealth if they move from one state to another rather than staying in one pension plan during their career.[19]

States can set their own eligibility requirements for public programs such as Medicaid and the Supplemental Nutrition Assistance Program, so families may lose access to these benefits if they move from one state to another. A single mother with 2 children would qualify for Medicaid in West Virginia if she earned $28,676, but she would lose her Medicaid if she moved to Texas, where the cap on her annual income would be $3,740.[20] On top of this, burdensome paperwork can make it difficult to transfer benefits.[21]

High Moving Costs

Moving to opportunity is expensive. Jobseekers who want to move to a different labor market might not have enough cash on hand to pay for a security deposit on a new apartment, ship their belongings to a new location, or pay for transportation to their destination. And longer-distance moves that would actually allow a person to change labor markets are typically more expensive than shorter moves, making this type of migration less likely. The average interstate move costs $4,300, compared to $2,300 for a move within the same state.[22] Jobseekers with less wealth are less likely to move than

jobseekers with more wealth, suggesting that moving costs are a barrier for jobseekers who have less cash on hand.[23]

Higher Cost of Living

Areas of the country that are growing economically tend to have higher costs of living, which can lessen the benefits of moving to them. Lower-skilled workers can often get better-paying jobs in those higher-opportunity areas, but they still may not earn enough to keep up with higher housing costs. In the 1,148 counties that had job gains of at least 5% between 2005 and 2015, the median home value was $145,839 as of 2017. By contrast, in the 1,090 counties that had job losses of at least 5%, the median home value was $108,070.[24] Between 1940 and 2010, the return to moving—that is, the after-housing income boost a person would get by moving to a higher-opportunity area— fell by 60% for lower-skilled workers but rose by 38% for higher-skilled workers.[25] As a result, higher-skilled workers still move to high-income areas, but lower-skilled workers now stay in low-income areas with lower housing costs.

In 1960, janitors would earn more in the New York area than in the Deep South even after factoring in housing costs. Today that is no longer the case; janitors now earn less in the New York area than they would in the Deep South after accounting for housing costs. Janitors in the New York area now spend 52% of their income on housing, while lawyers in the New York area spend 21%.[26]

An Outdated Unemployment Insurance System

The structure of our unemployment insurance system makes it tough for people who are unemployed to look for a job in areas with better economic conditions. The unemployment benefit amount a person receives is based on how much they earned at their last job, with most states replacing half a person's weekly earnings.[27] This amount will reflect the cost of living where the person currently lives, and may not be enough to allow the person to save up to move to a higher-opportunity area with a higher cost of living. Indeed, higher weekly unemployment benefits increase jobseekers' geographic mobility, particularly for jobseekers who have less wealth.[28]

On top of this, people risk losing certain unemployment benefits when they move from one state to another. In some cases, unemployment insurance recipients are eligible for extended benefits when state unemployment rates reach certain levels. Extended

benefits are triggered on a state-by-state basis and can last from between 13-20 additional weeks of unemployment benefits depending on the state.[29] However, if a worker moves from a state that grants extended benefits to a state that does not, the worker would lose access to those extended benefits. This lack of portability makes jobseekers less able to move to states with better labor market conditions.[30]

Conclusion

We must make it easier for people who have lost their jobs or want better ones to relocate to areas with better economic conditions if they so desire. Third Way's proposal to replace unemployment insurance with a new reemployment system would include a job search stipend to help defray the cost of moving for those interested in relocating. Federal policymakers can encourage states to harmonize occupational licensing and public assistance requirements. We need new, innovative ideas to increase affordable housing while ensuring that long-time residents can afford to stay in their homes. And we must also work to improve economic opportunity in people's current communities for those who want to stay where they are. Together these approaches will allow us to foster a vibrant economy and ensure that all Americans have access to economic opportunity—no matter where they choose to live.

Data Sources

County data on migration and population come from the US Census Bureau's Population Division. County data on business formation and employed residents come from the US Census Bureau's County Business Patterns. Data on counties' status as either urban or rural come from the US Department of Agriculture's Economic Research Service. County data on median household income come from the US Census Bureau's Small Area Income and Employment Statistics Program. To construct each county's average median household income between 2009 and 2015, we adjusted each figure for inflation (putting each figure into 2015 dollars) and then averaged across years. County data on median home values come from the National Association of Realtors' Housing Statistics.

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