

Moving Out to Move Up

Who Leaves and Where Do They Go?



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Although the U.S. labor market is performing well overall, some areas of the country lag significantly on important economic indicators. In 2016, about 10 percent of major metropolitan areas had prime-age employment rates that were 10 percentage points or more below the national rate. And there are a great many areas with declining employment: From 2014 to 2017, more than 60 metro areas experienced annual employment declines for at least two of the three years.¹

What is happening in these lagging places? Are people giving up on them and moving out to chase opportunity elsewhere? The United States has a long history of migration to opportunity, famously seen in episodes like the Gold Rush of the 1800s. Indeed, earlier research shows that internal migration played a key role in equalizing labor market outcomes across places.² However, the rate at which Americans move across counties, cities, or states has been on the decline since at least the 1980s,³ and migration may be less responsive to local economic shocks than it once was.⁴ Perhaps as a consequence, some key economic outcomes at the local level appear to have diverged or stopped converging across areas over the last few decades,⁵ and a narrative has emerged that people in areas with little economic opportunity are finding it increasingly difficult to move away. One particular source of concern is that high housing costs in prosperous areas, bolstered by constrained housing supply, have prevented more migration into places with better employment prospects.⁶

In this article, we approach these issues by examining migration out of metropolitan areas with little economic opportunity. Specifically, we take on four key questions. First, how does migration from struggling places compare with migration from prosperous areas? Second, who is most likely to leave areas with weak labor markets?

Third, do migrants from those areas tend to move to places with more jobs? Finally, are constraints on housing supply an additional barrier to migration? By answering these questions, we can clarify the importance of different types of barriers to moving toward opportunity. Although the issues that we address are similar to those facing migration out of rural areas (since many rural areas have also experienced weak labor markets recently), our focus in this article is on urban areas.

Migration and job prospects

We start by asking whether migration within the United States depends much on the job opportunities available in different metropolitan areas.⁷ Our answer: There is only a weak connection between migration and labor market strength.⁸ Average migration rates into areas with the weakest job prospects are only about 0.75 percentage point lower than average migration rates into the strongest labor markets, and the relationship between employment and outflow rates is also weak and in fact in the “wrong” direction (see Figure 1). This relationship between migration and job opportunities has been fairly stable from the mid-1990s to the present, suggesting that barriers to leaving struggling areas have not intensified over the past 20 years.

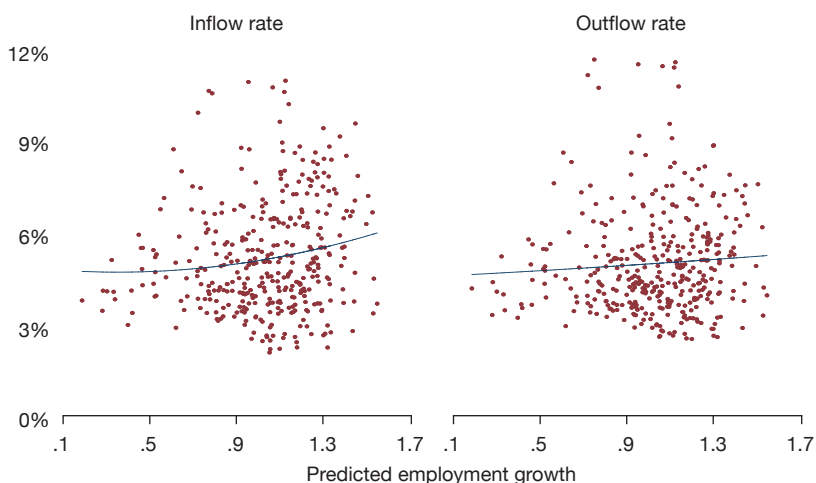
Who leaves struggling areas?

Are the types of migrants who move out of struggling areas different than those who move out of more prosperous areas? To address this question, Figure 2 reports average migration rates from 2005 to 2016 by metro area labor market strength.⁹ The figure is based on an individual-level model of the probability of moving that controls for the socioeconomic and demographic characteristics of individuals, such that each data point displays the migration rate for each group in each labor market level, net of all other characteristics in the model.¹⁰ The figure graphs migration rates for three labor market levels:

The orange marker pertains to struggling areas; the green marker pertains to middling areas; and the blue marker pertains to prosperous areas. If the orange marker is to the right of the blue marker, it means that the group in question is more likely to leave struggling areas than prosperous ones.

The figure reveals several interesting differences in migration rates across metropolitan

Figure 1. The relationship between migration and predicted annual employment growth is weak.



