W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

Employment Research Newsletter

Volume 29 | Number 1

Article 2

1-24-2022

Isolated States of America: State Borders, Mobility, and Labor Markets

Riley Wilson
Brigham Young University, riley_wilson@byu.edu

Citation

Wilson, Riley. 2022. "Isolated States of America: State Borders, Mobility, and Labor Markets." Employment Research 29(1): 4-7. https://doi.org/10.17848/1075-8445.29(1)-2

Isolated States of America

State Borders, Mobility, and Labor Markets

Riley Wilson

The United States has traditionally been seen as a highly mobile country, with nearly one in five people changing their county of residence every five years. Even though internal migration has steadily declined over the past 40 years, the United States still exhibits higher internal mobility than most European countries (Molloy, Smith, and Wozniak 2011). Geographic mobility is often viewed as both an opportunity for individuals to find better job opportunities and a mechanism through which places adjust to economic change, both positive (people move in) and negative (people move out); both channels contribute to labor market fluidity and economic dynamism (Blanchard and Katz 1992; Molloy et al. 2016).

People are three times as likely to move to a different county in the same state as to move to an equally distant county in a different state.

However, local economic conditions vary considerably across the country. Most counties are within an hour's drive of another county that has higher average wages, lower average house prices, or both. Although there might be other characteristics that offset these raw differences, many individuals could plausibly encounter better employment or housing opportunities a relatively short distance away, either through migration or commuting. Factors that reduce or limit this internal migration or commuting could depress economic growth.

In a related paper, I study a novel aspect of U.S. internal migration and commuting across counties. Drawing on IRS data on county-to-county migration and census data on county-to-county commuting, I show that, even conditional on distance, cross-county migration and commuting drop significantly when a state border lies between the two counties. People are three times as likely to move to a different county in the same state—and about twice as likely to commute to a different county in the same state—as to move to an equally distant county in a different state (see Figure 1, next page). In other words, state borders reduce both residential and employment mobility. Because there are no legal or residency restrictions associated with state borders (as there are with national borders), this pattern is perhaps unexpected. Such migration "frictions" could also shape the way places respond to local economic shocks.

ARTICLE HIGHLIGHTS

- *County-to-county mobility drops significantly when counties are separated by state borders.*
- *This drop is not driven by differences in local characteristics or in moving costs related to state-level policy.*
- *State borders also affect county-to-county social connectedness (Facebook friendships), suggesting that personal ties, lack-of-information friction, or home-state identity might be at play.*
- *Counties on state borders that face this migration stickiness have weaker recoveries after cyclical downturns, such as the Great Recession.*

Why State Borders Could Matter

Economists typically model the decision to migrate as a choice between locations based on the costs and benefits associated with making the move. An individual will move from County A to County B if the net benefit they get from County B over County A exceeds the costs of moving there. This simple framework suggests three potential explanations for the drop in mobility at state borders. First, local characteristics that provide benefits (e.g., good schools or transit options) could discretely change at state borders, leading to abrupt differences in the propensity to make such a move. Second, state policies could impose extra costs on cross-border moves (e.g., occupational licensing or higher taxes), discouraging people from leaving the state. Finally, the "connectedness" of counties could fall across state lines. For example, people might be hesitant to switch to a new state if they have fewer friends or family ties there, or if their social networks provide less information about circumstances there.

Local Characteristics Don't Drive the State Border Mobility Gap

If large differences in benefits at state borders were behind the mobility gap, we would expect to see differences in local characteristics that people care about, such as economic opportunities, housing affordability, weather, political attitudes, and local school performance. However, this does not appear to be the case. When I examine the difference in several characteristics between counties in the same state and counties in an adjacent state, I do not find any sudden jump to have occurred as the distance between the two groups shrinks. In other words, employment rates, average wages, population, demographic composition, industry composition, housing prices, weather, voting patterns, and school outcomes are all similar across state borders. Figure 1 shows that controlling for these characteristics does not affect the migration gap at state borders, suggesting the drop in mobility there is not driven by differences in local characteristics.

