Interpreting migration through the prism of reasons for moves: what can we learn about the economic returns to migration from survey data?

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Abstract

In the classic model of migration, flows across labor markets occur in response to lower unemployment and higher real wages. Households move to improve their returns to labor. This paper provides evidence that this conceptualization may now be an oversimplification of the migration process as a whole. While young male migration is labor market driven, family change, life style choices and housing needs are playing an increasing role in long distance migration decisions. This is not to argue that jobs do not matter, rather employment may be an "enabler" of migration rather than determining migration. Survey data confirms that most moves are not generated by jobs, but that said migration between labor markets brings increases in hourly wages and yearly income. Although those who say they moved for employment reasons are more likely to make gains and express increased satisfaction with employment opportunities the intersection between economic opportunities and economic gains is not strong. The paper argues that we may be witnessing a shift in migration decision making from an investment decision to a consumption decision.

Introduction

The cornerstone of research on labor market migration has been the human capital model - that people and households move to increase their human capital and the decision is one about the immediate costs of moving and the expected future benefits from gaining a job or a better job. For the employed migration is a response to differences across labor markets where higher wages attract workers from regions where wages are lower (Shields and Shields 1989). For the unemployed, job opportunities in growing labor markets are an incentive to move.

That a difference in wages plays a role in labor movement has certainly received support from studies of international migration. There is considerable work in the neo-classical context that supports the fundamental proposition that immigration is tied to international differences in wage rates (Taylor 1987; Funkhouser 1992). Yankow (2003) reports significant gains in in wages for migrants in contrast to those who change jobs and do not move. Gains are more immediate for low skilled workers while for higher shill workers there is a delay

in income gains . Recent studies of internal migration in Britain have confirmed the role of wages in migration for employed men (Boheim and Taylor, 2007).

However, there are some studies which have challenged the notion that workers move for increased wages and that wage gains for the unemployed are much more modest than initial work suggested (Pekkala and Tervo 2002). In recent research on Australia those findings are replicated for unemployed movers. Both these studies suggest that the gains may be more from the quality of the movers than from the migration itself. While there are perhaps modest gains for the unemployed whether there are wage gains is more problematic. We know also that many moves are not job related. Indeed only about a third of moves are described by respondents as job motivated. But even in these instances there maybe job gains from the move. Thus, if indeed migration is enabled by employment rather than enhanced we might expect movement not reported as job motivated but in which there are real job gains. These moves might be more frequent in moves by high skilled movers, those already in the job market – those in managerial and professional occupations in contrast to moves by trades-workers and other manual employees.

Given the differences in outcomes from recent studies and the growing complexity of the migration process with two- workers, changing labor market attachment and growing pressures on wider family care, this paper re-examines the returns to migration informed by both the economic gains and within the context of responses to the migration decision. What are the economic gains across all households that move, what is the gain for movers who report a job motivation and what is the intersection of job mobility and long distance migration. These questions are taken up in the empirical section of the paper after a contextualization which sets the study in the broad context of previous research.

Previous Research

Migration as an adjustment process which at the macro level brings labor markets into equilibrium has been the accepted wisdom about migration and migration outcomes. Beginning with Sjaastad (1963) and inter-regional models by Greenwood (1985) the notion that there are economic gains to migration is well established in the economic and demographic literature. Recent research has supported that general understanding that migrating men who are employed have significantly higher wage growth than non-migrant men (Boheim and Taylor (2007). More important is the finding that it is the combination of job and residential change which brings the highest returns. Using the British Household Panel data and selection fulltime employed younger (21-49) men

they show that migrants who moved and changed jobs had a wage increase of more than three times those who did not move.

Some research has used the notion of the escalator region in creating returns to migration and that work has shown significant gains for migrants into Toronto as compared with other destinations in the Canadian urban hierarchy (Newbold, 2011). As he notes, consistent with both escalator theory and wage growth theory there is a premium for movers into Toronto. There is an income premium which exceeds the gains by moving to other urban areas or by staying. Again, as in the Boheim and Taylor (2007) study the analysis is of young employed migrants aged 20-29. It is the intent in this paper to extend the analysis to all migrant households.

