

ECONOMIC NOTES

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City's Economy Outpaced the Nation's in First Half of 2007

Overview: Despite the risks posed by a slumping housing market, sub-prime mortgage delinquencies, high energy prices, and restrictive Federal Reserve policy, New York City's economy expanded in the first half of 2007. The city's economic growth has outpaced the nation's and is expected to continue to do so during the remainder of 2007, but the pace of growth should taper off.

- Real Gross City Product surged 3.2 percent in 2Q07 after growing 4 percent in 1Q07. The U.S. economy grew 3.4 percent (advance estimate) in 2Q07 after growing only 0.6 percent in 1Q07. The city's economy got a boost from Wall Street, real estate, tourism, and retailing. Profits of the seven largest banks rose 24.6 percent in the first half of 2007 over the first half of 2006. Although the city's economic growth is expected to out pace the nation, the rate of growth is expected to taper off during the remainder of 2007.

- NYC payroll jobs grew 1.5 percent in the first half of 2007 over the first half of 2006. However, pace of growth slowed to 1.1 percent in 2Q07 from the seasonally adjusted annualized rate of 2 percent in 1Q07. National jobs also grew 1.5 percent in the first half of 2007 over the same period in 2006, after growing at the seasonally adjusted annualized rate of 1.5 percent in 1Q07 and 1.3 percent in 2Q07.

- NYC's unemployment rate averaged 4.8 percent in the first half of 2007, averaging 4.7 percent in 1Q07 and 4.9 percent in 2Q07. The U.S. unemployment rate was 4.5 percent in the first and second quarters of 2007. After 14 quarters of growth, the number of employed city residents fell by 1,800 in 1Q07 and 30,500 in 2Q07. The city's labor-force-participation rate also fell to 59 percent in 2Q07 from its four-year high of 59.3 percent in 1Q07.

- Personal income taxes withheld from paychecks rose 14.7 percent in the first half of 2007, with gains of 17.7 percent in 1Q07 and 9.9 percent in 2Q07, on a year-over-year basis. Estimated tax revenue, which is based on taxpayers' estimates of interest earned, rental income, and capital gains, rose 13.1 percent in the first half of 2007.

- General sales tax collections surged 11 percent in 2Q07 after rising only 0.7 percent in 1Q07. As a result, general sales tax collections rose 5.7 percent in the first half of 2007, on a year-over-year basis, despite the reduction of sales taxes on clothing and footwear effective April 1. Retail jobs rose 1.7 percent in the first half of the year.

- The Manhattan office vacancy rate fell to 5.3 percent in 2Q07 from 5.7 percent in 1Q07, according to Cushman & Wakefield, while the average asking rent in Manhattan office buildings rose to \$59.17 per square foot (psf). Commercial property values remained strong. The vacancy rate fell to 3.5 percent in Midtown South, 5.3 percent in Midtown, and 6.7 percent in Downtown.

- Manhattan apartment sales prices continue to soar. On a square-foot basis, they rose 6.4 percent in 2Q07 from the 1Q07, according to Prudential Douglas Elliman, and grew 5.2 percent from 2Q06. The number of transactions more than doubled (103.7 percent), while the listing inventory contracted and the number of days on the market declined. However, building permits issued for new residential units declined by 10.4 percent in 1Q07 from a year earlier.

- Transit ridership, an indicator of the city's economic activity, continued to increase. According to the MTA, total monthly passengers using the subway rose 3.8 percent; using Long Island Railroad rose 5.1 percent; and using Metro-North Railroad rose 4.3 percent during the first four months of 2007, on a year-over-year basis. During the same period, traffic volume on bridges and tunnels rose 0.7 percent.

