

PEOPLE ON THE MOVE: MIGRATION IN KANSAS

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By

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This evening I am going to discuss recent migration trends and the challenges they pose for Kansas. Among economists working on these problems, there has always been a controversy about the connection between migration and employment growth. Areas with high rates of in-migration tend to have high rates of job growth. But is this because people first move to areas they consider desirable and firms then create the jobs to employ these people? Or is it because firms create the jobs and people then move to the area to take the jobs? Simply put, the question is whether jobs follow people, or people follow jobs.

We have had many examples of both kinds of migration in this part of the country. During the 1850s, for example, people opposed to slavery migrated to Kansas from New England mainly because they wanted to live with other people of the same belief. And later in the 1800s and early 1900s, people from Europe came here to live with other immigrants of the same nationality. These people did not come here to fill particular jobs but because they found the area a desirable place to live. Once they were here, however, jobs were created and employment growth followed. On the other hand, we also have many examples of people coming to this region after jobs were created—for example, to work on the building of the railroads in the late 1800s and to work in meatpacking plants and stockyards in the early 1900s.

One of the points I want to make tonight is that both forms of migration are important for economic prosperity in Kansas—jobs following people and people following jobs. Kansas may not have as many scenic amenities or as favorable a climate as some other areas of the country. However, the state does have other advantages such as low congestion and low housing costs that make it a desirable place to live. These advantages should help draw people to the area, making it more attractive for firms to locate here and create jobs. I will also argue, however, that Kansas can do still better by using its schools and colleges to upgrade the skills of the local

work force, including blue collar and clerical workers. The high quality of the local work force will then make it more attractive for firms to locate here, boosting job growth. As this happens, people from other states will be more willing to move to the region, leading to still further growth. The final part of my story will be that even in the new economy, there are still plenty of unskilled jobs to be performed. It makes sense to let unskilled immigrants fill many of these jobs, as long as we do not let the supply of unskilled workers become too large and as long as we provide opportunities for such workers to move out of low-end jobs by acquiring more skills.

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I want to begin by taking a brief look at migration trends in the U.S. as a whole (Chart 1). This chart shows one useful measure of the amount of interstate migration--the percent of people in the U.S. who lived in a different state from the one in which they were born. This share increased during most of the last century but leveled off in the last three decades and actually edged down in the 1990s. The next chart shows an alternative measure of internal migration in the U.S.--the percent of all U.S. residents who moved between states during the second half of each decade (Chart 2). This measure does not go back as far as the other, because the Census Bureau did not begin asking people about their previous residence until relatively recently. You can see that during the second half of the 1930s, when the nation was still recovering from the Great Depression, only 5 percent of people moved between states. That share rose steadily over the following decades, surpassing 10 percent in the 1960s and 1970s. Since then, however, the share of people moving across state lines has fallen somewhat.

The slight decline in internal migration during the last decade or two does not necessarily mean people are becoming less mobile. Some of the decline in internal migration was probably due to the fact that regional economies have become more synchronized as they have become

more similar in industrial structure. For example, states like Oklahoma and Texas are much less dependent on energy and thus much less affected by a sudden increase or decrease in the price of oil. Some of the decline in internal migration may also be due to the fact that young adults--the most mobile age group--account for a lower share of the population than they used to.

Even with the recent decline in migration, people are still much more willing to move in the U.S. than Europe. Most economists consider this greater mobility to be a big advantage because it helps our economy adjust to regional economic shocks. Over time, workers in the U.S. tend to move from areas with slumping local economies to areas with booming local economies. This movement of people helps reduce unemployment in depressed regions and satisfy the increased demand for labor in booming regions. For a variety of reasons, including government welfare policies, workers in Europe are more likely to stay put, allowing differences in regional economic conditions to persist for a much longer time.

Having looked at internal migration in the nation, let us now take a look at migration in Kansas, beginning with a long-term perspective (Chart 3). This chart shows the net inflow of people to Kansas from other states during the second half of each decade. As you can see, Kansas experienced a substantial net outflow of people in the latter half of the 1930s, when dust storms and plummeting crop prices caused a large exodus of farmers to other states. Net out-migration from the state remained high in subsequent decades as increases in agricultural productivity sharply reduced the need for farm labor. However, the net outflow of people from the state gradually lessened, falling to a mere 0.3 percent during the period 1995-2000.