There is also modest evidence that the unemployed who move also make gains. However, while the macro studies suggested a link between the migration of unemployed and wage gains the micro level studies found much less consistency in the findings about the movement of the unemployed. Some studies find that the unemployed are more likely to move and with the move find jobs (Van Dijk et al 1989 , Boehm et al 1998 and Westerlund, 1998). The most careful recent studies which account for selective effects suggest that the gains to migration may be driven as much by the characteristics of the migrants as much as the migration itself (Pekkala and Tervo, 2002; Bill and Mitchell, 2006).

When we turn to survey data we find both confirmation and questions about the role of employment in migration. In fact, the studies which have examined reasons for moving provide a compelling story about migration for reasons other than employment. Many moves are not job related. Indeed only about a third of moves are reported as related to job motivations though the percentage is somewhat higher for only distance moves only. As a minority of moves are motivated by the desire to improve income, or job prospects more generally, we need to examine the outcome for moves which are not primarily job related and to build a more completed explanation for changing mobility and migration patterns. Still, there are studies of reasons for moves which argue that moves which are motivated by employment reasons are more likely to make a greater contribution to labor market adjustment whether by filling a vacancy (as noted above to escape unemployment) or by matching skills to jobs (Dixon, 2003).

An attempt to disentangle how reasons and outcomes are related examined a detailed survey in New Zealand which suggested that much migration was related to maintaining a steady income stream so that the family or the individual could then realize other goals as opposed to moving specifically to raise the returns to migration (Morrison and Clark, 2011). Even those

households who expressed a job related reason for the move had only modest economic gains. Few migrants showed evidence of having made any employment gains in the short run or saw themselves making such gains in the longer run. If we examine the reasons for move it is clear that migrants were more about adjusting consumption and/or realigning social relationships than they were about making specific economic gains. On-going employment was simply a means and therefore not a primary reason for moving and the prospect of raising incomes or improving career prospects were confined to a small minority of migrants.

Labor markets are changing and are arguably more fluid than at any time in the past. Women are now a substantial fraction of workers and this in turn has changed the migration decision making process. Entry and exit from the labor market is much more volatile and so is the nature of participation. Clark and Withers (2002) and Clark and Huang (2006) established that even though migrant wives are not necessarily disadvantaged by family migration there was considerable job fluidity for migrants, local movers and even for those who were residentially stable. While we often conceptualize employment as long spells with one employer and in one occupation, the shift to a service economy has destabilized employment spells. While long spells in employment are clearly relevant for professional workers, in fact, much of the mobility in and out of the labor force is not in the professional occupations and is frequent and unstable. A more detailed understanding of the dynamism of labor-force participation and the impacts and interactions of families will provide us with better ways to conceptualize the interdependencies of employment and mobility though that is beyond the present study.

These last findings suggest that in the present economic organization of society and with the changes in family structures that migration may be less about economic processes and more about social processes. To understand those changes requires a more nuanced interpretation of the migration process. The question around which this paper is organized are questions about adjusting consumption and their wider lifestyle and family foci. Though to reiterate, it is not that economic factors do not underlie the migration outcomes, the unemployed often still move to improve their job prospects and professional and managerial workers move to enhance their career prospects, but in between there are a wide range of social outcomes which are inter-related with migration decisions. It is unpacking the whole range of mobility motivations and the intersection of those motivations with labor market outcomes which is at the heart of the empirical analysis in the present paper.

Data, problem and questions

The problem is to measure the amount of migration that is employment driven, how much economic gain there is from that process and what the outcomes are for individuals and families who move for a plethora of other reasons.

The data which is the basis for this research is from Waves 8 and 9 of the Household, Income and Labor Dynamics in Australia survey (HILDA). The survey is a longitudinal survey of approximately 7,600 households with about 19,900 respondents. The survey is modeled on and is similar to surveys in the US (the Panel Study of Income Dynamics , PSID) and the British Households Panel Survey, now the "Understanding Society" study. In the present study the mobility measures and variables are drawn from the adult respondent file. It is a yearly survey begun in 2001 and is ongoing. The survey in Australia covers a wide array of economic and labor market measures but also has detailed data on household composition and migration. Unlike most other panel surveys the HILDA survey collects data on perceived outcomes of residential location and satisfaction with a set of measures of employment and job satisfaction.