Note: The figure plots metros' average inflow and outflow rates (2001–2016) against metros' predicted employment growth (annualized, in percentage points). Line shows the fitted value from a regression of the inflow or outflow rate on a quadratic function of predicted employment.

areas. First, whereas younger people are especially likely to move out of all metropolitan areas, they are more likely to migrate away from struggling areas than prosperous ones, while the reverse is true for individuals over age 50. Older individuals are, in other words, more likely to migrate away from prosperous areas. Second, individuals with at least four years of college are more likely to leave areas with weak labor markets. In comparison, individuals with less education are less likely to leave home in general, and their migration rates do not depend much at all on the strength of their home labor market. These differences indicate that individuals with larger returns to moving are more likely to migrate out of struggling areas compared with their counterparts living in prosperous areas. This is not terribly surprising. However, if younger and more educated workers are more productive, this fact is potentially worrisome from the perspective of those who remain in struggling areas, since the greater propensity of younger and more educated people to leave could further reduce productivity in these places.

It is well documented that homeowners move less frequently than renters.¹¹ The third block of Figure 2 shows that the differential in migration rates between homeowners and renters is much larger in areas with little economic opportunity, suggesting that the moving costs imposed by homeownership might be larger in struggling areas.

Figure 2 also shows migration rates by race. Latinx and white residents are just as likely to leave prosperous areas as they are to leave struggling areas. By contrast, Black residents are less likely to move out of struggling areas than prosperous areas. Because our analysis adjusts for the individual's relative income within the metropolitan area, this finding cannot be explained by racial differences in income. Rather, it could be that Black individuals have less financial wealth (conditional on income) or fewer nonmonetary resources that would help them move out of struggling areas. Meanwhile, Asian individuals are more likely to move out of areas with weak labor markets than to leave areas with strong employment opportunities.

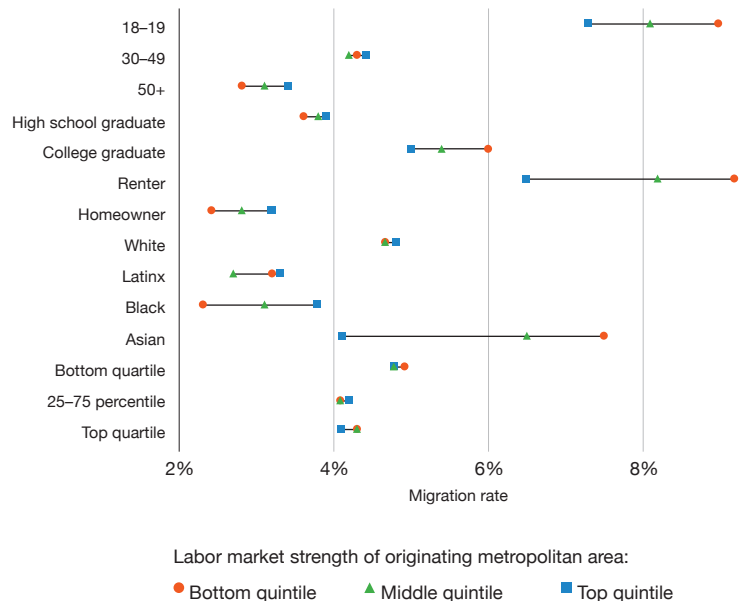
Finally, we see no material differences in average migration rates across metropolitan areas according to an individual's relative income in the metropolitan area. Thus, monetary resources do not seem to play a big role in reducing migration out of struggling areas.

Where do migrants go?

Do migrants from struggling areas move to prosperous areas—and if not, why? In Table 1, we show the average share of migration outflows by the labor market strength of the origin and destination metro areas.¹² Migrants from struggling areas are about equally split between destinations that have weak, moderate, and strong labor markets. Twenty-six percent of migrants from areas with the weakest labor markets move to other weak labor markets, 42 percent move to moderate labor markets, and 32 percent move to prosperous areas. By contrast, about two-thirds (61 percent) of migration from prosperous areas is to other prosperous areas.

Why isn't migration from struggling areas targeted toward areas with more jobs? Part of the explanation appears to be that struggling areas are geographically separated from prosperous areas. The average distance between a struggling area and a prosperous area is about 1,100 miles,

Figure 2. Young adults, college graduates, renters, and Asian individuals are most likely to leave struggling metropolitan areas.



