Economics Letters 136 (2015) 31–34

Contents lists available at ScienceDirect

Economics Letters

journal homepage: www.elsevier.com/locate/ecolet

Internal migration and human capital theory: To what extent is it selective?

Martin Korpi [a,b,*], William A.V. Clark [c]

[a] Ratio Institute, PO Box 3203, 103 64, Stockholm, Sweden
[b] EHFF, Stockholm School of Economics, PO Box 6501, 113 83 Stockholm, Sweden
[c] California Center for Population Research, UCLA, PO Box 957236, Los Angeles, CA 90095, USA

HIGHLIGHTS

- There is substantial spread in pecuniary pay-offs from internal migration.
- Large gains are captured by the higher educated moving to major metropolitan areas.
- Income increases are however limited or even negative for a majority of migrants.
- This suggests human capital theory of internal migration is substantially selective.
- Matching and quantile regression promising method when modeling migrant outcomes.

ARTICLE INFO

Article history:
Received 18 February 2015
Received in revised form
14 August 2015
Accepted 17 August 2015
Available online 25 August 2015

JEL classification:
J31
J61
R10

Keywords:
Migration
Human capital
Labor mobility
Urban rural

ABSTRACT

Empirical studies of internal labor migration, modeling average outcomes, suggest migrants move to enhance returns to their labor. In contrast, major international surveys show less than a third of internal migrants as motivated by employment reasons. Using Swedish panel data for the years 2001–2009, this paper addresses this disconnect by examining the full distribution of migrant income changes. Results from initial CEM matching and quantile regression suggest that large returns to internal migration are mostly captured by the higher educated, those initially low in the income distribution and those heading into the largest metropolitan regions. Much if not most of migration outcomes are however a wash and indeed often negative in terms of pay-off. This suggests models of average outcomes as insufficient in addressing human capital motivated migration.

© 2015 Elsevier B.V. All rights reserved.

1. Introduction

In human capital models of migration, the focus is on the individual's decision to move and this decision is conditional upon the return he/she expects to receive from moving as compared to staying (Kan, 1999; Khwaja, 2002). These ideas still motivate much contemporary analysis of migration, and since Hicks (1932), Sjaastad (1962) and Harris and Todaro (1970) the argument has reiterated that differences in net economic advantages, chiefly wages, are the main cause of migration. Even though there is also increasing focus on consumption opportunities and cultural amenities as an underlying driver of migration (see e.g. Glaeser et al., 2001), the theme of job-opportunities and wages is continued in recent research such as Blackburn (2010), Boheim and Taylor (2007) and Korpi et al. (2011).

But is the average return an adequate explanation for migration? In a cohort of movers the overall average gain could well be related to a small selection that "do very well" while the cohort as a whole could contain a subset with no gains or even losses. Thus the average gain often related to migration is an incomplete picture of the returns to migration. Additionally, survey research on migrant motives also suggests that mobility responses may be much more complex. In Morrison and Clark (2011), Niedomysl (2011) and Chen and Rosenthal (2008) migrants are as much concerned

* Corresponding author at: Ratio Institute, PO Box 3203, 103 64, Stockholm, Sweden. Tel.: +46 763786507.
E-mail addresses: martin.korpi@ratio.se (M. Korpi), wclark@geog.ucla.edu (W.A.V. Clark).

http://dx.doi.org/10.1016/j.econlet.2015.08.016
0165-1765/© 2015 Elsevier B.V. All rights reserved.

Table 1
Main variables of interest and controls, definitions and descriptive statistics.

Regional (RM) and metropolitan (MM) migrant categories:	Mean	St. dev.
PRIMARY *regional* = Coded one if an individual migrant has up to nine years of mandatory education, or is either a high school or gymnasium level drop-out.	0.02	0.12
SECONDARY *regional* = regional migrant with completed secondary education, at least 12 years of schooling	0.02	0.16
POST-SECONDARY *regional* = regional migrant with some post-secondary education	0.02	0.16
TERTIARY *regional* = Coded one if a regional migrant has at least a bachelor's degree	0.01	0.12
PRIMARY *metropolitan* = Coded one if a metropolitan migrant has up to nine years of mandatory education, or is either a high school or gymnasium level drop-out.	0.01	0.07
SECONDARY *metropolitan* = metropolitan migrant with completed secondary education, at least 12 years of schooling	0.02	0.12
POST-SECONDARY *metropolitan* = metropolitan migrant with some post-secondary education	0.02	0.12
TERTIARY *metropolitan* = Coded one if an metropolitan migrant has at least a bachelor's degree	0.01	0.09
Other controls:		
FEMALE = Coded one if female	0.48	0.50
AGE = Individual's age	38.76	13.56
AGE2 = Individual's age squared	1674.82	1108.13
EDUC = Ordinal variable assuming values one to four, categories corresponding to educational types as listed above	2.21	1.01
NON EU 15 = Coded one if born outside of Sweden or any of the original 15 European union members	0.10	0.30
EMPLOYMENT = Going from unemployment to employment	0.06	0.24
UNEMPLOYMENT = Going from employment to unemployment	0.03	0.17
EDUCHANGE = Acquiring a higher level of education	0.16	0.37
JOBCHANGE = Accumulated number of job changes	0.36	0.76

about adjusting consumption possibilities and/or realigning social relationships as they are about making specific economic gains.