INSIDE FOCUS: Who Leaves New York

Summary Table. Five Key Economic Indicators, NYC and U.S., 1Q07 vs. 4Q06

		1. GCP/GDP Growth, SAAR	2. Payroll-Jobs Growth, SAAR	3. PIT Withheld, Growth, NSA	4. Inflation Rate, NSA	5. Unemployment Rate, SA
1Q07 vs.	NYC	4.0% Better	2.0% Better	17.7% Better	2.9% Worse	4.7% Worse
4Q06	U.S.	0.7% Worse	1.5% No Change	9.5% Better	2.4% Worse	4.5% No Change

Summary Table. Five Key Economic Indicators, NYC and U.S., 1Q07 vs. 4Q06 and 2Q07 vs. 1Q07

	1. GCP/GDP Growth, SAAR		2. Payroll-Jobs Growth, SAAR		3. PIT Withheld, Growth, NSA		4. Inflation Rate, NSA		5. Unemployment Rate, SA	
	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.	NYC	U.S.
1Q07/4Q06	4.0% Better	0.6% Worse	2.0% Better	1.5% No Change	17.7% Better	9.5% Better	2.9% Worse	2.4% Worse	4.7% Worse	4.5% NC
2Q07/1Q07	3.2% Worse	3.4% Better	1.1% Worse	1.3% Worse	9.9% Worse	11.4% Better	2.5% Better	2.7% Worse	4.9% Worse	4.5% NC

NSA: Not Seasonally Adjusted. SA: Seasonally Adjusted. SAAR: SA Annualized Rate. PIT: Personal Income Tax. Comparisons for "Better" or "Worse" are with the prior quarter.

New York's Delicate Migration Balance

Summary: Nearly 300,000 New Yorkers moved from New York City to other parts of the state and country in 2005. Only half as many people moved to the city from elsewhere in the U.S. The city's population is maintained by immigration from abroad and the natural excess of births over deaths. Though households leaving the city are better-educated and more affluent than the average city household, the adverse impact of this migration on the city's labor force is mitigated by a large flow of young, college-educated migrants to the city.

The importance of immigrants from abroad to the city's vitality is well known, having been celebrated in drama and literature for over a century. It may come as a surprise to many, however, that the annual flow of people into the city from the rest of the state and country is at least as large as the flow from abroad. Less well documented, and far less celebrated, is the huge annual migration of city residents to other parts of the state, metropolitan area, and nation.

Each year, about 4 percent of the city's population "turns over," not including the natural population changes caused by births and deaths of city residents. Over the course of a decade, more than one-third of the city's population changes.

That changing population has a profound impact on the economic health of the city. The composition of migration streams in and out of the city affects New York City's tax revenues and the mix of services it must provide, and thereby affects the fiscal condition of city government and its ability to provide necessary services and physical infrastructure. Perhaps more importantly, the migration balance determines whether the city's labor force is becoming better educated or less so. Contemporary economic research identifies a city's level of "human capital" as a major determinant of its long-term economic growth.¹ If the city is losing more educated workers through migration than it is gaining, it is also losing a portion of its growth potential.

The Comptroller's Office analysis of resident migration flows in 2005, considered to be a fairly representative year, indicates that the city is losing a disturbingly high number of well-educated households. Over 40 percent of the adults who leave the city have at least a BA degree and one-fifth have a master's degree or higher. This loss of intellectual capital, however, is mitigated by two factors. First, well-educated, affluent² migrants are most likely to move to the

city's suburbs and thus remain in the metropolitan labor force. Second, newcomers to the city are, on average, even younger and better-educated than those leaving, thereby injecting high-powered talent into the local labor pool.

While our analysis identifies the characteristics of individuals moving into and out of the city and how that is altering our resident labor force, our examination only provides indirect clues as to the factors that cause such movement and how these factors can be altered in the city's favor. For example, moderate-income households (\$40,000 to \$60,000 annual income) move from the city at a disproportionate rate. When they move, they tend to settle in different regions of the country, indicating that these households are seeking higher real incomes through better job opportunities or lower living costs. Higher-income movers, on the other hand, tend to relocate to the city's suburbs, suggesting that housing choices, schools or tax differentials are more important to their decisions.