The analysis relies on the standard variables used in models of migration including age, marital status, family status (presence of children), a measure of mobility and distance-moved, tenure, income (hourly wages and yearly income) and employment status. As the study also asks about the potential subjective effects of satisfaction outcomes I include measures of satisfaction with employment measures. Reasons for moves are grouped into larger categories from about 30 specific items coded in the survey. The detailed response to ' work related reasons' are coded individually.

In Australia as in other countries residential change is highly distance dependent. Most moves involve quite short distances – nearly two thirds of all moves are less than 10 kilometers involving quite local changes (Figure 1). The mean distance moved for the 2008-2009 moves (constrained to only moves less than 100k) was slightly more than 12 kilometers though with a fairly large standard deviation (17.4K). Still, there are a significant number of moves of more than 30 kilometers, a distance which usually signifies a change in labor markets and it is these moves which will be the subject of the analysis in this paper. About 12 percent of moves (234) are of distances greater than 100k. The results are consistent with those reported by Wilkins, Warren and Hahn (2009).

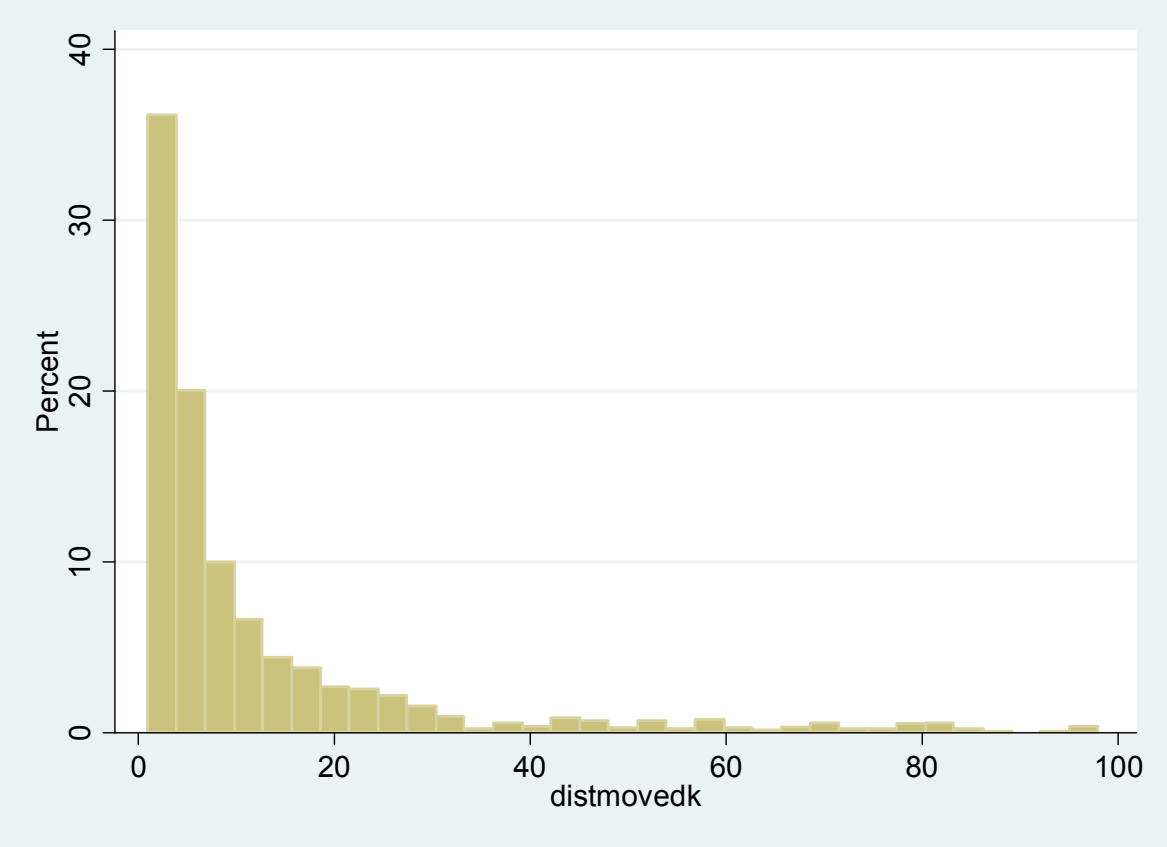

Figure 1: The distance distribution of moves less than 100k between 2008-2009

The research is built around four themes:

(1) Evaluating reasons for moves.
(2) Whether individuals make economic gains when they move and what is the intersection with reasons for moving?
(3) The intersection of income change and change in employment prospects based on survey responses.
(4) What explains post move employment opportunities and outcomes- models of gains to labor migration?