On this basis, we might expect that much of the gains to income may be a wash—that is, the move does not generate big changes in terms of either gains or losses. We therefore pose two questions about the returns to migration: Firstly, are gains in income uniform across the income distribution? Second, how does this outcome depend on migrant educational background and the direction of their migration? We investigate these questions using both OLS and quantile regression to estimate migrant income effects.

Below, Section 2 discusses methodology and estimation, Sections 3 and 4 our data and results, while Section 5 concludes.

2. Methodology and estimation

Firstly, to increase the robustness of the findings, we match migrants and non-migrants on age, geography and education (using 8, 75, and 4 categories, respectively). To this end, rather than using the more conventional PSM-techniques, we utilize so-called CEM matching, or coarsened exact matching.[1]

Second, using a pooled sample with year fixed effects, we specify an OLS and quantile regression model estimating both average migration effects as well as effects at the 20th, 40th, 60th and 80th percentile levels.[2]

Formally our model can be described as follows:

$$\Delta y_{i,t} = \alpha + \mathbf{RM}'_{i,t}\beta + \mathbf{MM}'_{i,t}\theta + \mathbf{X}'_{i,t}\lambda + \varepsilon_{i,t} \quad (1)$$

where $\Delta y_{i,t}$ represents the yearly change in log disposable income ($y_{i,t} - y_{i,t-1}$), α is the intercept and $\mathbf{RM}'_{i,t}$ and $\mathbf{MM}'_{i,t}$ are two matrices including binary variables for regional and metropolitan migration, each individual migrant characterized as belonging to one of four separate educational categories (see Table 1).

Regional migration (RM) is here defined as migration between non-metropolis local labor markets (i.e. all migration outside of the three biggest metropolitan regions, Stockholm, Gothenburg and Malmö), and metropolitan migration (MM) as migration into any of these three regions. Non-migrants are the reference category.

Finally, the matrix $\mathbf{X}'_{i,t}$ includes controls for additional observable characteristics assumed to determine income development (see Table 1), while β, θ and λ are parameters to be estimated. $\varepsilon_{i,t}$ is the stochastic error term. As for our additional controls, these are standard in migrant income modeling and self-explanatory (for additional Swedish studies, see e.g. Nakosteen and Westerlund, 2004).

3. Data

In what follows, we utilize panel data on single households (i.e. single men and women), ages 20–64 for the years 2001–2009. These data (from Statistics Sweden's Mona database), detail place of residence and work plus a series of individual level data. The sample (unbalanced) consists of 982 179 individuals including 126 233 internal migrants, defined as individuals moving in between local labor markets (75 in total).[3]

4. Results

The OLS outcomes, Column 1 in Table 2 show positive OLS estimates for all our migrant categories except for the primary educated (nine year education or less). Thus, with the exception of the lowest educated, regardless of whether we focus on regional or metropolitan migration, most internal migrants on average perform better in terms of income development than non-migrants. As we might expect, this effect varies in magnitude by migrant category, workers with a tertiary education (a bachelors' degree or higher) perform much better than other groups regardless of migrant direction.

In comparison, the estimates from our quantile regressions, Table 2 columns 2–5, provide considerably more complex outcomes. For regional migration, while OLS detail overall positive outcomes, quantile analyzes for percentiles 20–80 demonstrate that these are mostly negative (aside from tertiary educated migrants in the distributional bottom end).

Which parts of the distribution are driving the positive OLS estimates for these regional migrants? Fig. 1 plots OLS estimates (the

[1] For a detailed review of this methodology and a comparison with propensity score matching, see e.g. Iacus et al. (2012).

[2] By choosing these two estimators we should note that we are not able to control for unobserved individual heterogeneity, i.e. individual fixed effects. This choice is a matter of necessity as fixed-effect quantile regression techniques are either not yet robust to the relatively short time frame we are here working with (Canay, 2011), or only allow a small number of treatment variables (see Lamarche, 2010, Ponomareva, 2011).

[3] For a more detailed definition of these labor markets, see Statistics Sweden (2003).

Download English Version:

https://daneshyari.com/en/article/5058551

Download Persian Version:

https://daneshyari.com/article/5058551

Daneshyari.com