State Policies Don't Drive the State Border Mobility Gap

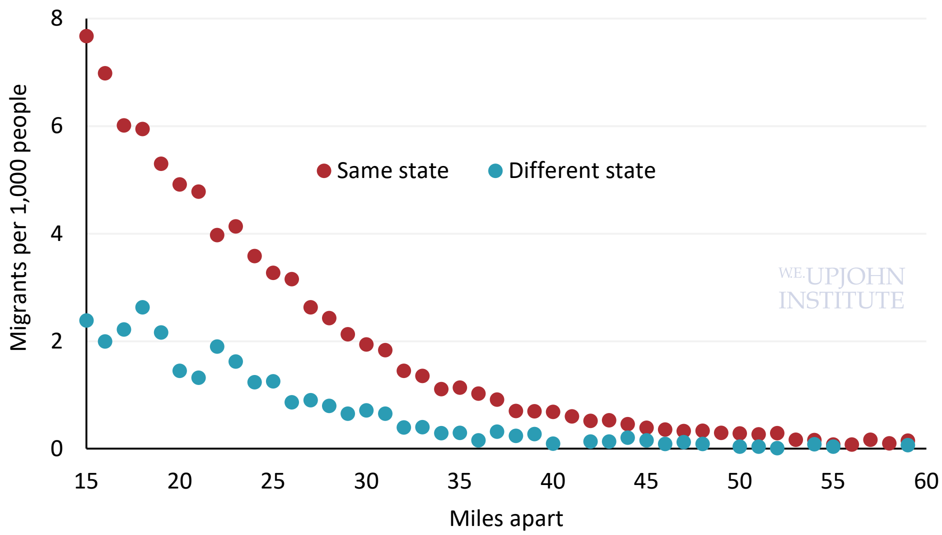
If state policies that caused higher moving costs at state borders were driving the mobility gap, we would expect patterns to be asymmetric across states. For example, if differences in state income taxes played a role, there should be larger state border migration penalties in moving from low-tax to high-tax states, but smaller migration penalties (or even bonuses) in the reverse direction. This also does not appear to be the case. Conditional on distance, crossing state borders is associated with a similar drop in migration regardless of whether the potential destination has higher or lower taxes than the point of origin. This pattern holds not just for taxes (income, sales, or corporate), but also for the generosity of several state programs and policies (EITC, Medicaid, TANF, school funding, minimum wage) and the stringency of occupational licensing.

The Role of Social Connectedness

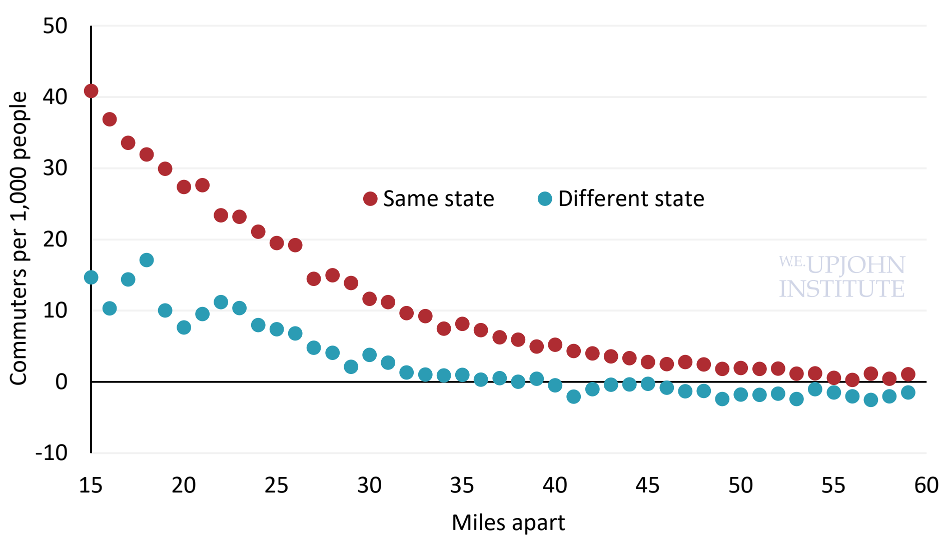
If differences in local characteristics and state policies don't drive migration gaps at state borders, differences in "social connectedness" across areas might. Drawing upon the Social Connectedness Index, which measures Facebook friendship rates between pairs of counties (Bailey et al. 2018), I find a similar drop-off in county-to-county friendship rates at state borders. Conditional on distance, people have about half as many Facebook friends across state lines as they do in counties within the same state (see Figure 2).

