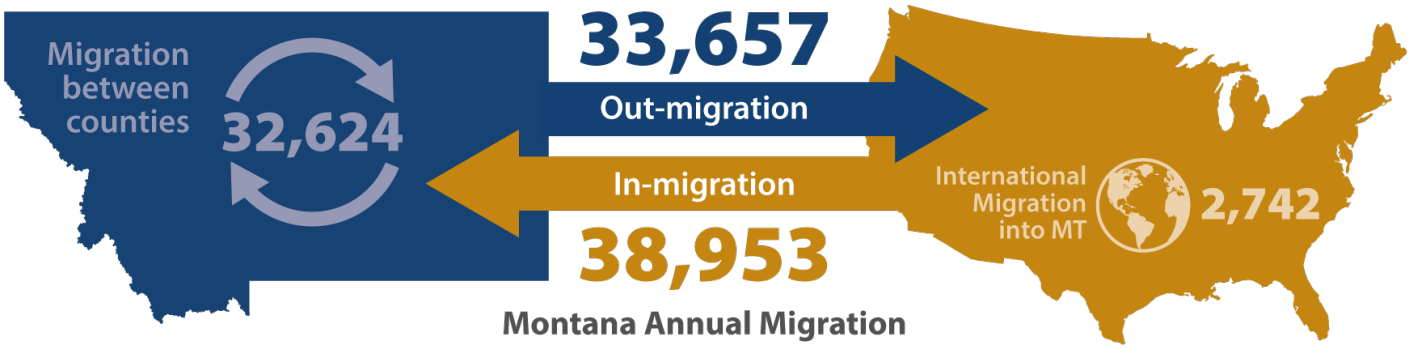


Source: U.S. Census Bureau, American Community Survey, 2008-20125-year estimates

Net Migration's Contribution to Montana's Economic Stability

by William Connell, Economist

As we enter 2015, Montana's economy is healthy and growing. Employment and GDP growth are above historical averages, and unemployment is within normal levels. As the Montana economy continues to expand, more and more workers are needed to sustain economic growth. These workers can come from growth in the state's existing population, as well as the migration of new workers into the state. As Montana's labor force continues to age, and more people retire, there may not be enough workers within the state's existing population to replace the workers exiting the labor force. This potential labor shortage suggests there will be an increased reliance on workers from other states moving to Montana to maintain economic growth.

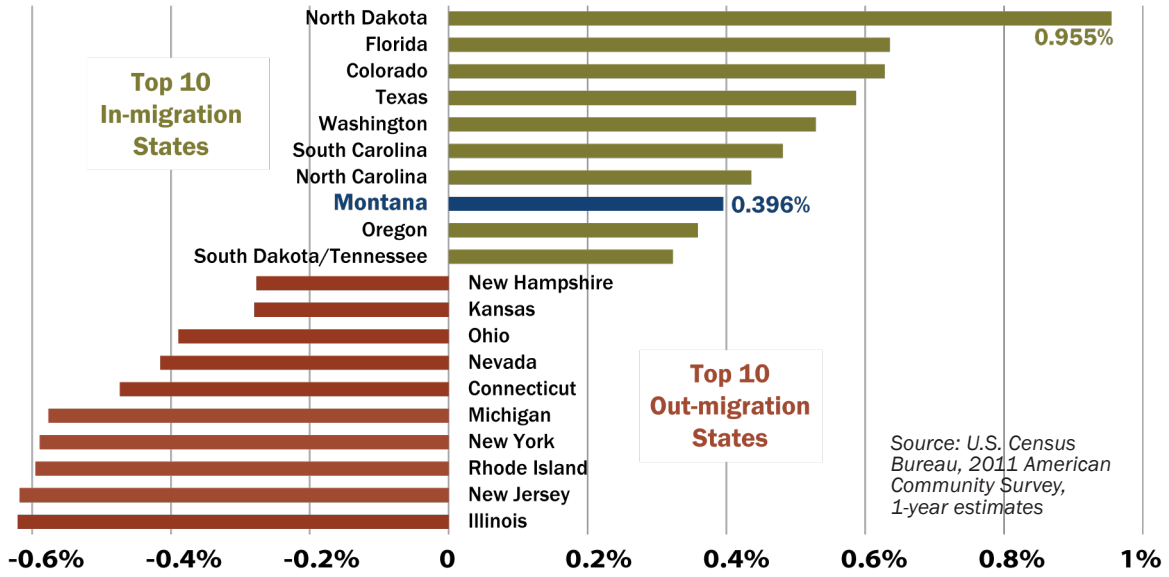
Out-of-state workers play a critical role in Montana's economy. Although the number of in-migrants to Montana is small when compared to Washington's 35,166 or Colorado's 31,195 per year, Montana's migration is quite high when considered as a percentage of our population. According to the 2011 American Community Survey (ACS) one-year estimates, Montana had the eighth highest rate of net in-migration in the United States at 0.3%, which translated into 3,888 more people moving into the state than leaving. These out-of-state workers increase the available labor pool for businesses and help maintain the state's healthy economic growth. This article will explore the patterns of migration into the state to better understand why people move to Montana, what labor needs these workers satisfy, and where most migration occurs.

