

# Discussion of “Should I Stay or Should I Go? The Response of Labor Migration to Economic Shocks”

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**Disclaimer:** Any opinions or conclusions expressed herein are those of the author(s) and do not indicate concurrence with other members of the research staff of the Federal Reserve Bank of Minneapolis, the Federal Reserve System, or the Board of Governors.

# An excellent paper with many strengths!

- Brings a **new perspective** to an older set of questions.
- **Intriguing central finding:** population responses to local employment shocks have been largely stable since mid-20<sup>th</sup> century in the U.S.
- **Thorough** use of empirical inputs – many data sets and dimensions of interest (outcomes, geography, time period, shock source).
- Very clear and well-written.

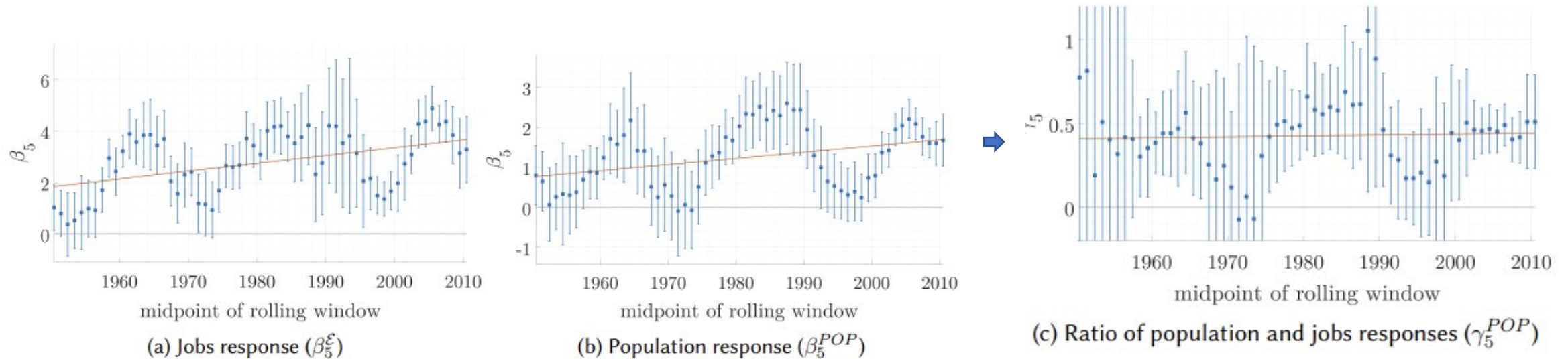
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- Very clear and well-written.
- **Paraphrasing Bob Hall:** If dynamism were relabeled “turnover,” then everyone would be excited instead of worried about its decline.
- **Translation:** Do we know what we’re observing? Can we tell if it’s good or bad?

# An abridged history of migration, labor market transitions, and dynamism

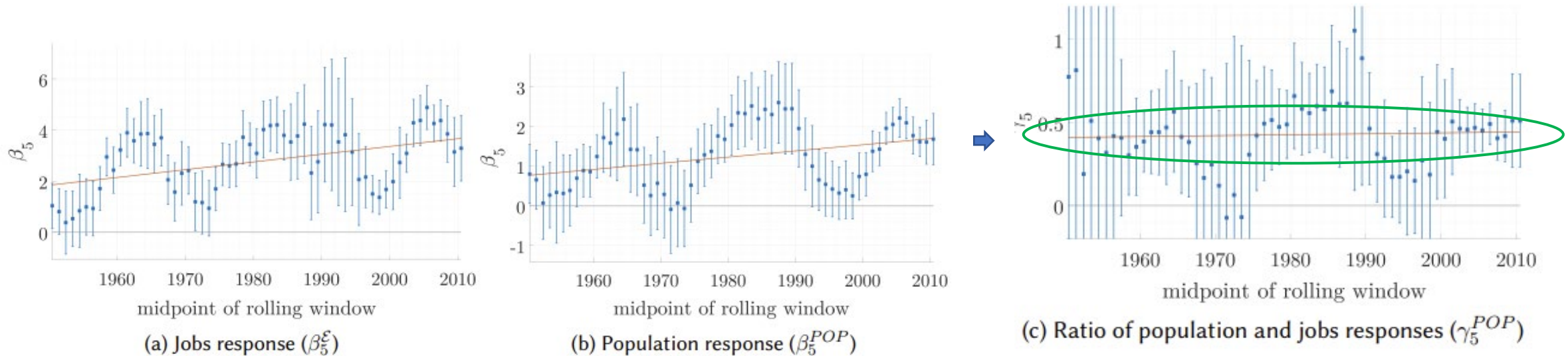
- Migration important for local labor market adjustment, but necessary to identify shocks to separate supply and demand responses Blanchard and Katz (BPEA 1992) and Bartik (*Who Benefits...?* 1991)
- Migration in the U.S. declined steadily from 1980 onwards Molloy, Smith, Wozniak 2011
- A search for causes and consequences, only partially satisfying Kaplan and Schulhofer-Wohl 2012; MSTW 2016; MSW 2017; Molloy and Smith 2019
- A revision: How important is migration to re-equilibration anyway? Dao, Furceri, Loungani 2017
- **This paper:** Migration, in a sense, has not declined. Elasticity of local population growth to local employment growth has been steady for over 5 decades.