Preliminary Findings

Not all the work is presented in these preliminary findings but sufficient analyses have been completed to sketch out the beginnings of the full argument.

(1) Reasons for moves

The decomposition of the detailed data on moves in the HILDA survey shows that employment, residence and neighborhood and family and life style all play a role in the complex decisions to change locations and they vary across the distance moved (Table 1). Residence and neighborhood dominate shorter distance moves and jobs and neighborhood are the largest motivators for longer distance moves. Clearly, however, the old notion of short distance housing and long distance job reasons is an over simplification. Notable too is the significant proportion of involuntary moves are short distance scales.

Our major interest is in migration, moves more than 30k and here the complexity of decision making shows up in both the complex answers to why individuals moved and in the breakdown of work related moves themselves (Table 2). Nearly, three quarters of all respondents cite something other than job reasons for relocations of more than 30k. This proportion increases to about a third if we widen the age group to 16-64 and capture young labor force participants. Employment is significant but not a strong force in the probability of a long distance move. This will be a central part of the models of the probability of a move to be completed. For the involuntary movers as expected the population includes those with lower incomes (they earn on average about 20 percent less than all movers) and they are often single parents and those in precarious housing situations.

For those respondents who cite employment motivations about three quarters cite a new job, job transfer or to be nearer the job. Relevant for further breakdowns are the 15 percent of respondents who followed a spouse as the primary reason for moving. Jobs then tend not to be cited as the reason for moving but do movers make gains and how large are these gains across the logic of moving?

(2) Economic Gains

In this first analysis of the probability of gains we restrict the analysis to continuously employed respondents aged 21-64. This removes the effect of interrupted employment on the outcomes and removes students from the data set as they are unlikely to be the primary wage earner and are likely to be in education. We examine only respondents who were employed at both survey times. At this stage we do not differentiate gender and will bring gender into play when we expand the analysis from a single wave to multiple waves.

Clearly, moving brings gains both in yearly income and in hourly wages (Tables 3 and 4). Incomes and wages are higher for migrants than non-migrants

and higher for long distance migrants than short distance migrants. The gains in dollar and percentage terms are largely greater for longer distance migrants and for longer distance migrants who cite job reasons for their relocation. These findings are consistent with the view of labor market migration as a maximizing strategy for returns to human capital.

The story is more complicated when we contrast job and other reasons for moving. In this initial table we provide economic measures for job reason and non-job related migration. For yearly income gains are greater for job related moves but for those who did not cite job reason the gains and the percentage increase was significant. How does this finding fit with our argument of an enabling rather than enhancing effect of migration? If we note that about one-quarter of migrants specified job reason they made an additional yearly income gain of more than $3,000. Still, for the other migrants, motivated by family, lifestyle neighborhood and residence their gains were still substantial. For these households the gains occurred as ancillary to the migration.

The interpretation is further complicated by examining the change in hourly wages which more carefully reflects the returns to labor. Even so, we restricted annual income to that from wages and salary alone. Again, migrants and longer distance migrants have higher wages than non-migrants and make gains in hourly wages which are greater than the gains for non –migrants. Uniformly, migrants make about a 3-6 percent gain over non-migrants. But while all longer distance migrants have higher hourly wages and greater gains than non –migrants, it is those who do not specifically move for jobs that have higher hourly wages and greater gains over the one year interval. This is substantial support for the notion of enabling rather than enhancing migration. Of course these preliminary findings required selection effect controls and further breakdowns by gender and hours worked.

(3) The intersection of income gains and employment outcomes

Those who move longer distances report a significant intersection between increased income and employment satisfaction after the move (Table 5). About 30 percent of those who report increased income also report better employment opportunities after the move. Still, this is a relatively weak result and not strong support for the argument that migration generates increased income. Even so, most of the respondents reported being either “about the same” or better with respect to employment opportunities whatever their income change.

The table which examines *change* in employment opportunities-did opportunities get better, stay the same or get worse provides less support for migration

as an enhancer. The chi-square value is not significant and only 11 percent reported a coincidence between increased income and increased opportunities (Table 6). Clearly the migration decision is not determined by income returns alone and while gains do accrue to moves they may be as much an outcome of the decision to change labor markets and the accrual of increased economic gains is ancillary rather than directive. This suggests that the focus on jobs and job creation in cities is only one element of providing the context for in-migration and economic growth.

