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# WORKER RELOCATION COSTS: THE ROLE OF WIFE'S LABOR MARKET BEHAVIOR

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## Introduction

It generally has been found that working wives, particularly those with high levels of labor force attachment, have an inhibiting effect on family migration because of the opportunity costs incurred when the family migrates. A recent company relocation experience provided an opportunity to evaluate such behavior. All workers whose jobs were affected were men. An earlier study surveyed these men and their wives in order to examine the wife's employment as a determinant of migration behavior (Rives and West, 1992). Estimated logit functions revealed that location decisions of these families are not influenced by the wife's employment status *per se* (employed or not employed). Labor force attachment (as measured by wife's earnings level, share of family earnings, and continuous employment over her work life), however, did deter relocation.

A second line of inquiry examines the consequences of worker relocation on the wife's employment. A follow-up survey of workers and their wives one year after the move focuses on identifying the costs of relocation associated with changes in the labor market position of the wives. A cost would be incurred by the wife, and possibly by the family, if the wife were not able to find a job, had to wait for a period of time before becoming employed, or found a job that was inferior to her job before the move. In most migration situations, the migrating worker's income increases, thus at least partially compensating for the spouse's lost or decreased income. In this case, the workers' wages and benefits are the same in both locations.

The current research attempts to measure the costs of relocation by determining whether relocation led to unemployment. Second, this research compares the characteristics of the jobs of relocated wives

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who had worked before the move to the jobs that these women held one year after the move.

## The Case Under Study

This case study involves a large company that relocated a number of skilled jobs to another of its facilities about 600 miles away in 1989. Employees were given the option of relocating with the company which meant maintaining their same wage, job status, and job security. Some of the employees were eligible for retirement or for a company buyout. Workers could not choose to continue their employment with the company at the original location. The men involved had an average of 22.6 years of employment with the company. These employees were skilled blue collar workers who were represented by seven different unions.

The company under study provided names and addresses of 487 workers who were offered the option to relocate. In the first study, workers were not contacted until after the families had made a location decision. The authors agreed not to mention the name of the company or the origin and destination cities in any research reports. After families had made their decision to move or stay, questionnaires were sent to both the workers and their wives. Some 408 responses covering 224 families were received: 184 sets from workers and their wives and another 40 from workers but without a wife's response included. Movers were overrepresented among survey respondents, with 64.7 percent of surveyed workers having relocated, while just over half of all eligible workers relocated.

About one year after the relocation was completed, a second, follow-up survey was sent to those who responded to the original worker and wife questionnaire. This mailing elicited 250 responses: 110 sets of responses from workers and their wives as well as another 30 worker-only responses.

## General Market Conditions in Origin and Destination Cities

General economic and labor market conditions in the origin and destination cities at the time of relocation and one year later provide the backdrop against which the survey results can be examined. Such data are available in U.S. Census Bureau publications (*Population Estimates for Metropolitan Statistical Areas, July 1, 1988, 1987, and 1986*, 1988) and in *Employment and Earnings* (various issues). Total employment, which can be used as a proxy for job opportunities, was 27 percent higher in the origin city than in the destination city at the time of the

relocation. At the same time, the population of the origin city was 19.6 percent larger, and its labor force was 25 percent larger than that of the destination city. The unemployment rate was 3.9 percent in the origin city and 5.6 percent in the destination city at the time of the move. The annual rate of employment growth (for the year preceding the move) was 9.21 percent in the origin city and only 2.81 percent in the destination city. These measures suggest more favorable general labor market conditions in the origin city as compared to the destination city at the time of the move.

One year later the origin city showed a decline in employment of 0.1 percent annually, while employment in the destination city grew at an annual rate of 4 percent. The unemployment rate remained relatively higher in the destination city at 5.2 percent versus 3.1 percent in the city of origin.