Note. Average migration rates by age are adjusted for other population characteristics by regressing the probability that someone moves out of a metropolitan area on metropolitan area indicators and all other characteristics reported in the figure. The first set of results reports the average residual from this regression for each age group plus the average migration rate of the entire sample. Average migration rates by other population characteristics are calculated similarly. Source: American Community Survey, 2005–2016.

compared with an average distance of 540 miles between struggling areas. In Panel B, we adjust outflows between metro areas for the distance between them.¹³ After conditioning on distance, migration from struggling areas *does* appear to be more targeted toward prosperous areas: When destinations with weak, moderate, and strong labor markets are equally distant from a struggling metro area, roughly 14 percent of migration outflows from struggling areas are to other weak labor markets, while 86 percent go to areas with moderate and strong labor markets. In contrast, distance is not a big consideration for those who leave prosperous areas. Even controlling for distance, the large majority of moves out of prosperous areas are to other prosperous areas.

What role does housing play?

As a descriptive matter, we don't find that constraints on housing supply serve as an additional barrier to migration. In Panel C of Table 1, we show adjusted outflow shares after controlling for the strength of housing supply regulation and geographic barriers to new housing construction in the destination metropolitan area.¹⁴ These results are only slightly different from the distance-only adjustment (Panel B), suggesting that the correlations between housing supply constraints and labor market strength, while positive, are not extremely strong. Indeed, among metropolitan areas with relatively strong economic opportunities, roughly one-third do not have strong geographic or regulatory constraints on the

Table 1. Mobility from struggling to prosperous areas is suppressed because they are far apart.

| | Labor market strength of origin | | |
|--|---------------------------------|---------------|-------------|
| | Low demand | Middle demand | High demand |
| A. Labor market strength of destination | | | |
| Low demand | 26 | 11 | 7 |
| Middle demand | 42 | 41 | 32 |
| High demand | 32 | 48 | 61 |
| B. Labor market strength of destination, adjusted for distance between origin and destination | | | |
| Low demand | 14 | 8 | 9 |
| Middle demand | 44 | 40 | 33 |
| High demand | 43 | 52 | 58 |
| C. Labor market strength of destination, adjusted for distance between origin and destination, destination housing regulation, and geographic barriers to new construction in destination | | | |
| Low demand | 15 | 12 | 13 |
| Middle demand | 44 | 39 | 33 |
| High demand | 41 | 49 | 55 |

Note: Each panel displays outflows from metros in the listed third of the labor demand distribution (columns) to metros in the listed third of the demand distribution (rows). Outflows are calculated as a share of all outflows to metros in our sample, so each column in each panel sums to 100. Panel A displays average outflow shares over 2001–2016 (excluding 2015 due to data quality issues) for the 71 or 72 metros in each quintile of the labor demand distribution. Panel B displays average outflow shares over this period after adjusting for the distance between originating and receiving metros. Panel C displays average outflow shares after adjusting for distance, as well as for a measure of the receiving metro's level of housing regulation and geographic constraints to construction relative to other metros. The regression specifications used to adjust outflow shares are described in the text. Source: IRS migration data from county to county, 2001–2016 (excluding 2015).

housing supply. To be clear, we are not claiming that housing supply constraints do not deter migration—indeed, in unreported results we do see lower migration flows into more-constrained metropolitan areas. It's just that migrants have a number of prosperous destinations with few housing supply constraints to choose from.

Conclusions

We find surprisingly little evidence that substantial barriers, such as educational attainment and housing costs, prevent people from moving out of metropolitan areas with relatively weak employment opportunities to more prosperous areas, or that any such barriers have become stronger over time. In support of this conclusion, out-migration from struggling areas is no less common than out-migration from areas with stronger labor market opportunities, and over the past 20 years out-migration from struggling areas has not fallen relative to migration out of other areas. The types of people with larger gains to moving are more likely to move out, and among those who do move, flows from struggling to prosperous areas do not seem to be impeded by housing supply constraints in prosperous areas. It is worth noting that all of our analysis on the types of people who move out of struggling areas and the destinations they choose is similar when we examine the prerecession, recession, and postrecession time periods separately, indicating that any factors influencing

these decisions have not changed materially over the past 20 years.

That said, we find that distance appears to be an important factor in limiting migration from struggling areas, since struggling areas are more likely to be near other struggling areas and farther from more prosperous ones. This suggests that policies intended to encourage workers stuck in poor labor markets to move elsewhere may be most effective if they focus on barriers related to distance, including the financial costs of moving, the lack of formal or informal networks in distant labor markets, and lack of information about distant areas where jobs are plentiful. Place-based policies that are directly intended to boost the economies of struggling areas may also be effective given the geographic concentration of strong and weak labor markets.¹⁵

Homeownership also seems to be an additional impediment—homeowners in struggling areas are less likely to leave compared with homeowners in prosperous areas—and so researchers and policymakers who want to understand why more people don't move out of struggling areas should also focus on the factors that reduce homeowners' ability to move to locations with greater opportunity.