It is challenging to determine causality from this relationship, as social networks could affect migration but migration could also affect social networks. Nonetheless, the correlation is consistent with several potential mechanisms. Individuals might face large psychic costs when moving away from friends and family. If individuals have fewer friends across state borders, psychic costs would be larger for moves that cross state lines. Having

Figure 1 Panel A: County-to-County Migration Rates



Panel B: County-to-County Commuting Rates



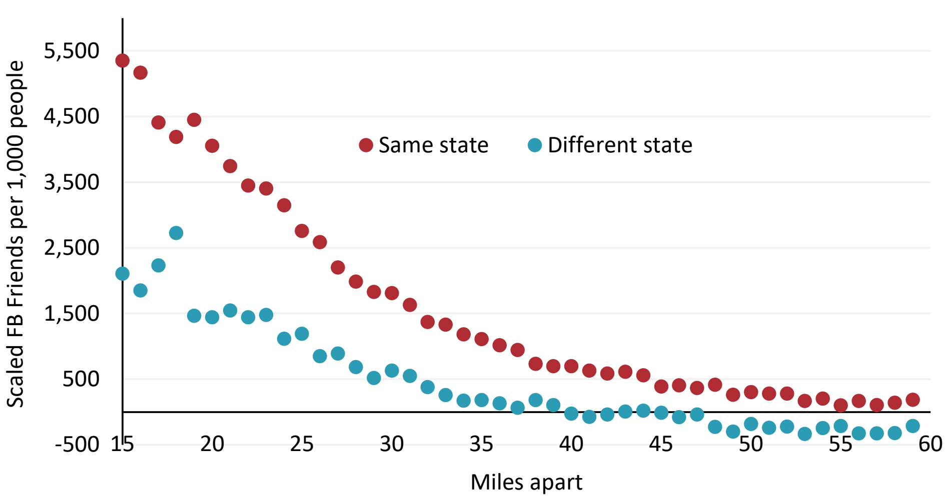
NOTE: The circles show migration rates (Panel A) or commuting rates (Panel B) between pairs of counties, aggregated by distance and whether the pairs are in the same or different states. They represent statistical estimates that have been adjusted for differences between county characteristics in each pair, as detailed in the paper, and thus can be slightly negative. The horizontal axis indicates the distance in miles between county-pair centers, where centers are population-weighted centroids.
SOURCE: Author's own calculations using 2017 IRS SOI county-to-county flows and 2017 LEHD LODES.

fewer social connections across the state border could also impede the flow of information, leading to more uncertainty and reducing people's willingness to change states.

A third factor that influences both cross-border social connectedness and mobility could also be at play. People might exhibit a behavioral quirk known as the endowment effect, in which it is especially costly to give up things one is initially "endowed" with. What would this look like in the migration decision? This might show up as a home state identity. People identify with the state that they were born in or grew up in, and it is thus costly for them to consider moving away. Unfortunately, few data sources allow the exploration of this type of mechanism. However, there are several pieces of suggestive evidence. When looking at the American Community Survey, an annual survey of more than one million U.S. households, movers who were living in their state of birth are less than half as likely to move out of state as movers who were already living outside their birth state. Using data from a small survey on mobility conducted by the Pew Research Center in 2008, I find that 68 percent of respondents say that they live in their birth state because "they feel like they belong [there]" or because their birth state is the place they most identify with. A large share of people thus exhibit a birth-state identity, and in the survey these individuals were less likely to have ever moved out of state. Interestingly, when asked hypothetical questions about moving, individuals who exhibit a birth-state identity are less likely to report willingness to move *only* if they are currently living in their birth state. This is consistent with an endowment effect, making it costly to move away from one's state of birth.

Mobility drops at state borders, even when controlling for detailed local characteristics of origin and destination counties.

Figure 2 County-to-County Facebook Friendship Rates Also Drop Off at State Borders, Even When Distances Are Small



NOTE: The circles show the number of Facebook friends per 1,000 residents, as measured in the Social Connectedness Index, between pairs of counties, aggregated by distance and whether the pairs are in the same or different states. The number of Facebook friends has been scaled to protect privacy, so values can fall below 0. See note to Figure 1.

SOURCE: Author's own calculations using 2016 Social Connectedness Index (Bailey et al. 2018).

Policy Implications: Does This Pattern in Mobility Matter for Labor Markets?

Regardless of *why* state borders affect mobility, understanding how this pattern influences labor markets has important policy implications. Recent research finds that places that experienced larger downturns during the Great Recession took longer to recover economically and fell behind less affected areas, even years later (Hershbein and Stuart 2020). Building on this work, I test to see whether this pattern differs for counties at state borders (where this mobility "friction" is likely more binding) relative to counties in the interior of the state (see Figure 3). I find that the pattern is stronger in border counties, where recoveries from employment losses occur even more slowly. Consistent with the mobility pattern, border counties also see lower in-migration and in-commuting during the recovery period, potentially limiting the dynamism of these local economies. These patterns in turn may help us better understand the variation in economic success and growth across areas of the United States and highlight why some places are slow to bounce back from economic downturns. They also are relevant for the evaluation of social safety-net and place-based policies, as migration frictions can affect who stays, who comes in, and how both affect the recovery path from a local recession.