Recent Migration Patterns

Between 2000 and 2010, Montana's population increased by about 87,000 people. About half of this population growth resulted from natural increases in population (births minus deaths), while the remainder comes from positive net migration into the state. Net migration is the difference between the number of people who moved into Montana and the number that moved out of the state. Figure 1 depicts the states with the highest and lowest rates of net migration as a percentage of total population. The highest ranking states for net in-migration as a percentage of total population typify why people move.

Research has found that people move for both economic and non-economic reasons. Economic reasons include people moving for jobs or better wages, and for those not already gainfully employed, people move to areas with a low cost of living that allows them a higher standard of living on a limited income. For example, the top state for migration, North Dakota, is home to major development in the oil and gas industry, where high wages and demand for new workers has attracted thousands to the state.

Figure 1: State Net Migration as a Percent of Total Population, 2011



There are also non-economic reasons for moves, with people being attracted to Montana's natural amenities, people moving with their family or to be closer to family, and retirees settling in to enjoy their non-working years (retirement destination choices can also be motivated by a combination of amenities, family, and low-cost of living). For example, Florida experiences a significant amount of in-migration in large part due to its warm climate and beaches making it an attractive retirement destination. Meanwhile, the third highest state for net migration, Colorado, most likely experiences migration similar to that seen in Montana with people moving to be closer to outdoor amenities, strong tourism and recreation economies, and a thriving energy sector.

Most of the workers that migrate to Montana come from other areas of the United States, rather than from other countries. According to data from the 2012 U.S. Census Bureau, only 3% of Montana's population was born outside the United States. In comparison, roughly 23% of Florida's population and 17% of Texas' population come from other countries. The high international migration to Texas and Florida (and low migration to Montana) reflects the fact that people tend to move to be close to family or people they already know. Therefore, having a high level of migrants will result in more migrants in the future.

Overall, roughly 15.2% of the U.S. population moves every year, with 2.3% moving within the U.S. to another state. Interstate migration in the U.S. has been on the decline for the last 30 years (Molloy, Smith, Wozniak 2011). Some research credits this to the ease of air travel and better access to information on the internet leading to less migration. Other research suggests that the lower migration levels are due to the equalization of wages across the different job markets in the U.S., thus providing less incentive to move for higher wages (Kaplan and Schulhofer-Wohl, 2012).