# Key analysis: Estimating 5-year elasticities of state-level population w.r.t employment



- Regress  $\Delta \ln$  jobs [from CES] five years out on local shocks to employment growth **(a)**
- Regress  $\Delta \ln$  population five years out [from Census decadal + interpolation] on local shocks to employment growth **(b)**
- Take the ratio to calculate the change in pop in response to change in employment **(c)**

# Main result: Population responsiveness has not declined over time

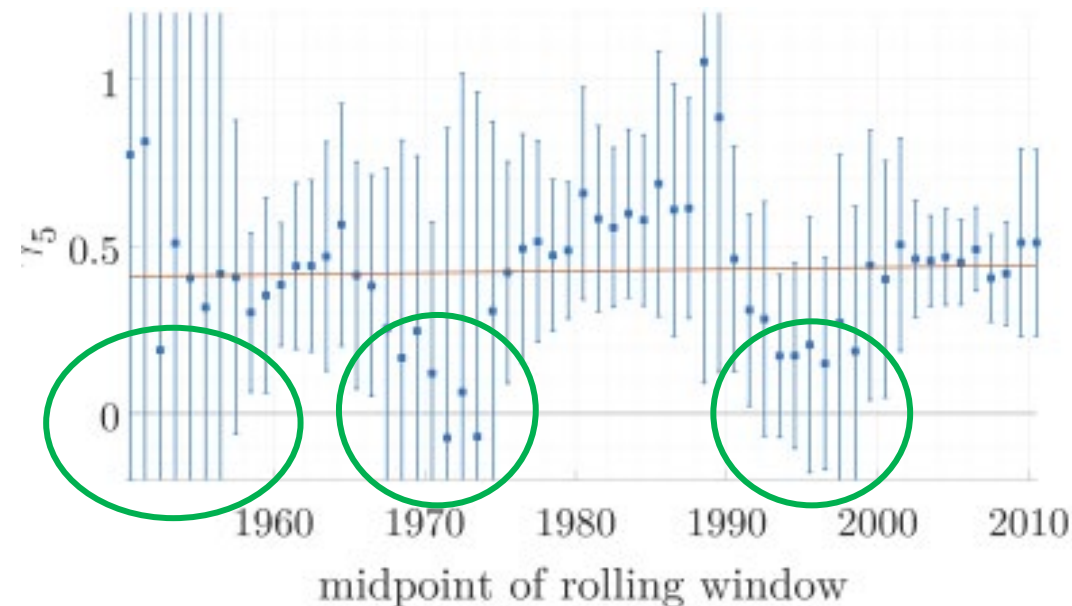


- Cannot reject a constant elasticity of  $\sim 0.5$  over the period
- **Q:** “Has migration become less responsive over time?” **A:** “Viewed from the perspective of history, there is... little evidence that contribution of migration to labor adjustment has declined.”

# Can we run with this conclusion?

## Reasons for caution

- Frequent large standard errors, more than 1/3 of the time cannot reject zero
- True data frequency of population less than annual