The net migration flows shown in this chart mask some sizeable net inflows and net outflows to individual states (Chart 4). During the second half of the 1990s, Kansas enjoyed a net inflow of almost 15,000 people from California and net inflows of 2,000 people each from

Nebraska and Iowa. At the same time, however, the state suffered substantial net outflows to several other states, including 5,200 people to Missouri and 5,600 people to Texas.

More recently, the net in-migration of people to Kansas appears to have taken a turn for the worse (Chart 5). This chart shows net in-migration to Kansas during two periods—the second half of the 1990s, and the first half of the current decade. The figures for the more recent period are Census Bureau estimates based mainly on income tax returns. They are not as reliable as the estimates for the earlier period, which come from the 2000 Census. However, they are the best we have. These data show that net in-migration decreased in all four states but especially in Kansas, which suffered a net loss of people of just over 2 percent from 2000 to 2005.

Looking across Kansas, you can see that some areas of the state have suffered bigger net outflows than others (Chart 6). The most recent migration data at this geographic level are for 2004. From 2000 to 2004, the biggest net outflow of people was in non-metropolitan areas of the state—including both micropolitan counties (those with towns above 10,000 in size) and rural counties (those with towns below 10,000 in size). The net outflow of people from these areas during 2000-2004 was nothing new, but it was bigger than in the previous five years, especially in the state's micropolitan areas. Within the latter group, net out-migration increased most in the meatpacking communities in southwest Kansas, exceeding 2 1/2 percent per year. Other areas of Kansas suffering net outflows of people in 2000-2004 were Wichita and Lawrence/Topeka, both of which enjoyed net inflows during the previous 5 years. Finally, in sharp contrast to most of the state was the Kansas side of the Kansas City metro area. This area enjoyed a sizeable net inflow of people during both periods, though the rate was a little lower in the early 2000s than it was in the late 1990s.

As I suggested earlier, it is not necessarily a bad thing for one state to lose people to other states—it may even be a good thing, if people are moving from areas with an excess supply of labor to areas with an excess demand for labor. However, the persistent loss of people can be of serious concern to a state trying to compete with other states for employers. That is especially so now, because most demographers are predicting a sharp slowdown in the growth of the working-age population in the nation as a whole (Chart 7). Two factors will contribute to this slowing--the aging of the baby boomers, who will be starting to retire in about five years, and the decrease in the average number of children borne by women. This projected slowdown in the growth of the working-age population will make the availability of workers a more important consideration for firms in deciding where to locate.

Fortunately for Kansas, there are two reasons for believing that net in-migration from other states will rebound during the rest of the decade. The first reason is that the Kansas economy was hit harder by the recent recession than the nation as a whole (Chart 8). From 2001 to 2003, for example, employment fell a total of 2.7 percent in Kansas, versus only 1.4 percent in the nation as a whole. Empirical studies of migration generally agree that people in the U.S. do not just respond to climate and amenities in deciding where to move—they are also sensitive to differences in local economic conditions. Thus, at least some of the increase in net out-migration from Kansas during the last five years is probably due to the weaker performance of the state's economy. As the Kansas economy rebounds and catches up with the nation, the net outflow of people to other states should decrease.

The second reason for believing that net out-migration will not remain so high in Kansas is that the low cost of housing in the state should attract more migrants from high-cost housing markets on the two coasts (Chart 9). This chart shows a common measure of the affordability of

housing—the ratio of the median home price to median family income. In 2005, median home prices were only 1.8 times median family income in Wichita and Topeka and only 2.3 times median family income in Kansas City. For the nation as a whole, by contrast, median home prices were 3.4 times median family income. Studies that have looked at the impact of housing costs on migration have not always agreed. For the most part, however, the studies find that people are more likely to move from areas with high housing costs to areas with low housing costs. This tendency should help reverse the net out-migration of people from Kansas that we have seen during the last five years.

