



Local amenities and life-cycle migration: Do people move for jobs or fun?

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ABSTRACT

Do households move for jobs or fun, and where do they go when they move? We address these questions using the 1970–2000 US Census. Based on a panel of quality of life and business environment measures, households prefer MSAs in warm coastal areas and non-metropolitan locations, while firms prefer large, growing cities. In addition, cities with improving business environments acquire increasing shares of workers, especially workers with high levels of human capital; cities with improving consumer amenities become relatively more populated by retirees.

Further analysis of individual level migration decisions indicates that regardless of marital status, young, highly educated households tend to move towards places with higher quality business environments. This tendency is especially pronounced among highly educated couples who are more subject to job market co-location problems. In contrast, regardless of education, couples near retirement tend to move away from places with favorable business environments and towards places with highly valued consumer amenities. These patterns help explain why areas unattractive to both households and business have struggled, as with upstate New York, while the sun-belt and other regions are thriving.

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1. Introduction

Between 1990 and 2004, upstate New York experienced a 25 percent decline in the number of young adults (ages 25 to 35) with even higher rates of decline among the college educated.¹ This dramatic exodus and related “brain drain” undercuts the viability of local economies. Yet, over the same period, other regions of the US have experienced dramatic increases in population, especially in the sun-belt states. Estimates provided later in this paper help to explain why: of 346 regions identified in the United States, the major upstate cities all offer limited appeal to both households and firms, while cities such as Phoenix, San Diego, and Sarasota rank highly.²

These shifts in population are also characteristic of a broader phenomenon in the US: the US population is geographically mo-

bile. Between 1995 and 2000, for example, 45.9% of US residents moved at least once.³ Of these moves, nearly half were to locations outside of the original county. With birth and death rates relatively stable in the US, the willingness of households to migrate is a primary driver of regional shifts in the supply of labor and the local level of human capital. Migration can also have profound effects on the age distribution of the population: at the same time that young adults were leaving upstate New York over the last fifteen years, the region’s population of individuals age 45 and over increased by 15 percent.⁴ These shifts increase demand for services and housing sought out by older families at the same time that the tax base and quality of the local labor force are compromised. Moreover, challenges of this sort are likely to increase as the Baby Boomers retire, both in Upstate and other “graying” regions of the United States.

This paper explores several closely related questions about migration and related effects on the local supply of labor. How does migration vary with the level of an individual’s human capital? For example, to what extent do skilled young people seek out growing, productive metropolitan areas in order to build their careers? How does migration vary with marital status, especially for younger married couples with high levels of education? Such families are

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¹ See The Post Standard (2006).

² Appendix A reports estimates of year-2000 area rankings for locations throughout the US from both household and business perspectives. With 1 as the most preferred and 346 as the least preferred, from the household’s perspective, Buffalo, Rochester, and Syracuse are ranked 294, 299, and 305; from the firm’s perspective, these cities are ranked 161, 126, and 185. In contrast, Phoenix, San Diego, and Sarasota rank 205, 12, and 47, respectively, in the eyes of households, and 76, 30, and 147 in the eyes of firms. The manner in which these ranks are computed is described later in the paper.

³ See the Census 2000 Migration Reports prepared by the US Bureau of the Census. The full reports are available at the Census Bureau website: <http://www.census.gov/population/www/cen2000/migration.html>.

⁴ See The Post Standard (2006), for further discussion of the “graying” of upstate New York.

likely to face co-location problems in the job market, especially in smaller cities with thin labor markets (e.g. Compton and Pollak, 2007 and Costa and Kahn, 2000).⁵ Are retirees drawn to cities with high levels of consumer amenities? Previous work suggests this is an important phenomenon (e.g. Gabriel and Rosenthal, 2004),⁶ but other research documents that moving can have adverse effects on the health of post-retirement singles (e.g. Chen and Wilmoth, 2004; Speare et al., 1991; and Wilmoth, 1998). This suggests that the tendency to migrate in the retirement years is likely sensitive to an individual's marital status. More generally, to what extent do families balance employment versus consumer amenities when making migration decisions, how does this vary over the life cycle, and in what way are migration patterns sensitive to family structure (i.e. marital status) and the family's level of human capital? The answers to these questions have direct implications for the future growth and composition of different cities.

An important first step in our analysis (outlined in Section 2) is to develop a set of quality of life (Q_H) and quality of business environment (Q_B) indicators. Our approach follows that of Gabriel and Rosenthal (2004), and the earlier quality of life literature that laid the foundations (e.g. Blomquist, 2006; Blomquist et al., 1988; Gyourko and Tracy, 1991; Roback, 1982; and Rosen, 1979). In this literature, the "quality of life" in one city relative to another is measured by the amount of real wage workers are willing to forgo for the opportunity to locate in the more attractive area. As extended by Gabriel and Rosenthal (2004), the "quality of business environment" is measured by the amount of additional input costs (equal to land plus labor costs) that an employer is willing to incur for the opportunity to locate a worker at a given site. Using hedonic methods, we estimate indicators of quality of life and business separately for individual metropolitan areas and state-specific non-metropolitan areas throughout the United States. As will become apparent, this allows for migration both between and across metropolitan and non-metropolitan areas.⁷ Moreover, we create separate indexes for 1970, 1980, 1990, and 2000. The extensive set of Q_H and Q_B indexes is itself a significant contribution of the paper, as these measures can potentially be used in other work.⁸