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Notes

1. These results pertain to non-farm payroll employment.
2. Blanchard, Olivier Jean, and Lawrence F. Katz. 1992. "Regional Evolutions." *Brookings Papers on Economic Activity* 1, 1–61.
3. Molloy, Raven, Christopher L. Smith, and Abigail Wozniak. 2011. "Internal Migration in the United States." *Journal of Economic Perspectives* 25(3), 173–196.
4. Dao, Mai, Davide Furceri, and Prakash Loungani. 2017. "Regional Labor Market Adjustment in the United States: Trend and Cycle." *Review of Economics and Statistics* 99(2), 243–257.
5. Ganong, Peter, and Daniel Shoag. 2017. "Why Has Regional Income Convergence in the U.S. Declined?" *Journal of Urban Economics* 102, 76–90; Austin, Benjamin, Edward Glaeser, and Lawrence Summers. 2018. "Saving the Heartland: Place-Based Policies in 21st Century America." *Brookings Papers on Economic Activity*.

6. Hsieh, Chang-Tai, and Enrico Moretti. 2017. "Housing Constraints and Spatial Misallocation." NBER Working Paper 21154; Glaeser, Edward, and Joseph Gyourko. 2018. "The Economic Implications of Housing Supply." *Journal of Economic Perspectives* 32(1), 3–30.
7. To measure labor demand, we follow a commonly used strategy in labor and urban economics that was developed by Timothy Bartik. We predict the change in employment from 2001 to 2016 that would have occurred in each area if employment for each industry in the area grew at the same rate as national employment in that industry. See Bartik, Timothy J. 1991. *Who Benefits from State and Local Economic Development Policies?* Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. We obtain data on employment by industry and county from the Bureau of Economic Analysis's Local Area Personal Income and Employment tables. We use 21 categories of nonfarm civilian employment. See <https://www.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1>.
8. Migration data are obtained from the Internal Revenue Service's Statistics of Income data. See <https://www.irs.gov/statistics/soi-tax-stats-migration-data>. We omit migration data from 2015 because communication with IRS staff indicated that the data from that year are not reliable. Migration rates are first calculated for each metro and then averaged over all metros in that quintile.
9. Data are from the 2005–2016 annual surveys of the American Community Survey. We downloaded the data from Ruggles, Steven, Katie Genadek, Ronald Goeken, Josiah Grover, and Matthew Sobek. 2017. *Integrated Public Use Microdata Series: Version 7.0* (dataset). Minneapolis: University of Minnesota. <https://doi.org/10.18128/DOI0.V7.0>.
10. For example, consider the first three rows, which show adjusted average migration rates by age. We regress an indicator for whether an individual migrated out of a metropolitan area on metropolitan area indicators and all of the characteristics reported in the table except age. Then we average the residuals from these regressions by age group and add the average migration rate across all people in all metropolitan areas.
11. Molloy et al., 2011; Zabel, Jeffrey E. 2012. "Migration, Housing Market, and Labor Market Responses to Employment Shocks." *Journal of Urban Economics* 72(2–3), 267–284.
12. Data are from the Internal Revenue Service's Statistics of Income data.
13. To arrive at these estimates, we regress flows between every pair of metropolitan areas on an indicator for whether the metros are 200 miles apart or more and indicators for whether the receiving metro is a middle- or high-labor-demand metro. We use this measure of distance because we found a significant drop-off in average migration flows between metropolitan areas around 200 miles apart, suggesting a nonlinear relationship between migration flows and distance. We estimate regressions separately for originating metros in each quintile of the labor demand distribution. We convert the regression results into average outflows to prosperous areas by adding the coefficient on the indicator for being in a prosperous metro, the constant, and the coefficient on distance multiplied by the share of metro pairs that are 200 or more miles apart; then we multiply the resulting sum by the number of receiving metros in the top third of the demand distribution. We follow a similar strategy to calculate outflows to middle and struggling areas.
14. We measure regulatory constraints on housing supply using the Wharton Residential Land Use Regulation Index. See Gyourko, Joseph, Albert Saiz, and Anita Summers. 2008. "A New Measure of the Local Regulatory Environment for Housing Markets: The Wharton Residential Land Use Regulatory Index." *Urban Studies* 45(3), 693–729. We measure geographic constraints on land availability using estimates from Saiz, Albert. 2010. "The Geographic Determinants of Housing Supply." *Quarterly Journal of Economics* 125(3), 1253–1296. For Panel C, we follow a similar approach as described for Panel B but add to the regression whether the receiving metro has low, middle, or high housing regulation and low, middle, or high geographic constraints.
15. See, for example, Austin, Glaeser, and Summers, 2018.