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Besides having a big enough labor force in coming years to attract prospective employers, it is important for Kansas to have the right kind of labor force. Over the last 30 years, computers have changed the nature of work in the United States. In particular, the new technology has resulted in a “hollowing out” of the distribution of jobs across occupations (Chart 10). This chart groups occupations into seven broad categories, arranged from left to right in order of increasing pay. From 1969 to 1999, there was a marked decrease in the importance of middle-level blue-collar and clerical jobs. Some of these jobs were assembly line jobs that could be automated. Others were clerical jobs that could be reduced to a set of rules and programmed on the computer. At the same time that the middle-level jobs declined, jobs at the upper end of the pay scale increased. Some of these jobs require high skill or education in order to work with computers. Others cannot be performed by computers because they involve face-to-face contact with customers or independent thinking. Finally, despite the new technology, service jobs at the very bottom of the pay scale have also increased over the last 30 years. These are jobs that do

not require much skill but must still be performed by humans because they cannot be easily automated—for example, janitorial and restaurant jobs.

Is the migration of people into and out of Kansas leaving the state with the kinds of workers needed for today's economy? One way to answer this question is by looking at the net in-migration of people by educational level (Chart 11). For the second half of the 1990s, the most recent period for which we have such data, this chart shows the net inflow of people aged 25 and over in four categories—no high school degree, a high school degree, some college, and a college degree. Two facts stand out from this chart. First, there was a net inflow of people with very low education—those without a high school degree. Second, there was a net outflow of people with high education--those with a college degree or more. About 10,000 more people who had college degrees at the end of the period moved out of Kansas than moved into the state. That figure represented more than 2 percent of all people who lived in Kansas in 1995 and had a college degree in 2000.

Fortunately for Kansas, the “brain drain” is not really as bad as this chart makes it appear. More young people come to Kansas each fall to attend college than leave the state to attend college somewhere else. It is to be expected that many of the young people who come to Kansas to attend college will return to their home states to live and work. That is one reason the net outflow of 25-and-over college graduates in this chart is as high as it is.

The other reason the brain drain from Kansas is not as serious as the chart suggests is that it has been far outweighed by the increase in college enrollment in the state (Chart 12). The first row in this chart shows how much of the growth in college graduates between 1990 and 2000 was due to more people born in Kansas having graduated from college. The second row shows

how much of the growth was due to net inflows of college students from abroad. Finally, the third row shows how much of the growth was due to college graduates moving between states.

Consistent with the previous chart, there was a small brain drain in Kansas—more college graduates moved out of Kansas than moved in. However, the growth of college graduates still exceeded 30 percent--about three times the growth of the adult population over the same period. The substantial growth in college graduates was due partly to an increase in graduates moving from abroad but mainly to an increase in the number of graduates born in Kansas. Though not shown in the table, the latter increase resulted from two factors. First was the replacement of elderly people who grew up at a time of low college enrollment by better educated young people. Second was an increase in the proportion of young people who chose to attend college during the 1990s.

While the number of college graduates has grown substantially, Kansas would still benefit from reversing the net outflow of graduates to other states. Studies have shown that there are significant spillovers from a highly educated workforce. Specifically, workers of a given educational level tend to be more productive and earn higher wages in areas with large numbers of people with college or advanced degrees.

The low cost of housing that I discussed earlier is one factor that should draw more highly educated people to the state. Even more important, however, is the availability of high-skill jobs (Chart 13). Ironically, the best hope for a state like Kansas to generate such jobs may be to improve education at *all* levels, including its high schools and community colleges as well as its universities. If the state's blue collar and clerical workers are viewed as highly productive by firms outside the region, more firms will locate here. And if more firms locate in the state, more high-level jobs will be created for graduates of the state's colleges and professional

schools. As that happens, the modest brain drain we have seen to date may turn into a brain gain--more of the people who come here from other states to attend college will be tempted to stay, and fewer of the people who stay here for college will be tempted to leave.

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Let me turn finally to the impact of migration on the supply of workers in Kansas at the opposite end of the skills spectrum—those with a high school education or less. As I noted earlier, the new distribution of occupations in the U.S. includes not only more jobs at the top but also more jobs at the bottom—especially jobs in the services sector that cannot be automated. Thus, to prosper, states like Kansas may need not only an ample supply of highly educated workers, but also an adequate supply of unskilled workers. Some economists even argue that a large supply of unskilled workers makes highly skilled workers in the same area more productive, by freeing up their time from such tasks as housework and lawn maintenance.

How has migration affected the supply of unskilled workers in Kansas (Chart 14)? When I showed you this slide earlier, I noted that Kansas had received a net inflow of people at the very bottom of the educational spectrum—those with less than a high school degree. On closer inspection, this net inflow of poorly educated people from other states turns out to consist mainly of established immigrants--immigrants who came to the U.S. before 1995 and then moved to Kansas sometime between 1995 and 2000.