Wages do not likely cause people to move to Montana, as the average wage in Montana ranks fairly low when compared to other states. Further, Montana's cost-of-living is roughly equal to the national average. However, Montana's urban areas have a lower cost of living than large cities in other states. Montana's economy has been growing faster than most states during the last decade, ranking in the top ten states for employment growth, providing more job opportunities for workers interested in moving. With Montana's low unemployment rate, migrants

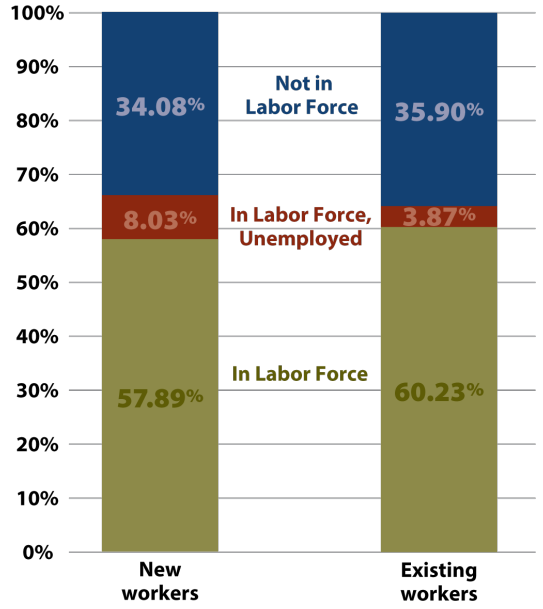
have a strong likelihood of quickly finding a job. Montana also offers an abundance of natural amenities that can provide a higher quality of life for individuals valuing outdoor activities. Even in Montana's urban areas, outdoor activities, ski resorts, hiking, lakes and rivers, and other natural amenities are nearby and easily accessible.

The combination of job opportunities and environmental amenities likely explains Montana's higher rates of net migration. A closer look at the migration patterns of people coming to Montana can help explain the extent to which jobs, natural amenities, relatively lower cost of living, and family are driving the net migration in Montana.

Who is moving into Montana?

For the most part, employment among new residents in Montana is similar to that of existing residents, but not identical. As Figure 2 shows, new residents in the state are more active in the labor force than existing residents, but they are also more likely to be unemployed. New residents often start looking for work after relocating, rather than securing a job in Montana prior to moving. The high level of job searching suggests that many migrants first come for family or for the amenities, rather than economic reasons.

Figure 2: Employment Status by Migration Status



Source: U.S. Census Bureau, 2008-2012 American Community Survey, 5-year estimates

That being said, it generally is easier to find a job once already at the location and available for interviews and work. During the recent recession, Montana's economy outperformed the rest of the nation, with a lower unemployment rate and fewer job losses than the national average. Workers may have moved to Montana in hopes of finding a job, particularly in the oil and gas developments in Eastern Montana.

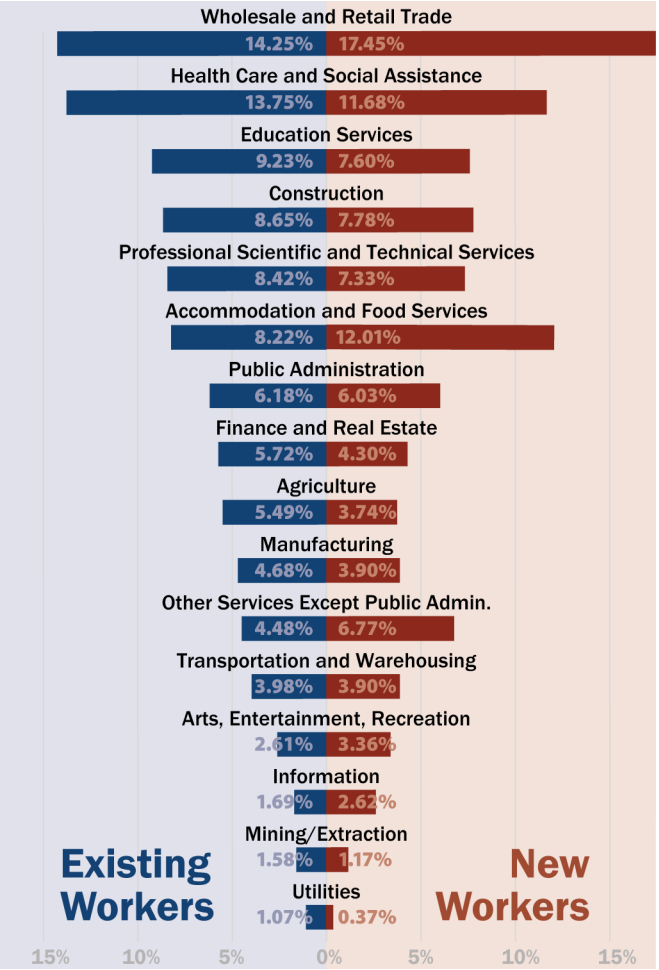
Where do they work?

