Migration Nation

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Almost 6 percent of Americans move between counties each year, and the reasons for moving are as varied as the households who move. Some move to take advantage of a new employment opportunity, others to retire to a preferred climate or to be closer to family members, while still others move to pursue additional education or because their employer moved.

Although we often think of migration within the US as voluntary, the mass migration following Hurricane Katrina is an important recent case of involuntary migration due to a natural disaster. Some families also move to escape crime or to find a place that offers a better quality of life.

A valuable source of county-to-county migration data comes from the Internal Revenue Service (IRS). Through the Statistics of Income (SOI), the IRS produces public use data files that detail both state-to-state and county-to-county migration.
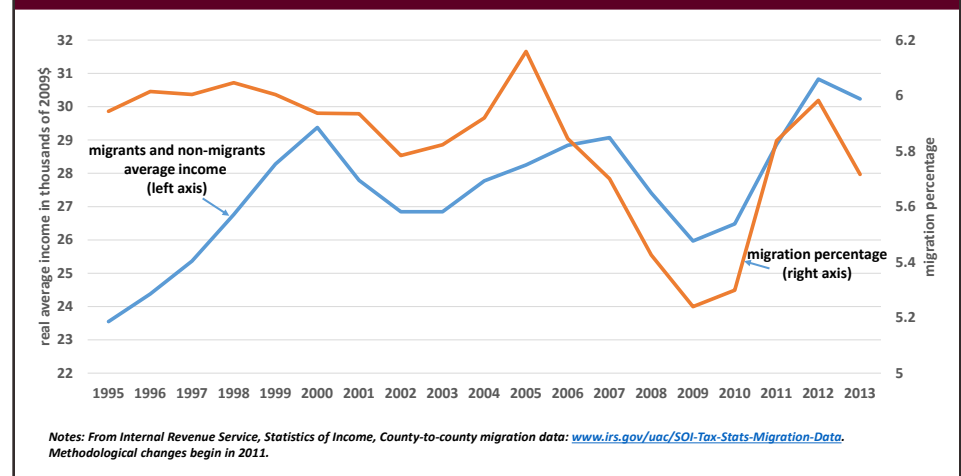
To determine whether a house-hold moves across state or county lines the IRS must receive a tax return from the household for two consecutive years. Households that stay in the same geographic boundary from year-to-year are identified as non-migrants, households that move out of the geographic area are emigrants, and households that move into the area are immigrants.

In the case of the county-to-county migration files we consider here, the IRS then tracks the number of tax returns, the number of exemptions (a proxy for population), and the total adjusted gross income (AGI) for non-migrants, emigrants, and immigrants.

Figure 1 depicts the real income in 2009 dollars per exemption along with the migration percentage from 1995 to 2013. The migration percentage identifies the percentage of the US population that moves across a county line each year. The promi-

Figure 1. Real Income and the Migration Percentage, Counties

migrants and non-migrants average income (left axis)

migration percentage (right axis)

Notes: From Internal Revenue Service, Statistics of Income, County-to-county migration data: www.irs.gov/uac/SOI-Tax-Stats-Migration-Data. Methodological changes begin in 2011.

nent increase in 2005 was due to the Katrina migration. Also seen in the figure is the slowdown in migration during the recession, when it fell to 5.2% in 2009.

