



Why are educated and risk-loving persons more mobile across regions?



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ABSTRACT

Why are better educated and more risk-friendly persons more mobile across regions? To answer this question, we use micro-data on internal migrants from the German Socio-Economic Panel (SOEP) 2000–2006 and merge this information with a unique proxy for region-pair-specific cultural distances across German regions constructed from historical local dialect patterns. Our findings indicate that risk-loving and skilled people are more mobile over longer distances because they are more willing to cross cultural boundaries and move to regions that are culturally different from their homes. Other types of distance-related migration costs cannot explain the lower distance sensitivity of educated and risk-loving individuals.

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1. Introduction

It is a well-established empirical fact that internal migrants—those who move across regions of the same country—move short distances significantly more than they move long distances. This finding of a detrimental effect of distance on regional

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migration dates back, at least, to the seminal studies of Sjaastad (1962) and Schwartz (1973) and has been confirmed for many different countries and time periods. It is also well known that highly educated individuals are more mobile in general, and also less sensitive to distance when they migrate, i.e., they move more easily to regions far from their homes.⁴ Using survey data from the German Socio Economic Panel (SOEP), Jaeger et al. (2010) have recently shown that a similar point can be made for risk-loving persons who also tend to be more mobile across space. However, the reasons behind these mobility patterns are not yet well understood.

Two main hypotheses have emerged as explanation of these patterns. First, using Sjaastad's (1962) terminology, the adverse effect of distance on migration may result from *psychic* costs when leaving familiar surroundings. These are costs of having to adapt to a different regional culture (with different habits, norms, traditions, and so on), which tend to be higher for more distant destination regions. Second, individuals may be reluctant to move to distant regions because of direct “money costs” of migration, such as travel costs, or because they lack *information* about the prospective locations, along various dimensions such as the job and housing market, schools, facilities, and many other domains.

For both types of mobility costs, it can be argued that they affect individuals differently, depending on their level of education and their attitude toward risk. More educated and risk-friendly individuals may, for instance, be less sensitive to the *psychic* costs of migration because they can more easily adapt to (or are more willing to deal with) regional cultural differences. Similarly, better educated individuals may be more efficient in gathering information about prospective destination locations, while more risk-friendly persons may be more willing to encounter those various types of uncertainties.

A major and still unresolved problem in the literature on internal migration is that these hypotheses are difficult to disentangle. Both types of migration costs are distance-dependent, but neither of them is directly observable or measurable. It is therefore difficult to tear these explanations apart in order to understand *why* more educated and risk-friendly migrants overall move more easily over longer distances.

In this paper we address this question by merging rich micro-data on internal migrants from the German SOEP with unique historical data on linguistic variation within Germany. These data stem from an encompassing language survey conducted by the linguist Georg Wenker between 1879 and 1888. They provide a unique opportunity to comprehensively measure cultural differences across German regions—something that would be very difficult, if not impossible, without linguistic data. In a gravity analysis, Falck et al. (2012) find that contemporaneous aggregate migration flows across German regions are lower—all else equal—the stronger the dialect difference between the origin and the destination region in the late 19th century. They then show that this represents the impact of intangible cultural barriers on regional migration in Germany.⁵ However, Falck et al. (2012) only use aggregate migration flows in their study. We conduct our analysis at the micro level thus accounting for a host of individual characteristics of the (non-)movers.

Consistent with the previous literature, we first show that distance has a detrimental overall effect on migration. Furthermore, our analysis confirms that more educated and risk-loving individuals are more likely to migrate, and conditional on moving, they also tend to move over longer distances.⁶ Our main contribution is that we shed light on the important question *why* this is the case.

The historical dialect data allow us to construct a *direct* (region-pair-specific) measure for cultural differences that are orthogonal to geographic distances, as well as a direct measure for *pure* geographic distances that are orthogonal to cultural differences. Put differently, we are able to derive a direct proxy for the cultural (“*psychic*”) costs of migration, and a residual component that captures all other distance-dependent migration costs unrelated to culture. That latter, the *pure* geographic distances, thus encapsulate cross-regional travel and other direct migration costs, as well as the various types of information costs mentioned above. We then investigate to which concept of “distance” migrants are most sensitive.

Our main finding is that those *pure* geographic distances play no role in explaining the higher mobility of more educated and risk-loving persons. However, those individuals are systematically less sensitive to the cultural costs of migration. This lower sensitivity to cultural differences is thus the main explanation for the lower overall distance sensitivity in their migration decisions. To the best of our knowledge, ours is the first paper to provide direct empirical evidence on the relative importance of these different costs of internal migration—an unresolved issue in the literature ever since Sjaastad (1962).

The rest of this paper is structured as follows. In Section 2 we describe our data. Section 3 presents the empirical approach and our baseline results. Section 4 is devoted to several robustness checks and extended analyses. Section 5 concludes.

⁴ A seminal paper on this issue is Dahl (2002). More recently, Malamud and Wozniak (2012) show that college education has a positive causal effect on interregional mobility in the United States, while Machin et al. (2012) establish a positive causal effect of the length of compulsory education on labor mobility in Norway. For Germany, Hunt (2004) shows that skilled migrants are more likely to move over longer distances.

⁵ Guiso et al. (2009) and Felbermayr and Toubal (2010) study the impact of cultural differences on cross-country trade and investment flows. The related approach by Falck et al. (2012) shows that cultural barriers to economic exchange also exist on a much finer geographically level, namely across regions of the same country.

⁶ These results thus replicate the main findings of Jaeger et al. (2010), which is of interest in itself because we use more disaggregated data on internal migration in Germany than they do.

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