Summary measures based on these indexes indicate that the correlation between Q_H and Q_B ranges from -0.24 to 0.14 in the different decades. The relatively low degree of correlation indicates that households and firms often prefer different locations. Indeed, the highest ranked locations for households are most often non-metropolitan areas and warm, coastal cities, while the highest ranked areas from industry's perspective are often large, growing cities. These differences are consistent with those reported by Gabriel and Rosenthal (2004) using a much smaller data set for

just 37 metropolitan areas.⁹ These differences are also not surprising: households seek to maximize utility while firms seek to maximize profits, and there is no reason that these criteria should imply similar preferences for location. Sunshine and warmth, for example, may enhance a household's sense of well being, but have little effect on the ability of industry to produce their products. Big-city agglomeration economies may enhance a firm's ability to produce and market its product, but have little effect on a household's happiness.

An implicit assumption that underlies the quality of life (quality of business) model is that workers (firms) are mobile and will migrate to locations that offer higher levels of expected utility (profits). Allowing for moving costs, this is a long-run perspective. To examine whether these relationships hold in the data, in Section 3 we create a panel of population shares across decades for each location, matching that information with the Q_H and Q_B indexes. Results confirm that workers are drawn towards areas with improving quality of the business environment, and especially so for highly educated individuals. In contrast, the locations with improving quality of life become increasingly skewed towards retirees and away from workers.

A challenge in the aggregate panel analysis is that city size and composition may be perceived as amenities by either households or firms. This could give rise to a simultaneous relationship between the quality of environment and population share measures. Accordingly, in Section 4, we use person-level data from the 2000 Census to analyze the migration of individuals. We assume that the location-specific Q_H and Q_B indexes remain unchanged between 1995 and 2000 and compare the individual's reported 1995 MSA and state of residence to their year-2000 location. This enables us to analyze the degree to which different types of individuals at different periods in their life cycle migrate towards or away locations with higher values of Q_H and/or Q_B . Importantly, because each individual is a price taker, Q_H and Q_B are clearly exogenous for this portion of the analysis.

Several broad patterns emerge from this analysis. Perhaps most important, between ages 20 to 35, regardless of marital status, highly-educated households tend to move to places with high quality business environments. This tendency is especially pronounced for couples with two college degree for whom productive locations provide opportunities to resolve job market co-location problems (e.g. Costa and Kahn, 2000). The pattern is also strong among college educated singles regardless of gender. Together, these patterns are strongly suggestive that individuals with high human capital move to productive locations when young in order to take advantage of their skills. In contrast, after age 55, regardless of education, married couples move away from places with favorable business environments and towards places with highly valued bundles of consumer amenities; singles display no such tendency. This may indicate that marriage enhances enjoyment from attractive local environments, but an alternate explanation is that retired singles may depend more on previously developed local social networks and face higher moving costs for that reason (e.g. Chen and Wilmoth, 2004; Wilmoth, 1998).

Our results yield implicit forecasts of which areas in the US are likely to thrive or suffer in coming years. Moreover, the same model could be applied to other regions and countries for which migration is important (e.g. Berger et al., 2008). To clarify, we begin with the construction of the quality of life and business environment measures.

⁵ Costa and Kahn (2000) apply differencing methods to census data to identify job market co-location effects as a contributing factor to the rising concentration of two-college degree couples in large cities. Compton and Pollack (2007) instead use the Panel Study of Income Dynamics (PSID) to consider these issues. Compton and Pollack argue that their findings suggest that the rising concentration of highly educated couples in large cities has more to do with the greater opportunity for highly educated singles to meet in large urban centers. As will become apparent, our analysis of census data is largely supportive of Costa and Kahn (2000) although our evidence on co-location effects is sensitive to identifying assumptions.

⁶ See Albouy (2008), Blomquist (2006), Gabriel et al. (2003), Greenwood et al. (1991), Graves and Knapp (1988), Graves and Waldman (1991), Kahn (1995), Krumm (1980), or Smith (1983), for additional studies of the influence of local amenities on compensating variations and related migration decisions.

⁷ As of 2000, 19.5 percent of the US population lived in non-metropolitan areas. Between 1995 and 2000, 6.2 million people moved from census-defined metropolitan areas to non-metropolitan areas, while 5.7 million people moved from non-metropolitan areas to cities.

⁸ The Q_H and Q_B indexes are estimated using decennial Censuses from each of the individual decades restricting the samples to household heads age 20 to 95.

⁹ Gabriel and Rosenthal (2004) used annual and biannual data from the Consumer Population Survey (CPS) and the American Housing Survey (AHS) from 1977 to 2001. The scope and size of those samples restricted the analysis to 37 cities and also did not allow for consideration of human capital, marital status, and life-cycle factors.

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