In that same year, the trough of the recession, real AGI per exemption was at is lowest level since 1997. Since 2009 per capita income has risen, but some of the rise after 2011 is due to methodological improvements by the SOI group at the IRS.
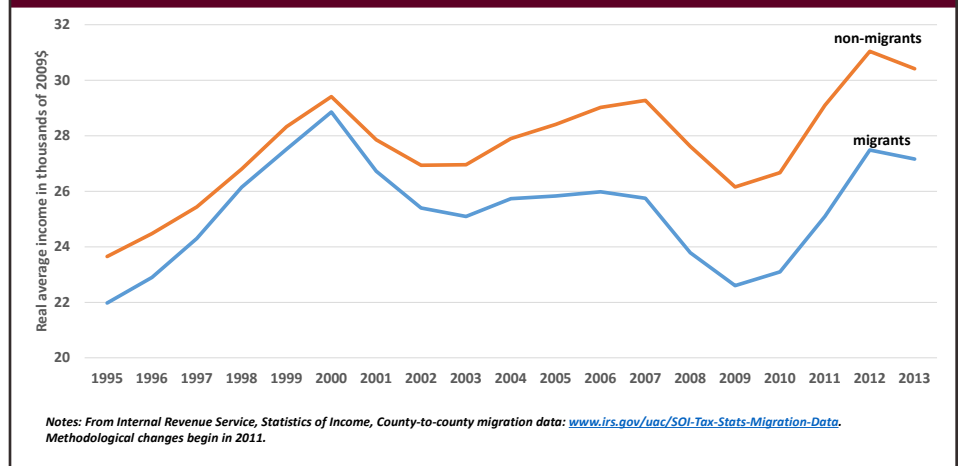
Prior to 2011 the Census Bureau developed the migration files using the IRS data, but beginning with the 2011 data, the SOI at the IRS has produced the files. The methodological improvements include matching on additional taxpayer identification numbers besides only the primary taxpayer. Also the data collection period has been extended to include an entire year rather than ending in September.

The first change increased matches by 5% and the second increased matched income, particularly among more complicated high income returns. The effect of these changes is to increase both series presented in Figure 1 in the years 2011 and later.

However, before the methodological changes were in place, we still see that AGI per capita started to rebound from 2009 to 2010. We also see that even with the new methodology, real AGI per capita did not exceed its 2007 level until 2012.

Figure 2 presents the AGI per capita for migrants and non-migrants in separate series. Between 1995 and 2000 average migrant and non-migrant income grew steadily and by 2000 migrant income was about 98% of non-migrant in-

Figure 2. Average Real Income, Counties

Notes: From Internal Revenue Service, Statistics of Income, County-to-county migration data: www.irs.gov/uac/SOI-Tax-Stats-Migration-Data. Methodological changes begin in 2011.

come. Since then the two series have moved in similar directions but the gap grew, such that by 2008 average migrant income was just 86% of the non-migrant income. And by 2014 migrants' average income was 89% of non-migrants' income.

The SOI data also reveal that migrant households are smaller than non-migrant households and all households slightly declined in size between 1995 and 2013.

These trends suggest: (i) that migration is related to the business cycle, (ii) that real AGI per capita has had modest growth since 2000, (iii) that migrants have lower incomes than non-migrants, and (iv) that migrants are in smaller households. These observations are consistent with younger or older migrants who have smaller families and relatively lower earnings.

The county migration data provides the opportunity to examine the relative incomes of immigrants into and emigrants out of each county. This allows us to investigate how migration affects that average incomes in any given county and answer questions like: Do the newcom-

ers to a county have higher incomes than the current residents? How do the exiting families' incomes compare to the current residents' and to the newcomers' incomes?

Figure 3 depicts the relationship between counties' average migrant and non-migrant incomes. We restrict counties to those with average populations for the years 2011-2013 greater than 250,000. These 217 counties account for almost 60% of the population and 66% of reported income. Incomes for immigrants, emigrants, and non-migrants are also averaged for the three years 2011-2013. This limits the analysis to the years after the new methodology was adopted and averaging over three years reduces variation.

For each county we calculate the ratios of average immigrant and average emigrant income to average non-migrant income and then plot the relationship between the two ratios. The size of each circle is scaled to the relative populations of the counties.

The counties appearing in the upper right quadrant are those with average migrant (immigrants and

emigrants) incomes in excess of the average non-migrant incomes.

The migrants into and out of Hudson County, New Jersey, home of Jersey City, had average incomes of about $47,000 while the non-migrants had incomes of about $32,000. Philadelphia, Pennsylvania is another example of a county in which migrants' incomes are higher than the non-migrants'. Note that only 22 of the 217 counties, or about 10% are found in this quadrant.

Counties located in the lower right quadrant have newcomers with higher incomes than the non-migrants and outgoing migrants with lower incomes than the non-migrants. There are only 20 counties in this quadrant and like the counties in the first quadrant, average income of the non-migrants is about $30,000.