Many Montana migrants had employment prior to the move, or quickly found employment, with the largest portion finding work in the wholesale and retail trade industry. Figure 3 displays the industry of employment for existing Montana workers versus new workers coming into the state. Overall, the industries that employ migrants are fairly similar to those that employ existing residents, but new workers are over-represented in the wholesale and retail trade, accommodation and food services, and other services industries compared to existing residents. Work in these industries traditionally involves more part-time work, lower wages, and higher turnover than other industries. In this context, new in-migrants may take temporary jobs while they continue to search for a job that better matches their skills and educational background.

Are they as educated as the existing population?

Migrants are slightly more educated than the existing population, as shown in Figure 4. The largest disparity occurs with graduate degrees, with 12.7% of new migrants holding graduate or professional degrees compared to 8.3% of existing workers. Those with higher education levels are generally more likely to move compared to those of lower education levels, possibly because of a greater access to resources or because of the need to move to find employment in a specialized area. In general, Montana workers tend to be more educated than workers

Figure 3: Distribution of Existing and New Workers across Industry (2007-2011)



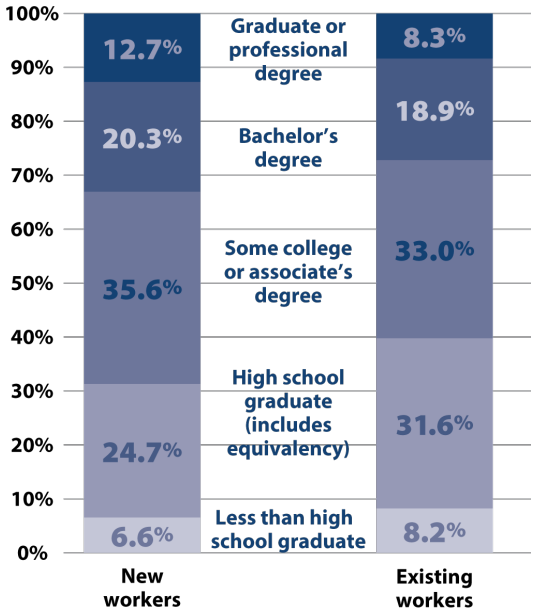
Source: U.S. Census Bureau, 2007-2011 American Community Survey, 5-year public-use microdata series

in other states, with a higher portion of workers having a high school education, and a higher portion of workers having a college degree than the national average. However, fewer Montanans hold graduate degrees than the national average. Therefore, the new migrants into our state appear to be strengthening our labor pool with more educated workers, particularly those with graduate degrees.

Where do people move to in Montana?

Migration around Montana is also very dynamic, with Montanans also moving within the state in addition to having new people move to Montana. Figure 5 depicts net migration as a percentage of the total county population