Additional research is needed to identify the causes of the migration patterns detailed in this report and to identify appropriate policy responses. Contrary to the tone of public discussion, New York City is not experiencing an influx of educated, affluent working age residents. In fact, the city is losing through internal migration far more educated working age residents than it is gaining. Neglect of the issues contributing to the imbalance could tip the city toward a damaging skills drain that would complicate the city's efforts to attain balanced budgets and undermine its long-term economic growth.

Basic Population Accounting

According to official estimates, the city's population was 8,213,839 on July 1, 2005. That figure is about 70,000 higher than the Census Bureau originally estimated, but the City's Planning Department (DCP) filed a protest based on a more thorough procedure for counting new residential units. The protest, and the higher figure, were accepted by the Census Bureau.³ Of course, these figures are only estimates and can give a misleading impression of how precisely population can be estimated. We will henceforth present them only as round numbers.

The 2005 estimate is 206,000 higher than the previous benchmark figure estimated as of April 1, 2000. Thus, it appears that the city's population has been growing by about 40,000 residents per year during this decade.

The steady growth of the city's population during the first half of the present decade masks a huge deficit in the internal migration flow, or the difference between the number of New Yorkers moving to other parts of New York State or to other states, and the number of people moving

¹ For a good example of this recent economic research, see Curtis J. Simon, "Human Capital and Metropolitan Employment Growth," *Journal of Urban Economics* 43, 1998.

² Income can sometimes be used as a proxy for skills since many skills rewarded in the labor market are not acquired through formal education.

³ For more information, see *Challenging the Current Estimates of New York City's Population for July, 2005*, New York City Department of City Planning, www.nyc.gov/html/dcp

to the city. That deficit totaled over 800,000 individuals from April 2000 to July 2005.

International migration only partially offsets this internal deficit. Net international migration into and out of the city was estimated to total between 500,000 and 600,000, leaving the city with a net migration deficit of roughly 200,000. The city's population was able to grow despite more people leaving than arriving because of the natural population increase, defined as the number of resident births over resident deaths. The natural increase averaged about 70,000 annually during the first half of the decade.

Who Leaves New York City

The characteristics and motives of migrants from New York City have been subjects of debate for decades. It has been variously asserted that poor families are being forced out of the city by high housing costs, that middle-class families are leaving because of deficient schools or other public services, and that affluent households are driven out by high tax burdens. There are undoubtedly numerous cases that support each of these assertions, but migration from the city has rarely been subject to a quantitative analysis suitable for public policy evaluation.

Fortunately, the 2005 American Community Survey provides a new opportunity to examine people's decisions to leave the city. The ACS is a nationwide, representative sample of households undertaken by the Census Bureau in order to provide an annual snapshot of the American population that was previously possible only in decennial census years. The 2005 survey was the first full-scale implementation of the Bureau's 3-million household survey.

The 2005 ACS survey asked, among many other questions, where each person in the respondent household lived "one year ago." This question enabled the Comptroller's Office to comb the national microdata files in order to identify all respondents who no longer lived in New York City but did a year earlier, and to weight them so as to represent the population of people who had left the city during a one-year period. The ACS data indicate that, during 2005, there were 292,000 people living outside the city who had lived within it one year previously. That figure conforms well to the Department of City Planning's internal migration flow estimates based on IRS and other administrative records.

Relative to those who stay in the city, those who leave appear to be younger, better educated, and slightly more affluent, as illustrated in Table 1. The average age of the heads of household who move is 40 years, compared to almost 50 years for households who stay. This is because few New Yorkers over the age of 64 leave the city—less than 8 percent of individuals that moved in 2005. About 40 percent of household heads who leave have at least a bachelor's degree, and nearly 20 percent have a master's

Table 1: Characteristics of People and Households Migrating from New York City in 2005

