# Internal mobility: The United States

*Abstract*

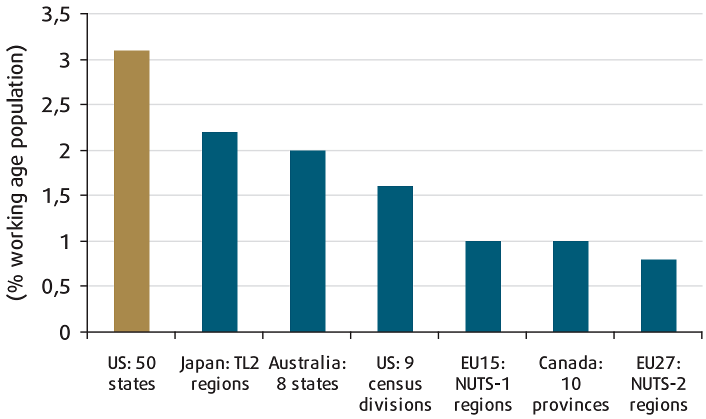
*Labor mobility is much higher in the United States than in other developed countries. Over the past decade, three times as many Americans moved to find jobs and better lives than Europeans. On average, an American moves 11 times during his or her life. The reasons span culture and policy. This higher level of labor mobility partly reflects the culture of a country built through immigration. Americans consider mobility an essential ingredient to the pursuit of a better life. It also reflects policy, as housing and labor market regulations make housing turnover easier than other countries, allowing workers and employers flexibility. This mobility has direct and indirect costs: young Americans often live far from their families, and workers enjoy fewer protections than those in other developed countries. But they also benefit from the ability to negotiate wages, change employers quickly, and start businesses. Countries seeking to create jobs, nudge people back to work, increase earnings and economic growth, and make their economic structures more flexible should look how the U. S. policy environment has supported labor mobility.*

Americans have long been known for moving to wherever the jobs are located. On average, an American moves 11 times in his or her life.[1] Even in times of crisis, 37.5 million Americans changed their addresses.[2] According to the Bureau of Labor Statistics, Americans born between 1957 and 1964 held on average 11 jobs a lifetime. Likewise, the business landscape is adjusting on the constant basis: 1 out of 10 American businesses disappears every year.

## Moving across borders

Levels of mobility recorded in the United States in the past decade were much stronger than in other parts of the world (figure 52). In 2010, 12.5 percent of Americans moved, most of them within the county (69.3 percent). In 2010, one in ten Americans moved to a different state. These numbers were even higher before the 2008-09 crisis. In 2006, nearly 40 million people changed their addresses, according to the US Census Bureau.

**Figure 52: Annual average labor mobility (% working age population) in Australia, Canada, EU15, EU27, Japan, and the US**




Source: Bonin et al. (2008), OECD (2005) and OECD (2007).

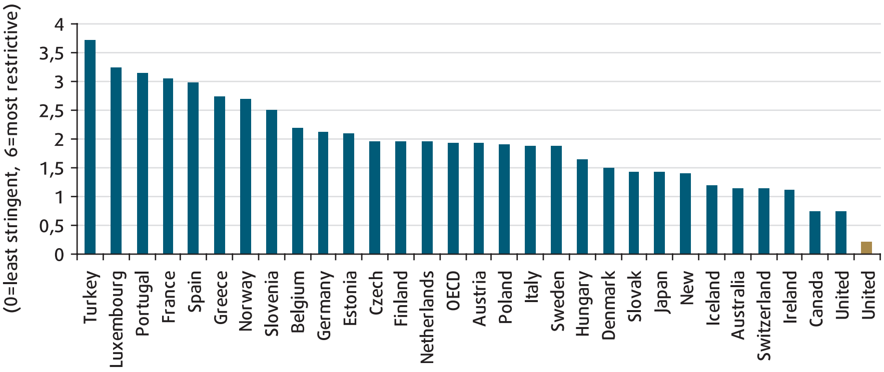
## Why Americans move

What makes Americans move more often than others? First, mobility has been embedded in American society from its beginnings. Jasper (2000) finds that in Virginia in the late 17th century more than half of inhabitants moved within a decade. The Articles of Confederation (1778) reinforced the nation's mobility by granting all citizens a right to migrate among states. Incoming settlers and a territorial expansion that made the land available for settlement in the first half of 18th century only reinforced this process. Current legislation grants equal rights for all residents. The Supreme Court rulings banned hiring preferences for residents of a particular state and licensing for some professions at the state level (e.g., lawyers).[3] Although social benefits across the states differ, they do not have direct impact on mobility patterns (Jacoby and Finkin 2004).

Second, Americans move because it is easy to do so. Between 2005 and 2010, nearly a half of all homeowners moved. The procedures involving buying or selling a property are simple and in most cases open to nonresidents.[4] Foreigners can obtain mortgage loans (there might be higher requirements for the down payment) and receive mortgage insurance from the Federal Housing Administration. And the process of moving is easy. For example, once you change your address and report it to the national postal services, they will forward all the incoming mail to your new address.

Third, labor laws give employers the power to fire, hire, or relocate workers according to their needs. In 2006 the median employee's tenure in the United States was four years; the average tenure in the EU stands at around 10 years. In addition, American employees are far less protected than their OECD counterparts (figure 53).