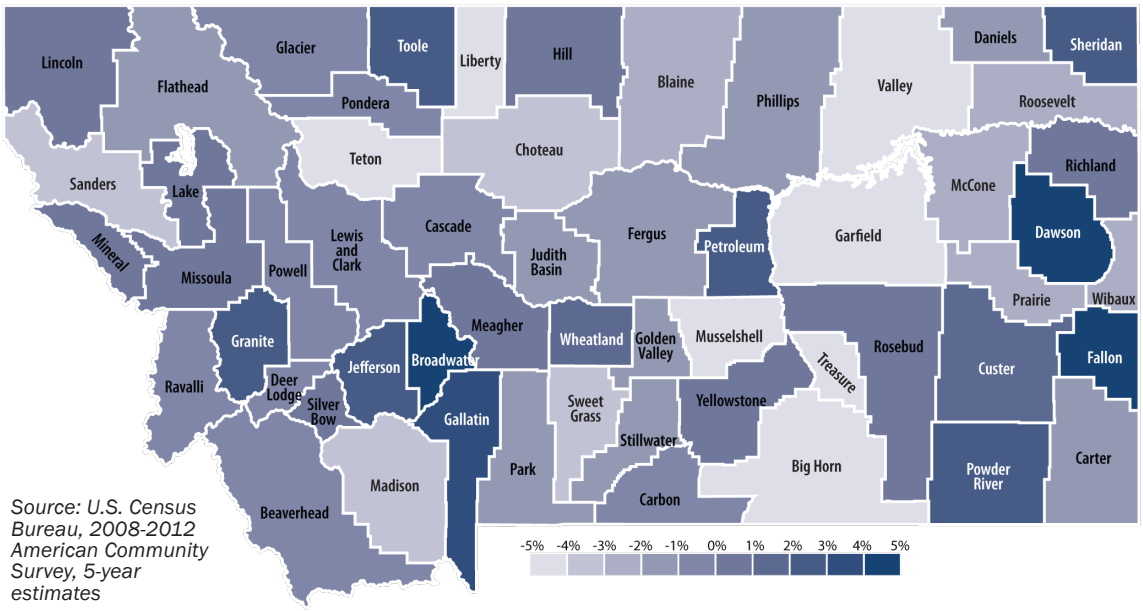
Figure 4: Education Level of Existing and New Workers 25 years of age and over, MT (2007-2011)



Source: U.S. Census Bureau, 2007-2011, American Community Survey, 5-year estimates

from 2008-2012. Only 18 of Montana's 56 counties experienced a net gain of in-migration. The long-term migration trends in Montana and in other states is a movement of people towards urban and suburban areas and away from rural areas. The urbanization of the U.S. population has been occurring for over 100 years as the economy developed from natural resource-based to industrial, and further to a post-industrial economy with most jobs in urban settings. Recent migration data demonstrates a continuation of this trend, with many people moving to the urban centers of Bozeman, Missoula, and Billings. Recent migration has also countered the long-term trends by having high levels of migration to the rural counties of Custer, Dawson, Fallon, and Richland, which have experienced considerable growth due oil development. In migrants have moved to the Bakken region not just to work in the Oil and gas extraction industry, but also in the Retail, Accommodations and food services, and Entertainment industries that have grown to accommodate the larger population and higher consumer spending.

Figure 5: Net In-Migration as a Percent of County Population



Source: U.S. Census Bureau, 2008-2012 American Community Survey, 5-year estimates

Comparing data from various areas of the state suggests that people are motivated to move for more than just finding a job or to move to urban areas. Figure 6 compares the work status of non-movers to in-migrants for five Montana counties: Gallatin, Jefferson, Custer, Yellowstone, and Lake. The chart compares the prevalence of year-round work, part-year work, and nonworking for the mover and non-mover populations, providing information about the motivations for moving to each county.