	Out-Migrants	Non-Movers (1)
Mean age of person	31.1	37.0
Mean age of adult > 17	38.1	45.6
Mean age of household head	40.1	49.8
Percent 65 or older	7.9	20.6
Mean income of worker	\$53,045	\$51,437
Mean household income	\$72,443	\$66,509
Mean family size	2.3	2.4
<i>Percent of households with:</i>		
No children	61.6	58.2
1 child	15.8	19.4
2 or more children	22.6	22.4
<i>Head has</i>		
BA or more	39.6	33.2
MA or more	19.4	13.9
<i>Married head</i>		
Married head	37.6	36.2
Never married head	36.1	30.0
<i>Owens home</i>		
Owens home	40.2	31.3
<i>Percent of people:</i>		
White	36.0	34.4
Black	23.8	24.1
Hispanic	29.0	27.9
Asian	10.8	11.3
With BA or more	40.2	31.3
Foreign born	28.6	36.4

(1) people who lived in NYC in both 2004 & 2005

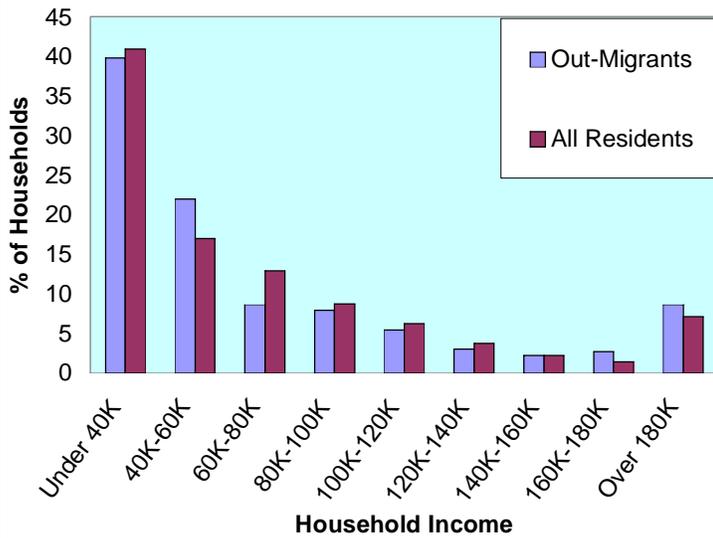
Source: NYC Comptroller's Office from ACS Microdata

or higher degree. Both proportions are slightly higher than in the population remaining in the city.

In other respects, those who leave the city closely resemble those who stay. There are no significant differences in the proportions who are married, who have children, or in the racial composition of those households leaving and those that stay.

The average income of households leaving the city, \$72,000, is slightly greater than those remaining, which is about \$66,500 annually. Households with incomes under \$40,000 do not show a disproportionate tendency to leave the city (Chart 1). Households earning between \$60,000 and \$140,000 are actually under-represented among those who leave. They comprise 31 percent of non-elderly households but only 25 percent of the non-elderly households who leave.

Chart 1: Income of Non-Elderly Households Leaving New York City, 2005



There appear to be two income groups that do, however, leave the city in more-than-proportional numbers. One is comprised of households earning between \$40,000 and \$60,000 annually. They account for 17 percent of non-elderly city households but 22 percent of non-elderly city households who leave. When those moderate-income households do leave the city, they tend to move out of the metropolitan area entirely, indicating they may be seeking better job opportunities as well as more affordable housing and, perhaps, better community amenities. Only 28 percent move within New York State, to New Jersey, or to Connecticut, while nearly 30 percent move to either Florida or North Carolina. Most often, these migrants are between 30 and 45 years old and are not married. About one-third of them are homeowners in their new locations.

The other income group with a disproportionate tendency to leave the city is households earning \$140,000 or more. They account for about 11 percent of non-elderly city households but 13 percent of households who leave. Nearly 60 percent of them stay within the tri-state region, while only 6 percent move to Florida or North Carolina. A large majority of them are married, but most do not have children present in the household. About 80 percent are homeowners, suggesting that housing and community amenities, rather than job opportunities, are the most common motive for relocation. Since the median household income of these affluent movers is \$225,000, high state and local personal income taxes may also play a role in their location decisions.

Characteristics Affecting Migration

By deleting the 2005 arrivals from the ACS files for New York City and then adding back those who left during the year, it was possible to recreate a sample of the city’s population for 2004. Using a regression technique known

as “probit,” it was then possible to estimate the likelihood of people and households with different characteristics leaving the city, while controlling for other relevant variables.

