

Should I stay or should I go?

Worker migration and the role of housing wealth in responding to regional economic shocks^{*}

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Abstract

It is well documented that adverse local shocks are followed by a rise in the out-migration rate, a reduction in the in-migration rate, and a decline in home prices. The responses of individual workers show rich heterogeneity, leading to a changing composition of the local population in the long run. Our understanding of the economic factors that give rise to this heterogeneity is however limited. Using Norwegian administrative data on workers in the oil-producing Stavanger region and the 2014 plunge in global oil prices, I find that workers' housing wealth is a key variable in explaining who stays or goes. I document that workers with little or no housing wealth left the region at a higher rate following the shock while homeowners with more housing wealth were more likely to stay. This indicates that the value of other locations has shrunk. Using a life-cycle model with endogenous location, housing, and saving choices, I show that the value of moving is reduced for homeowners when home prices fall and that they are worse off by staying compared to renters who are compensated by a rent reduction. On net, the difference in location values for homeowners increases less than for renters, who therefore move more even if less impacted by the total shock. Empirically, people who moved in benefit from the lower cost of housing; renters and older workers of lower income and with relatives in the region arrive at the same or a higher rate than before.

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