The Effect of Business Cycle Fluctuations on Migration Decisions

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Abstract

Migration rates remain stable despite volatility and large differences in local labor market conditions over the business cycle. To understand why this is the case, I use a national longitudinal survey of workers over the last decade to estimate a dynamic model of migration and labor supply. The model accounts for locational heterogeneity and non-stationarity in both earnings and employment frictions. Counterfactual simulations of the model reveal that negative shocks to wages and employment prospects cause out-migration from the affected areas. However, the effects are small primarily because of large moving costs and specificity of local amenities.