The analysis revealed some surprising patterns in New Yorkers’ propensity to relocate. Our analysis showed that non-Hispanic white, non-elderly heads of household are less likely to relocate from the city than black, Hispanic or Asian non-elderly heads of households. The differences are slight, but statistically significant nevertheless. For example, African-American heads of households are about 15 percent more likely to leave the city, controlling for income, education, marital status and the like, than are their non-Hispanic white counterparts. Household heads born in the other 49 states were found to be more likely to leave the city than those born in New York State, but household heads born abroad were somewhat less likely to leave.

The patterns of mobility by income group are surprisingly complex. Controlling for other relevant variables, moderate-income (\$40,000 to \$59,999 annual income) and high-income households (\$140,000 to \$249,999 annual income) were found to be most likely to leave the city, while middle-income (\$60,000 to \$139,999) and wealthy households (\$250,000 and above) were found least likely to leave. Low-income households (under \$40,000) have average exit rates.

Similarly complex patterns were found with respect to educational characteristics. Household heads with BA degrees appear to be significantly less likely to leave the city than those with less education, but as educational attainment rises beyond the undergraduate level, the propensity to leave increases. Household heads with professional or doctorate degrees, for example, were found to be almost twice as likely as holders of BA degrees to leave the city, controlling for other relevant variables.

In one important respect conventional wisdom was supported by our analysis. Households with children were more likely to leave the city than comparable childless households within each income group, with the exception of low-income households. Concerns about the quality of the city’s schools and/or its neighborhood environments, as well as the cost of family-sized dwelling units, may contribute to this pattern. The finding that low-income households are less likely to leave the city when they have children may reflect the obstacles to relocation faced by families with slim economic resources.

Where They Go

An analysis of where former New Yorkers relocate can provide some insight into their motives for relocating, and perhaps some clues to the city’s competitive advantages and disadvantages as well. From the ACS it is possible to

Table 2: Leading Destinations, Working-Age New York City Migrants, 2005

Destination	Number	Percent
Total	190,150	100.0
<i>State:</i>		
New York	41,500	21.8
New Jersey	29,100	15.3
Florida	28,400	14.9
Georgia	10,800	5.7
Connecticut	10,100	5.3
Pennsylvania	10,100	5.3
California	8,400	4.4
North Carolina	7,900	4.1
Massachusetts	5,500	2.9
Maryland	4,300	2.3
<i>Metro area:</i>		
New York-NJ-CT	69,200	36.4
Atlanta	8,600	4.5
Philadelphia	5,600	3.0
West Palm Beach	5,600	2.9
Tampa-St. Petersburg	5,000	2.6
Los Angeles-Long Beach	4,900	2.6
Fort Lauderdale-Hollywood	4,800	2.5
Boston	3,700	2.0
Washington	3,700	2.0
Orlando	3,700	2.0

Source: NYC Comptroller's Office from ACS Microdata

get a very detailed picture of where people go when they relocate from the city.

According to our analysis, nearly 200,000 working-age (25-64 years old⁴) New Yorkers left the city in 2005 for other parts of the state and country, but many didn't go far. About one-third of them stayed in the New York metropolitan area. Exiting New Yorkers with children are more likely (43 percent) than singles and couples without children (32 percent) to move close to the city. More than half of the working adults who move to other parts of the metropolitan region continue to work within the city.

Including those who move to the city's suburbs on Long Island or in the Hudson Valley, over 20 percent of the working-age adults who leave remain residents of New York State (Table 3). After New York, the next most common destinations are New Jersey and Florida.

⁴ The age boundary was set at 25 years old to exclude college students returning to their home states.

The flow of New York City residents to Florida is remarkable. In 2005, over 40,000 New York City residents of all ages migrated to that state, of whom nearly 90 percent were under the age of 65. About one-fifth were children; among adults the average age was 42. However, Florida attracts working-age New Yorkers whether they have children or not—15 percent of both groups leaving the city moved there. The leading destinations are West Palm Beach, Tampa-St. Petersburg, Ft. Lauderdale-Hollywood, and Orlando, and there appears to be little difference in the settlement patterns of those with or without children.