## Did Moving Lead to Unemployment?

Kaufman (1986) suggests that moving with a spouse is one of several causes of generally higher female unemployment rates. Niemi (1975) notes that migration lowers men's unemployment rates, but worsens the unemployment situation for women. Mincer (1978) confirms this result, finding that wives have higher unemployment rates after migration. Spitze (1984, p. 23) discovers that: " ... for men, migration may be a consequence of unemployment; for women, it is likely to be the other way around." Spitze (1984) also notes that these employment-status effects taper off after the first and second year following migration. Sandel (1977) and Mincer (1978) suggest that a wife may drop out of the labor force because she requires time to establish a household at the new location. Lichter (1980) reports that the disrupting effect of migration on the wife's employment continuity is particularly acute for women in blue collar occupations.

This study shows evidence of the effect of family migration on the wife's employment status *per se*. Table 1 summarizes the changes in employment status for both movers and stayers. (Because of missing responses to employment questions, only 99 of the 110 questionnaires from wives are reported in Table 1.) The most telling information in Table 1 is the difference between movers and stayers in the percentage of those who were employed both before the time of the move and one year later. Before the move, the percentage employed was over 70 percent for both groups. But only 59.4 percent of movers were employed after the move, whereas 71.5 percent of those who stayed were employed. (The drop in the employment proportion for wives who did not relocate may reflect the decisions of some workers and their wives to retire.) The survey also indicates that almost half (46 percent) of those movers who

were not employed after the relocation were looking for work, whereas none of those who stayed and were not employed one year later were looking for work. The data in Table 1, combined with the information on job search status one year after the move, suggest that relocation creates unemployment among moving wives and that, for some, the unemployment is still in evidence one year later.

A related question concerns how long it took the wives to secure employment. The wives who moved and who were employed one year after the move had taken an average of four and one-half months to find their first job. Fifty-three percent had held just one job during the period after the move, 37 percent had held two jobs, and 10 percent had held three jobs.

## Effects of Relocation on Wives' Job Characteristics and Earnings

Within economic models of migration, geographic mobility is viewed as favorably influencing both the job quality and earnings. But for working wives who do not initiate a move for their own economic well-being, economic models of individual migration may not apply. The migration of married women has been found to have a negative impact on their earnings. Earnings may be affected adversely by the higher unemployment and lower labor force participation rates already noted, by decreases in hours worked, and by changes in the type of job held and the related job requirements.

Mincer (1978) attributes the earnings loss of migrating wives to both the reduction in market work and to the slower wage growth of tied migrants. Mincer and Polachek (1984, p. S96) contend that the migration of married women may "militate against continuity of experience and slow the accumulation of earning power." Sandell (1977) reports that the earnings of migrant husbands and family earnings of migrants both increased faster than those of nonmigrants. On the other hand, his data show that the earnings of nonmigrant wives increased faster than did the earnings of migrant wives. Moreover, wives in families that migrated because of the husband's job transfer fared slightly worse than the wives of other migrants, according to Sandell.

These research findings set the stage for an evaluation of the 38 wives who responded to the follow-up survey and who relocated, worked before they relocated, and also were working at the time of the follow-up survey one year later. Due to the small number of respondents who fit this category, statistical tests on the descriptive data provided in Tables 2 through 5 have not been conducted. Moreover, missing responses to some questions produced sample sizes less than 38.

Even though these wives found jobs, the characteristics of these jobs point to a cost of moving in cases where the job is not as good as the job before the move. Two approaches are used in evaluating this issue. First, respondents were asked about the nature of their new jobs in terms of hours worked, supervisory responsibilities, educational and experience requirements, and earnings. These are compared to the characteristics of jobs these women held prior to relocation. The second approach was to ask respondents to compare their new jobs to their jobs before the move in a general way by indicating whether the new job was better, worse, or the same as the old job.

Of the 38 women surveyed, 64 percent were employed full time both before and after the move; 17 percent worked part time both before and after; 11 percent switched from full-time to part-time jobs; and 8 percent went from part-time to full-time jobs. These women had worked an average of 37.6 hours per week before the move and only slightly less (36.7 hours per week) after the move. Among those working part time after the move, almost half expressed a preference for full-time employment.

