Rural Homeownership and Labor Mobility in the U.S.

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We distinguish between four types of unemployment transitions: (1) exit unemployment by taking a new job with a non-local residential move, (2) exit unemployment by taking a new job and not moving (staying in the same county), (3) exiting the labour force, and (4) remaining unemployed (a truncated or censored exit from unemployment).

The raw data, as well as previous research (Mills, 2000), suggests that there is more labour market churning in the rural counties because of a preponderance of seasonal employment such as farming, forestry, mining, and recreation in rural areas. We include two controls for seasonality, one associated with the industry prior to unemployment and the other with the month. Tabulation of monthly data on job openings and labour turnover (JOLTS) been collected by the U.S. Bureau of Labour Statistics since the year 2000 is presented in Figure 6.

We hypothesize that unemployed rural homeowners are more likely to stay in the labour force and accept a local job, and less likely to take a job that necessitates a move or drop out of the labour force altogether.

We estimate a competing hazard model using a five year panel set of observations on individuals. We control for demographics of the individuals and the economic characteristics of their workplaces (Table 1).

Table 3 reports the calculated average marginal effects and the p-values of the significance of the marginal effects (in parentheses) from the multinomial logit model of competing hazard rates, estimated by maximum likelihood. The fit of the model is substantial with well over half of the variation in exits from unemployment (57%) being explained by the variables in the model. Ruralities for homeowners, as hypothesized, has a significantly positive immobilizing effect (exit from unemployment to a job without a move). It is also far the largest measured effect, raising the hazard of an exit to a job without a move by 0.984.

The estimated models (Table 3) reveal evidence of a rural ‘lock-in’ effect in which unemployed rural homeowners appear to be less mobile than unemployed urban homeowners.

Our findings echo the findings of lock-in effects arising from subsidized housing tenure and from mortgage illiquidity that have been identified by other researchers (Quigley, 1987; Hughes and McCormick, 1987; McCormick, 2000; Battu et al., 2008; Ferreira et al., 2008; Coulson and Fisher, 2009).