The ACS data show that relatively few New Yorkers migrate to cities or metropolitan areas that are typically considered the city's principal economic competitors. Only about 26,000 working-age New Yorkers migrated to the Boston, Philadelphia, Washington DC, Chicago, Los Angeles, San Francisco, San Diego, and Seattle metropolitan areas combined in 2005, fewer than those who relocated to Florida alone. Less than 4,000 working-age New Yorkers migrated directly to Texas, and less than 1,000 to Arizona. New York may be competing for workforce talent with those areas, but the competition does not seem to come in the form of direct migration of labor from one to the other.

The major exception to that rule is Atlanta. In 2005, approximately 8,500 working-age New Yorkers migrated to Atlanta, making it the leading metropolitan destination for city residents undertaking long-distance relocations. Almost half of those moving to Atlanta are less than 30 years old, one quarter have at least a BA degree, and almost three-quarters are non-Hispanic black.

Who Moves to New York City

While almost 300,000 people leave the city annually for other parts of the state or country, that loss is partially offset by arrivals from the rest of the country and from abroad. The ACS data suggest that domestic migrants to the city totaled about 127,000 in 2005, a figure which conforms to official migration flow estimates.

Domestic migrants to the city are most likely to come from other parts of New York State and from New Jersey. Those two areas accounted for about 40 percent of the city's adult domestic newcomers in 2005, with Nassau County being the single biggest source. California, Massachusetts and Florida are the other principal places of origin. Among metropolitan areas, Boston is the leading place of origin, followed by Chicago, Washington DC, Los Angeles and Cleveland.

The ACS data also show about 74,000 people moving to the city from abroad in 2005, a figure that is consistent with official immigration statistics. According to the Department of Homeland Security (DHS), 557,946

immigrants obtained legal permanent resident status in New York State from 2001 through 2005, of whom the Comptroller's Office estimates about 62 percent settled in New York City. That suggests an annual total of about 70,000, which roughly matches the ACS data. However, that level of immigration could not fully account for the city's continued population growth, suggesting that immigrants, and especially undocumented immigrants, are undercounted in the ACS and in other official data sources.⁵ The reader should be aware of this likely bias when considering the data presented below.

The ACS indicates that Mexico was the most common foreign-country source of immigrants into New York in 2005, accounting for 6 percent of all adult arrivals from abroad.⁶ For the reasons discussed above, that is likely an undercount. Other leading source countries include the Dominican Republic, the United Kingdom, Canada, Japan, Germany, China and Jamaica.

Domestic migration to New York City is overwhelmingly comprised of adults; of the estimated 127,000 people who moved to the city in 2005 from other parts of the U.S., about 87 percent were over the age of 18. Only 12 percent of the households moving to the city had children present, compared to almost 40 percent of the households that left. The elderly are also under-represented among domestic migrants to the city; only 4 percent were 65 years of age or older in 2005.

In fact, the domestic flow of migrants to the city is comprised primarily of young adults. In 2005, approximately 54,000 people aged 20 to 29 settled in New York City, representing over 40 percent of all domestic migrants moving here. Another 22 percent were 30 to 39 years old, giving those two demographic groups nearly a two-thirds share of the domestic migration flow. By comparison, people aged 20 to 39 accounted for less than half of the domestic migration out of the city during the same year.

Although the flow of domestic migrants to the city is disproportionately comprised of young people, the city's internal migration deficit is so large, even among that group it is a net domestic "exporter" of people. For example, in 2005 about 54,000 people aged 20 to 29 migrated to the city, but in the same year about 66,000 left the city for other parts of the country. However, when international

⁵ The ACS surveys housing units without regard to the occupants' legal status or citizenship. Initial mail surveys are followed up by telephone surveys and in-person interviews with non-responding households. Nevertheless, it is reasonable to assume that undocumented aliens are under-represented in the final counts.

⁶ Puerto Rico also accounted for 6 percent of the migrants from outside the continental United States.