The supervisory responsibilities in jobs after the move were fewer than in the previous employment. One-third of the workers indicated that they supervised employees in their previous jobs, with an average of seven employees supervised. After relocation, only 19 percent supervised employees, with an average of 2.5 employees supervised.

Tables 2 and 3 summarize the minimum educational requirements and experience level requirements of jobs before and after the move as perceived by respondents. For jobs both before and after the move, wives were asked "What is the minimum educational requirement for a person to perform these job duties?" The options are shown in Table 2. (No respondents indicated an educational level beyond a bachelor's degree.) Table 2 shows a slight decline in educational requirements. Educational requirements remained the same for 64 percent, increased for 11 percent, and decreased for 25 percent of those surveyed.

Experience requirements of jobs after the move were also lower than for jobs before the move. Wives were asked: "What best describes the level of experience a person would need to perform these job duties?" Table 3 shows the response scale provided on the questionnaire. A decline is shown for the two highest experience levels which, combined, fell from over 50 percent to only 33 percent of jobs. Because these evaluations are subjective, the concern is not with the average level reported but with the direction of change noted by respondents. Experience requirements remained the same for 48.5 percent, increased for 12 percent, and declined for 39.5 percent of the cases.

Table 4 shows the distribution of workers by earnings category in jobs before and after the move. Whereas 40 percent of jobs before the move paid $15,000 or more per year, only 19 percent of jobs after the move were at this pay level. Forty-three percent of women reported the same pay category, 8 percent reported a higher pay category, and 49 percent reported a lower pay category. A related measure, share of family earnings contributed from the wife's employment, declined slightly. In prerelocation employment wives contributed an average of one-third of family income, while the postrelocation percentage fell to 29 percent.

Based on these measures, it is apparent that moving imposed a cost on employed wives in terms of lower earnings. Because the husband's wage did not increase with the move, as might be expected in nontransfer migration, nominal family income fell. There are limitations to the data which consist solely of current wage information. Information on benefits (e.g., retirement and insurance) associated with jobs before and after the move as well as knowledge of the potential wage growth in new jobs would provide a fuller picture of the effects of the move on wives' employment position.

Many survey respondents commented on the higher cost of living at the new location. Their perceptions are confirmed by cost of living indexes compiled by the American Chamber of Commerce Research Association (1989) for the fourth quarter of 1989 (the earliest period after the move in which both cities were included). At that time the index for the destination city was 8.4 percent (7.7 index points) higher than the index for the origin city.

The second approach to evaluating job changes was to ask respondents to compare their jobs before and after the move in general and the pay and skill-level requirements of these jobs in particular. The instruction to those surveyed was: "Compare your current job with the job you had at the time of your husband's job relocation." Table 5 shows the percentage distribution of respondents ranking their job, pay, and skill level as the same, better (higher), or worse (lower) than their job before the move. These answers reflect the subjective evaluations of respondents in comparing attributes of jobs before and after the move. More than 50 percent ranked the new job as worse overall (55.6 percent) and with respect to pay (62.2 percent). It should be noted, though, that 22.2 percent indicated job improvements, and 16.2 percent indicated an increase in pay. Wives' subjective responses here were consistent with their comparison of job characteristics discussed above.

This generally low comparative evaluation of jobs following the move by relocated wives who were working at the time of the follow-up survey may have contributed to the lower general satisfaction of movers as compared with those who did not relocate. The general

question was asked: "How satisfied are you with your decision to relocate to [the destination city] or stay in [the origin city]?" Table 6 shows the distribution of responses by those who stayed and those who moved and indicates that movers were less satisfied than were stayers.

In summary, certain costs of moving were imposed on working wives in terms of their opportunities for being employed in the destination city and in terms of the specific job characteristics for those who did become employed. Nonetheless, the opportunity costs of moving were not sufficient to deter those workers (and their families) who did relocate from moving with their jobs. For many, the alternative of staying in the origin city would have meant that the husband would have been unemployed or employed at a lower paying job. Thus, the move was the least costly alternative despite the opportunity costs associated with the changes in wife's employment.

