

Leaving Work, Leaving Home: The Neighborhood Mobility of the Unemployed in Canada

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This paper explores the neighborhood choices of unemployed internal migrants in the period following job loss. Focusing on neighborhood relocation decisions in the context of employment status both accounts for non-wage welfare losses related to unemployment and the role of income shocks in generating neighborhood change.

Background

The loss of a job is a destabilizing and potentially devastating event. The spell of unemployment itself, no matter how harsh, is only one of the difficulties job losers must face. Research indicates individuals that experience unemployment are often left with long-lasting negative effects on earnings in later jobs, a process referred to as “scarring” (Arulampalam et al. 2001). Gangl (2004) finds a 15% decline in earnings at the time of unemployment and 6% decrease from initial income in the period following unemployment. Brand (2006) shows that the losses are not limited to wages alone; displaced workers find subsequent jobs with lower occupational status, no health insurance or employer provided pensions. Yet, job loss is not only important in that it prompts a decline in income and future job quality, but also because it disturbs the stability of established social relations built around that income. Unemployment “triggers” numerous life changes, of which, migration is one (DiPrete and McManus 2000). Evidence from both Canada and the United States indicates that the unemployed are more likely to move than individuals with jobs (Schlottman and Herzog 1984; Ernie and Chris 1990; Finnie 2000).

Economic theory offers two possible reasons why the unemployed would move. First, search migration theory posits that the unemployed will only leave their residence when they are unable to find a job that meets their reservation wage in the local labor market, and when the wage offered in another locale will be high enough to offset the cost of moving and job search. Second, the unemployed may seek lower housing costs as a response to a decline in income. Each explanation has competing implications for neighborhood choice. On the one hand, moving is a means to employment, on the other, a way to cope with an income shock irrespective of labor market prospects in the new (or same) locale. Evidence on search migration from Australia and Finland suggests that while the propensity of unemployed movers to find a job is greater than that of non-movers, the effect is largely due to the selection of better quality job losers into migration in the first place (Pekkala and Tervo 2002; Bill and Mitchell 2006). Thus, those who engage in search migration may find no hardship associated with migration. Yet, neither theory deals explicitly with neighborhood of residence; the first examines changes in labor market regions, while the second looks at individual places of residence.

In this study, I will examine which neighborhoods the unemployed move to in order to better understand the non-monetary welfare losses associated with job loss and how labor market status impacts neighborhood compositions. The choice of neighborhood as the unit of analysis is motivated by three factors. First, neighborhoods themselves are assets that people may attain: they provide access to housing quality, schools, and often determine the quality of public

services available (Logan and Alba 1993). Second, neighborhoods can be social connections, connections that may afford access to job networks and social support, or just the opposite (Fernandez and Su 2004). Third, a considerable body of research examines the distribution of population across neighborhoods in terms of salient characteristics such as race, income, or age (Bruch and Mare 2006; Jargowsky 1997; Quillian 1999; Wilson 1987). Evidence from both Canada and the United States documents a notable increase in neighborhood inequality in terms of income and race/ethnicity over time (Massey, Fischer, Dickens, and Levy 2003; Fong and Shibuya 2000; Frenette and Picot 2004). Longitudinal evidence on how employment status and income shocks interact with migration and neighborhood choice will elucidate one possible mechanism through which this change in neighborhood composition occurs.

Research Questions

The first step of my project is to examine what characteristics lead people to move when they lose their jobs. In other words, which labor market participants are most likely to move? Research on inter-regional migration indicate that more highly skilled and educated job losers are more likely to migrate, so it is crucial to see if those that move neighborhoods are also selected into migration. The second step is to ascertain whether moving while unemployed places job losers into neighborhoods with aggregate worse labor market and social outcomes than where they came from and how individual characteristics, such as skill, tenure, and family situation mediate the process. The third step is to analyze whether there exists a dose-response relationship between migration while unemployed and neighborhood choice by examining whether the effects of migration on neighborhood quality hold in the period before the current recession and during the current recession, periods with very different labor market conditions. In addressing the above questions, I treat the migration process as an individual decision associated with certain welfare losses or gains, which may in turn have an impact on population distributions within neighborhoods.

Data

I have obtained permission from Statistics Canada to use the geo-coded Survey of Labour and Income Dynamics (SLID) from 1999-2009. The SLID is a rotating panel survey that follows individuals for 6 year periods and offers a wealth of data on employment histories, spells of unemployment, income and migration. The Census of Canada, collected every 5 years, provides information on the population characteristics of neighborhoods. The timing of SLID panels and Census collection points is ideal; one Census point corresponds closely to the beginning of the SLID panel, another to the end, so I can observe the interplay between individual level moves, as well as the broader macro level changes occurring simultaneously over the 6 year panel.

My dependent variables are neighborhood level outcomes that individuals may achieve through migration and housing selection. Each measure captures a different aspect of neighborhood social and economic characteristics. The first, median income of all individuals fifteen years of age and older with income, captures the basic economic prosperity of each neighborhood. The second, the rate of unemployment of labor market participants, shows to what extent job loss is common amongst neighbors. The third, percentage of income constituted by government transfers, measures the extent to which residents rely on the welfare state for income. The fourth is the incidence of poverty. The dependent variables only vary insofar as an

individual moves; each measure represents only one point in time, the year the Census was taken.

Analysis

I will employ a hybrid random effects regression with individual fixed effects estimators to exploit the longitudinal nature of the data. Taking neighborhood characteristics as the dependent variable, I can model how a change in unemployment status contributes to a change in welfare associated with a neighborhood of residence. In preliminary research, I employ the following model:

$$Y_i = \beta_1' \bar{X}_i + \beta_2' \tilde{X}_{it} + \alpha' Z_i + \delta_i Year_i + e_{it} \quad (1)$$

Where Y_i is the neighborhood level outcome in the year of the move, \bar{X}_i is the subject-specific mean for a vector of time-varying individual characteristics over time, and \tilde{X}_{it} is the deviation from that mean at each time period. β_1 then estimates the average effects between individuals, while β_2 estimates the impact of a change in that variable on Y_i . Z_i is a vector of time constant control variables of interest. The dependent variables, Y_i , are a set of neighborhood level outcomes or features that individuals may achieve through migration and housing selection. A longitudinal model of migration allows for the control of time-invariant subject specific characteristics that may affect neighborhood choice and to account for the previous neighborhood choices individuals have made.

Expected Findings

Preliminary evidence I conducted using SLID suggests that the unemployed move to neighborhoods with higher unemployment rates and lower median incomes than those from which they came.

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