Table 3: Characteristics of Domestic Migrants to New York City, 2005

		All NYC Residents
Mean age of person	30.9	36.3
Mean age of adults > 17	34.0	45.3
Mean age of household head	34.7	49.3
Percent 65 or older	4.3	11.0
Mean income of worker	\$51,366	\$51,374
Mean HH income	\$79,454	\$73,474
Mean family size	2.1	3.2
<i>Percent of households with:</i>		
No children	88.3	59.0
1 child	7.5	19.1
2 or more children	4.2	21.9
Head has BA or more	67.3	34.0
Head has MA or more	26.7	14.3
Married head	24.4	40.1
Never married head	60.0	30.7
Owens home	10.8	33.2
<i>Percent of people:</i>		
White	49.5	34.5
Black	12.5	23.8
Hispanic	19.7	27.8
Asian	16.0	11.5
Adults with BA or more	64.9	32.1
Foreign born	28.6	36.4

Source: NYC Comptroller's Office from ACS Microdata

migration is factored in, the 20-to-29 age group is the only age cohort in which the city has a positive migration balance (Table 4).

Reflecting the age distribution of domestic migrants to the city, just 40 percent of the incoming adults are married or unmarried partners. The remaining are separated, divorced, widowed or never-married singles. In contrast, married and unmarried couples represent over 50 percent of the adults leaving the city for domestic destinations. International migrants to the city are more apt to be married than are domestic migrants, but are also far more likely to be living here without their spouse.

Domestic migrants to New York have significantly higher levels of educational attainment than do city residents in general. Nearly two-thirds of the working-age adults coming to the city have a BA degree or higher, compared to one-third of city residents overall. Nearly one-third of the newcomers have graduate or professional degrees.

In 2005, about 83,000 New Yorkers with a BA or higher degree left the city, while only 72,000 moved here from elsewhere in the country. However, because approximately 23,000 similarly educated people arrived from abroad, the city probably had a net inflow of college-educated residents.⁷ Furthermore, about one-fifth of all college-educated adults who relocate from the city continue to work in it, so that all movers are not necessarily lost assets to the local economy.⁸

What Migration Flows Tell Us

Migration flows are exceedingly complex and data shortcomings, including the undercount of foreign immigrants and the absence of data on international emigrants⁹, make the patterns even more obscure. Nevertheless, our analysis of migration flows into and out of the city leads to several observations that are relevant to understanding the city’s economic and fiscal trends.

The city’s huge deficit in domestic migration, frequently overlooked in coverage of its recent population growth, is a cause for concern. In 2005, nearly 300,000 people migrated from the city to other parts of the region or country, compared to only 127,000 who migrated into it. Such a large discrepancy should provoke more analysis regarding why so many New Yorkers leave and more discussion regarding how the city could enhance its appeal to families of all ethnicities and incomes.

Moderate-income households earning from \$40,000 to \$60,000 annually are the group with the most pronounced tendency to leave the city. Typically, they are young householders with a high school diploma and some college experience who relocate out of the metropolitan area entirely. Their high exit rates may reflect a regional economy that creates relatively better job opportunities for people at the high end and the low end of the educational spectrum. For those lacking college degrees, job opportunities in other regions of the country may be equal or better than those here while the cost of living is much

⁷ In addition to the usual imprecision associated with immigrant flows, the educational profile of emigrants is unknown. There may be significant numbers of foreign-born students returning to their home countries after long stays in the city.

⁸ Recent research by the New York Federal Reserve Bank showed that if downstate New York were considered a state, it would have ranked 6th among the states in its ability to retain educated workers. However, downstate fared poorly on the measure of its ability to attract educated workers from elsewhere, ranking in the bottom 10. (The unpublished data on downstate New York was calculated for “A Brain Drain or an Insufficient Brain Gain?” in the August 2007 issue of the Federal Reserve Bank of New York’s *Upstate New York At-A-Glance*. It was provided upon request to the Comptroller’s Office).