## Conclusions and Policy Implications

The consequences of migration on the working wife act to inhibit family migration. The cumulative burden of higher unemployment, lower labor force participation, loss of human capital-enhancing experience (and perhaps depreciation of existing skills) combine to reduce earnings and to create a substantial opportunity cost for the wife and her family. This study describes a case in which the relocation of husbands' jobs imposed costs on wives (and families) in terms of the wives' labor market activity and job characteristics. Not only did relocation generate unemployment (which existed one year after the move), but a majority of the wives perceived that their postrelocation jobs were not as good as their previous jobs.

U.S. corporations have recognized that such opportunity costs exist and that these costs have tended to reduce the willingness of employees to relocate. In response, corporations have developed relocation programs or have hired companies to provide relocation services. The literature on spouse relocation assistance indicates that company programs concentrate on management employees rather on production and other blue collar employees, even though most corporations have made extensive human capital investments in their skilled workers. Had there been a company-based spouse employment assistance program, the skilled blue collar workers and their wives in this case study may have incurred a lower opportunity cost of moving. This reduction in the opportunity cost of moving may have increased regional labor mobility by encouraging more families to relocate.

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**Table 1**
**Prerelocation and Postrelocation Employment Status for Stayers and Movers (Percent of Respondents)**

| Employment Status | Stayed (n = 35) | Moved (n = 64) |
|---|---|---|
| Employed Before the Move | 74.3 | 79.7 |
| And Employed After | 68.6 | 59.4 |
| And not Employed After | 5.7 | 20.3 |
| Not Employed Before the Move | 25.8 | 20.3 |
| And Employed After | 2.9 | 0.0 |
| And not Employed After | 22.9 | 20.3 |

**Table 2**
**Education Requirements of Prerelocation and Postrelocation Jobs (Percent of Respondents, n = 36)**

| Education Requirement | Prerelocation Job | Postrelocation Job |
|---|---|---|
| Less Than High School | 5.6 | 13.9 |
| High School | 47.2 | 38.9 |
| Technical School | 13.9 | 25.0 |
| Some College | 30.6 | 19.4 |
| Bachelor's Degree | 2.8 | 2.8 |

**Table 3**
**Experience Requirements of Prerelocation and Postrelocation Jobs (Percent of Respondents, n = 33)**

| Experience Level Required | Prerelocation Job | Postrelocation Job |
|---|---|---|
| 1 (Entry Level) | 12.1 | 18.2 |
| 2 | 6.1 | 18.2 |
| 3 | 30.3 | 30.3 |
| 4 | 33.3 | 21.2 |
| 5 (Highly Experienced) | 18.2 | 12.1 |

**Table 4**
**Annual Earnings From Prerelocation and Postrelocation Jobs**
**(Percent of Respondents, n = 37)**

| Earnings Level | Prerelocation Job | Postrelocation Job |
|---|---|---|
| Under $5,000 | 2.7 | 13.5 |
| $5,000-$9,999 | 24.3 | 18.9 |
| $10,000-$14,999 | 32.4 | 48.6 |
| $15,000-$19,999 | 13.5 | 10.8 |
| $20,000 and over | 27.0 | 8.1 |

**Table 5**
**Comparison of Prerelocation and Postrelocation Jobs**
**(Percent of Respondents)**

| Comparative Ranking | Job (n = 36) | Pay (n = 37) | Skill Level (n = 36) |
|---|---|---|---|
| Same | 22.2 | 21.6 | 41.7 |
| Better (Higher) | 22.2 | 16.2 | 16.7 |
| Worse (Lower) | 55.6 | 62.2 | 41.7 |

**Table 6**
**Overall Satisfaction With the Decision to Move or to Stay**
**(Percent of Respondents)**

| Satisfaction Level | Stayed (n = 33) | Moved (n = 69) |
|---|---|---|
| Very Satisfied | 57.6 | 20.3 |
| Somewhat Satisfied | 24.2 | 31.9 |
| Neutral | 6.1 | 17.4 |
| Somewhat Dissatisfied | 9.1 | 18.8 |
| Very Dissatisfied | 3.0 | 11.6 |

Chi-square = 15.332*

*Significant beyond the .01 level