IS OUT-MIGRATION AFFECTED BY ECONOMIC CONDITIONS: COMMENT

Stephen Renas*

Edward Miller's study provides us with some valuable insights, regarding the impact of economic conditions upon the out-migration rate. I wish to address my remarks on his paper as follows:

1. Since average family income and the rate of growth of employment are correlated, I am unable to accept the proposition that the rate of growth of employment is the principle determinant of the out-migration rate.

2. In some cases, a simultaneous-equation estimation procedure may be required to estimate the effects of average family income and the rate of growth of employment on the out-migration rate.

The out-migration rate is regressed on the level of family income and the rate of growth of employment. In addition, the propensity to migrate is controlled for. The rate of growth of employment and average family income are correlated. Both average family income and the employment growth rate are likely to be high in a state experiencing economic expansion. Average family income is likely to be low, however, and the employment growth rate is likely to assume small or negative values in a state experiencing economic decline. When multicollinearity is present, it is very difficult to disentangle the relative influences of the various independent variables on the out-migration rate. Moreover, estimates of the coefficients of the independent variables become very sensitive to particular sets of sample data.[1]

In the regression, the coefficient for average family income is statistically insignificant, whereas the employment growth variable is highly significant. The author suggests that once the rate of growth of employment is controlled for, the level of earnings makes only a minor contribution to explaining out-migration. However, since the rate of growth of employment and average family income are correlated, it is very difficult to disentangle their relative influences. Thus, on the basis of the evidence which is presented, I am unable to accept Miller's proposition that the principle determinant of out-migration is the rate of growth of employment.

The out-migration rate is a function of average family income and the rate of growth of employment. A state in which average family income and the rate of growth of employment are high is likely to experience a small rate of out-migration, <u>ceteris paribus</u>. However, if the out-migration rate is sufficiently large, an excess demand for labor may be created, and consequently, average family income and the rate of growth of employment may be affected. If these variables are affected, the disturbance term and the independent variables in Miller's regressions are correlated. If a single-equation estimation procedure is applied, biased and inconsistent estimates of the coefficients may be obtained. As a result, a simultaneous-equation estimation procedure may be required.[2] However, it is likely that the out-migration rate is seldom sufficiently large to affect average family income and the rate of growth of employment, and consequently, a single-equation estimation procedure may be employed with confidence in most cases.

*Assistant Professor of Economics, Wright State University.

FOOTNOTES

[1] J. Johnson, Econometric Methods, New York: McGraw Hill, 1972- p. 160.

[2] Ibid., p. 343.