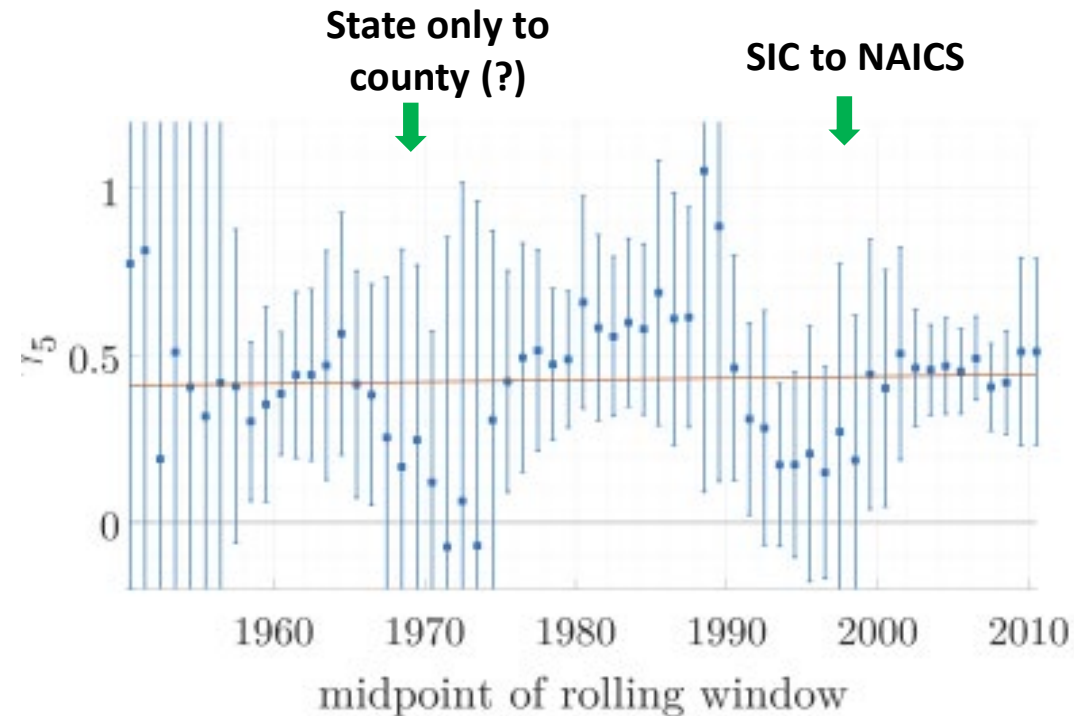


(c) Ratio of population and jobs responses ( $\gamma_5^{POP}$ )

# Can we run with this conclusion?

## Reasons for caution

- Frequent large standard errors, more than 1/3 of the time cannot reject zero
- True data frequency of population less than annual
- Data seams in most series



(c) Ratio of population and jobs responses ( $\gamma_5^{POP}$ )

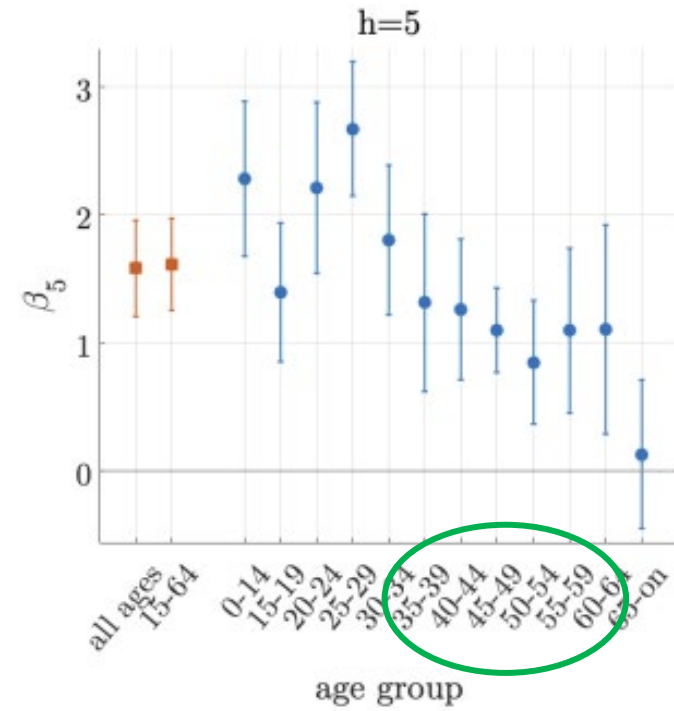
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# Additional puzzles

