

Structural Unemployment, Housing Lock, and Inter-state Migration



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Even [former President Bill Clinton](#) thinks that structural unemployment – unemployment stemming from a mismatch between job seekers' skills and job requirements – is an important cause of unemployment today. One oft-cited cause of structural unemployment is "housing lock," which happens when unemployed workers can't move to where the jobs are because they can't sell their houses in depressed housing markets.

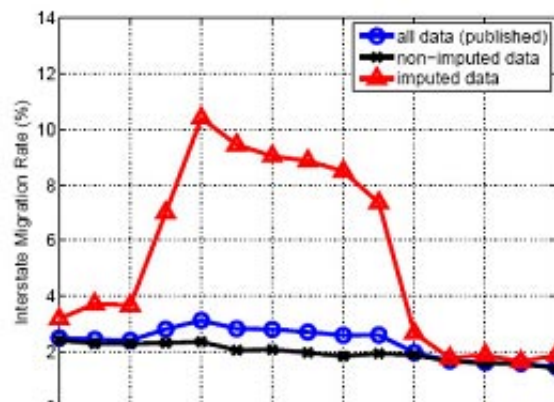
However, according to a recent CEPR [analysis](#) of data from the January 2010 Displaced Workers Survey (DWS), staying rates for displaced workers in states where house-price declines were steepest have not been significantly different from those in states where there was little or no change in house prices.

If housing lock existed, we would expect to see the inter-state migration rates to fall after the housing bubble burst in 2007. But, as economists Greg Kaplan and Sam Schulhofer-Wohl recently showed, inter-state migration rates have not responded in any obvious way to the recession. Instead, they've continued on their same long-term path evident from 1996.

You might have heard that migration rates had, indeed, fallen. Kaplan and Schulhofer-Wohl, however, [demonstrate](#) that earlier reports in the media of falling inter-state migration rates were based on flawed Census Bureau data.

The figure below, from Kaplan and Schulhofer-Wohl, illustrates the point. The blue line shows the published data that was the basis for earlier reports that migration had dropped. The red line shows the effects of an erroneous Census procedure that incorrectly suggested that some CPS respondents had moved across state lines. The black line shows the effect of removing the bad data from the published Census numbers. The relevant point here is that the 2007-2009 recession did not alter the slow downward drift in the inter-state migration rate.

The bottom line is that housing lock does not look to be a factor that contributes to current high levels of unemployment. As Paul Krugman [argues](#) today: "This is a demand-side slump; the evidence is grossly inconsistent with any other story."



1996 1998 2000 2002 2004 2006 2008 2010
Survey Year

(b) With and without imputation