Geographic Mobility over the Life-Cycle

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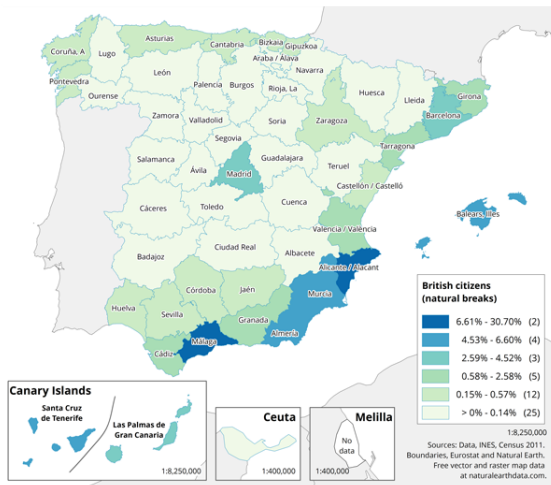
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A short summary

1. New facts on migration over the life cycle in Spain.
   - Gross migration between urban areas is much larger than net migration.
   - Young people move to urban areas with low unemployment. Old people leave these areas.
   - Urban areas with low unemployment also offer higher wages and higher returns to experience.

2. Life-cycle model of migration and job search.
   - Urban areas differ by productivity. High productivity implies high wages and high rents.
   - This fits the patterns: young people move toward attractive labour markets, old people toward cheap housing markets.

3. Calibrate the model to the data and use it for policy experiments.
   - The main policy issue: birth place matters for welfare. How can this be overcome?
   - Rent or migration subsidies seem ineffective.

Comments: migration patterns

- Are older people only attracted by low house prices?

- "*Young, highly educated households tend to move towards places with higher quality business environments. [...] In contrast, [...] couples near retirement tend to move away from places with favorable business environments and towards places with highly valued consumer amenities. These patterns help explain why areas unattractive to both households and business have struggled, as with upstate New York, while the sun-belt and other regions are thriving.*" (Chen and Rosenthal, Journal of Urban Economics, 2008)

- In Spain, older households tend to leave Madrid to go to areas with worse labour markets (and lower house prices). But do they move to Málaga or to Albacete?

Comments: migration patterns

British citizens registered and living in Spain, 2011
By province, as a percentage of the total of British Citizens resident in Spain

- At least for the British, some bad labour markets seem more attractive than others.
- Accounting for this dimension might fit the data even better and affect policy conclusions.

Comments: Model parameters

- In the model, the effective moving rate is

$$\mathbb{P}(\text{Moving}) = \underbrace{\mathbb{P}(\text{Moving opportunity})}_{\text{Exogenous}} \cdot \left(\underbrace{\mathbb{P}(\text{Job offer})}_{\text{Exogenous}} \cdot \underbrace{\mathbb{P}_{\text{Mov. opp. \& Job offer}}(\text{Moving})}_{\text{Endogenous}} \right.$$

$$\left. + \underbrace{\mathbb{P}(\text{No Job offer})}_{\text{Exogenous}} \cdot \underbrace{\mathbb{P}_{\text{Mov. opp. \& No Job offer}}(\text{Moving})}_{\text{Endogenous}} \right)$$

- The policy objective is to move more young people to the best labour markets.

  - However, "*young people accept almost all offers from urban areas with the lowest unemployment rates.*" (i.e., $\mathbb{P}_{\text{Mov. opp. \& Job offer}}(\text{Moving}) \approx 1$)
  - What is $\mathbb{P}_{\text{Mov. opp. \& No Job offer}}(\text{Moving})$ for the young?
  - It the latter is close to 1 as well, we know from the outset that no policy can be successful at moving young people to the best labour markets.

Comments: Model parameters

- To match the data, the model has many exogenous parameters.
  - ▶ Exogenous moving opportunity shocks, depending on location and employment status.
  - ▶ Exogenous job offer shocks, depending on location.

- This can blur the line between exogenous assumptions and endogenous outcomes.
  - ▶ E.g., employed people have more incentives to move than retirees, but they are also more likely to be hit by a moving opportunity shock.
  - ▶ What is the relative force of these two channels?

- There are many interesting and intuitive endogenous forces in the model, which deserve to be put forward.
  - ▶ Maybe a model with fewer parameters does slightly worse at matching the data, but delivers similar policy conclusions?

Smaller comments

- The empirical analysis and the model abstract from price differences across locations (with the important exception of housing prices).
    - ▸ This should matter quantitatively. PPP wage differences between Madrid and Albacete are certainly smaller than absolute differences (and moving incentives are therefore smaller too).

- The model abstracts from saving.
    - ▸ It is probably complicated to fit this into the model.
    - ▸ However, saving might be an important element of the moving life cycle (saving on high wages in Madrid to buy an apartment in Málaga for retirement?)

- The authors only consider subsidies to all residents of high unemployment areas. Specific subsidies for the young (or means-tested subsidies) could be more effective to help people born in these locations.