- Perplexing results at finer geographies
- ... and across age groups

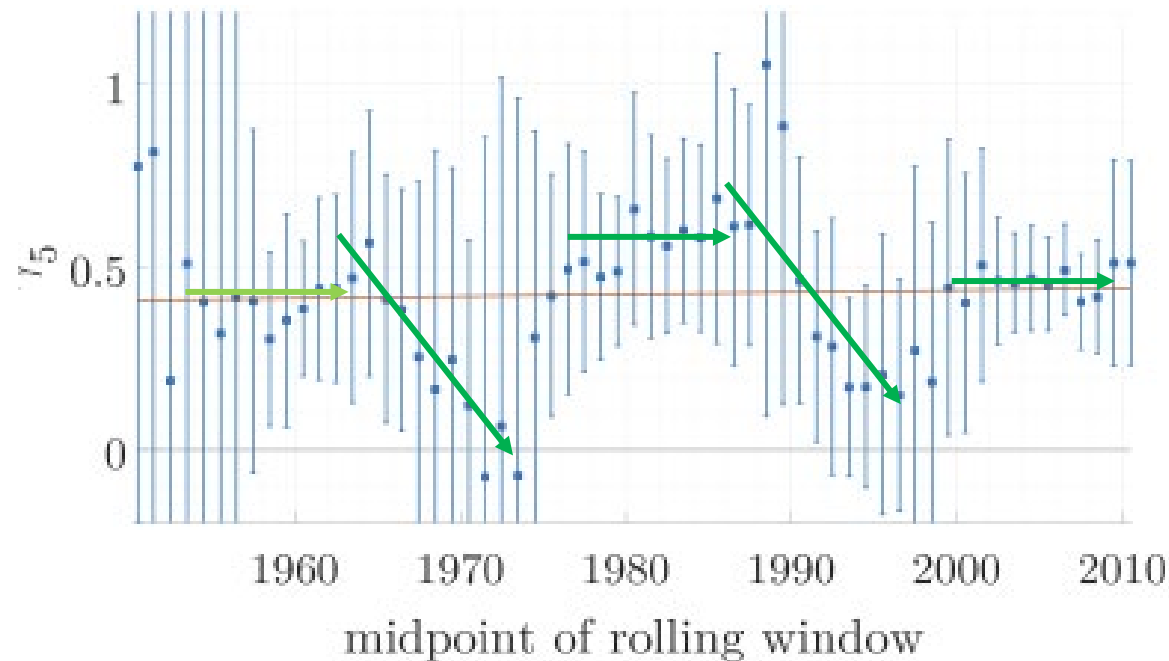
Estimates of $\gamma$ (from Table 1)		
	Short-run ( $h=0$ )	Long-run ( $h=5$ )
State	0.14 (0.07)	0.61 (0.11)
CZ	0.11 (0.02)	0.57 (0.08)
County	0.11 (0.01)	0.54 (0.06)



From Fig 6

# Suggestions

- (1) Identify the single highest quality data scenario and lead with that.
  - LAUS for employment or IRS pre-2012
  - Export, NAFTA, or Great Recession shocks
- (2) Consider an alternative reading: Eras of stronger and weaker adjustment.



(c) Ratio of population and jobs responses ( $\gamma_5^{POP}$ )

# Questions this paper raises

What accounts for variation in the employment response to shocks in the elasticity denominator first stage?

- Fig 5a shows a large increase in employment persistence over time with substantial declines and recoveries in some periods.
- Paper describes (one of ) these as an exception, but are they a bigger story?

If accept the paper's central claim, then responses to local shocks drive a larger share of migration over time. Implications of this?

Migration declined over three decades or more. Since 2010s, stable with ongoing cyclicalality.