### Figure 53: Overall strictness of employment protection in 2008 in selected economies




Source: OECD.

Wages are flexible, prompting people to relocate areas where the jobs are located. Card (1990) illustrates this mechanism with the example of the Mariel boatlift from Cuba that brought 125,000 Cuban immigrants to Miami between May and September 1980. They were mostly less-skilled workers. About half settled in Miami, adding about 7 percent to the local labor force and 20 percent to the local labor force of Cuban origin. Although some predicted that an inflow of low-skilled migrants would have negative effects on the labor market, the unemployment rate and wages were not affected by the newcomers. What is more, even for Cubans living in Miami there was no significant difference in wages and unemployment rate before and after 1980.

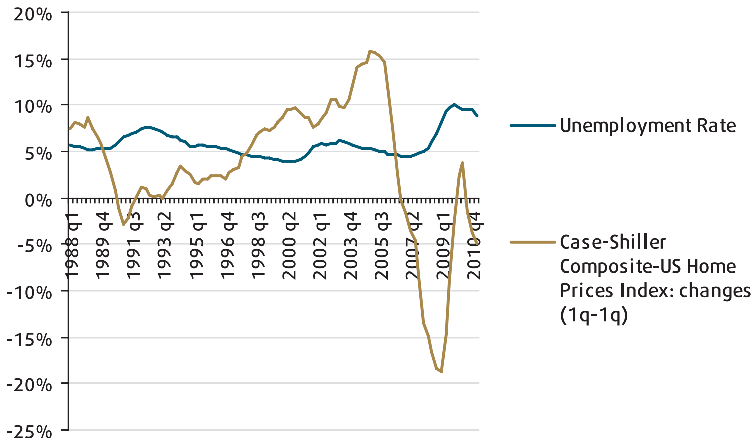
Fourth, the United States benefits from favorable demographics, partly due to immigration. In 2010, 13 percent of Americans were aged 65 years or older, while the share amounted to 17.5 percent in EU27 and 23.1 percent in Japan. This matters because young people are much more likely to move. In 2010, internal migration of Americans aged 50 years or more constituted only 13 percent of total internal migration.[5] A high share of the population with tertiary education also contributes to greater mobility, because college graduates are more likely to move than students with secondary education (the National Longitudinal Survey of Youth).[6]

Finally, mobility is a self-reinforcing mechanism. Kodrzycki (2001) finds that a student who went to college outside of state where he/she attended high school was 54 percent more likely to move again in the five years after graduation. Students that moved with their families between birth and high school were 17 percent more likely to move to another state than a person that had never changed the state before.

## Crises and mobility

Due to the recent economic crisis, mobility rates dropped significantly. Many Americans who in the past would move to find jobs are now tied down by their mortgages and/or are unable to sell their houses. Chan (1998) examined housing market shock and its impacts between 1989 and 1994.[7] His results indicate that mobility rates would have been almost 25 percent higher for four years after the shock had housing prices returned to precrisis trajectories. This trend seems to be reflected in the statistics following the recent crisis. Measured by the Case-Shiller US composite index, US house prices fell from 187 to 135 between 2007Q1 and 2010Q1.[8] At the same time, the number of Americans that changed their address dropped by 5 million in 2010 compared with 2006. Lower labor mobility may make it more difficult to lower unemployment rates, which reached 10 percent in the last quarter of 2009, levels not seen in the country since the beginning of 1980s (figure 54).

**Figure 54: Unemployment rate (%) and the Case-Shiller US composite home price index in the US, 1988-2011**




Source: US Bureau of Labor Statistics, Case-Shiller Index.

However, more recent analyses of the housing prices, mobility, and unemployment by Aaronson and Davis (2011) shows that there is no empirical evidence on the relationship between housing prices and higher unemployment.[9] Since 2008, there has been no significant difference in state-to-state mobility rates differentials between homeowners and renters. In fact, the greatest declines in mobility rates between 2009 and early 2010 were recorded in states with somewhat better housing price performance.

All things considered, the United States remains the global leader in internal mobility. Naturally, as populations age and become more affluent, the incentives to move for some societies might decline. Yet, the imbedded idea of staying on the move will probably shape American lifestyles and economic performance for years to come.

## Sources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## Notes

1 Estimates based on age structure and average rates of moving by age between 1990 and 1993.

2 Reference year: 2010. US Census Bureau.

3 State-specific licensing applies to around a fifth of total workforce in the US.

4 Homeownership rates in the US are lower than in many other advanced economies. This indicator can impact internal migration, as homeowners tend to be less mobile then those who rent. On the other hand, the EU27 average homeownership rate of 68 percent is only 1 percentage point higher than the United States rate of 67 percent, while the mobility rates differ significantly.

5 Internal migration excludes citizens that moved abroad.

6 The survey covers a nationally representative sample of about 6,000 persons aged 14 -22 in 1979. They were re-interviewed at the age of 31– 39 years. See www.bls.gov/nls/.

7 The author uses 30-year mortgage data from New York, New Jersey, and Connecticut between November 1989 and January 1994.

8 The Case-Shiller US composite index is calculated monthly using a three-month moving average and published with a two month lag. See: http://www.standardandpoors.com/indices/sp-case-shiller-home-price-indices/en/us/?indexId=spusa-cashpidff--p-us----.

9 Authors use data from Survey of Income and Program Participation between 1984 and 2010.