⁹ The Census Bureau estimates that approximately 1 percent of foreign-born residents, and .1 percent of native-born residents, emigrate abroad each year. For New York City, those rates imply about 25,000 emigrants per year.

lower. Further research is necessary to determine whether their high migration rates represent a natural and efficient reallocation of labor supply or stem from shortcomings in the quality of life available to them in the city.

When other relevant factors are controlled for, the exit rates of households with children are higher than for those without. This pattern is consistent with the common perception that the school system and housing options are causes of parental dissatisfaction with city life. Even if suburban living is inherently more attractive to families with children, we need to question whether our schools and neighborhoods are providing satisfactory environments in which children can be raised.

Table 4: New York City’s Migration Balance by Age, Education and Income, 2005

	Out-Migrants (1)	In-Migrants (2)	Gain/Loss
<i>By age:</i>			
All persons under 20	75,200	37,000	-38,200
20–29	65,600	72,600	7,000
30–39	72,300	47,300	-24,900
40–49	36,250	17,900	-18,400
50–59	20,400	13,500	-7,000
60–69	13,400	7,100	-6,300
70s+	9,650	5,900	-3,700
Total	292,800	201,300	-91,500
<i>By education:</i>			
Persons over age 24			
No HS diploma	28,850	17,200	-11,700
High school graduate	40,700	19,700	-21,000
Some college	29,600	12,300	-17,300
Associate degree	14,500	6,650	-7,900
Bachelors degree	40,500	38,100	-2,400
Masters degree	21,650	23,300	1,600
Professional degree	10,550	8,700	-1,850
Doctorate degree	3,700	4,600	900
Total	190,150	130,500	-59,650
<i>By income:</i>			
Households			
Under \$40,000	47,000	33,900	-13,100
\$40,000 to \$59,999	22,900	14,750	-8,100
\$60,000 to \$79,999	9,400	8,600	-800
\$80,000 to \$99,999	8,200	7,500	-600
\$100,000 to \$119,999	5,800	3,800	-2,000
\$120,000 to \$139,999	3,300	2,100	-1,200
\$140,000 to \$159,999	2,300	1,000	-1,300
\$160,000 to \$179,999	2,700	600	-2,100
\$180,000 and over	8,700	6,000	-2,700
Total	110,300	78,400	-32,000
(1) Excludes international emigrants			
(2) Includes domestic migrants and enumerated foreign immigrants			

Source: NYC Comptroller’s Office from ACS Microdata

The only age cohort in which the city has a positive migration flow is for 20 to 29 years old. These young migrants to the city have more formal education, on average, than their counterparts who leave, representing a crucial injection of skills into the local economy. Yet, there is little policy discussion of the problems they face when they get here, or of the factors that may discourage others from coming.

Despite the influx of educated young people, the city is not gaining high-income households through migration. In fact, more affluent households are leaving the city than are moving into it. Rising housing prices are sometimes attributed to an influx of high-income households, and while that may be a contributing factor in some neighborhoods, it is not occurring in the city as a whole. Our analysis points to other, possibly more fundamental, causes of the city's overall housing inflation.

Relatively little migration occurs directly between the city and the other largest cities and metropolitan areas. The city had only a slight migration deficit with southwestern growth cities like Houston, Dallas, Austin and Phoenix, and, in fact, it appears that our metropolitan area had migration surpluses with those emerging competitors in 2005. Nevertheless, both the city and the region had large migration deficits with Atlanta and Charlotte, among others, and further research is required to determine whether there is a draining of intellectual capital from New York to certain other metropolitan areas and, if so, why it is happening.

Overall, our migration analysis reveals a city in which a great deal of population change occurs. More people move from New York City than move to it, and its population growth is maintained by a substantial excess of births over deaths. Offsetting the adverse impact of the migration deficit on New York City's labor pool is an influx of young, highly-educated migrants, primarily from other parts of the region and country. While inattention to the city's delicate migration balance could lead to an economically damaging loss of highly educated workers, conscious consideration of migration may identify opportunities to tip the balance more decisively in the city's favor. ■

ECONOMIC NOTES

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