References

Bailey, Michael, Rachel Cao, Theresa Kuchler, Johannes Stroebel, and Arlene Wong. 2018. "Social Connectedness: Measurement, Determinants, and Effects." *Journal of Economic Perspectives* 32(3): 259–280.

Blanchard, Olivier J., and Lawrence F. Katz. 1992. "Regional Evolutions." *Brookings Papers on Economic Activity*. Washington, DC: Brookings Institution.

Hershbein, Brad, and Bryan A. Stuart. 2020. "Recessions and Local Labor Market Hysteresis." Upjohn Institute Working Paper No. 20-325. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

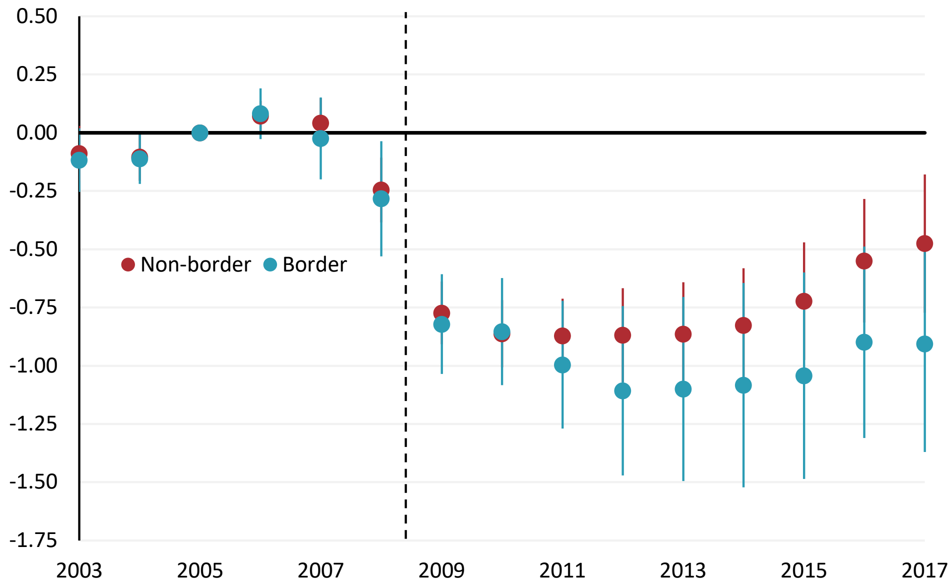
Molloy, Raven, Christopher L. Smith, Riccardo Trezzi, and Abigail Wozniak. 2016. "Understanding Declining Fluidity in the U.S. Labor Market." *Brookings Papers on Economic Activity*. Washington, DC: Brookings Institution.

Molloy, Raven, Christopher L. Smith, and Abigail Wozniak. 2011. "Internal Migration in the United States." *Journal of Economic Perspectives* 25(3): 173–196.

For additional details, see the working paper at https://research.upjohn.org/up_workingpapers/358/.

Riley Wilson is an assistant professor of economics at Brigham Young University.

Figure 3 Employment Recovery after the Great Recession Also Lags at State Borders



NOTE: The estimates show the year-by-year (approximate) impact of a 1 percent greater decrease in commuting-zone employment between 2007 and 2009 on the percentage change in employment in other years, separately for counties on state borders and those in the interior of the state.
SOURCE: Author's own calculations using the 2000–2017 Quarterly Census of Employment and Wages.

New Book from the Upjohn Press

Intergenerational Mobility

How Gender, Race, and Family Structure Affect Adult Outcomes

Jean Kimmel, Editor

Recent studies point to a decline in intergenerational mobility due to weakening familial relationships occurring mostly in poor or single-parent households or in households of color. In addition, linkages between declining rates of marriage and labor market participation are exacerbating inequality particularly, it is thought, among males raised in single-parent households. This volume presents a complex portrait of the interrelationships among parents' marital status and education, child gender, and the nature and success of children's transitions into adulthood. The first three chapters focus on differences in parents' investments in their children, while the final three chapters focus directly on intergenerational income mobility. Contributors include Rachel Connelly and Jean Kimmel, Ariel Kalil and Susan Mayer, Michael Baker, Sarah Kroeger, Bhashkar Mazumber, and Paula Fomby.

256 pp. 2021 $20 paper 978-088099-678-5