Collier County, Florida, where Naples is located, is a good example of immigrants with higher incomes than the resident population and emigrants with lower incomes than the resident population. Miami-Dade County's immigrants have higher incomes than the residents and the emigrants' incomes are about the same as the non-migrants.

The lower left quadrant in which migrant incomes are less than the non-migrant incomes is where 72% of the counties are found. This is the expected relationship between migrants and non-migrants as suggested by Figure 2. New York County, New York, specifically Manhattan, had migrant incomes that are about 60% of the non-migrant incomes.
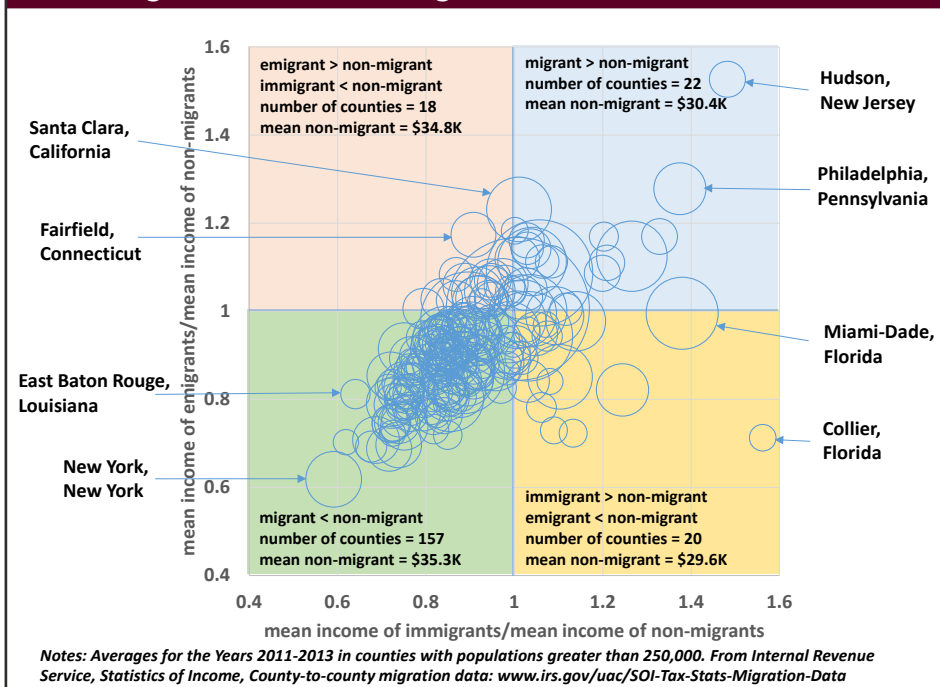
The upper left quadrant includes just 18 counties in which emigrants' incomes are greater than and immigrants' incomes are less than non-migrants' incomes. Fair-

field County in Connecticut is an example of such a county primarily due to the relatively high income emigrants in 2011. GE's recently announced move to Boston may continue this trend. Notably, Boston is one of the counties in the upper right quadrant in which migrants' incomes are higher than the non-migrants' incomes.

This figure indicates that in most large counties migrants' incomes are less that the non-migrants. However, some of the counties were found in the other quadrants. The counties losing residents with higher incomes than their non-migrants and the immigrants are few, but the these counties and the states in which they are located must weigh the influence of public policy on this type of migration.

The changing composition of counties' populations through migration can only tell part of the story of why counties' per capita incomes rise or fall. Much of the rise in income in growing counties is due to the potential of the immigrants who come into the county as well as whether the composition of the counties' workforce is progressing through the ages at which wage gains are most rapid.

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Figure 3. Relationship between Counties' Average Migrant and Non-migrant Incomes, Averages for Years 2011-2013

Notes: Averages for the Years 2011-2013 in counties with populations greater than 250,000. From Internal Revenue Service, Statistics of Income, County-to-county migration data: www.irs.gov/uac/SOI-Tax-Stats-Migration-Data

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