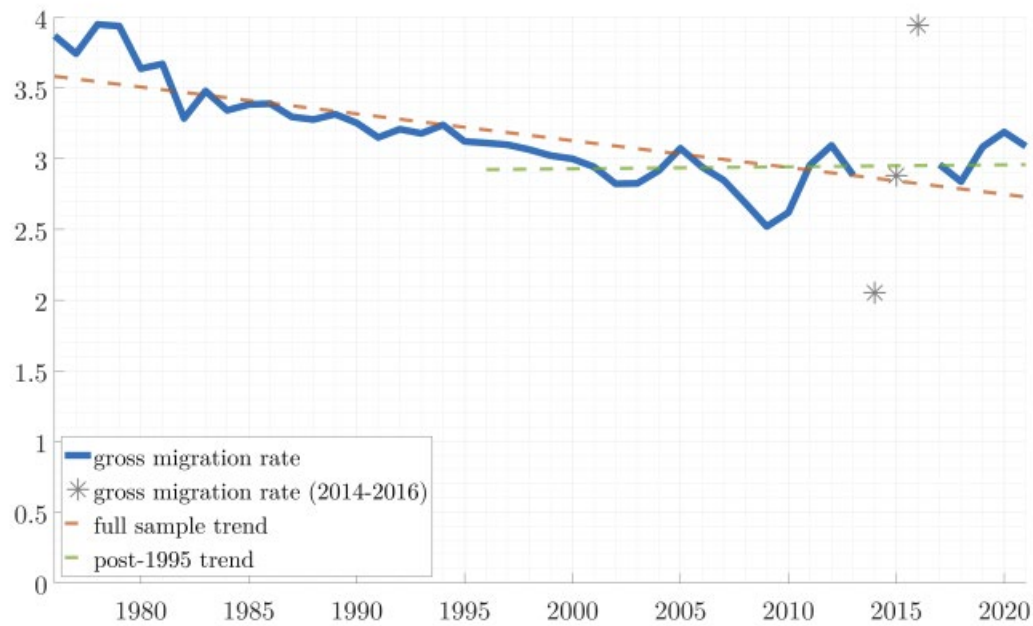
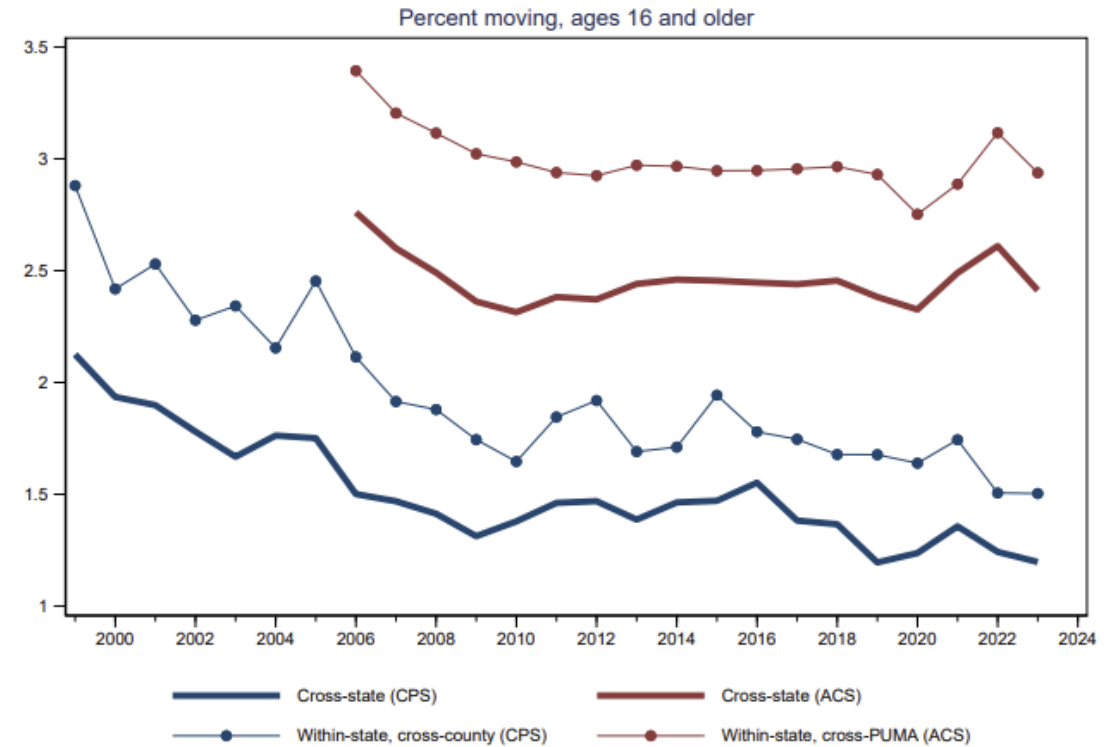


Figure 1: GROSS CROSS-STATE MIGRATION RATE, 1976-2021



Source: Christopher L. Smith calculations, extending MSW 2011.

# Could we make progress on understanding causes of the transition to lower levels of migration?

- Difficult to assess welfare implications without knowledge of these.
  - This paper suggests that population continues to respond to local demand but offers some clues for additional causal investigations.
    - Procyclical migration generally (MW 2011, DFL 2017)
    - Connection of labor market factors to migration decline (MSTW 2016, MSW 2017)
    - Somewhat counter-cyclical nature of greater pop responsiveness to local demand combined with more persistent demand shocks (this paper)
- **Possibly:** Migration has a substantial normal good aspect that people are buying less of, suggesting demand shift or price increase. (food for thought!)