Free exchange

The geography of joblessness

The difficulty people have in getting to jobs makes unemployment unnecessarily high

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IN THE OECD, a club mostly of rich countries, nearly 45m people are unemployed. Of these, 16m have been seeking work for over a year. Many put this apparently intractable scourge down to workers’ inadequate skills or overgenerous welfare states. But might geography also play a role?

In a paper* published in 1965, John Kain, an economist at Harvard University, proposed what came to be known as the “spatial-mismatch hypothesis”. Kain had noticed that while the unemployment rate in America as a whole was below 5%, it was 40% in many black, inner-city communities. He suggested that high and persistent urban joblessness was due to a movement of jobs away from the inner city, coupled with the inability of those living there to move closer to the places where jobs had gone, due to racial discrimination in housing. Employers might also discriminate against those that came from “bad” neighbourhoods. As a result, finding work was tough for many inner-city types, especially if public transport was poor and they did not own a car.

For the past 50 years, urban economists have argued over Kain’s theory. Some, like William Julius Wilson, then of Chicago University, pointed to the decline of inner-city manufacturing to explain the sharp spike in poverty in black inner-city neighbourhoods between 1970 and 1980—in keeping with Kain’s logic. Others, like Edward Glaeser, another Harvard economist, suggest that spatial mismatch is overblown. There may indeed be a correlation between where people live and their chances of finding a job. But the connection may not be causal: people may live in bad areas because they have been shunned by employers, either for lack of skills or because of racial discrimination.

Until recently economists did not have adequate data to back up their opinions. Studies used cross-sectional data—a snapshot of an economy at a single point in time—which made it hard to disentangle cause and effect. Did someone live in a bad area because they could not find a job, or was it more difficult to find a job because they lived in a bad area? It was also hard to know quite how inaccessible a particular job was. Researchers could calculate the distance between homes and
job opportunities but struggled to estimate how much time it would take to get from one to the other by car or public transport. And the research was marred by small samples, often all from a single city.

A new paper, published by the National Bureau of Economic Research, avoids these pitfalls. It looks at the job searches of nearly 250,000 poor Americans living in nine cities in the Midwest. These places contain pockets of penury: unemployment in inner Chicago, for instance, is twice the average for the remainder of the city. Even more impressive than the size of the sample is the richness of the data. They are longitudinal, not cross-sectional: the authors have repeated observations over a number of years (in this case, six). That helps them to separate cause and effect. Most importantly, the paper looks only at workers who lost their jobs during “mass lay-offs”, in which at least 30% of a company’s workforce was let go. That means the sample is less likely to include people who may live in a certain area, and be looking for work, for reasons other than plain bad luck.

For each worker the authors build an index of accessibility, which measures how far a jobseeker is from the available jobs, adjusted for how many other people are likely to be competing for them. The authors use rush-hour travel times to estimate how long a jobseeker would need to get to a particular job.

If a spatial mismatch exists, then accessibility should influence how long it takes to find a job. That is indeed what the authors find: jobs are often located where poorer people cannot afford to live. Those at the 25th percentile of the authors’ index take 7% longer to find a job that replaces at least 90% of their previous earnings than those at the 75th percentile. Those who commuted a long way to their old job find a new one faster, possibly because they are used to a long trek.

The annihilation of space with time

Other papers suggest that workers may be in the wrong place. A study from the Brookings Institution, a think-tank, finds that poverty in America has become more concentrated over the past decade. During the 2000s the number of neighbourhoods with poverty rates of 40% or more climbed by three-quarters. Unlike Kain’s day, though, poverty is growing fastest in the suburbs, not the inner cities. Pockets of concentrated poverty also tend to suffer from bad schools and crime, making them even more difficult to escape.

Spatial mismatch is not just an American problem. A paper by Laurent Gobillon of the French National Institute for Demographic Studies and Harris Selod of the Paris School of Economics finds that neighbourhood segregation prevents unemployed Parisians from finding work. Another study, conducted in England, concludes that those who live far from jobs spend less time looking for work than those who live nearby, presumably because they think they have little hope of finding one.

All this has big policy implications. Some suggest that governments should encourage companies to set up shop in areas with high unemployment. That is a tall order: firms that hire unskilled workers...
often need to be near customers or suppliers. A better approach would be to help workers either to move to areas with lots of jobs, or at least to commute to them. That would involve scrapping zoning laws that discourage cheaper housing, and improving public transport. The typical American city dweller can reach just 30% of jobs in their city within 90 minutes on public transport. That is a recipe for unemployment.

*Studies cited in this article*

"Job displacement and the duration of joblessness: The role of spatial mismatch", by F. Andersson et al, National Bureau of Economic Research, 2014


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