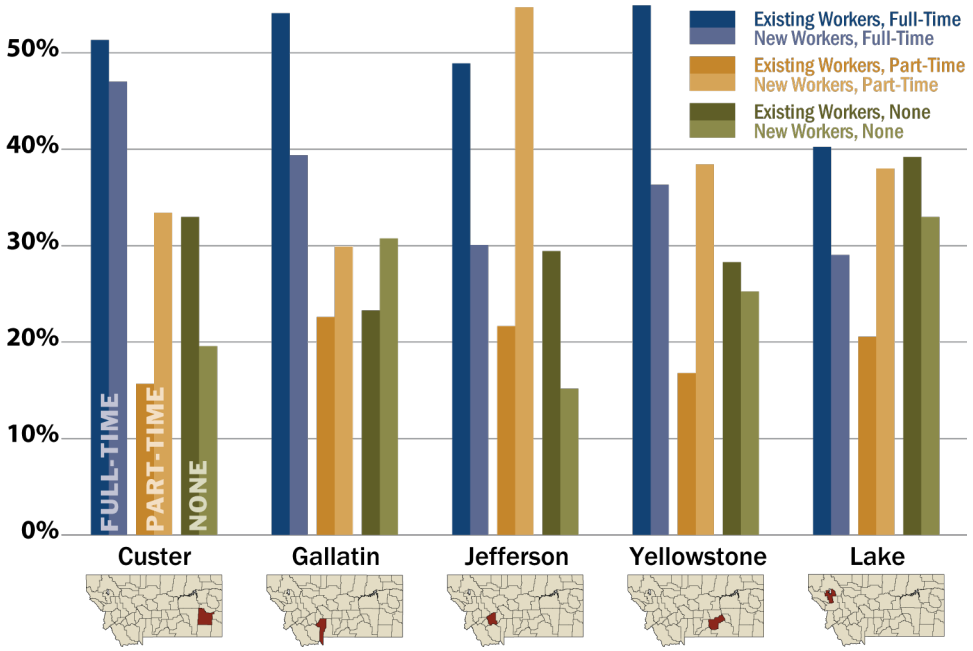
Movers to Custer County are more likely to work than the existing population. Custer County also has the highest rate of movers finding a full-time job among the five counties compared. Migrants to this county are likely moving to find a new job related to the oil field development (or in the service sector serving the increased population). Migrants to Custer County were able to find work relatively quickly compared to the other counties.

In contrast, movers to Lake County are more likely to not work than to have a year-round job, although many accept partial-year work. Most existing people in Lake County also do not work, reflecting the large retirement population in the area. Home to beautiful scenery, golf courses, and retirement communities, both movers and non-movers to Lake County are likely seeking a peaceful retirement home, rather than moving for a job.

The remaining three counties show a mix of work patterns of in-migrants. Workers moving to these counties show a strong likelihood of working, but with movers finding more partial-year work than year-round work in Jefferson and Yellowstone County. The higher rates of partial year work may simply be reflective of the amount of time it takes to find a good job match after moving to an area.

Gallatin County has a strong rate of full-year work for movers, suggesting that movers are drawn to Gallatin County for work. However, Gallatin County is also the only county in which movers are more likely than existing residents to have no employment. Although students generally are considered residents in their home county, there are some instances where students moving for school would be included in the mover population. The high rate of nonworking for movers may also reflect an increasing retiree population in Gallatin County who are moving for the amenities and the proximity to ski resorts and Yellowstone Park. Of all the counties illustrated, Gallatin

Figure 6: Worker status for new and existing workers in selected counties



Source: U.S. Census Bureau, 2008–2012 American Community Survey, 5-year estimates

County may do the best job of representing the "typical" urban area that generally posts strong in-migration both because of the higher likelihood of finding a nearby job and because of the amenities offered by the area.

Conclusion

Migration into Montana remained positive during the years after the 2007 recession, which is likely a reflection of Montana's strong economy and positive amenities. Many new workers have moved to Montana and have become employed quickly, especially in the eastern portion of the state, suggesting that the move was motivated by economic reasons. But the migration data also suggests that many movers are motivated by other factors, such as access to outdoor recreation, family, or other amenities.

In the end, positive net migration for any reason is a positive sign for Montana's economy. More workers and more people generally lead to economic growth, especially when the new migrants help fill positions where workers are in short supply. Retirees can also be positive for economic growth, as their consumer dollars can stabilize a region with steady spending. As more Montana workers retire, the retention and attraction of workers will be essential for continued growth and economic prosperity in the state.

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