(4) Explanatory models of income and wage gains (in progress)-modeling using selection affects controls.

Observations

Evaluating the outcomes of mobility with respect to the reasons for moves and comparing pre and post move outcomes provides support for the proposition that households do move to improve. At the same time there is considerable variation in the outcomes and both job movers, and non-job movers make gains. This is preliminary support for the notion of migration as an enabler rather than simply an enhancer.

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Table 1: Reasons for moving by age (21-64) and distance

	All Moves		Moved <30k		Moved 30k+	
Reason	n	%	n	%	n	%
Job	138	12.75	40	4.78	98	26.42
Residence	440	40.67	376	44.92	64	17.25
Family	190	17.56	98	11.71	92	24.8
Neighborhood	170	15.71	89	10.63	81	21.83
Lifestyle	114	10.54	42	5.02	72	19.41
Health	21	1.94	12	1.43	9	2.43
International	12	1.11	1	.12	11	2.96
Involuntary	157	14.51	137	16.4	20	5.39
Other	63	5.82	42	5.02	21	5.66

Source: Data from *'HILDA – Release 9'*, Melbourne Institute of Applied Economic and Social Research, University of Melbourne.

Table 2: Employment reasons for moving by age (21-64) and distance

	All Moves		Moved <30k		Moved 30k+	
Reason	n	%	n	%	n	%
New Job	36	20.57	3	5.55	33	27.27
Nearer Work	63	36.00	28	51.85	35	28.93
Work transfer	32	18.29	4	7.41	28	23.14
Start Business	7	4.00	5	9.26	2	1.65
Shift Business	0	0	0	0	0	0
Find Work	5	2.86	0	0	5	4.13
Work Related	0	0	0	0	0	0
Follow Spouse	32	18.29	14	25.93	18	14.88

Source: Data from *'HILDA – Release 9'*, Melbourne Institute of Applied Economic and Social Research, University of Melbourne.

Table 3: Gains to yearly income (adjusted) for non-migrants and migrants 21-64

Move Type	2008 Income ($)	2009 Income ($)	Change	Percent Change
Non-migrant	36,489	37,304	815	2.23
Migrant	54,414	59,080	4,666	8.57
Migrant <30k	53,178	56,934	3,756	7.06
Migrant 30k>	58,539	66,247	7,708	13.17
30k> Job reason	63,758	73,741	9,983	15.66
30k>not job reason	55,510	61,897	6,387	11.51

Source: Data from *'HILDA – Release 9'*, Melbourne Institute of Applied Economic and Social Research, University of Melbourne.

Table 4: Gains to hourly wages (adjusted) for non-migrants and migrants 21-64

Move Type	2008 hourly wages ($)	2009 hourly wages ($)	Change	Percent Change
Non-migrant	26.55	27.62	1.09	4.11
Migrant	29.58	31.55	1.95	6.59
Migrant <30k	27.58	29.30	1.72	6.24
Migrant 30k>	36.38	39.25	2.70	7.42
30k> Job reason	31.10	32.25	1.15	3.70
30k>not job reason	39.38	43.27	3.89	9.88

Source: Data from *'HILDA – Release 9'*, Melbourne Institute of Applied Economic and Social Research, University of Melbourne.

Table 5: The intersection of employment opportunities (post move) and income change following the move

Current Employment Opportunities after the move

Income change	Poorer	About the same	Better	Total
Decrease	14 (3.6)	50 (12.9)	44 (11.9)	110
No Change	12 (3.1)	37 (9.5)	36 (9.3)	85
Increase	6 (1.6)	69 (17.8)	118 (30.4)	193
Total	32	156	170	388

Chi-square 21.2 p=.000

Table 6: Change in employment outcomes before and after the move and income change

Change in employment opportunities before and after the move

Income change	Poorer	About the same	Better	Total
Decrease	24 (6.4)	67 (18.0)	16 (4.3)	107
No Change	19 (5.1)	42 (11.3)	15 (4.0)	76
Increase	39 (10.5)	112 (30.3)	39 (10.5)	190
Total	82	221	70	373

Chi –square 2.1 p=.717