The next chart shows that during the same period, the state received an even bigger inflow of poorly educated immigrants from abroad (Chart 15). Consistent with the data I showed you earlier, Kansas received a sizeable inflow from abroad of immigrants with college degrees. In proportional terms, however, the biggest inflow of immigrants from abroad was of those with less than a high school degree. You will not be surprised to learn that in both this case and the

previous one, a substantial number of the poorly educated immigrants moving to Kansas were born in Mexico.

The kinds of jobs that these immigrants are taking are those you would expect given their lack of education and their determination to work—jobs that do not require a lot of skill or command of the English language but are physically demanding and, in some cases, even dangerous (Chart 16). This chart shows the eight industries in Kansas with the largest number of unskilled immigrants in 2000—defined in this case as immigrants with a high school degree or less. The first column shows the percent of all unskilled immigrants in Kansas employed in the industry; the second column shows the percent of all unskilled native workers in the state employed in the industry; and the last column shows the ratio of these two percentages. Industries in which this ratio exceeds one can be said to have a high concentration of unskilled immigrants.

At the top of the list is the meatpacking industry, much of which is located in the southwest corner of the state. About 17 percent of immigrants in the Kansas with a high school degree or less work in this industry, compared to only one percent of all native born workers of the same educational level. Other industries in Kansas with unusually high concentrations of poorly educated immigrants include landscaping, traveler accommodation, and animal production.

The fact that unskilled immigrants are highly concentrated in certain industries is sometimes taken to mean they are doing jobs native workers are unwilling to do. For an economist, such a notion does not really make sense. At a sufficiently higher wage, native workers would always be willing to perform the same jobs unskilled immigrants are now performing. The problem is that the companies employing these workers would then have to

sell their goods and services at a higher price and might even have to go out of business. This way of looking at the matter makes it clear that one of the main effects of an influx of unskilled immigrants to an area is to redistribute income among people already living in the area. People who consume the goods and services produced by unskilled immigrants will generally be better off, including those highly educated workers that Kansas would dearly like to retain and attract. But at the same time, unskilled native workers in the area will usually be worse off, because they will not earn as high wages as they otherwise would.

On balance, I believe that recent inflows of unskilled immigrant workers have probably benefited the Kansas economy. However, too much growth of unskilled labor could be detrimental to the state's economy. Unskilled workers tend to pay fewer local taxes and consume more local public services than other workers, imposing a fiscal burden on local governments. In addition, firms in areas with large supplies of unskilled workers may be tempted to forego investment in new technology, finding it cheaper to rely on older, labor-intensive techniques.

Given these potential costs, it is important that something be done to bring the inflow of unskilled immigrants to the U.S. under better control. One way this could be done is by creating a better system for checking a worker's legal status and imposing stiffer sanctions on employers who hire unskilled immigrants. Whatever the method, re-establishing control over immigration is essential, because the potential supply of unskilled immigrants from poorer countries is vast.

The other thing that can be done to make sure we do not end up with too great a supply of unskilled workers is to upgrade the skills of both poorly educated immigrants and poorly educated natives. Helping poorly educated natives move up the skills ladder would reduce the adverse impact on them of competition with poorly educated immigrants. And educating

immigrants would help ensure that they are eventually able to move on to better jobs, leaving the many low end-jobs that still need to be performed in our economy to the next round of legal immigrants from abroad.

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Let me conclude by briefly summarizing my main points. At the beginning of my talk, I noted that economists have long disagreed which form of migration is more important—people following jobs, or jobs following people. Both types of migration will be important for Kansas as it tries to attract more workers and turn the area's modest brain drain into a substantial brain gain. The state's low congestion and low cost of housing will help draw people from other states. As that happens, jobs will follow. But Kansas can do still better by improving the quality of the local work force, giving firms more incentive to locate here and create jobs here. Such job creation will draw still more people to the state, including the highly educated workers most in demand in today's economy. Finally, I have argued that there are still many unskilled jobs that need to be performed in today's economy. The inflow of unskilled immigrants to the region can help meet this demand. However, too great an increase in the supply of unskilled labor can distort an area's economy. That is why it is important to re-establish control over immigration and educate the unskilled workers whom we decide to admit.